

# **China's Role in East Asian Region: A Case of the Post-Cold War**



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**China's Role in East Asian Region:  
A Case of the Post-Cold War**



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This dissertation is submitted in partial fulfillment for Award of the Degree of Ph.D at Department of Politics and International Relations at International Islamic University, Islamabad

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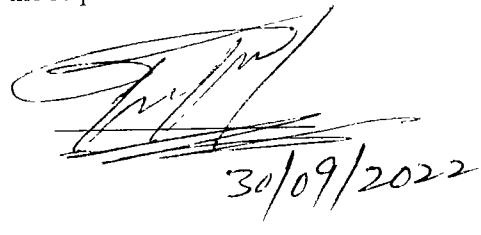


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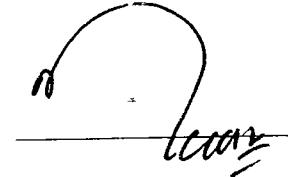
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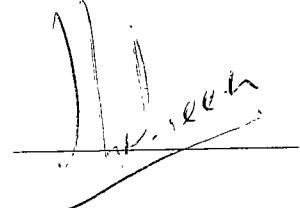
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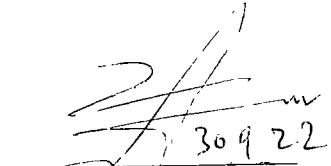
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## **DECLARATION**

I, Ali Jibran, hereby declare that the research presented here is my own original work, except where otherwise I have acknowledged in text, and is not plagiarized. Moreover, this dissertation has not been presented previously to any other institution and will not be presented for a degree.

This work has been carried out and completed at International Islamic University Islamabad.

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## **DEDICATION**

I dedicate my dissertation to my mother, Fouzia Shaheen, my father, Ghulam Abbas, my sister and brother who have been constantly great source of strength for me through their prayers and best wishes.

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Ali Jibran

## ABSTRACT

China was considered a revisionist and an ideological state in East Asia which had active animosity towards its neighbors and little economic engagement in its region during Mao Zedong's era (1949-1976). China was charged with actively supporting the revolutionary groups in many East Asian countries to create socialist governments during Mao's era. But a momentous shift has been witnessed in China's relation with its neighbors in East Asia in the post-Maoist phase as China's role in its region has changed from a revisionist to a

constructive state, especially in the post-Cold War era. Currently, China is economically well entrenched in the East Asian region as China is the largest trading partner of many countries of its region, fourth largest investor and fifth largest economic donor in its region. The main objective of this research is to investigate the reasons behind the behavioral change of China towards its neighbors in the post-Maoist phase, especially in the post-Cold War era.

By using the theoretical framework of Uneven and Combined Development, this thesis suggests that during the 'Chinese century of ignominy' (1839-1949), China had to face the worst humiliation in its history because China was not ready to modernize its forces of production, contrary to Japan which successfully averted China like fate through Meiji Restoration in 1868. Under the 'whip of external necessity' (increasing pressure from the advanced capitalist world), Mao devised a highly isolationist and ideological model for the continuation of socialist government at home. Though China witnessed development during Mao's era; however, China's economic success seemed dwarfed if the economic performance of Japan and East Asian Tigers (Hong Kong, Singapore, South Korea, and Taiwan) is kept in the analysis. Deng Xiaoping, the successor of Mao and paramount leader of China Communist

Party, was wise enough to understand the secret behind the economic success of the Asian Tigers which was to adopt a liberal economic model by opening their economies to foreign investment. Therefore, in the first phase from 1979-1991, Deng decided to open the southern regions of China for foreign investment under his ‘Open Door Policy’. After the spectacular success of the first phase of the economic reforms, Deng decided to extend these economic reforms throughout China which proved an unprecedented economic success for China.

This study suggests that the successful operation of China’s export-oriented approach was dependent on having constructive relations with the countries of East Asia, active participation in multilateral institutions, rational use of soft power and pose no security threats to its neighbors. To analyze the Chinese approach in East Asia in the post-Cold War era, this thesis studies China’s economic, regional, security and soft power role in East Asia.

This study explains China’s economic role in East Asia by analyzing China’s trade, investment and economic aid in the post-Cold War. To study China’s regional engagement in the multilateral institution in East Asia, China’s role has been investigated in ASEAN, ASEAN Plus Three, APEC and Six-Party Talk. China’s security role has been explained through analyzing ‘China’s threat thesis, China’s maritime conflicts with its neighbors in the

East and the South China Sea, the transformation of China’s foreign policy from the ‘Low Profile’ to the ‘Strive for Achievement’ approach. To explain China’s soft power, China’s appeal of culture, political system and vibrant media have been studied in detail.

## **LIST OF ABBREVIATIONS/ACRONYMS**

ABC	Agriculture Bank of China
ACSC	Academic Committee of the State Council
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
APEC	Asia Pacific Economic Cooperation
APT	ASEAN Plus Three
ARF	ASEAN Regional Forum
ASEAN	Association for South East Asian Nations
BCIM	Bangladesh, China, India, Myanmar
BECA	Basic Exchange and Cooperation Agreement
BRI	Brazil, Russia, China, India, South Africa
CAREC	Central Asia Regional Economic Corridor
CARs	Central Asian Republics
CAS	Chinese Academy of Sciences
CCB	China Construction Bank
CCP	Chinese Communist Party
ECNEC	Executive Committee of National Economic Council

CEDZ	China Economic Development Zones
EU	European Union
FDI	Foreign Direct Investment
GDA	Gwadar Development Authority
GDP	Gross Domestic Product
GSOMIA	General Security of Military Information Agreement
ICJ	International Court of Justice
IFIs	International Financial Institutions
IMF	International Monetary Fund
IR	International Relations
LPP	Low Profile Policy
NATO	North Atlantic Treaty Organization
NSG	Nuclear Supplier Group
OBOR	One Belt One Road
PPP	Purchasing Power Parity
PRC	People Republic of China
REEs	Rare Earth Elements
SAARC	South Asian Association for Regional Cooperation

SCO	Shanghai Cooperation Organization
SECs	Southeast Asian Countries
SEZ	Special Economic Zones
STF	Science and Technology Forum
UCD	Uneven and Combined Development
UN	United Nations
UNSC	United Nations Security Council
US	United States
USSR	Union of Soviet Socialist Republics
WB	World Bank
WOT	War On Terror
WTO	World Trade Organization

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# CHAPTER ONE

## INTRODUCTION

China was considered a revisionist and ideologically driven state during Mao Zedong's era and was charged with endeavoring to create socialist regimes in many East Asian countries because China considered itself as a bastion of socialism and to help the revolutionary groups in its region was China's foremost ideological responsibility. Furthermore, there was little economic engagement between China and other East Asian countries and China was highly critical of all the multilateral institutions in its region which were supported by the United States and the capitalist West. However, a significant shift has been witnessed in China's relations with its neighbors since Mao's death and especially after the end of the Cold War. China is currently the largest trading partner of Japan, South Korea, North Korea, Taiwan, Indonesia, Myanmar, Singapore, Laos, and Macao; second-largest trading partner of Malaysia; third largest partner of the Philippines, Thailand and the Philippines; fourth largest investor and fifth-largest economic donor in East Asia. Similarly, China is now a constructive member of ASEAN Plus Three, APEC, ASEAN Regional Forum and the Six-Party Talks. The main objective of this research is to investigate the reasons behind China's historic transformation from a revisionist to a constructive country in East Asia in the post-Maoist phase, especially in the post-Cold War era by analyzing China's economic, multilateral, security, and soft power engagement with East Asia. The main finding of this research is that China's massive foreign policy change towards its neighbors is inextricably related to the transformed economic approach in the post-Maoist phase in which China rejected Maoism on a wholesale level and accepted neoliberalism zealously, especially in the post-Cold War era. This rational post-Maoist Chinese approach is contingent upon constructive relations with the countries in East Asia and vigorous participation in the multilateral institutions. Therefore, it can be said that because of mutual economic dependence,

China will not pose security threats to its region and will prefer to use its immense soft power in its dealing with the countries of East Asia in near future.

The theory of Uneven and Combined Development (UCD) has been used as the theoretical background of the study to explain China's shift from a revisionist socialist state to a constructive liberal economy in East Asia. The UCD was initially presented by Leon Trotsky in a series of books which is known as 'The History of Russian the Revolution' to explain the prospects of a Marxist revolution in Russia towards the start of the twentieth century when Russia was rapidly industrializing. When Western European industrialization was mainly led by the independent bourgeoisie, Russian industrialization was led by the elite closed to the Czar and there were no signs of the emergence of the independent bourgeoisie in Russia towards the start of the twentieth century. Therefore, the Russian revolutionary leaders, based on Karl Marx's writings, were of the view that in the absence of an independent bourgeoisie, there was no possibility of a revolution in Russia. Vladimir Lenin (1870-1924), the chief architect of the October Revolution of 1917, noted in April 1917, merely six months before the Russian Revolution, that there were no prospects of a socialist revolution in Russia till the emergence of the domestic bourgeoisie (Davidson, 2015).

But, Trotsky (1997) opined through his theory of UCD that such a revolution was possible even without the existence of an independent bourgeoisie in Russia. Trotsky suggested that human development had never been 'uni-linear' but it was dialectic and the late developers had the 'privilege' to jump over the phases of lengthy development which were once pertinent in the development process of the early developers. Furthermore, the 'societal multiplicity', which has been a historic fact throughout human history, creates a 'whip of external necessity' (international pressure) on the less developed societies to catch up with the developed societies

or ready to be subjugated by the advanced societies. Therefore, Trotsky argued that the Russian proletariat was much more advanced, aware and organized than their Western peers and quite capable of uprooting the Czar regime.

The theory of Uneven and Combined Development (UCD) has become a potential international relations theory mainly because of the efforts of Sussex university professor Justin Rosenberg and many other IR scholars like Alexander Anievas, Kamran Martin, Jamie Allison and many others. Furthermore, the UCD theory has been highly appreciated by distinguished IR scholars who are not recognized with this theory like Barry Buzan, George Lawson, Benno Testche and many others. A lot of academic literature has been published regarding UCD since the last decade. Justin Rosenberg (2015) is of the view that the UCD can be claimed as the first pure theory of the 'international' because no other IR theory has the potential to study sociological transformation under the duress of the 'whip' and the impact of this societal transformation on the international affairs. The great genius in the field of international relations, Kenneth Waltz in his famous work 'Theory of International Politics' (1979), deplored the fact that all the theories of IR like classical realism, liberalism, Marxism, constructivism, etc were not pure IR theories as these were extended versions of domestic social sciences theories. Therefore, according to Waltz, pure IR theory was missing, and to solve the problem, he presented his theory of neo-realism which suggested that domestic politics was of little help to understand international politics. Thus, when the previous IR theories ignored 'international' in their theories, Waltz ignored the domestic realm of politics in his international theory. As a result, there is a clear line of demarcation between theories of national and international politics because of which international relations has been unable to export any big theme in any other social science field (Rosenberg, 2017).

Though neo-classical realism takes domestic politics in its analysis of global politics, yet neo-classical realism fails to analyze the international sociological change which influences change in a state. Therefore, it is fair enough to suggest that all IR theories, including neo-classical realism, fail to explore the historic importance of the ‘international’, thus making international relations less relevant for other fields of social sciences. On the other hand, IR takes a lot from other fields. This dependence of IR on other social sciences is called as ‘prison’ by Justin Rosenberg (2016) and according to him, the only way out from this ‘prison’ is Uneven and Combined Development (UCD) because UCD provides a framework in which national and international domains of politics are taken as complementary and mutually inclusive. Thus UCD can be thought of as the first sociological theory of the ‘international’ which studies national and international aspects of politics in its framework (Rosenberg, 2016).

By applying UCD at China’s transformation in East Asia, it is argued in chapter three that until 1949, China was unwilling to alter its productive system, unlike Japan which was quick in responding to the ‘whip of external necessity’ by following the Western industrial production system after its Meiji Restoration of 1868. China had to face a very heavy price for ignoring this ‘whip’ as it had to undergo a ‘century of humiliation’ (1839-1949) in which China had to face international legal subordination, repeated military defeats, territorial disintegration, civil war and invasion by the Western states and Japan (Buzan & Lawson, 2015). When the China Communist Party (CCP) took reins of powers in its hand, it responded to the ‘whip of external necessity’ by reuniting the country, expelling the foreigners and introducing an isolationist, ideological and inward-looking model to secure China’s independence.

Trotsky (1997) said that there is no carbon copy of development and every state has to modernize itself in its special context. China, although influenced by the Soviet developmental

system, had to adopt a unique developmental model after 1949. Mao followed cautious industrialization by collectivizing the countryside and abolishing private landlordism to extract rural surplus to invest in emerging industries in the towns and to deliver public services like healthcare and education to the rural population. The Bolsheviks enjoyed massive support in major cities in Russia, therefore the Soviet development model was centered around unchecked urbanization and industrialization through allowing labor migration from rural areas to the urban areas. However, the CCP support was mainly found in the countryside and till 1949, there was little industrialization in China; therefore the CCP was not in a position to apply the Stalinist drive of violent urbanization and ruthless industrialization. Therefore, Mao introduced stringent migration laws to tie peasants to their lands to avoid the problems in the urban centers (Wadler, 2015).

When the CCP under Mao performed better than many other governments in developing countries, it was no match for the advanced industrial Western countries, Japan and the Newly Industrialized Countries (NICs) in East Asia. Even a key strategist within the CCP had to accede that after Mao's death, China was lagging at least fifty years than other developed capitalist states in fields of science and technology and some new economic model was pertinent to catch up with the advanced states (Kerr, 2007). The size of Japan's economy, which was only one-tenth of China's population, was at least four times larger than China's. Therefore, to respond to the 'whip of external necessity' of western states, Japan, and NICs, the post-Maoist CCP reaction was a complete rejection of the Maoist ideological economic model (Cumings, 1989). By emulating the export-oriented economic models of the Asian Tigers, Deng Xiaoping decided to open southern regions for foreign investment. When this experience proved an unprecedented

success, this model was expanded to other regions within China after the end of the Cold War in 1991.

The majority of investment in China was poured from its region which not only welcomed a transformed approach in the post-Mao phase but also looked at China as an attractive venture to maximize their profits because of cheap Chinese labor. The desire to attract more and more investment from its region pushed China to forsake support of revolutionary groups which had been receiving generous Chinese financial help since Mao's period (Vogel, 2011). This close economic partnership with its neighbors unleashed unprecedented economic benefits for China and its role started becoming constructive and less hostile towards its neighbors.

Trotsky argued that the late developers enjoy the 'privilege of historic backwardness' because they could have easy access to all the proven successful developmental strategies and did not have to go through the 'hit and trial' methods which were once necessary during the industrial take-off of the early developers (Rosenberg, 2017). China after 1979 depended heavily on the expertise of advanced industrial states and international bodies like the World Bank. The intensive business relations were deemed necessary with advanced neighbors like Japan, along with direct business links with Chinese business communities in Singapore, Taiwan and Hong Kong were encouraged to learn their trade and managerial skills (Zhang, 2000). The West, international financial institutions and the East Asian Tiger economies welcomed China's transformation and mammoth investment started to pour into China from these countries. Because of its 'privilege of historic backwardness', China has been witnessing unprecedented economic growth due to its transformation from a centrally planned to a free-market economy since the last 40 years. Currently, China is the world's second-largest economy, world's largest

manufacturer and exporter, second-largest importer, world's largest consumer market and the largest trading partner of many countries.

China's success of market-oriented reforms, its impact on East Asian economic structure, and China's economic relations with East Asian states have been discussed in chapter four. Karl Marx predicted in 1852 that capitalism in big developing countries would be an 'earthquake' to be witnessed. Leon Trotsky, explaining this 'big country effect', suggested that when a major country would be transformed through industrialization, this country would be bound to transform the whole global system through its transformation (Rosenberg, 2017). By applying Kaplinsky and Morrison (2007) concept of 'big country effect' on China, it is argued in this study that China's neoliberal transformation not only changed China but the economic system of the whole East Asian region has been transformed. This Chinese economic liberal transformation has changed East Asian regional economic structure from a 'flying geese' model with Japan as the leader to a 'Factory Asia' model in which China is the final assembly hub for complicated production processes in East Asia.

Three pillars of Chinese economic approach in East Asia have been identified: trade, investment and economic aid. China is the largest trade partner with North-East Asia and the majority of ASEAN countries. China led supply network in East Asia has become so complicated that the assembling of final products requires operations in many countries. China has gradually replaced Japan as the largest trading partner of North East and Southeast Asia. The weak economies of Southeast Asia have benefited heavily because of high commodity prices and strong demand from China which has been playing a key role in the economic development of East Asian countries (Ah, 2017). Biswas (2018) notes that especially since the last decade, China-ASEAN trade has witnessed new heights as trade between China and ASEAN had

increased from \$192 billion in 2008 to \$515 billion in 2018. China is ASEAN's top trade partner accounting 15% of trade while the European Union made 10%, Japan 10.5%, and the US made 9.3% of trade with ASEAN countries (Biswas, 2018). There are mainly three reasons behind this increased China-ASEAN trade; at first, China's unprecedented economic growth is the main reason behind increased China-ASEAN trade. China's share of global GDP increased from 4 percent in 2000 to around 15 percent in 2017 and it is predicted that it will increase further to 21 percent in 2028. China's per capita GDP increased from \$2650 in 2007 to \$8670 in 2017, making China one of the rapidly growing middle-income countries. This increased wealth in China is inducing strong consumerism in China which requires strong trade relations with East Asia. The second factor is the establishment of the China-ASEAN Free Trade Area which has eliminated significantly tariff barriers on trade and goods between ASEAN and China since 2010. The third factor is growing consumer markets in ASEAN and China which encourage extensive imports and export between China and ASEAN (Jacques, 2012).

China is currently fourth largest investor in East Asia after the EU, the US and Japan; however, due to China's growing economic power, its investment is significantly increasing. The massive and ambitious One Belt One Road is an evident example of this in which China is investing billions of dollars in its region as well as in other regions for connecting China with other areas of the world. Furthermore, due to the trade war with the USA, many Chinese companies are also shifting their business to Vietnam, Indonesia, Myanmar and Singapore, Malaysia; culminating in a massive increase of Chinese investment in these countries (Copper, 2016). Moreover, a huge chunk of Chinese investment comes from the projects of offshore commercial companies located in Singapore and other countries; therefore, the actual share of Chinese investment is much larger than it looks apparently. Therefore, the scope of Chinese

investment is much larger than the EU, Japan or the US because the EU and US investments are concentrated in the finance sector; Korean and Japanese investments are targeted towards manufacturing, the Chinese FDI covers transportation, retail and wholesale, finance and real sector (Kastner, 2018).

China's aid in East Asia can be mainly divided into two groups. The first recipient group of China's foreign aid is a poor group of countries in East Asia: Myanmar, Cambodia and Laos. The second group is of richer countries of East Asia: Vietnam, the Philippines, Thailand and Indonesia. It has been found that when China's influence as a donor is exceptional in the first group; however, its influence is relatively limited in the second group because of their security alliance with the US and close economic relations with Japan. However, the current East Asian economic environment suggests that China is gradually replacing Japan and the US in East Asia; therefore, prospects are high that the East Asian countries where China's appeal is limited, will come under China's economic sphere of influence in the recent future. The special fact about China's economic aid in its region is that China does not attach stringent conditions like other donor countries and agencies (like market opening, democratic reform, and environmental protections) (Lum., Morrison & Vaughn, 2008). China's policy of non-interference in internal matters and respect of the sovereignty of aid recipient countries is revered by governments as well as the public in poor countries of East Asia (Davidson, 2015).

Chapter five discusses China's regional role in East Asia, especially in the post-Cold War era. The main argument discussed in chapter five is that during the first phase (1979-1989), China was hesitant towards endorsing multilateralism in East Asia because its economic reforms were still in incipient phase and due to existence of ideological world order (socialism versus capitalism). However, after the end of the Cold War, China enthusiastically endorsed

multilateralism in East Asia because regionalism was deemed necessary by the CCP leadership for the successful continuation of the Chinese export-oriented economy. The image of China in East Asia changed from a potential rival to a friend and partner which was ready to help the countries of its region in the time of crisis. China's regional approach is to participate actively, offer reassurance, demonstrate restraint, foster interdependence, open markets, harmonize interests and reduce conflicts (Zhang & Tang, 2005). The multilateral institutions in which China's role has been discussed in chapter four are: ASEAN, ASEAN Plus Three, ASEAN Regional Forum, APEC and Six-Party Talks.

China's view about ASEAN during Mao's era was very hostile because ASEAN was basically formed to contain Maoism in East Asia. However, significant behavioral change of China towards regionalism was noticed during the post-Maoist phase because of two reasons. At first, the main reason was ASEAN's silence on the Tiananmen Square Massacre in 1989 in Beijing in which thousands of protestors lost their lives. This silence of East Asian states provided much-needed relief to China which had been under intense pressure from the West and the US. Secondly, the US was least interested in funding the security alliance in East Asia which was mainly designed to contain Maoism and the ideological appeal of the Soviet Union in the region. After the end of the Cold War, the Soviet Union was disintegrated and China finally moved towards a market economy, therefore the US saw little logic in funding such security alliances in East Asia. This lack of US interest in East Asia led ASEAN members to devise some mechanism in the absence of the US help and to face the US and Western protectionism on the East Asian exports. It was deemed necessary to broaden the scope of ASEAN by creating further regional organizations within the auspices of ASEAN and to expand the membership of ASEAN by including the non-ASEAN members in the framework of the regional organization. China's

role was crucial in all the post-Cold War regionalism in East Asia. The pivotal change in China-ASEAN relations was witnessed during the Asian Financial Crisis in 1997 when China was under intense pressure to devalue its currency; however, China did not devalue its currency to salvage the beleaguered economies of ASEAN which was gravely hit by the crisis. This Chinese decision was highly lauded by ASEAN and China was now looked at as a friend and constructive partner by ASEAN (Jacques, 2012).

ASEAN Plus Three was formed in 1997 when the US and the international financial institutions failed to provide relief to the East Asian economies which were suffering from the Asian Financial Crisis. APT was an endeavor to expand the membership of ASEAN to economically engage the most important economies of China, Japan and South Korea. Another important reason behind the establishment of APT was to avoid any of three from becoming hegemon because APT can work as an important framework to set the guidelines for these powers. China welcomed the overall strategy of APT as APT provides China the opportunity to engage the important economies of South Korea and Japan along with ASEAN under the auspices of APT (Astaria, 2008).

ASEAN Regional Forum is also an important organization in East Asia which deals with security in the region. The main objective of ARF was to contain any hegemonic design of major powers in East Asia. Due to the enlargement of the organization, especially because of the membership of the US, China does not like to discuss maritime issues in the organization. China considers that its maritime boundary is based on the '9 dash line' and does not believe in the post WW2 demarcation of international boundaries through international law. However, China did not impede the discussion process in the organization despite of its displeasure (Garver & Wang, 2010). However, it has been suggested in the third part that since the second decade of the

twenty-first century, 'low profile policy' is less visible in the contemporary China policy as China has been found more assertive in its maritime claims.

APEC was formed in 1989 to deal with the regional economy in East Asia in face of the withdrawal of the US interest in the region. China's role has been overall constructive in the organization as China finds the organization helpful for the successful operation of its export-oriented economy. However, due to the enlargement of APEC, it is not effective because its members have different interests and, therefore, have different solutions to the problems with the regional economies, making the organization less effective in comparison with ASEAN. However, China positively coordinates with this regional organization despite of some reservations.

The Six-Party Talks is an organization in East Asia to deal with the situation that emerged because of the nuclearization of South Korea. China has been an active member of the organization and its role is important because of its close interaction with North Korea. However, scholars are of the view that contrary to general perception, China has little control on North Korea because of the self-sufficient and isolationist policy of North Korea, it does not heed to China's views. Furthermore, due to the difference of opinion regarding how to deal with the North Korean missile crisis, this organization helped little to contain North Korea to test its nuclear missiles. However, the real essence of the Six-Party Talks is that it provides its members an important opportunity to enter in dialogue about North Korea's nuclear ambitions rather than taking unilateral action against North Korea.

Chapter six analyzes overall China's security in the East Asian region in the post-Cold War era including the authenticity of China's threat thesis and China's territorial conflicts with its neighbors. The US administration and international relations circles have been assiduously

declaring rising China as a security threat for East Asia, especially for the countries which have maritime and sovereignty related conflicts with China: Vietnam, the Philippines, Indonesia, Malaysia, Brunei, Taiwan, Japan, and South Korea. China's recent assertive behavior in maritime issues since the adoption of 'Strive to achievement' policy of Xi Jinping has been depicted as evident examples of 'China's threat' theory which suggests that China will soon behave like a hegemon in East Asia and its behavior will be like other predatory great powers of recent history.

The main argument discussed in this chapter is that the 'China Threat' thesis does not base on sound grounds as China's export-oriented economy is inextricably related to peaceful environment in East Asia and any massive security tension between China and its neighbors will create serious hurdles in the functioning of Chinese economic approach. The main finding of this chapter is that the US mainstream view that China's neighbors are requesting the US to balance along with them against an assertive China is wrong. The fact is that it is the US that is assiduously suggesting to China's neighbors that China is a threat for them and that they are left with just one option \_ to balance against China with the help of the US. This chapter suggests that since the adoption of market reforms by China, the whole region has been reaping massive economic benefits. Therefore, East Asian countries want to have cordial relations with the US and China both and do not want to contain China with the US help. No country is sending 'costly signals' that it is under threat from China as currently defense spending to GDP ratio is almost half to what it was in 1990 towards the end of the Cold War in East Asia. There is only one country that is under existential threat from China \_ Taiwan \_ however, China's conflict is related to sovereignty not territorial expansion, and there are gradual improvements in China-Taiwan relations since the last few years. Therefore, it is fair enough to suggest that since following

economic reforms, especially after the end of the Cold War, China is posing no threat to East Asia and like China's regional policy, China's security policy is in harmony with overall China's constructive economic policy in East Asia. This chapter is divided in three sections; the first section explains China's 'threat thesis', the second section presents the analysis of China's territorial conflicts with its neighbors and the third sections will suggest that why 'China threat' is wrong and why China is no threat for any country of the region.

Chapter seven is an attempt to analyze China's soft power (China's political system, China's culture and peaceful foreign policy) in East Asia. Joseph S Nye, the renowned American scholar in international relations, coined the term 'soft power', which is the power of attraction of peaceful foreign policy, culture, and political system of a major power. Through soft power, the great powers attract small countries to behave in a way that suits great powers without the use of coercion. He suggests that in the contemporary world, the use of hard power has become obsolete and highly hazardous for the overall soft power of a country. Along with the economic rise of China, its soft power has increased substantially in East Asia. Since the last decade, there is a surge in soft power-related academic research in China. Such a massive focus on soft power in contemporary China suggests that the incumbent Chinese leadership wants to project itself as a peace-loving nation and want to dispel the 'assertive China' thesis.

'Good neighborhood policy' has been discussed as the first pillar of China's soft power in East Asia. Projecting itself as a constructive partner of the East Asia community is pertinent for China to dispel the American narrative of 'assertive China'. Asian Financial Crisis of 1997 was the key incident when China refused to devalue its currency during the crisis to support the beleaguered economies of East Asia. After that China has actively supported every multilateral

effort in East Asia. Even China has not refused to work within those institutions with which China has serious reservations like ASEAN regional forum.

The Western scholars are of the view that China's political system is not attractive for its neighbors because China's political system is not based on democracy, liberty and freedom of speech. However, it has been discussed that it will be a grave mistake to consider Western democracy as a universal system because China's stable and efficient system of political meritocracy has become attractive for its neighbors. Many countries in East Asia have been suffering from failed experiences with democratization. On the other hand, China's politico-economic system has been delivering unprecedented economic success. Therefore, China's system and especially its insistence on stability and economic development are highly attractive in East Asia.

China has been spending massive amounts of money on its projection of culture in East Asia through Confucius Institutes, offering scholarships and continuous projection of Chinese media at the international level. The promotion of Chinese culture will make its East Asian neighbors understand the peaceful nature of ancient Confucius culture which always took expansionism as a 'way of barbarians'. Through the projection of its culture, China is trying to suggest to its East Asian neighbors that the 'Middle Kingdom' will not jeopardize their economic and security interests and that China's rise is a win-win situation for every country in East Asia.

### **1.1 Rationale of the Study**

China's constructive behavioral change in East Asia in the post-Cold War has been the topic about which different explanations have been offered. Some of these explanations are focused only on economy and some on end of the ideological international order after the end of the Cold War. China is the second largest economy and is thought to become the first largest economy in

2025 according to the estimates of Goldsman Sachs in 2007. China's rise has been considered the most discussed topic in politics and international relations since the last decade. When East Asia has become one of the most important regions because of its highly integrated economies and due to China's colossal export oriented approach, there are serious security related tensions between China and its neighbors, some of which are close partners of the United States. History of global politics suggests that the first priority of the great powers of past\_ France, Germany, Japan\_ except the UK, was the region from which they belonged; and before claiming hegemony at global level, they sought dominance at regional level. Therefore, Chinese behavior in East Asia will define Chinese behavior at global level in near future. Furthermore, there is no study from international relations theoretical point of view which can analyze China's domestic and foreign policy in single analysis. Therefore, Uneven and Combined Development, which is used in this study as theoretical background, will provide new insights to the researchers on China and will add to knowledge on China's relations with East Asia from international relations theory. The UCD will give its insight by giving detailed description of Maoist isolationist economic model and post Maoist market reforms under the duress of international pressure exerted by the advanced western states and newly industrialized East Asian economies.

## **1.2 Statement of the Problem**

China transformed from a stringent socialist country to a flag bearer of free market economy in post Maoist era, especially after end of the Cold War. Furthermore, China's behavior changed from a revisionist power during Cold War era to a constructive state in the East Asian region in post-Cold War era. Realism and neo-realism suggest that behavior of states seldom change as they have to exist in condition of permanent international anarchy that is totally opposite of hierarchy at domestic level. So change of China's attitude in its region in context of international

relation theory is an important research area. Moreover, what are the economic, multilateral and security impacts of China's transformation towards market economy on East Asia region? Furthermore, how China is using its soft-power in East Asia?

### **1.3 Objectives of the Study**

- To analyze the transformation of China from a socialist power during Mao's era to a market economy in post Maoist era, especially in the post-Cold War.
- To explore impact of China's neoliberal transformation on East Asia.
- To understand China's economic relations with its East Asian neighbors.
- To comprehend China's role in multilateral institutions in East Asia.
- To examine China's security tensions with its neighbors, especially China's maritime conflicts with East Asian countries and to understand the way in which the US creates fissures between China and its neighbors on conflicting maritime claims.
- To assess China's soft power in East Asia and its impact on East Asian states.

### **1.4 Research Questions**

- What are the reasons of China's massive transformation from a socialist to market economy in the post Maoist phase, especially in post-Cold War era?
- How mainstream international relations theories fail to explain this China's transformation and why Uneven and Combined Development is in better shape to explain China's transformation from a socialist to market economy?
- What is nature of China's economic relations with East Asian countries and what is impact of China's export oriented economy on East Asia?

- How China is playing in different regional institutions in East Asia and what is nature of China's relationship with ASEAN, ASEAN Plus Three, APEC, ASEAN Regional Forum and Six Party Talks?
- What are China's maritime territorial conflicts in East and South China Sea with its neighbors and how the US manipulates serious tensions between China and its neighbors?
- How 'soft power' is important for contemporary China and how China Communist Party has been using soft power in its foreign policy in East Asia since the last decade? Furthermore, how China is expending its 'soft power' through the channels of peaceful foreign policy, China's culture and media power in East Asia?

### **1.5 Significance of the Study**

China has become one of the most important countries of the world since its economic rise. Martin Jacques (2012), the famous English scholar on China, suggests that East Asia has become the most important region for China and East Asia is number one priority in China's foreign policy. The American renowned neo-realist scholar, John Mearsheimer (2010), is of the view that East Asia is the region which will have to face the brunt of the 'aggressive China' in future if China's economic growth continues unabated. Therefore, China's contemporary approach in East Asia will determine China's future behavior at global level. Thus, to study China's relationship in East Asia will be highly important to gauge the course of international order in future. This study will add valuable knowledge to the already existent researches on China's relationship with East Asia. Moreover, international relations theory has been unable to explain China's liberal transformation from a socialist economic model and the impact of this transformation on China's relationship with East Asia from a wider international sociological framework. Therefore, this study will fill the gap by analyzing rise of Mao's rule in 1949 in

wider historical sociological view. Similarly, liberal transformation in post Maoist era in China will also be explained through wider historical framework.

This study uses Uneven and Combined Development (UCD) as the theoretical background which has been initially presented by Leon Trotsky. There has been growing interest of international relations fraternity in UCD since the last decade mainly through the efforts of Justin Rosenberg and his colleagues who work in international relations department at Sussex. Though UCD has been applied at China; however, there is theory has not been used at China's regional policy in East Asia in the post-Cold War. Therefore, when this research will add to the existent knowledge on China, it will provide valuable new insights to UCD by giving the theory a regional turn and by suggesting relevancy of UCD with contemporary China. The writer is of the view that UCD will help China researchers in understanding regional and local dynamics in East Asia, therefore, the writer is hopeful that more studies will appear from the UCD lens on China's regional approach in East Asia.

### **1.6 Limitations of the Study**

As this study aims to understand China's transformation from a socialist to free market economy along with and its impact on China's economic, multilateral and security related role in East Asia; which involves a lot of literature. Moreover, it's not possible for the researcher to physical visit East Asia region; therefore, major dependence will be qualitative resources.

### **1.7 Operational Definition of East Asia**

East Asia in this research will include the countries of China, South Korea, Japan, North Korea, Taiwan, Singapore, Malaysia, Indonesia, the Philippines, Thailand, Vietnam, Cambodia, Brunei, Laos and Myanmar.

## 1.8. Research Methodology

As this research intends to explore China's economic, institutional, security and cultural role in East Asia, therefore, the research method selected for this research is qualitative and exploratory research method. Charles Ragin (1992) is of the view that qualitative research mainly uses soft data in form of words, impressions and symbols in analyzing the subject under investigation, therefore, qualitative research relies more on informal wisdom. Qualitative research do not convert real life into variable or numbers. Qualitative research study themes, motifs, distinctions and ideas instead of variables. Qualitative researchers use a "case oriented approach" that place cases, not variables, at center stage. Christopher Lamont (2015) also defines qualitative research as a set of data collection and analysis techniques which mainly rely on non-numeric data.

This research will follow non-experimental design because Johnson and Reynolds (2008) suggest that non-experimental approaches are more practical when a researcher is investigating aggregates like countries because field and laboratory experiment are difficult to carry out in such studies. Theda Skocpol opines that non experimental research techniques are highly useful when a lot of a data is collected for one unit (Skocpol, 1979). Within non-experimental research method, this design will be exploratory research as such studies are most appropriate to answer "how" and "what" question. because of three reasons. At first, when the research is investigating what and how question, therefore, exploratory method is best. Secondly, exploratory research is useful when the researcher has little control over the events. Thirdly, exploratory study is useful when the phenomenon is related to contemporary world. China's behavior in East Asia is a historic as well as contemporary phenomenon; therefore, exploratory research is best option through which this research will fold on. A well-defined theory is placed at the center of exploratory research. Therefore, this study will use the theory of Uneven and Combined

Development of international relations because this theory has potential to explain China's role in East Asian region in post-Cold War era by explaining the international sociological environment in which the states are embedded.

### **1.8.1 Data Collection**

The data has been collected from primary as well as secondary sources; however, this research mainly relies on secondary sources because of nature of the research and limitation of access to the primary date, especially from Chinese state sources. For primary date, archival or China state documents are consulted like China's treaties, policy statements, official reports, media statements and legislations are conducted. However, this research relied primarily rely on secondary sources and the secondary sources used in this research are both academic and non-academic; however, main focus is on the academic sources and the data which could not be gathered through academic sources, was endeavored to be achieved through using non-academic sources. For academic sources, books and peered reviewed journals related to international relations are extensively used having focus on China. The books on the China's role in East Asia written by non-Chinese and Chinese scholars are have been consulted through the research. Some of the research journal consulted during the research are European Journal of International Relations, International Studies Quarterly, International Affairs, International Relations, The Chinese Journal of International Politics, the Chinese Political Sciences Review along with many others. Interviews of foreign and Pakistani scholars have also been included in this research. Data has been collected from libraries at Quaid E Azim University and the Islamic University Library; however, most of the data used in this study in collected through online.

Because of vastness of the topic (China's role in East Asia), all the data required to analyze the topic in detail cannot be done by totally relying on the academic research; therefore,

some non-academic sources, Chinese and non-Chinese, have also been consulted for this research. Some of the non-academic sources used in this research are China Daily, Shanghai Daily, South China Morning Post, Shanghai Star and Beijing Today and famous foreign sources are the data from the World Bank, BBC News, the New York Times, Daily Mail, The Guardian, Daily Telegraph, The Sun and The Independent.

## **1.9 Chapters Organization**

This study intends to explore reason of China's transformation from a socialist to market economic model, especially after the end of the Cold War and the impact of this Chinese transformation on China's economic, multilateral and security role and Chinese soft power in East Asia. The researcher is of the view that mainstream international relations theories fail to explain Chinese transformation and its role in East Asia in the post-Cold War, therefore a unique and newly emerging IR theory has been applied which is called as Uneven and Combined Development which was initially presented by Leon Trotsky in his book 'History of Russian Revolution'.

### **Chapter One**

The first chapter of the thesis will present overall introduction of the basic idea, research questions, literature review and other backgrounds of the study.

### **Chapter Two**

Chapter two presents the theoretical background of the study. The theory used in this research as theoretical background is the theory of Uneven and Combined Development (UCD). This chapter presents an overall view of the theory of UCD, its origin, its current application in international relations and its advantage over other theories of international relations. This

chapter also discusses how this theory helps to understand the rise of contemporary China in wider international sociological transformations.

### **Chapter Three**

Chapter three presents historical evolution of contemporary China by highlighting China's glorious past, China's century of insult (1839-1949), Mao's era and the post-Maoist era. It has been discussed that the 'Middle Kingdome' of China face a prolong 'whip' of the international because of failure to respond to the West rise during the eighteenth century. When the communist held the reins of powers in their hands, they endeavored to introduce an isolationist model by emulating the Soviet development model in their own context. However, when the Maoist model failed to respond to the increasing pressure of the developed East Asian economies, the post-Maoist model devised by Deng Xiaoping was a complete negation of Mao's model. The post-Maoist Chinese model till 1991 was gradual liberalization; however, after the success of the cautious liberalization, China moved towards ambitious economic liberalization and improved its relations with its relations significantly.

### **Chapter Four**

This chapter explains China's economic policy in East Asia. The core theme discussed in this chapter is that China's economic policy in East Asia in the post-Cold War is dependent on three key factors China's trade, investment and economic aid. Currently China is the largest trade partner with most of the countries of East Asia, fourth largest investor and fifth largest economic donor in East Asia.

### **Chapter Five**

Chapter five analyzes China's regional role in the East Asian multilateral forums of ASEAN, ASEAN Plus Three, APEC and the Six Party Talks. It has been argued that China's regional role

has massively changed in the post-Cold War era because to cooperate with the regional frameworks is important for China because the regional organizations set values and suggest to the East Asian countries that China is not interested in unilateral actions and respects the decisions made in the multilateral institutions.

## **Chapter Six**

This chapter offers explanations to China's security policy in East Asia. China's rise is one of the most discussed topics in international relations. This chapter presents the China threat thesis, China's maritime conflicts with its neighbors and the conflicting opinions about the maritime issues in the East China Sea and the South China Sea. This chapter also discusses that why China poses no security threats to its region and new China's policy of 'Striving for Achievement' is not an aggressive policy.

## **Chapter Seven**

Chapter seven presents China's use of soft power in East Asia by presenting China's use of culture, peaceful policy and Confucius institutes as China's deliberate endeavor to attract East Asian countries towards China. It has been argued in this chapter that China is most likely to use its massive reserves of soft-power and not interested in using coercion or hard-power in its policy towards its neighbors.

### **1.10 Literature Review**

China transformed from a revisionist power during the Cold War to a constructive member in the East Asian region in the post-Cold War era. There is a lot of research on different aspect of modern China, but there is no study which is focused on the international compulsion on China because of which China had to change its economic model. Moreover, the impact of China's economic transformation on East Asia regionalism through using international relations theories

has been mainly ignored. Furthermore, when there are a lot of theoretical studies from realist, liberal and other mainstream international relations schools, there is not even a single study from the Uneven and Combined Development view, which is becoming an important theory in international relations and inter-disciplinary studies. Therefore, this study intends to explain a unique view to explain China's entry into the liberal economic group and its impact on its region, especially in the post-Cold War era. Theoretically, most researches have been conducted from realists or liberal perspective about the change of China's behavior in East Asia. The realists think that in near future China will play the same role that has been played by aggressive Great Power in past, while the liberal think positively about the Chinese role in the region. But, the reality on the ground in East Asia suggests that when East Asia is economically and institutionally well connected, security tensions and conflicts related to contested territorial claims still run deep and create a formidable hurdle in genuine community building in East Asia. Therefore, when China's rise offers a great opportunity to East Asia to benefit from the export-led growth Chinese model, at the same time some states in East Asia have serious reservations about Chinese rising power. Therefore, a via media is required to study Chinese role in East Asia. Some of the important works on China's role in East Asia are discussed below.

### **China's Golden Past, Mao's Era and the post-Maoist Era**

For historic evolution of contemporary China, this study consults views of Mark Elvin (1973) in 'Patterns of China's Past', John Hobson (2004) in 'The Eastern Roots of Western Civilization', Edward Dryer (2007) in 'Zheng He: China and the Oceans in the early Ming Dynasty', Kenneth Pomeranz (2000) in 'The Great Divergence', Franz Schurmann (1969) in 'Ideology and Organization in Communist China', Paul F Kennedy (1989) in 'Rise and Fall of the Great Powers', Eric Hoswars (1989) in 'The Age of Empire', Dobarah Kaple (1994) in

‘Dream of a Red Factory: the Legacy of High Stalinism in China’, Roy Wong (2000) in ‘China Transformed: Historical Change and the Limits of European Experience’, Andrew Wadler (2015) in ‘China Under Mao: A Revolution Derailed’, Angus Madison (2007) in ‘Chinese Economic Performance in the Long Run’, Meghnad Desai (2003) in ‘India and China: An Essay in Comparative Political Economy’, David Bachman (1989) in ‘Localism, elitism, and immobilism: Elite formation and social change in post Mao China’, Huang (2013) in ‘China’s Soft Power in East Asia’, Felipe, Bayudan and Lanzefame (2016) note in ‘The Declining Share of Agricultural Employment in China: How Fast?’, M Westlake (1988) in an article ‘From the Ground Up’ Goldman Sachs papers (2007) compiled by Wilson and Stupnytska with title ‘The N-11: More Than An Acronym’.

Elvin (1973) presents a historical analysis of China and suggests that China was ahead of other societies in technological innovation. China under the Song Dynasty (960-1279) witnessed a wave of significant inventions because of generous government encouragement. The important inventions of mortars, gunpowder, woodblock printing, important advances in mathematics, astronomy, geography, and the spread of books occurred under the period of the Northern Song Dynasty. However, after the Song dynasty when China lost interest in scientific inventions, China was replaced by the West as the technological superpower. Hobson (2004) challenged the generally held view that the industrial revolution in the West was a purely ‘European’ phenomena as he argued that the rise of the West in the wake of 1492 was the result of interactions of the West with socially and technically much advanced states in East like China. The import of Chinese technologies played a key role in the economic uplift of Europe during the industrial revolution.

A comprehensive account of the maritime policy of Ming China has been presented by Dryer (2007). The writer has presented a detailed analysis of Zheng He's famous voyages with fleets larger than any other fleet in the world carrying more than thirty thousand sailors. However, contrary to the popular held view that the purpose of the voyages was 'peaceful', Dryer is of the view that the primary purpose of the voyages was to project China's power on different regions in the world to acknowledge the superiority of Ming China and Chinese Emperor. To answer the question that why the industrial revolution occurred in Northwestern Europe but not in China when Western Europe and China had almost similar consumption, factor markets, life expectancy and households' strategies, Pomeranz (2000) posits that Western Europe moved from the land extensive technologies to industries intensive technologies during the eighteenth century, while China stuck to its traditional land-intensive productive systems. While, Schurmann (1969) is of the view that through the channels of new industry and business, the Western enterprises played a pivotal role in Western Europe, however, such types of business enterprises were non-existent in China. Kennedy (1989) suggests that the main engines of industrial production in Western Europe were coal and iron through whose proficient use, the West excelled all the other regions in the world during the eighteenth century. Hobsbawm (1989) opined that the Western industrial revolution provided such an unprecedented edge to the European societies these societies subjugated almost all the non-Western societies by capturing the markets located in the periphery to feed the industrial base at home.

Kaple (1994) suggested that during the early phase of Mao's era, the CCP endeavored to follow the Soviet model to modernize China on a socialist-style. By following Soviet systems of research, education, management and organization of the state system. Wong (2000) is of the view that when the Maoist model had certain similarities with the Soviet socialist model, China's

model under Mao was had evident distinctions with the Soviet model like Mao decided not to follow the unchecked urbanization in the USSR to avoid the bewitched problems that were attached with the uncontrolled urbanization. Rather, Mao introduced stringent laws to avoid the worker migration from the rural to urban centers. Wadler (2015) says that the Maoist policies, in an early phase, actually improved the administration throughout China through the heavy hand of the government. The problems which had been unresolved since the last 150 years like corruption, rural banditry, powerful drug mafias and enforced sex work were totally eliminated by Mao which created a real difference in the lives of the ordinary Chinese and created legitimacy for Mao among the disenfranchised segments of society in the early phase of Mao.

Madison (2007) opines that despite of the serious economic mistakes committed by Mao, China under Mao experienced an impressive growth of 4.4 percent from 1950 to 1980. Desai (2003) in 'India and China: An Essay in Comparative Political Economy' is of the view that because of the close emphasis of Mao on education, equality and managing illiteracy, China's Human Index increased three and a half times from 1950 to 1980. Bachman (1989) suggests that the highly ambitious policies of Mao damaged China's economy seriously. He is of the view that Mao encouraged the regions to administer themselves because of which the center had little control on the provinces. Furthermore, Mao's policies obstructed the free functioning of the market which played havoc to the basic infrastructure of the market. This is the reason that China was far behind the economies of East Asia like Japan, Hong Kong, Singapore, Taiwan and South Korea which progressed through the medium of free hand to powerful forces of the market without much inferring in the economy.

Huang (2013) is of the view that at the time of death, it was sure that China needed another model if it wanted to develop. When Deng Xiaoping controlled all the reins of power in

his hand, the role model economies for him were the East Asian tiger economies which witnessed unprecedented economic growth after World War 2. The economic success of Japan and the Four Tiger\_ Taiwan, South Korea, Singapore and Hong Kong was realized because of the massive outpouring of investment from the West which was outsourcing labor-intensive production. Therefore, Deng identified the secret behind the success of Japan and the Tigers, therefore, decided to allow investment on China's neighbor pattern. This strategy proves a massive success for China. Felipe, Bayudan and Lanzefame (2016) note that since 1979 China has been transforming rapidly from an agricultural to an industrial economy and the share of agriculture in GDP has been shrinking rapidly. China's agriculture share was 34 percent employment in 2013; while it was recorded at 81 percent in 1970. Furthermore, this ratio is thought to reduce to 5 percent from 2041-2048. Westlake (1988) noted that when China decided to move away from Maoist policies, the USA and other western countries welcomed this transformation and helped China to enter the international bodies like IMF, GATT and World Bank on very favorable terms. On the other hand, the Chinese business community was also provided with massive opportunities for investment in the US especially Chinese exports in textile increased significantly.

### **Economic Impact of China's Economic Liberalism on East Asia: China's Trade, Investment and Economic Aid in East Asia**

China's trade policy with East Asia has been explained by Xu Mingqi (2003) in a research article 'East Asian Economic Integration: China's Perspective and Policy', Mona Haddad (2007) in 'Trade Integration in East Asia: The Role of China and Production Networks', David Shambaugh (2005) notes in his book 'China Engages Asia: Reshaping The Regional Order', Oh Yoon Ah (2017) in 'China's Economic Ties with Southeast Asia', Jeffery A Bader

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(2005) in 'China's Role in East Asia: Now and the Future', Rajiv Biswas in 'ASEAN China trade boosting growth' and.

When China moved towards a liberal economic model in the post-Maoist phase, its pace towards economic integration in East Asia was very cautious because of Maoist inheritance; however, after the end of the Cold War, China realized that unless it immersed itself in regionalism in East Asia, the dream of becoming an East Asian economic giant would be incomplete (Mingqi, 2003). Shambaugh (2005) suggest that economic rationality is the guiding principle in contemporary China because China enjoys extensive economic relations with the countries which are historically considered anti-China like Japan and South Korea. On the other hand, this also manifests that the economic relations with China are unavoidable for the most advanced East Asian countries. China is much economically more important for the less developed East Asian countries and it is almost impossible for these countries to disengage themselves from China (Ah, 2017). The success of ASEAN, the most important East Asian regional organization, depends on trade with China because the regional economic structure has been reconfigured having close connections with China. Biswas (2018) studied China-ASEAN economic partnership during the last decade and argues that China-ASEAN trade increased from \$192 billion in 2008 to \$515 billion in 2018.

China's investment policies in East Asia have been studied by J Kastner (2018) in 'Tea for Ten: Southeast Asia Thinks on how to engage with a Rising China', McCarten (2009) in an article 'A Helping Chinese Hand', Kroening (2020) in 'The Return of Great Power Rivalry: Democracy versus Autocracy from the Ancient World to the US and China', Krislert Samphantharak (2011) in 'The Rise of China and Foreign Direct Investment from Southeast Asia'

Because of this unprecedented economic rise, China has become a direct competitor of the US, EU and Japan in East Asia in investment. However, Kastner (2018) posits that China is much more significant for East Asian countries than the other discussed countries or region because the US and the EU investments in the EU are concentrated in finance sector, Korean and Japanese investments are targeted towards manufacturing, while the Chinese FDI covers holistic areas like transportation, retail and wholesale, finance and real sector. According to McCarten (2009), China focused infrastructure sectors especially in the poor countries in East Asia because improvements in the key areas like infrastructure, energy, communication and natural resources would really make the difference in the poor economies. The improvement in these countries will enhance China's soft power in its regions and these projects will prove highly important for China's future massive regional connectivity ambitious programs. Kroeing (2020) views the Belt and Road (BRI) initiative of China as a plan to control the world's routes and push the countries towards dependence on China. Furthermore, the writer suggests that China's investment through BRI will be 55 percent more than the US-led Marshal Plan in the wake of World War 2.

China's economic aid policy in East Asia has been explored by T G Lum; W M Morrison and B Vaughn (2008) in 'China's Soft Power in Southeast Asia', Joshua Kurlantzick (2006) in an article 'China's Charm: Implications of Chinese Soft Power', J F Cooper (2016) in a book 'China's Foreign Aid and Investment Diplomacy History and Practice in Asia', T G Lum; W M Morrison and B Vaughn (2008 opine that China's aid to the poor countries in East Asia is much different than other donor agencies because China does not attach stringent terms with its loan which provide much relief to poor countries. While other agencies attached harsh conditions with their economic aid like market openness, environmental protection and democratic reform. As a result, China's image in its region has been rapidly changing. Joshua Kurlantzick (2006)

suggests that China is the second-largest aid donor to Laos and provides grant and low-interest loans worth of \$178 million in technical assistance, developmental project and foreign investment, hydropower, technical assistance, and transportation). China offered another \$45 million in technical and economic aid to Laos. J F Cooper (2016) in a book ‘China’s Foreign Aid and Investment Diplomacy History and Practice in Asia’ argues that although China is not the top economic donor to the countries of East Asia. However, the constant rise of China will enable China to compete with Japan and the US in East Asia in the field of economic aid as already China has made important strides in trade and investment sectors in East Asia.

### **China’s Regional Approach in East Asia in the post -Cold War Era**

China’s multilateral approach has been explained by different scholars like Shinan Hao (2015) in ‘China’s Socialization in East Asian International Society an Assessment from the English School Perspective’, Amanda Lee (2015) in ‘Trade war will drive Chinese investment in ASEAN to US \$500 billion by 2035’, Y Feng (2015) in an article ‘China and ASEAN: The Evolution of Relationship Under a Discursive Institutionalist Perspective’, Narine (2012) in ‘Explaining ASEAN: Regionalism in Southeast Asia’, Narine (2012) in ‘Explaining ASEAN: Regionalism in Southeast Asia’, A.D Ba (2003) in ‘China and ASEAN: Re-navigating Relations for a 21<sup>st</sup>-century Asia’, Yul Kwon (2004) in ‘East Asian Regionalism Focusing on ASEAN Plus Three’, Claudia Austaria (2008) in ‘China’s role in the evolution of Southeast Asian Regional Organizations’, Chambers (2005) in ‘China and Southeast Asia: Creating a ‘Win–Win’ Neighborhood’, Pang (2001) in ‘ASEAN and East Asia: The Subtle East Asia Regionalism’, Rosemary Foot (1998) in ‘China in the ASEAN regional forum: organizational processes and domestic modes of thought’, Bentham (2018) in ‘China’s Role in the ASEAN Regional Forum: A Search For Peace? An Analysis of China’s Political Behaviour in the South China Sea Dispute

Through A Realist Lens', Severino (2009) in 'The ASEAN Regional Forum', Mattli (1999) in 'The Logic of Regional Integration: Europe and Beyond', Ho and Wong (2011) in 'APEC and the Rise of China: An Introduction'.

Feng (2015) in an article 'China and ASEAN: The Evolution of Relationship Under a Discursive Institutionalist Perspective' opines that China-ASEAN relationship improved from hostile to constructive relations. The writer is of the view that Chinese economic openness in the late 1970s played a phenomenal role in transforming ASEAN's attitude towards China as China was seen by ASEAN during Mao's era as a communist country that endeavored to create Chinese-sponsored groups in government in these countries. However, after Deng decided on Chinese openness, the overall view of ASEAN changed because pragmatism was visible from the Chinese new economic approach which was reflected in its foreign policy as well. Narine (2012) writes that ASEAN was established on three principles: reducing the power of local communist groups by encouraging close economic connectivity, limiting the influence of external powers and reducing intra-ASEAN rivalries among the member countries. However, ASEAN had to transform its view about China because of the economic might of China which proved unavoidable for almost all the countries of East Asia.

Ba (2003) also suggested that towards the initial years of the establishment of ASEAN, China did not endeavor to draw down apprehensions of its neighbors; rather it actively supported such groups that have centrifugal tendencies. Hao (2015), by applying the English School theory of international relations, argues that China is playing an important role in the establishment of international society at the regional level in East Asia by cooperating closely with multilateral frameworks. ASEAN is at the pivot of China's regional policy because it is the most significant regional organization in East Asia. Lee (2018) points out that according to estimates of a

renowned think tank called ASEAN Macroeconomic Research Office (AMRO), due to US trade war with China, China's investment in ASEAN is thought to be triple to US\$500 in 2035. Currently, China's investment is 150 billion dollars in ASEAN; however, it may increase up to the level of 230 percent by 2035. AMRO pointed out that when on a short-term basis, China's economy will be hurt by the disruption in production networks and supply chains due to the US sanction; however, in the long term, China will mark ASEAN as the number one investment place.

Kwon (2014) believes that APT has also become an important regional organization for China because it provides China a chance to collaborate with Japan and South Korea. Jacques (2012) believes that it is only after the Asian Financial Crisis that East Asia recognized the need to set a forum where ASEAN could cooperate with the most advanced economies of East Asia. Astaria (2008) is of the view that ASEAN Plus Three is very auspicious for East Asia as all the entities are unanimous that the mutual norms for functioning of this organization are mutual understanding, friendly relations, stability, peace and prosperity in East Asia. Chambers (2005) argues that ASEAN Plus Three has been extended to other fields as well like agriculture, environment, labor, health and information technology to reap the real benefits a regional organization where the most important East Asian players are present. However, the most crucial partnership in ASEAN Plus Three is between Japan and China according to Pang (2011). Furthermore, the writer suggests that in the start, Japan was suspicious towards this APT, however, soon Japan realized that it China would be the main beneficiary if Japan refused to play an active role in APT.

According to the views of Rosemary Foot (1998), the origin of the ASEAN Regional Forum (ARF) is inextricably related to transformation in regional politics in East Asia after the

end of the Cold War in which China was gradually rising and the withdrawal of the US in East Asia. Bentham (2018) suggests when the countries of East Asia welcomed China's liberal economic transformation and China's desire to immerse itself in regionalism, these countries were also threatened because of China's economic power. Therefore, ARF functioned as a platform where the presence of extra-regional forces could pressurize China to act in a way that was specified by the majority of the members. Severino (2009) argues that China's assertiveness and North Korea's nuclear program were the two key reasons behind the establishment of ARF. Mattli (1999) is of views the establishment of the Asia Pacific Economic Cooperation (APEC) as the special body to resolve the dispute regarding tariff barriers, especially against the Europeans General Agreement on Tariffs and Trade (GATT). Ho and Wong (2011) argue that APEC is of vital importance for China because China has become the most important international supply chain in regional and international production networks and China's export-oriented growth has become a catalyst for market-driven economic integration in East Asia.

Xu (2010) opines that China's Rise has resulted in massive China's development. However, despite of massive economic dependence on the economies of the East, countries like Indonesia and Malaysia are fearful about their dependence on the Chinese export-oriented economic model. Jacques (2012) writes that China is not a nation-state but it is a civilizational state and it will be a grave mistake to think of China as a nation-state, therefore, China's behavior will be very different to the other powers of the past. Furthermore, he explores Chinese history and suggests that China has never invaded any state even when it was a tributary state, so territorial expansion has never been Chinese policy. Therefore, even after recent China's rise, China will not become a regional or global hegemon and will never use coercion to achieve its national goals like the other Great Powers of the recent past. Dalpino (2005) in a report

submitted as Statement Before the Senate Committee on Foreign Relations Subcommittee on East Asian and Pacific Affairs with title 'Consequences of a Growing China' suggests China focuses only on those countries of its region which have fractious relations with the US like Laos, Cambodia and Myanmar (though relations of Myanmar with the US have become cordial after the government of Aung Sochi; however, China's influence on Myanmar is still very strong. Therefore, the majority of East Asian states were of the view that great danger emanated from Mao's ideological model, therefore it was pertinent for them to respond to the looming 'Mao's threat'. This is the reason that in 1967, no ASEAN country had normal relations with China.

### **China's Security Policy in East Asia in the post-Cold War Era**

China's security policy has been studied by Zhang Xiaoming (2006) in 'The Rise Of China and Community Building', Byung-Joon Ahn (2004) in 'The Rise of China and the Future of East Asian Integration', Dirk Nabers (2008) in 'China, Japan and the Quest for Leadership in East Asia', Fred Bergston (2007) in 'China and Economic Integration in East Asia', Wang Jisi (2004) in 'China's Changing Role in Asia', Paul De Grauwe and Haoyong Zhang (2016) in 'The Rise of China and Regional Integration', Feng Liu (2016) in 'Chinese Security Strategy towards East Asian', Feng Liu (2016) in 'Chinese Security Strategy towards East Asian', Paul Kenndey (1977) in a book 'Rise and Fall of the Great Power', Mearshiemer (2004) in an article 'Why China Cannot Rise Peacefully', Vasiliki Papathelogou, Rizwan Naseer and Musurat Amin (2014) in 'China's Engagement With South and Southeast Asia: A Comparative Perspective', Lok Sang Ho and John Wong (2011) in 'APEC and Rise of China: An Introduction', Claudia Austaria (2008) in 'China's Role in the Evolution of Southeast Asian Regional Organizations' , Carlyle A. Thayer (2011) in 'The Rise of China and Maritime Security in Southeast Asia', Jae

Ho Chung in ‘The Rise of China and East Asia: A New Regional Order on the Horizon?’ Liu Feng (2016) in ‘China’s Security Strategy towards East Asia’, Michael D Swaine (2010) in ‘Perceptions On Assertive China”, David C Kang (2005) in “ Why China’s Rise Will Be Peaceful: Hierarchy and Stability in the East Asian Region”, John J Mearsheimer (2006) in “China’s Un Peaceful Rise”, Li Mingjiang (2003) in ‘Cooperation for Competition: China’s Approach to Security in East Asia’, Sung Churl Jung and Kihyun Lee (2017) in ‘The Offensive Realists Are Not Wrong: China’s Growth and Aggression, 1976-2001’, Xuetong Yang (2014) in ‘From Keeping a Low Profile to Striving for Achievement’, Jihyun Kim (2015) in ‘Territorial Disputes in the South China Sea Implications for Security in Asia and Beyond’, Bjoern Jerden (2014) in ‘The Assertive China Narrative: Why Is It Wrong and How So Many Still Bought into It’, Yasuhiro Matsuda (2014) in ‘How to Understand China’s Assertiveness since 2009: Hypotheses and Policy Implications’, R Leng andf Z Wang (2004) in ‘A Chronology of Deng Xiaoping 1975-1997’, Nathan (2001) in ‘The Tiananmen Papers’, Yuzhu (2012) in ‘China-ASEAN Relationship: An Offer-Response Analysis’, D Crone (1993) in ‘Does Hegemony Matter? The Reorganization of the Pacific Political Economy’, Runland (2000) in ‘ASEAN and the Asian crisis: Theoretical implication and practical consequences for Southeast Asian Regionalism’, Pang (2001) in ‘ASEAN and East Asia: The Subtle East Asia Regionalism’, Robert Sutter suggested in his book titled ‘China’s Rise in Asia: Promise or Perils, Jae Ho Chung (2016) in ‘The Rise of China and East Asia: A New Regional Order on the Horizon?’?

Some scholars are of the view that China’s rising economic power is a grave security threat to East Asia. Kenndey (1987) suggests that economic development at home culminates in foreign expansionism. Mearsheimer (2001) too argues that the Great Powers have no other option than to follow revisionism at the global level once they reach at a specific level of

development. Mearshiemer (2004 & 2006) argues that international politics is an arena of intense struggle among sovereign states which are extremely careful about their structural position in the anarchical world. If China continues its massive economic growth, it is bound to end up behaving like a classical hegemon, ending in threatening its neighbors, therefore, China's neighbors like Japan, South Korea, Taiwan, India and Singapore are highly likely to balance China along with help of the US which has potential interests in the South China Sea. Thayer (2011) suggests that China has already become increasingly assertive in the South China Sea and its maritime clashes with its neighbors have become a routine matter. Due to this assertive behavior of China, its neighbors are enforced to look towards the US for providing them security against China. Sung Churl Jung and Kihyun Lee (2017) are also of the view that all the realist predictions about China's behavior in East Asia seem true if China's recent assertive behavior in the South China Sea is looked in detail. The writers presage serious military conflicts between China and its neighbors with whom China has maritime conflicts. Kim (2015) also posits that China's aggressive behavior in the South China Sea has become one of the most crucial flashpoints in the world which may culminate in a full-scale military conflict between China and the East Asian countries that enjoy close support of the US.

Bergston (2007) argues that due to the impressive economic growth of China and its increasing economic presence in East Asia, the US is pressurized to contain China's rising power in East Asia. Therefore, active US presence in East Asia will not let the dream of a peaceful East Asia region come true. Xiaoming (2006) also questions the concept of 'East Asia community' because he thinks that when China's entry in liberal economic order resulted in close economic interaction between China and its neighbors, at the same time, China's neighbors are highly suspicious about China's rise as if China's economic might transforms in aggressive behavior, it

will be a nightmare for the whole region. Ahn (2004) has identified a dialectic relation between China's rise and China's rising nationalism as the writer suggests that along with China's rise, China's nationalism has also been increasing which is perceived as a grave threat by some of China's neighbors.

Nabers (2004) too is of the view that regional community can develop in a region where one country is accepted as the leader which share value with other countries. However, Japan and China being the two possible leader in East Asia do not enjoy leader like status in East Asia as both countries have historic differences with the countries of East Asia. Grauwe and Zhang (2016) differentiate between regional integration in Europe in the wake of the second world war and East Asia after end of the Cold War. The writers think that the European integration was holistic and genuine; however, East Asian integration is a relatively new phenomenon and is driven by market-oriented requirements. Furthermore, the fruits of economic integration are not transferring to security fields as the regional animosities among the states are still unchanged.

However, there is also literature that takes the East Asian countries have accommodated themselves according to China's rise because China's liberal transformation is not only beneficial for China but also for the whole region. Jisi (2004) says that along with the rise, China's behavior has been changed and the countries of the region appreciate the role of China in regional integration. The writer opines that there is a huge change in attitude and perception of countries of East Asia towards China before and after the Cold War because China was considered as a "red threat" by the countries of East Asia. But, along with economic integration, China is considered now as a constructive member of the East Asian Society. Liu (2016) also argues that China's regional security policy cannot be termed as assertive because China is still not military threatening any of its neighbors. However, the writer notes that the US has become

increasingly active in East Asia by constantly suggesting to China's neighbors that China is a grave national security threat for them and they should endeavor to balance against China along with the help of the US. Jerden (2014) attacks on overall 'China Threat' narrative because the writer is of the view that most of the said research is influenced by the US and experts from those East Asian countries who are anti-China. China's overall economic progress depends on its friendly relations with its neighbors and any rift in China and its neighbors have the potential to affect the whole Chinese economic model. Furthermore, China's engagement with its neighbors is increasing and there is no sign that any country in East Asia feels an existential threat from China. Matsuda (2014) argues that Japan's foreign policy has become increasingly hawkish towards China since 2014 with the backing of the US, therefore, transformation in contemporary China's foreign policy from the 'low profile policy' to 'striving for achievement' makes it quite natural to be adopted by a regional powerful state like China.

Feng (2016) explores that China's security policy towards East Asia and suggests that China's low profile policy failed China on various occasions. Furthermore, by keeping low profile, the US had deeply entrenched itself in East Asia by making numerous military agreements with China's neighbors and keep on constantly attacking China's historic claims on the East and the South China Sea. Therefore, the new China's policy of 'Striving for achievement' is a reaction against the assertive US in China's backyard. However, it has been made categorically clear in the new approach that China's behavior will not be aggressive in its region. Swaine (2010) also is of the view that China's unprecedented rise is considered as a grave threat by the US as the US policymakers are worried that if China's economic growth transformed into military production, then China's challenge will be very difficult to contain for

the US. Therefore, to cater a rising China is to counter China in East Asia along with the help of the US allies.

Vasiliki Papatheologou, Rizwan Naseer and Musurat Amin (2014) analyze China's engagement with East Asia and argue that China cannot afford assertive behavior in its region because China is heavily dependent on its region for a variety of imports of goods. Therefore, any military conflict of China in its region can play havoc with export-oriented China's foreign policy. Austaria (2008) is also of the view that China welcomes multilateral frameworks because China is of the view that participation in the regional mechanisms will project a soft and non-threatening image of China in its region. Chung (2016) presents his thesis that regional order in East Asia has already been transformed because the US has been unable to contain its universal status which it enjoyed since the early years after the end of the Cold War. On the other hand, China has witnessed steep progress since it adopted the market-oriented reforms in the late 1970s, especially in aftermath of the end of the Cold War. The countries of East Asia have to choose between the US which is a declining power and China which is rising power. Therefore, it is least likely that the countries of East Asia will balance against China with the help of the US.

Kang (2005) focuses in-depth on the different perceptions within the domain of international relations about the rise of China. However, quite contrary to the realist perspective about China's rise, he suggests that China's rise has not been culminating in the power struggle and balancing in East Asia because only Japan and Taiwan consider China as an existential threat and favor the US as their protector. Other than these two countries, no other country in East Asia is interested in balancing against China. The author puts the reason that China had been a regional power in past; however, it did not seek to threaten its neighbors rather China behaved in a hierarchical way in which its neighbors accepted the hierarchy of China, and in

return, China acted as a protector of East Asia and therefore it is highly unlikely that China will be a threat for East Asia in future. Mingjiang (2003) argues that when all the main IR theories have some explanatory power to study China's policy in East Asia, at the same time no IR theory can be fully applied to understand contemporary China's complex security policy which is accompanied by positive economic relations with its neighbors but harsh stance on maritime conflicts.

Sutter (2010) suggests that China's charm offensive has substantially improved in East Asia because of the significance of the Chinese ethnic people to the economies of East Asian countries like Malaysia, Indonesia and Thailand. Furthermore, China is accommodating a large number of students from East Asia and a huge number of Chinese tourists visit East Asia countries which has been playing a key role in the economic development of Chinese neighbors. In addition to the improvement in public relations between China and its neighbors, state officials of East Asian countries think positively about China.

### **China's Soft Power in East Asia**

Good contribution on the China's soft power in East Asia have been made by Mingjiang Li (2009) in 'Soft Power: China's Emerging Strategy in International Politics', Zhang (2017) in a book Research Outline for Chinas Cultural Soft Power, Lai (2012) in the book 'China's soft power and international relations, David Shambaugh (2013) in 'China Goes Global: The Partial Power', Pei Minxin (2006) in ' The Dark Side of China's Rise," Guozuo Zhang (2017) in his book 'Research Outline for Chinas Cultural Soft Power, Joshua Kurlantzick (2007) in his book 'Charm Offensive: How China is Transforming the World', Zhang (2017) in his book 'Research Outline for Chinas Cultural Soft Power' suggests, Scot (2012) says in 'Soft Language, Soft Image and Soft Power in China's Diplomatic Lexicon', Zheng and Chi (2012) in 'China's Soft

*Power and International Relations*', Haibing (2007) in his book 'China's Aid to Southeast Asia,' Gill, Hao and Morrison (2007) in their article "Assessing China's Growing Influence in Africa', Youwen and Renwei (2006) in 'Report on the international status of China', Peerenboom in a book 'China modernizes: threat to the West or model for the rest?' Albert (2018) in an article "China's Big Bet on Soft Power', Fatima in an article China's Soft Power Posture in Southeast Asia, Cook (2005) in an article 'Australians Speak 2005: Public Opinion and Foreign Policy', Yunling Zhang (2010) in 'The Creativity Needed in East Asia Collaboration, Jung-Nam Lee (2009) in 'China's soft power in East Asia: an estimation based on the outcome of surveys of six countries', Daniele Carminati (2020) in 'The State of China's soft power in 2020', Tony Liu (2014) in 'Swords into ploughshares? China's soft power strategy in Southeast Asia and its challenges'.

Lee (2009) argues that China's rise has not been transformed in China's soft because China's neighbors are threatened because of China's growing economic power. Furthermore, he suggests that China's soft power is minimum as compared to Japan and even South Korea's soft power in East Asia because of China's assertive behavior and closeness of anti-China states with the US in East Asia. Carminati (2020) also suggests that China's soft power has limited appeal in East Asia because China's soft power, recognized in a triad of culture, policies and values by Nye, is almost non-existent in China because China do not have successful Hollywood type movie-making structure, branded companies and democratic institutions like the US or some of the western European countries. China's culture, values and policies failed to attract the states of its region because its regional policies have been seen with skepticism

Liu (2014) is of the view that along with the rise of China, anti-China states and scholars have been suggesting that China's economic growth will culminate in China becoming a

hegemon in its region. The writers are of the view that China's rise has been constructive for the whole region and China's soft power reserves have been increasing in East Asia especially through the channel of good neighborhood policy. China enjoys massive reserves of 'soft-power' in East Asia by participating through multilateral platforms and collaborating with East Asian countries mainly on their own terms in matters like trade, culture, investment and diplomacy. This constructive behavior of China has allayed its neighbors' reservations about China's growing power.

Li (2009) did an extensive study by consulting massive amounts of research journals and periodicals in China to investigate the relevance of soft power in contemporary Chinese foreign policy. It was found out in the study that the articles related to soft power were averaged at eight during 1994-2000. The number of soft power-related academic research increased to 53 from 2000 to 2004 and grew to 314 during 2005-2007. The writer is of the view that China uses 'soft power' in East Asia to depict itself as a benign power so that its neighbors are not threatened with its growing economic rise. Zhang (2017) suggests that the incumbent Chinese President Xi Jinping is highly interested in using 'soft power' in realizing the goals of Chinese modernization and Chinese Dream through the use of cultural institutions and industries. Lai (2012) suggests that Baidu, a popular search engine in China, suggested in 2010 that the Chinese soft power term was contained in more than 14 million websites in Chinese foreign policy, localities, enterprises and local governments. In fact, soft power has become a 'trendy term' in Chinese publicists, officials, scholars and entrepreneurs.

Shambaugh (2013) says that soft power is an inexpensive way for China to achieve what it wants through the channels of cooperation, persuasion, attraction and collaboration rather than using coercion and economic threats in its foreign policy. Minxin (2006) notes that perceptions

about how China will behave in the future are rising even faster than China's rise itself and 'China's rise' has been the most debated topic within the field of politics and international relations. The scholars who see China as peaceful power in the future and those who saw China as a menace to its region in the future, are both united in thinking China's rise as the most influential factor in East Asia.

Zhang (2017) problematized the basic idea of 'soft power' by suggesting that Nye's concept of 'soft power' was in fact presented in the context of US hegemony towards the concluding period of the Cold War. Furthermore, Zhang suggests that the idea of 'soft power' was, in fact, to bolster the hard power of the US through the bombardment of the charm offensive of America in the developing world. Kurlantzick (2007) argues that Nye's definition of 'soft power' is confined because for the Chinese political elite, soft power is anything outside of realms of security and military affairs, including not only public diplomacy and popular culture but also diplomatic and economic levers like investment, economic aid and participation in regional organizations.

Scot (2012) says that China's public diplomacy language is an important avenue for the PRC to reassure the international community, and avert such China Threat perceptions and consequent alliance formation balancing against it. Six most common terms that can be found in the contemporary Chinese diplomatic lexicon are: multilateralism, the democratization of international relations, peaceful rise, peaceful development and the harmonious world. Hunag (2013) suggests that a careful analysis of China's foreign policy in East Asia proves that China's relations with its East Asian partners are mainly non-military in nature like trade, development assistance, business activities and exchanges in the field of education, economy and culture. Therefore, China relies heavily on its soft power in East Asia rather than relying mainly on

economic and military strength. Haibing (2007) states that all the countries located in the Mekong River basin\_Cambodia, Vietnam, Myanmar, Laos and Thailand\_ tremendously benefited from trade with China under the framework of the Greater Mekong Sub-Region (GMS) in which China pledged to provide economic aid for comprehensive development of the region.

Gill, Hao and Morrison (2007) argue that the ‘Chinese model’ of development has a special attraction among the developing states which are suffering from a host of bewitched socio-economic and political. Youwen and Renwei (2006) are of the view that China has evinced that democracy is not necessarily a precondition of economic development and that the Chinese system of semi-free economy and illiberal politics can be a potential alternative to western liberal political democracy. It has been found that China is striving to disseminate the ‘Chinese model’ through the spread of its ‘Beijing Consensus’. Though there is no official statement regarding China’s interest in the promotion of ‘Beijing Consensus’; however, some Chinese scholars are of the view that China has been working diligently to spread its model abroad, especially in its own region. Albert (2018) in an article “China’s Big Bet on Soft Power” suggests that the first Confucius Institute was opened in 2004 by China in Seoul in South Korea and since then, the numbers of Confucius Institutes increased to five hundred throughout the world. These institutes are non profit organizations and affiliated with the Chinese Ministry of Education for the purpose of disseminating Chinese language and culture in the world. The institute is based on cultural associations like France’s Alliance Française, United Kingdom’s British Councils and Spain Cervares Insititute.

## CHAPTER TWO

### THEORETICAL FRAMEWORK: UNEVEN AND COMBINED DEVELOPMENT

#### 2.1 Uneven and Combined Development: The Theoretical Evolution

The concept of Uneven and Combined Development was presented originally by Leon Trotsky (1879-1940), the famous Russian Marxist revolutionary and theorist, in series of books titled 'The History of the Russian Revolution'. The main problem before the Marxists in Russia towards the start of the 20th century was that capitalist production had been established in Russia; however, this capitalism was mainly state-led and there were no signs of the emergence of an independent and powerful industrial class ('bourgeoisie revolution') in Russia. Karl Marx and Engels unambiguously wrote that socialist revolutions could occur only in advanced capitalist societies where the powerful and independent bourgeoisie was the main engine of capitalist growth. Industrialization in England in the 18<sup>th</sup> century produced a society that put a halt to the feudalistic system by producing two diametrically different classes: bourgeoisie and proletariat. Marx opined that at first, the bourgeoisie fills their coffers through virtually owning the means of production and impoverishing the proletariat which, through class consciousness and because of their detestable living conditions, were left with no other option than to dismantle the system which made them deprived even of basic necessities of life (Rosenberg, 2016). Therefore, the emergence of a powerful and independent bourgeoisie is the main pre-requirement of a proletariat revolution. In Marx's own words,

*No social order ever disappears before all the productive forces for which there is room in it have been developed, and new, higher relations of production never appear before the material conditions of their existence have matured in the wombs of the old society (Harmon, 1964, p.393).*

In other words, socialism could not supplant capitalism till the latter, through by expansion of the proletariat, along with the development of industry and class consciousness, made the succession possible.

Vladimir Lenin (1870-1924), the chief architect of the October Revolution of 1917, noted in April 1917, merely six months before the Russian Revolution, that there were no prospects of a socialist revolution in Russia until the emergence of a domestic bourgeoisie (Davidson 2015). Furthermore, Lenin deemed it necessary to form a close alliance between the proletariat and peasants through the elite party (the Bolsheviks) to topple the Czar regime. However, Trotsky repudiated both Marx's historical materialism and Lenin's insistence on the workers-peasants coalition by suggesting that 'revolutionary necessity could not be fitted into historical materialism, therefore should take precedence over it'. Furthermore, he argued that the strength of the proletariat was not dependent on the productive forces of the country. For example, he noted that the Russian proletariat was much smaller than the US proletariat but, still, the Russian proletariat was more active and influential than their American counterparts (Sabine, 1961). Therefore, Trotsky declared explicitly that a socialist revolution was possible even in absence of an independent domestic bourgeoisie in Russia because the development of human history had always been *uneven, interactive and combined* (Rosenberg, 2007). At first, the world is uneven as it contains various societies that are much different in terms of geography, population, and hold on technology. Secondly, these societies cannot remain isolate from each other as co-existence and interaction have been general phenomena throughout human history; therefore, it is pertinent that the societies should have some kind of interaction: positive (like trade) or negative (like threats of war). Thirdly, this interaction has been a primary driver of societal transformation and development which occur when the less developed societies endeavor to

emulate the productive system of the advanced societies. However, while copying the advanced societies, the backward societies do not produce 'carbon copies' of the development of the early developers because the less developed societies witness development in their context. It means that late developers make 'combined development' which means that while following new and advanced technologies, these societies retain some essence of their pre-modern eras (Rosenberg, 2016).

Instead of presenting his theory in a single work, Trotsky formulated his theory of Uneven and Combined Development in a series of works. However, by having a look at his overall works it can be argued that Trotsky discussed overall unevenness in world development. He argues that the advent of industrialization provided western European states unprecedented power over the rest of the oriental world. As the societies existed in real-time, therefore, this unrivaled industrial growth of the Western European states created a 'whip of external necessity' (pressure or threat) to the rest of the countries as the elites of the oriental world were enforced to emulate the developmental strategies of the developed states. However, Trotsky categorically said that all the political elite of the less developed countries were not wise enough to emulate the technological pattern of the West. Like China and India refused to modernize their system, therefore had to face ignominious fall from their prestigious positions of being rich and strong oriental empires. On the other hand, Japan, which had been merely a tributary state of China for centuries, decided to thoroughly transform its productive system to face the challenge from the Western colonial empires through their Meiji Restoration in 1869 and soon became an industrial giant in Asia (Jacques, 2012).

Russia was exactly facing the whip of external necessity since the start of the industrial revolution in western Europe; however, the question was that how Russia could emulate the

Western economies when it was hundreds of years backward in the development process?

Trotsky said that the uneven nature of development created its second result\_ ‘privilege of historic backwardness’ which meant that late development was not a curse, rather it was a ‘privilege’ as uneven nature of development and multiplicity of societies suggested that the late developers did not need to follow the lengthy period of the invention of technology which was once necessary during the phase of early development. The late developers leap over the development phases and can accelerate their development through ‘compressing’ the overall process of development. Therefore, Russia did not have to undergo lengthy hit and trial method which were once necessary during the economic uplift of the early developers, as Russia had the privilege to enjoy the success and latest techniques of development at its doorsteps because of co-existence with the developed societies (Trotsky, 2008).

Russia’s industrialization was proceeding at an even faster pace than the English industrialization; however, Russia was not turned to be similar to England because of the third factor of the multiplicity of societies\_combined development. The Russian independent bourgeoisie was not strong enough to replace the Czarist-feudal state model which was still running on semi-feudal social relations. However, it was pertinent for the Czarist regime in Russia to respond to the ‘whip of external necessity’ through revolutionizing the forces of production by emulating the western industrialization through using ‘privilege of historic backwardness’. However, when the Czar was striving for the establishment of an industrial base in Russia, he was not planning to create a liberal democratic society on the English model as the main challenge before the Czar was Russia’s survival. Therefore, industrialization in Russia did not produce a ‘carbon copy’ of English society as capitalism was engineered by combined channels of semi-feudal and anti-liberal state. Leon Trotsky suggests that there are three

meanings of ‘combined development’. At first, because of the import of advanced technologies in backward and pre-industrial societies, different stages of development are compressed. Secondly, after the fusion of capitalism with the pre-industrial social structure, different types of societies were combined. Thirdly, different states were combined in a larger whole. Because of the importance of technologies, resources and ideas, Russia was necessarily integrated into a larger capitalist whole. However, when Russia was transforming because of its inclusion in the capitalist world order, the capitalist world was also modified because of membership of Russia in the industrial club (Trotsky, 1997). Along with the expansion of capitalism from its original homelands, the global capitalist structure was creating complicated, unstable but interconnected hybrids like Russia.

## **2.2The Main Tenants of Uneven and Combined Development**

There are five basic tenants of the theory of Uneven and Combined Development: co-existence, difference, interaction, combination, and dialectic change.

### **2.2.1 Coexistence**

The first premise of UCD is that the human world is not made up of one society historically; therefore, the coexistence of multiple societies has been a historic phenomenon (Rosenberg, 2009). This coexistence of multiple societies has been a key to historical development and change by having the potential of generating ‘the ‘international’ itself as a dimension of the social world’ (Rosenberg, 2007). This constructs a new identity of the ‘international’ which is much different than the definition of international \_ absence of central authority \_ that IR inherits from political science. In simple words, international can be defined as ‘that dimension of social reality which arises especially from the co-existence within it more than one society’. This definition enables to shake the ‘domestic analogy’ problem which always

looks at ‘reality’ in superordinate authority in political science. Another problem with taking international as ‘absence of central authority at the global level’ is that absence itself cannot be the cause of anything as simply ‘it does not exist’ (Rosenberg, 2010).

### **2.2.2 Difference**

The second premise of quantitative societal multiplicity is at the same time a qualitative one as societies differ in terms of culture, size, history, power, technology, etc (Rosenberg, 2006). This difference is the unavoidable result of multiplicity. The societal multiplicity also culminates in variation in physical geographical location and with differential relationship to each other (Rosenberg, 2007). It is natural to humans as species that they like to exist different from one another. This differentiation itself is an engine to historical change and development. Trotsky suggests that unevenness (difference) is ‘the most general historic law’. Therefore, the international also create difference and multi-linearity in the domain of global social development (Rosenberg, 2016).

### **2.2.3 Interaction**

Multiplicity produces another important result—interaction—along coexistence and difference (Rosenberg, 2007). This societal interaction can be a source of danger as well as opportunities. An example of interaction as a danger can be the European colonization of Asia and Africa during the nineteenth century by the countries from Western Europe whose existence was little known before. Through the medium of industrialization, they projected themselves to the far-flung areas of the world by subjugating the oriental governments there. However, societal multiplicity is also a source of opportunity as the developmental processes have never been confined to only internal social and cultural structures as channels of trade and importation of knowledge with other societies create a condition in which development anywhere can induce

developmental processes in internal structures (Rosenberg, 2016). The most important result of the multiplicity of societies and the existence of the international is that the consequences of the 'international' reach deep in the domestic structures of societies and it shapes the individual societies by necessarily transforming it (Rosenberg, 2016).

#### **2.2.4 Combination**

Trotsky explains 'combined development' as the combination of pre-capitalist and capitalist social relations as a result of pressure from the powerful societies to the less developed societies (Rosenberg, 2006). The developmental process has never been uni-linear or self-enclosed as development is a combination of local patterns and external influences of various kinds (Rosenberg, 2007). This argument holds equally true even for an element that is purely considered indigenous. For example, the English language is not English in essence as it is a mixture of the Saxon, Latin, French and Norse languages along with many others. The linguistic impacts of the Saxons, Latin, French, and Norse in England bear witness to their role in the overall evolution of Britain's social, political, and cultural history. Therefore, a general argument can be made that all the internal societal structures everywhere are determined, conditioned, and produced by the external factors through the channels of interdependence and socialization (Tenbruck, 1994).

#### **2.2.5 Dialectical Change**

As it has been discussed that human history has been multiple, interactive, and varied, therefore, world development cannot be uni-linear or even multi-linear as in fact, the development process has been dialectic unlocking new possibilities and departures through permanent societal interaction (Rosenberg, 2006). For example, Frances Bacon suggested in 1620 that three inventions played a key role in lifting Europe out of the darkness of the Dark

Ages and Middle Ages: the printing press, gunpowder, and magnetic compass (Bacon, 1960). All of these three discoveries originated in China and reached Europe through the channel of trade and communication. When these discovered reached Europe from the land where these were discovered, these faced different conditions and were, therefore, bound to produce a different result (Rosenberg, 2016).

### **2.3. Uneven and Combined Development (UCD) as an International Relations Theory**

#### **Absence of ‘Core Theme’ (the ‘International’) in International Relations Theory: How U&CD Offers Solution**

Trotsky’s theory of UCD is a relatively new theory in international relations; however, it has generated important debates as more than 70 articles have been written by applying or criticizing the idea in the last decade (Rosenberg, 2016). In the subsequent passages, it will be argued that the rest of the international theories have ignored the core theme of international relations—the ‘international’—and U&CD offers a solution to the problem by analyzing national and international domains of politics in a single theory.

If we have a look at the different subject themes of social sciences, we shall come to know that these are based on a ‘core theme’. For example, Geography, Sociology, History and Comparative Literature are structured on the specific features of spatiality, social structure, temporality and textually respectively. The main feature of these epistemological themes is that these are not only specific to the subject themes of their subjects only because these are equally applicable to the other branches of social sciences as well. In the light of this discussion, if the subject theme of international relations is explored, unfortunately, we will find that IR has no subject theme that may travel to the literary inquiries in other social sciences. E. H Carr unambiguously noted in his groundbreaking book ‘Thirty Years Crisis’ that IR was merely the

extension of political science (Reiter, 2015). Rosenberg (2016) suggests that due to this closed essentialist ontology, IR is in the ‘prison of political science’ as its only identity is to study politics at the global level in the absence of central authority. Such a narrow definition limits the potential of the ‘international’ too and, thus, ignores the subject potential of IR.

Due to this extension of political science, IR produced no big debates and generated no significant ideas that could have been significant to other subjects as well. Even the most important work of Kenneth Waltz, ‘Theory of International Politics’ the book in which the first attempt was made to produce a specific theory of the ‘international’ \_neo-realism, failed to make IR relevant for the trans-disciplinary inquiries because of two factors. At first, Waltz was interested only in making ‘international theory as international political theory’, thus ignoring its wider significance for the other subject of social sciences and humanities. Secondly, Waltz presented ‘international’ as separate from the ‘domestic’ realm because neo-realism is silent on the domestic realm of politics other than differentiating it clearly from the international politics (Rosenberg, 2016).

Kenneth Waltz was fully cognizant of this epistemological lacking of international relations as a subject when he noted famously that the student of international relations found it very hard to think their subject in theoretical terms. This may seem queer as international relations theory entails several theories: realism, liberalism, social constructivism, Marxism, the English School perspective, critical and postmodern perspective, feminist and post-colonial theories and green theory. However, Waltz suggested that these all theories were not pure theories of the ‘international’ as these were merely the extended versions of the domestic politics that were formulated to study the domestic societies (Waltz, 1990). Leon Trotsky became the first scholar who solved this problem by adding the ‘international’ in his social theory when he

suggested that the whip of international necessity and interaction made conditions ripe for a revolution in Russia. Thus, by discovering a sociological theory of the international which took national and international as combined in its analysis, Trotsky found the theory which Kenneth Waltz was unable to discover which should have national and international domains of politics in its analysis.

Though Waltz argued that these domestic theories could not be refuted entirely as domestic politics influenced foreign behavior of states to some extent; however, these theories did not offer much help to understand the way in which the anarchical international system limits the choices of states and their behavior in global politics. Waltz offered the solution to the problem by devising a pure theory of international relations by separating it from the domestic dynamics. He also suggested IR students to clearly demarcate the theories of domestic and international politics until the appearance of some theory that could claim to study domestic and international politics in a single framework (Waltz 1986). However, by separating international political theory from the domestic political theories, he committed the same mistake that was done by the scholar affiliated with the domestic theories – they ignored the ‘international’ in their theories of domestic politics and Waltz left the domestic realm of politics in his endeavor of presenting a pure theory of international relations. Because of this clear demarcation between theories of domestic and international politics, theories in international relations are divided into two self-contained camps, having little prospects of connecting with each other. However, Waltz himself has left room for the development of some theory in the future in the discipline of international which might unite national and international realms of politics. Waltz endeavored his best to unite these both forms of politics in a single theory; however, he failed to evolve such a theory like other scholars in the discipline of IR (Rosenberg, 2016).

Justin Rosenberg (2016) notes that the theories of Marxism and Liberalism merely take the phenomena as ‘international’ because of the historical multiplicity of societies. On the other hand, post-structuralism and constructivism are not pure theories of international relations as these are taken from the critical discourses of other social sciences. Post colonialism emerged from the domination of the ‘rise of the West’ on the rest, therefore, its critique on Euro-centrism and feminist’s critique on patriarchy, made these both of theories’ hardly important to investigate the basic theme of international relations\_ international. Neo-classical theory in international relations claims to study both the domain of national and international domains of politics, however, neoclassical theory is unable to investigate the societal multiplicity and its impact on historical processes of development. Therefore, it can be said that the UCD is the only theory of the ‘international’ which provides IR its core theme (‘international’) which is not a product of the ‘Treaty of Westphalia’ or emergence of the state system, but this international is as old as the history of societies.

## **2.4 An Analysis of Contemporary China Through The Lens of Uneven and Combined Development**

### **2.4.1 ‘Whip of External Necessity’ and ‘Chinese Century of Ignominy’: Rise of the West**

The civilization of China enjoys a history of 5000 years. China had been a civilizational power and technologically much ahead than the other countries of its region. However, during the rule of the Song Dynasty (960-1279), China witnessed a wave of significant inventions because of generous government encouragement. This was almost a rebirth of neo-Confucianism along with the inventions of mortars, gunpowder, woodblock printing, important advances in mathematics, astronomy, geography, and the spread of books under the period of Northern Song Dynasty (Elvin, 1973). John Hobson (2004) in his book “The Eastern Roots of Western

Civilization" suggested that Chinese inventions and discoveries during the Song dynasty had a very powerful impact on the British industrial revolution. The Chinese also built spectacular ships which are testimony to their navigational superiority over the other nations at that time. The Song navy entailed almost 20,500 ships which could have conquered every European naval power. The Song took a special interest in equipping the ship with advanced weapons like trebuchets hurled gunpowder in 1129 and some ships were provided with iron plates (Hobson, 2004). However, after 1300 this bristling China's performance declined substantially and the economic revolution gave way to economic stagnation. When the key to the success of the Song dynasty was the link with the outside world, the Ming Dynasty (1368-1644) strongly discouraged this communication with other societies. In the next three centuries, this isolationist Chinese policy continued unabatedly culminating in the ban on private trade. Constructing seasoning ships was prohibited till 1436 which substantially reduced the number of smaller vessels. Barry Buzan and George Lawson (2016) take 'combination' as a process in which societies trade, emulate, steal, borrow and coerce each other. However, the pace of 'unevenness' varies through history. Before the nineteenth century degree of the combination was limited because of the barriers of geography and weather as communication with the outside world was easy for the regions which were near to the rivers; while the land-locked and remote regions witnessed little connection with the other societies. On the other hand, the industrial technologies during the nineteenth century revolutionized the connection processes throughout the world through technologies like railways, steamships, aircraft, highways, electronic communication, the internet and the telegraph. These industrial tools limited geographic barriers.

The nineteenth-century witnessed 'revolutions of modernity' in which a handful of the developed Western European countries projected their power at the international level through

the marvel of the industrial revolution which shifted the centers of power from East to the West. Although power oscillation is not a new phenomenon in human history (Morris, 2010), however these ‘revolutions of modernity’ made the power gaps between the industrial and non-industrial countries so huge that ‘polycentric world with no dominant center’ was shifted to ‘core-periphery order’ in which Europe had all the reins of powers at the global level (Pomeranz, 2000). China, which had been a civilizational state, became the main source of attraction for the newly industrial powers because of its massive market size and abundant resources.

Because it refused to respond to the ‘whip of external necessity’ through emulating the advanced sources of production, China had to face the ‘century of humiliation’ (1839-1949) through its legal subordination, repeated military defeats, civil wars, large scale invasions and territorial disintegration. The imperial state of China decided to significantly restrict trade to only a few entry points: Canton (for trade with Korea and Japan), Macao (for trade with Portugal), Xiamen (for trade with the Philippines), Canton ( for trade with the Western countries) and Kyakhta (for trade with Russia). Furthermore, the foreigners were allowed to trade for a short period, after which they were supposed to leave China. Many Western countries tried to convince China to open more regions for trade, especially the British who found the trade of opium highly lucrative. The British exported 30,000 chests of opium from India to China every year, in which each chest carried 150 pounds of opium (Mann, 2012). China had to cede Hong Kong to the British according to the Treaty of Nanjing after the First Opium War (1839-1842), pay a huge indemnity, and had to open five new treaty ports. Furthermore, the Nanjing Treaty legalized the opium trade and enforced China to accept the extraterritorial rights to the nationals of Great Britain (Suzuki, 2009). After the disastrous outcomes of this war, a host of domestic challenges awaited the Qin dynasty: Muslim rebellion in Yunan (1855-73), another Muslim

rebellion (1862-73), the Nien Rebellion, and the Taiping Uprising (1850-64) in which more than 20 million Chinese were killed, massive floods 1848 to 1850, ignominious defeat in Second Opium War (1857-60), extremely low tariffs for the foreign goods, ‘Boxer Rebellion’ (1899-1901), humiliated defeats from France in 1884 and Japan in 1894 and local world lordism (Wong, 2000).

#### **2.4.2 Mao’s Ideological Model to Face the ‘Whip’ of the Industrialized West**

In 1949, the Nationalists were defeated by the Communists in the Chinese Civil War under the leadership of Mao Zedong and China was finally unified with the exceptions of Hong Kong, Taiwan and Macao. The ‘Chinese century of humiliation’ was the worst century in China’s history as the historic status of China being ‘Middle Kingdom’ eroded in such a way that Japan, that had been a tributary state of China, colonized certain parts of China. Therefore, the Chinese Communist Party, under the leadership of Mao, was committed not to repeat the mistake committed by their predecessors in the eighteenth and the nineteenth centuries. Furthermore, the CCP was cognizant of the fact that if they did not respond to the ‘whip of the external necessity’, China would be again subjugated by powerful states like a century ago. The Chinese Communist Party decided to respond to the ‘whip of external necessity’ by reuniting the country, expelling the foreigners, constructing a highly stringent ideological based political and economic system to guarantee the Chinese independence in the future. However, as Trotsky suggested that every country responded to the ‘whip’ in its own context, China’s context was much different than that of the Soviet socialist structure. Mao endeavored to follow some tenants of Stalinist industrialization in the Soviet Union; however; it was virtually impossible for Mao to implement the Stalinist policy of violent urbanization of peasants towards the start of its rule in China.

Therefore, Mao decided to collectivize the countryside by abolishing local landlordism to enable the socialist state to extract surplus from the rural regions for investing in the infant industries in the towns. The population in the rural regions was prevented from migrating to the urban centers to maintain a balance between cities and rural regions. Through this political engineering, the state ensured services like healthcare and education in the rural regions at levels that were unprecedented in Chinese history (Hung, 2016). This unusual hybrid of ‘combined development’ of a Stalinist command economic structure with large scale Chinese agrarian social structure resulted in unintended impacts for great consequence: a huge reservoir of educated and healthy labor, enforced in the rural sides but available for rapid expansion of Chinese industry when the economic approach changed in the post-Maoist era.

When the CCP under Mao performed better than many other governments in developing countries, it was of no match of the advanced industrial Western countries. Furthermore, China found itself beleaguered by Japan and Newly Industrialized Countries (NICs) in East Asia. Even a key strategist within CCP had to accede that after Mao’s death, China was lagging at least fifty years than other developed capitalist states in fields of science and technology and some new economic model was pertinent to catch up with the advanced states (Kerr, 2007). The size of Japan’s economy, which was only one-tenth of China’s population, was at least four times larger than China’s. Therefore, to respond to the ‘whip of external necessity’ of western states, Japan, and NICs, the post-Maoist CCP reaction was a complete rejection of the Maoist ideological economic model (Cumings, 1989).

#### **2.4.3 China Under Deng Xiaoping**

At the time of death of Mao, China was in deep trouble and the most pressing problems haunting China were: unchanged consumption per capita, debilitating indicators of economic

efficiency, poor food supply, technologically lagging far behind the Western states and the Asian tigers, poor control of the center over the provinces because of the excessive self-reliant approach of Mao, debilitating effects of the Great Leap Forward and Cultural Revolution in which millions of Chinese lost their lives (Bachman, 1989), (Vogel, 2011). The CCP leadership itself was highly critical damage done to the Chinese economy because of Maoist policies and suggested that China was lagging far behind in fields of science and technology to the developed countries and to improve the condition, China would need big efforts to catch up the development levels of its competitors (Kerr, 2007). Japan was one-tenth of China's population but the size of its economy was four times larger than China's economy (Hobsbawm, 1994). Japan's economic take-off was followed by other NICs of East Asia, which meant that China was surrounded by successful capitalist economies having closer relations with the US. This time the response of China to the looming 'whip of external necessity' was very different than the previous strategy \_whole sale rejection of Maoist economic ideology' (Rosenberg, 2019).

As Trotsky suggested that 'existence' has been a general historic phenomenon, China was facing the 'whip' of being surrounded by successful capitalist economies of Japan and the Asia Tigers. The CCP, under Deng, would have to make the decision that was taken by Japan during their Meiji Restoration for about 200 years. China under Deng decided to reinvent to transform its economy on the free market principles emulating its southern neighbors: Taiwan, Hong Kong and Singapore. Once proved successful, these reforms were thought to be extended to the interior regions of China. When the restrictions on internal migration in China were lifted to attract foreign direct investment during Deng's era, the largest internal migration in human history was witnessed as about 144 million people migrated from the rural to urban areas by 2000 (Naughton, 2007) because of massive demand of cheap labor by unprecedented levels of

foreign direct investment from the advanced countries. When the East Asian NICs followed the classic model of development through protecting their industries through import substitution methods and then heading towards the international competitive sectors. China depended much on foreign direct investment to integrate the Chinese economy into the international economy through the attraction of its cheap labor (Rosenberg, 2019).

Trotsky suggested that being late in the process of development is not a curse but a 'privilege' as the late developers enjoyed the facility of 'readymade' recipes of the modern system of production which the 'late developers' use in their specific contexts. The 'late development of China' meant that China did not require to reinvent the method of industrialization on its own. Trotsky argued that the pre-industrial barbarians threw their arrows and bows for rifles at once, thus evading to travel the road that existed between those two weapons (Trotsky, 1980). At first, the Chinese government utilized the accumulated knowledge and expertise from the advanced capitalist states. The World Bank was requested to advise the CCP on introducing market reforms in the Chinese economy. Special links were formed with the Japanese government to learn the art of East Asian economic take-off (Vogel, 2011).

The new Chinese government attached great importance to the Chinese community living in East Asian countries of Singapore, Taiwan and Hong Kong to help China in trading networks and managerial skills (Zhang, 2000). Furthermore, China's economy depended a lot on the import of the latest technologies of production through redeploying surplus labor from the rural sector to industrial-scale production. The Chinese government bargained with the advanced foreign companies through its massive domestic market by compelling the foreign companies to take the Chinese corporations as partners in joint ventures through the incentive of cheap Chinese labor. The availability of extremely cheap labor in China played a key role in creating

the successful ‘China price’ mechanism whose attraction could not be ignored by foreign multinationals. Furthermore, this unprecedented supply of cheap labor boosted the competitiveness of Chinese firms including state-owned enterprises in the international markets. Thirdly, China’s historic unevenness accelerated especially after 2001 when China competed successfully with the advanced economies which were at least two years industrialized than China. The success of the Chinese ‘privilege of historic backwardness’ was so impressive that in 2006, China’s export to GDP ratio climbed to 37 percent; while Japan’s export to GDP ratio could reach only 15 percent (World Bank, 2018b).

#### **2.4.4 Post Cold War China’s Rise and Impact of China’s ‘Big Country Effect’ On East Asia**

During the rule of Mao, China was a socialist state and endeavored to spread its ideological model in other countries of East Asia, making its neighbors highly suspicious and wary about China’s intentions. An evident example of this topic can be the emergence of ASEAN as an anti-communist regional organization in East Asia with the help of the US and other western states. However, a clear change in China’s role in East Asia was seen in the post-Mao era when the new Chinese government under Deng Xiaoping unambiguously declared to the countries of East Asia that China would not interfere in their domestic politics and China would be a constructive member in East Asia. East Asian countries welcomed this transformed view of China and the Asian tigers and Japan supported China in its economic transformation from a Maoist socialist economy to a free market economy. China’s constructive role in East Asia, especially after the end of the Cold War, is inextricably related to the Chinese economic model based on market economy or ‘socialism with Chinese characteristics. China’s export-oriented economy can be carried on successfully only when it has positive relations with the countries of East Asia including cooperating closely in regional and security mechanisms.

Trotsky suggests that when a ‘big’ country rises equal to the occasion of facing the ‘whip of external necessity’ by transforming its overall approach according to the global standards, the world too in return is transformed by the ‘big country’s transformation’. Karl Marx had already presaged in the 19<sup>th</sup> century that Chinese industrialization when it would occur, would prove a ‘big country’ effect for the whole world (Kaplinsky & Messner, 2008). China’s population was estimated at 1.4 billion in 2016, therefore the industrial boom of a country so huge in population was bound to influence the world at an unprecedented level. The Economist (2008) reported that China was consuming almost half of world steel, a third of global steel, and a quarter of aluminum. China became the world’s largest manufacturer in 2010 and replaced the US as the top destination for foreign direct investment in 2013. Similarly, China’s merchandised trade exceeded the US and reached up to \$4.2 trillion (Economist, 2014). East Asia, more than any other region, faced the strongest impact of the Chinese transition towards a market economy (Rosenberg, 2019).

For the countries that had abundant natural resources, China’s ‘voracious appetite for raw material’ worked as a ‘commodious super-cycle’ (Starrs, 2014). China’s uneven development has transformed the texture of regional economies of East Asia and since the late 1990s, East Asian economies have been regrouping around China which has been functioning as an ‘assembly hub’ and ‘factory Asia’ (World Trade Organization, 2011). Trade among the countries of East Asia has adopted a triangular pattern where intermediate components and goods produced in South Korea, Japan and Taiwan are exported to Chinese companies for processing and after that these goods are re-exported to the Western markets. Such a triangular structure of East Asian economies would have been impossible without China’s entry into the free market economy.

#### **2.4.5 China's Economic Role in East Asia in the post-Cold War from the lens of the Uneven and Combined Development**

The UCD problematizes the artificial boundaries between national and international politics and criticizes neo-realism for ignoring domestic contours of politics because the UCD suggests that international politics cannot be understood without domestic politics. By applying UCD at China's economic role in East Asia, it can be suggested that when China was a socialist state, it had serious tension with many countries of its region because many East Asian countries charged Maoist China of interfering in their countries by supporting revolutionary groups to topple their government. However, when China's internal approach changed after Mao and especially after end of the Cold war, a gigantic shift has been recorded between China and its neighbors. China which was considered as a revisionist state in East Asia is now regarded as a constructive partner by the East Asian countries. China's economic relations with its region have been revolutionized, especially in three key economic areas: trade, investment and economic aid. China, because of its immense economic power, has gradually replaced Japan as the largest trading partner of North East and Southeast Asia. The weak economies of Southeast Asia especially benefited heavily because of high commodity prices and strong demand from China which is playing a key role in the economic development of East Asian countries. ASEAN which was regarded as a 'barking bitch' of US colonialism by Mao, has become an important focus in contemporary China's foreign policy as the trade between China and ASEAN increased from \$192 billion in 2008 to \$515 billion in 2018. China is ASEAN's top trade partner accounting 15% of trade while the European Union made 10%, Japan 10.5%, and the US made 9.3% of trade with ASEAN countries (Biswas, 2018).

Similarly, the UCD suggests that China is now the fourth largest investor in East Asia after the EU, the US and Japan; however, due to China's growing economic power, its investment is significantly increasing. The massive and ambitious One Belt One Road is an evident example of this in which China is investing billions of dollars in its region as well as in other regions for connecting China with other areas of the world. Furthermore, due to trade war, many Chinese companies are also shifting their business to Vietnam, Indonesia, Myanmar and Singapore, Malaysia; culminating in a massive increase of Chinese investment in these countries. Moreover, a huge chunk of Chinese investment comes from the projects of offshore commercial companies located in Singapore and other countries, therefore, the actual share of Chinese investment is much larger than it looks apparently. Therefore, the scope of Chinese investment is much larger than the EU, Japan or the US because the EU and US investments are concentrated in the finance sector; Korean and Japanese investments are targeted towards manufacturing, the Chinese FDI covers transportation, retail and wholesale, finance and real sector (Kastner, 2018). China's aid in East Asia can be mainly divided in two groups. The first recipient group of China's foreign aid is a poor group of countries in East Asia: Myanmar, Cambodia and Laos. The second group is of richer countries of East Asia: Vietnam, the Philippines, Thailand and Indonesia. It has been found that when China's influence as a donor is exceptional in the first group; however, its influence is relatively limited in the second group because of their security alliance with the US and close economic relations with Japan.

#### **2.4.5 China's Rise and East Asian Security Through the Lens of 'Uneven and Combined Development'**

The 'whip' of China's rise has already generated fears in the United States which since the Obama administration started disentangling itself from the Middle East and Europe to

concentrate on East Asia through its famous ‘pivot to Asia’ policy to balance against China’s rise. The US is trying to foment troubles in East Asia by reasserting itself in the East China Sea and the South China Sea and suggesting China’s neighbors like Japan, South China, Taiwan, Vietnam, and Taiwan (which already have tense relations with China) that China will finally follow its interests coercively. The US suggested solution to ‘China’s threat’ is that East Asian countries should necessarily balance against China before its being too late. The US suggests that the sooner, East Asian countries understand the long-term negative repercussions of China’s rise, it will be better for the protection of their sovereignty. John Mearsheimer and some scholars are of the view that like the other great powers of the recent past, China will behave aggressively in East Asia. However, this study suggests that China’s economy is heavily dependent on its neighbors to a level that tense relations with its neighbors will prove highly detrimental for the overall economy of China. Therefore, China’s rise looks peaceful and beneficial to the whole region of East Asia.

Neo-realism, which has been a dominant theory in international relations, suggests that the anarchical international order limits state choices; therefore, all the great powers behave similarly. John Mearsheimer and other neo-realist scholars are of the view that in recent future it is pertinent that China will behave aggressively towards its neighbors because all the great powers of the recent past manifested same behavior. However, only UCD provides the internal dynamics of a country including the economy and suggests that China’s economic structure is much different than other great powers of past. China’s massive development is dependent on its export-oriented economy and any conflict of China with its neighbors will be a serious problem for the continuation of China’s economic model that is heavily dependent on export.

If China's rise and its impact on the East Asia region are analyzed, it becomes clear that the whole region has been reaping the benefits of China's liberal transformation. Furthermore, the East Asian countries are not facing any existential threat from China currently or in near future. No country in East Asia is sending costly signals that it is under threat from China. David C Kang (2017) is of the view that the defense spending to GDP ratio increases drastically in case of conflicts or when states feel that they are under threat from some power. The defense to GDP ratio of the majority of the countries is unchanged since 1990 in East Asia which shows that no country takes China's rise as a threat to its survival.

## CHAPTER THREE

### A COMPARATIVE ANALYSIS OF MAOIST AND POST-MAOIST ECONOMIC APPROACHES IN CHINA

This chapter presents a historical view of contemporary China in four sections: the period when China enjoyed the status of the ‘Middle Kingdom’, the ‘Chinese Century of Ignominy’, the Maoist phase and the post-Maoist phase. China has been the most promising country in the East Asia region for the last five thousand years. The difference between China and other countries of East Asian was so great that China enjoyed ‘tributary relations’ with its neighbors which suggest that China’s neighbors, during its halcyon days, used to pay tribute to China’s emperors by accepting their inferior status in return of protection from Chinese emperors. China reached the acme of its glory during the reign of the Song dynasty (960-1279) when China was an unrivalled leader in technology and different fields of knowledge like mathematics, geography, astronomy and others. However, China became highly isolationist during the Ming Dynasty (1368-1644) which discouraged building big ships, ban trade and restricted China’s connection with the world which destroyed the overall power of China as a ‘civilizational power’.

When China refused to claim leadership in the field of technology, the baton of eminence shifted to the West which, mainly because of the import of Chinese and Arab technologies, made unprecedented progress in science and technology. The industrial western countries had such a massive advantage over the non-industrial societies that the Western countries, due to their ‘revolutions of modernity’, colonized the majority of the oriental world and forced other countries to open their markets. When Japan proved highly innovative by rapidly transforming itself into an industrial power in response to the ‘whip’ of Western industrialization through its Meiji Restoration in 1868; China clung to its anarchic system, therefore had to face such a prolonged

‘whip of external necessity’ that its subjugation to the coercive Western powers is recalled as ‘Chinese Century of Ignominy’ (1838-1949).

The Chinese Communist Party (CCP), under the leadership of Mao Zedong, finally ousted all the foreign forces in 1949. Mao was fully cognizant of the prowess of industrialization, but the problem was to fund the massive capital required for industrialization. Following the Soviet socialist experience of industrialization, Mao decided to extract surplus from rural areas to feed rapid industrialization in urban centers. However, when the Soviet government attached no constraint on migration from rural to urban areas, Mao sternly restricted rural migration by introducing a stringent registration system that tied the peasants to their native lands to avoid unrest in urban areas. To extract rural surplus smoothly, Mao invested profoundly in rural areas, particularly in infrastructure, education and health. However, when Mao’s policies benefited China more than many other developing countries, Mao’s highly ambitious initiatives of ‘Great Leap Forward’ and the ‘Cultural Revolution’ proved highly detrimental for the overall socio-economic development of China.

Deng Xiaoping, after the death of Mao in 1976, decided to introduce market reforms gradually to emasculate China from serious economic problems from which China had been suffering because of Mao’s ideological economic model. Four policies of Mao helped Deng greatly to rapidly transform the Chinese economy: educated and healthy labor tied to their native lands ready to be unleashed during Open Door Policy, highly efficient infrastructure, the satisfactory state capital which was mainly extracted from rural surplus and absence of any foreign debt. Post Maoist reforms can be mainly divided into two phases: from 1979 to 1988 and from 1989 to the present. During the first phase, southern regions of China were opened for foreign investment which was poured in China because of cheap, educated and healthy labor,

efficient infrastructure, tax breaks and joint ventures in already existing State-Owned Enterprises. The second phase started after the suppression of the Tiananmen Square protests in 1989 till now. During this second phase, the CCP introduced price reforms, menacingly reduced subsidies and other incentives to workers in State-Owned Enterprises (SOEs) and reduced government share in the economy by privatizing certain businesses. The CCP's journey towards market reforms accelerated after China's entry into the World Trade Organization which ushered China as an economic powerhouse in East Asia.

### **3.1 Historic View of China: 'Place Under the Sun'**

China began to achieve its modern shape since the end of the Warring States Periods (403-221BC). There is a lot of boundary resemblance between contemporary China and China under the Qin Empire in 206 BC. The Qin dynasty introduced a highly sophisticated and centralized state system based on Confucius (551-479 BC) teachings. Measures, weights and currencies were standardized and over 4000 miles of highways were constructed during the Qin dynasty. The highly complex system of Mandate of Heavens and signs based language were also developed under the Qin rule in China. Brick walls were built between 500 and 900 in the central areas of China and well-developed water transport was introduced in the forms of canals, rivers and coastal shipping. The well-established system of agriculture helped China in sustaining a large population which almost doubled between 1000 and 1300. During the rule of the Song Dynasty (960-1279), China witnessed a wave of significant inventions because of generous government encouragement. This was almost a rebirth of neo-Confucianism along with the inventions of mortars, gunpowder, woodblock printing, important advances in mathematics, astronomy, geography, and the spread of books under the period of Northern Song Dynasty.

Within such significant advances, China became the most literate country in the world, comparable only to Islam (Elvin, 1973).

China, under the Song rule, outmaneuvered all the other regions of the world and enjoyed the status of global power from 1100 till the industrial revolution in Europe. John Hobson (2004) in his book “The Eastern Roots of Western Civilization” problematized the generally held view that the industrial revolution in Britain was a purely ‘European’ phenomenon as he argued that Chinese invention and discoveries during the Song dynasty had a very powerful impact on the British industrial revolution. Furthermore, he suggested that China, itself, had witnessed an ‘industrial miracle’ during the Song dynasty – about 600 years before the Britain industrial revolution. The ‘industrial miracle’ of China was the most important event in history from 1100 to 1800 because the diffusion of various Chinese technological and ideational breakthroughs had significantly impacted the European industrial revolution. Chinese per capita iron increased six-fold between 806 and 1078 as China produced 13, 5000 tons of iron in 806, which rose significantly to 90,400 in 1064, and to 125,000 by 1078. While Europe could only produce 76,000 tons by 1788. This iron was used in the making of everyday tools and items like hatchets, knives, hammers, drill bits, chisels, ploughshares, shovels, spades, wheels, wheelbarrow, horseshoes, cooking pots, kettles, pots and pans, chains for suspension bridges, bells, watchtowers, armored gates, printing frames and types. Similarly, China was producing steel from cast iron since the second century BCE, while Europe became successful in the developing era only in the modern period (Hobson, 2004).

Another Chinese significant innovation was the substitution of coal for charcoal during the eleventh century. Textile manufacturing was also revolutionized during the Song era and the Chinese textile industry witnessed the most innovative technological innovation of water

powering textile at that time. China organized an efficient system of transportation of iron, coal, and steel to their southern region via canals during its 'industrial miracle'. Another significant innovation of the Song era was the creation of a tax system based on cash. China invented paper money around the ninth century and paper money evolved as the primary source of exchange around the tenth century. The Song government paid special attention to the agriculture sector and the agricultural yield of China was way ahead of other countries and regions at that time. The Song government offered incentives to the farmers to invest in agriculture and provided them loans at favorable terms to increase the agriculture yield. Francis Bacon suggested in 1620 that the most significant discoveries at that time were printing, compass and gunpowder; all of which originated in China. This Chinese technological knowledge enabled the development of the impressive maps. The Chinese also built spectacular ships which are testimony to their navigational superiority over the other nations at that time. The Chinese also achieved breakthroughs in the development of gun, gunpowder and the cannon which were invented in China during the 'first military revolution' between 850 and 1290. China starting applying gunpowder in Chinese flamethrowers and the fire arrows. This gunpowder was used in grenades, rockets and bombs by 1231 and was also used in land and sea mines. The Song navy entailed almost 20,500 ships which could have conquered every European naval power. The Song took a special interest in equipping the ship with advanced weapons like trebuchets hurled gunpowder in 1129 and some ships were provided with iron plates (Hobson, 2004).

However, after 1300 this bristling China's performance declined substantially and the economic revolution gave way to economic stagnation. When the key to the success of the Song dynasty was the link with the outside world, the Ming Dynasty (1368-1644) strongly discouraged this communication with other societies. In the next three centuries, this isolationist Chinese

policy continued unabatedly culminating in a ban on private trade. Constructing seasoning ships was prohibited till 1436 which substantially reduced the number of smaller vessels. The exact reason for this isolationist Chinese policy was unknown; however, the scholars are of the view that the Chinese thought their civilization as much superior to other civilizations especially under the rule of the Ming which was facing incessant attacks from the Mongol tribes in the north (Dreyer & He, 2007). However, till the eighteenth century, China remained the largest economy in the world. Mark Elvin calls this China's economic performance as 'equilibrium trap' and is of the view that basic reasons of China's economic performance during this phase were an acute shortage of resources in the face of teeming population, shortage of wood, cloth, metals etc (Elvin, 1973). Because of an unprecedented increase in population, the demand for wood increased menacingly culminating in threatening deforestation. On the contrary, because of the high labor cost, England moved towards labor-saving machinery.

### **3.2 An Analysis of Rise of Industrial West and Japan through 'Uneven and Combined Development' (UCD)**

The nineteenth-century witnessed 'revolutions of modernity' in which a handful of the developed Western European countries projected their power at the international level through the marvel of the industrial revolution which shifted the centers of power from East to the West. Justin Rosenberg (2016) suggests through his theory of Uneven and Combined Development that development is inherently uneven because it offers the societies which witness development an evident edge over the rest of societies. Morrison (2010) also notes that power oscillation is not a new phenomenon in human history, however, these 'revolutions of modernity' made the power gaps between the industrial and non-industrial countries so huge that 'polycentric world with no dominant center' was shifted to 'core-periphery order' in which Europe had all the reins of

powers at the global level (Pomeranz, 2000). Eric Hobsbawm (1989) notes that the revolutions of modernity were so uneven that they culminated in an international order in which 'the advanced dominated the backward'. The industrial production base at home enforced the new centers of powers to look for the markets at 'favorable terms'. The European voyages during the 15<sup>th</sup> century opened new sea lines across the Pacific, Atlantic, and Africa along with the improved means of transportation which helped the expansionist European powers to reach 'lucrative' places. China, which had been a civilizational state, became the main source of attraction for the newly industrial powers because of its massive market and abundant resources.

The theory of Uneven and Combined Development (UCD) suggests that different people and regions had to face the 'whip of external necessity' and each society takes the 'whip of external necessity' 'in its unique way. However, some societies do not endeavor to emulate the new configurations of power because of sticking to the same old socio-cultural settings; while some social orders succeed in evolving their indigenous and distinctive forms of new configurations (Rosenberg, 2010; 2013). Japan was also under the threat of Western imperialism at the same time when China was facing the 'whip'; however, quite contrary to China, Japan decided to massively transform its productive system (Hung, 2016). During the Meiji Restoration (1868), the Japanese elite discussed that they have two options: to remain stick to their ancient system and be consumed like India and China by the Western expansionist powers or to emulate the technological system of the West to face the challenge posed by them. It was decided that to face the *barbarians*, Japan should have to adopt the way of *barbarians* (Jacques, 2012). Meiji Japan was the only non-European country that joined the club of industrial powers towards the end of the nineteenth century. With the Anglo-Japanese alliance of 1902, Japan's status as a great power was accepted by the British Empire. Therefore, through the miracle of

industrialization, Japan successfully evaded certain subjugation to the colonial western states; however, the other countries like India and China along with many others were not wise enough to follow the footsteps of Japan.

### **3.3 Chinese Century of Ignominy: End of the Middle Kingdom**

As it has been discussed above that Uneven and Combined Development suggests that every country reacts to the challenge of 'whip of external necessity' (international threat) in its own way which means that some countries prove successful in having access to the latest technologies ( like Meiji Japan), but some countries fail in realizing the danger of threat posed by the developed countries ( like China during 19<sup>th</sup> century). Contrary to Japan's Meiji Restoration, China evolved no indigenous plan to face the 'whip of external necessity' of Western powers which reached on its gates towards the end of the eighteenth century. China still clung to its traditional socio-economic system and as a result of ignoring the challenge of 'whip of external necessity', China had to face a century in which Chinese identity of 'civilizational state' and 'Middle Kingdom' or 'Tributary state' succumbed to the industrial West, which was historically much inferior in size and technology to China.

Towards the start of the nineteenth century, China did not recognize the unprecedented power of the West as it utterly ignored the Western requests to open its areas for trade. Many Western countries tried to convince China to open more regions for trade, especially the British who found the trade of opium highly lucrative. However, when the Chinese government ignored their requests, the Western states enforced China to open its markets for Western trade through the ruthless use of force. The British exported 30,000 chests of opium from India to China every year, in which each chest carried 150 pounds of opium (Mann, 2012). China had to cede Hong Kong to the British according to the Treaty of Nanjing after the First Opium War, pay indemnity

and had to open five new treaty ports. Furthermore, the Nanjing Treaty legalized opium trade and enforced China to accept the consuls of the British and to guarantee extraterritorial rights to the nationals of the Great Britain (Suzuki, 2009).

After the disastrous outcomes of this war, a host of domestic challenges awaited the Qin dynasty to add misery to its problems. Four major revolts are worth mentioning here: Muslim rebellion in Yunan (1855-73), another Muslim rebellion (1862-73), the Nien Rebellion, and the Taiping Uprising (1850-64). Furthermore, famine and floods hit China from 1848 to 1850. Even after the disastrous outcome of the First Opium War, China was still not willing to modernize its productive resources like the British because China took the British as Barbarians like its northern neighbors of Steppe who had been a constant source of tension for China. However, the Chinese elite had to accept that they were no match for the industrial Western powers like Great Britain and France after the Second Opium War (1857-60) (Jacques, 2012). After the Chinese defeat in the Second Opium War (1856-60), the Summer Palace was sacked and China had to sign a number of unequal and embarrassing treaties that guaranteed low tariffs to the European countries. In addition to these problems, a number of domestic anti-state uprisings seriously put a halt to the authority of the state. Only in 'Taiping Rebellion', more than 20 million people were killed between 1850 and 1873 and China's population fell from 410 to 350 million (Osterhammel, 2014).

In 1884, the powerful French navy destroyed the Chinese navy by destroying all the Chinese ships in less than an hour. After this incident, China lost control of Vietnam which had been a Chinese tributary state resulting in Vietnam becoming a colony of France. Similarly, Japan too vanquished China in 1894 in the Sino-Japanese War. The Treaty of Shimonoseki was signed according to which China had to pay huge repatriation to Japan almost double to size of

its annual income. Moreover, Japan controlled Korea too after this war which had been a Chinese tributary state for centuries. In a similar vein, China lost Taiwan and southern Manchuria. China's per capita GDP plummeted between 1820 and 1950 from 90 percent to 20 percent of the world average and China's share in world GDP declined around a third to 5 percent in the coming period (Maddison, 2007).

Furthermore, reforms to bring modernization in China by Guangxu, a 17 years old emperor, prompted Empress Dowager Cixi to instigate 'Palace Coup' which further restricted the efficacy of government. The 'Palace Coup' developed nationalism among the Chinese who were not happy because of the modernization programs. This resulted in another movement which is termed as 'Boxer Rebellion' which was an anti-foreign movement in China against the privileges enjoyed by the foreigners. However, this rebellion was silenced by the combined troops of the foreign powers. Another revolution overthrew Puyi, the last emperor in China in 1911, and a nationalist government was formed of constitutionalist President Sun Yat Sen. However, the revolution could not solve the bewitched problems of China as China further fractured in local war-lordism. The following decades witnessed Japan occupying vast swathes of China and since 1927, a full-scale civil war erupted in China (Buzan & Lawson, 2015).

Wong (2000) is of the view that after 1911 not only sovereignty of China was significantly limited but China also faced 'multiple sovereignty' as authority had to be shared with many of the aggressive powers and domestic challengers. In 1949, the Nationalists were defeated by the Communists in the Chinese Civil War and China was finally unified with the exceptions of Hong Kong, Taiwan and Macao. Gernet (1996) is of the view that Mao's great achievement was that he materialized the Chinese dream of independence.

### **3.4 China under Mao: Rise of the Socialist Economic Model**

With the support of the Soviet Union and Chinese peasants, the Chinese Communist Party (CCP) successfully ousted all the foreign elements in China, creating a strong state which was based on extracting rural surplus for rapid industrialization in urban centers through a comprehensive state-directed drive of primitive accumulation. Though the CCP claimed to have legitimacy in the name of socialism; however, what it did was to construct an efficient state-led collective agriculture to extract vast surplus in the rural areas and invest it in a centralized state-owned program of industrialization. Thus succeeding in doing the task that many generations of Chinese elite failed to do since the initiation of the ‘Century of Ignominy’. Towards the start of the 1950s, China was fully committed to follow the Stalinist oriented Soviet economy with the core elements of single party absolute rule, hierarchical party organization, deeply entrenched internal security set up and strong personality cult of the supreme leader (Jacques, 2012). During the Stalin era, China sincerely tried to adopt the Soviet systems of education, research, organization, and management of state institutions. The Soviets helped China in establishing more than 200 industrial plants which worked as the epicenter of the Chinese industrial system. Almost 10,000 Soviet technical advisors worked in China on 300 industrial projects (Kappel, 1994).

Leon Trotsky (1997) suggests that there is no carbon copy of development; therefore, no system of development can be replicated in letter and spirit. Though the Soviet system was championed by Mao to be practiced; however, due to the historical unevenness of China, socio-economic conditions were very different in China than in the Soviet Union. Justin Rosenberg (2019) is of the view that the CCP strategy under Mao’s leadership could be hardly explained through the logic of Marx, Engles, and Lenin. Though the Russian revolution occurred in a

country where industrialization was still in its rudimentary stage and the Russian proletariat was nowhere near claiming majority in the masses. Therefore, when the Russian proletariat was very small during its period of revolutionary struggle, the Chinese proletariat was virtually non-existent at the time of the establishment of the CCP in 1921. For the next some years, the CCP deserted its goals of instigating revolutionary conditions in the cities and concentrated its effort to attract a large base of China's peasantry. Mao had understood that without massive industrialization, China would not be able to continue its sovereignty as the 'Century of Ignominy' haunted all the post-1949 governments.

Trotsky argues that the course of historical development is neither uni-linear, nor multi-linear, rather it is dialectic. This means that while copying a foreign system, domestic societies adopt certain parts of this system while retaining some parts of their traditional culture by ignoring some aspects of the system which is followed. When Mao followed Soviet styled economic model in China, some aspects of Confucianism were discarded while some views of Confucianism were deemed necessary to be followed in the new administrative system. Some of the values of Confucianism were disregarded which were against modernization like women were encouraged to play a key role in the economy who were oppressed in patriarchal old Chinese Confucian culture. However, there are a lot of resemblances too in Confucian culture and the Communist culture like the emphasis on the reduction of inequality, limits on property and redistribution. It is considered the primary duty of the state to mold the lives of the people in Confucian culture, similarly, the Marxists endeared to intervene in economic and social spheres in China with the theme of "iron rice bowl" in which the state vowed to provide education, health, housing and lifelong employment (Wong, 2000). In its first decade, the new government was successful in making a difference in Chinese societies through curtailing rural banditry,

corruption, secret societies, powerful drug and sex networks (Wadler, 2012). The Chinese government introduced deeper societal transformation on a Soviet state socialism style. The new transformed version of China was on two factors: a bureaucratically administered economy that virtually negated market mechanisms, and a disciplined single party that had roots.

A massive “thought reform” was introduced in which the faculty members in mainstream universities and colleges were required to harmonize their views with Maoism regardless of their field of study and to detest publically the ‘American way of life’. After establishing sound control in the urban centers, the government decided to cripple the private sector and the party leadership decided to restructure the Chinese economy on socialist principles in 1953. The government took control of wholesale supplies and banks making it virtually very difficult for the businessmen to take credit and finance. This rendered the private sector unable to grow and compete. From 1949 to 1952, the share of the output of private firms shrank from 88 percent to 44 percent. This made the private sector dependent on state contracts for the survival of their businesses. As a result, the share of state contracts sold by private firms increased from 12 to 55 percent. The role of the private sector in the Chinese economy decreased significantly because of this government policy as the share of private industrial output fell from 63 to 39 percent (Wadler, 2012).

The most vicious problem which haunted China was inefficient control of revenues (Wong, 2000). Food supply was not in satisfactory condition in China; therefore, the revolutionary government had to carefully manage food supply. Similarly, consumer goods were also in short supply. China successfully introduced an administrative rationing system for a number of goods, staple food, and consumer goods items in 1955. The ration system included staple grain like wheat or rice flour, cooking oil, and meat only on ration coupons which were

issued by provincial authorities. Housing was the main problem, especially in the urban centers, therefore the state decided to provide housing facilities too to the lower strata of masses (Kuisong, 2002). Therefore, the most pressing problem before Mao was how to fund incipient industrialization in urban centers. Mao found that the only way to fund industrialization in urban centers was to extract surplus from the agricultural sector, based on the Soviet experience of industrialization, through well-planned government initiatives and then to invest this surplus in the urban industrialization. Therefore, an evident and unambiguous Mao's strategy for industrialization emerged in the early 1950s to extract rural surplus to feed urban industrialization. For smooth rural extraction, the CCP decided to revolutionize the infrastructure, education and health facilities in rural areas (Hinton, 1966). However, during the mid-1950s, the CCP faced immense resistance from the peasants who vociferously resisted increased taxation to fund the industrialization in urban areas.

Furthermore, when the government tried to sell farm tools like iron ploughs, produced in the urban industries, at an inflated price to extract more revenues to fund industrialization, peasants clung to the traditional farming methods (Wen, 2013). Moreover, the migrated peasants from the rural areas flocked to the urban areas creating pressures for the nascent system of industrialization and services in major cities. Similarly, it was also recorded that peasants were not selling their products in the markets, which were devised for them, as either they consumed their products in their households or sold the products in local markets. It means that rural surplus, on which Mao relied so heavily, was not reaching efficiently for the overall operationalization of industries.

The party decided to collectivize the rural land and the means of production in large-scale collectives which were called the 'People's Communes'. All the products in rural areas were

transferred to rural communes which were operated military-like hierarchical command structures. Soon the party was able to extract a massive surplus in the agricultural sector through annihilating rural markets and selling factory products like machinery and fertilizers at an elevated price. This agriculture to industry surplus based regime culminated in the enlargement of disparity of living standards between rural and urban areas (Huang, 2015). Wen (2000) suggests that a total surplus of 600 to 800 billion yuan was extracted between 1953 and 1978 by the party. Despite a massive market interruption by the CCP through its political campaigns, the share of industry to GDP increased from 20.9 percent in 1952 to 47.9 percent in 1978.

Trotsky suggests that every society accepts a foreign system in its own context due to historical unevenness. When Mao copied the strategy of extracting rural surplus to feed industries in urban centers; Mao's adoption of this Soviet strategy was different in one sense. When the Soviet Union attached no restriction for migration from the rural to urban region, Mao introduced a stringent registration system (Hokou system) to tie the people in their native areas in 1958 to avoid massive migration of waves of peasants in urban centers which China had already faced in the mid-1950s, which negatively affected the system of industrialization in China. The Hokou system chained the peasants to their lands and they could have access to education, social services and medical care in only their own areas of registered birthplace (Huang, 2015). Hokou system was part of comprehensive strategy of 'Great Leap Forward' devised by Mao to steer China out of socio-economic worries.

### **3.4.1 The Great Leap Forward (1958-1962)**

The "Great Leap Forward", presented in 1958, was aimed at revolutionizing agricultural and industrial production with the primary goal of surpassing Great Britain till 1968 by producing steel in small backyard furnaces. The main impetus for the Great Leap Forward came

during Mao's visit to Russia to attend the fortieth anniversary of the Russian Revolution. In the previous year, Soviet president Khrushchev told Mao that the Soviets were planning to outmaneuver the US in almost every major product within fifteen years and he termed this Soviet strategy as "Big Step Forward". While in Moscow, Mao declared publically that China would overtake Great Britain in fifteen years. This statement soon became the party policy after a few weeks when Mao returned to China from Moscow (Wadler, 2012).

In 1958, the enthusiasm of Mao in the Great Leap Forward increased and he set a target of only seven years to outmaneuver Britain in the field of industrial production and fifteen years to surpass the US. The earlier target was deemed unnecessary and 'too conservative'. The new approach escalated significantly the targets as national output was 5 million in 1957 and it was thought to increase to 5.8 million in 1958. The new target was increased to 11 million tons in 1958 and was highly ambitious 39 million in 1959. To achieve this target, the state decided to soar investment in heavy industry. The Soviet help was sought for enhancing new plant capacity. The target of the initial investment was enhanced from 14.5 billion yuan to 38.6 billion yuan (Kornai, 1992). The grain output was recorded as 195 million tons in 1957; however, in 1958 the output target was set at 350 million tons.

The strategy to increase productivity in the rural sector was termed as 'Rural Great Leap Forward' which relied heavily on bringing new land into cultivation and expansion of irrigation. The masses were mobilized to function as labor armies for the construction of the projects of dams and canals that would play a key role in increasing output in the agricultural sector. Agricultural production was managed in the fashion of the military. Families were told to give their possessions like tables, cookware and cookware, etc to the communal mass hall. The families were not allowed to prepare and store food independently as now these functions were

managed collectively. Families ate in mess halls, nurseries were established to look after the children providing relief to their mothers not to worry about their children and work on fields for longer hours (Wadler, 2012). To work on these state-sponsored projects was not voluntary as to get food, one must need to work according to strict rules and regulations. The farmers had to work at least 28 days in a month and were required to rise with the morning call, take their meals together and sleep at a given time.

The officials working on these projects were well aware of the organizational and technical shortcomings in the philosophy of the overall project of the leap; however, they had to keep their mouths shut because of the fear of the Chairman backlash. Therefore, they had no other option than to provide fake reports and statistics to the chairman regarding the success of the leap program. When Mao came to know about the malpractices in this program and that certain officials and public were suspicious about the overall rationality behind the program of the leap. He said that the problems occurred because of the poor implementation strategy and that there was nothing wrong with the practicality of the GLF and declared any anti-leap voice as being anti-revolutionary. The damage done because of GLF was not revealed until 1982 when China revealed data of censuses from 1953 to 1964. According to this data, the number of crude deaths increased 2.5 folds between 1957 to 1960, infant mortality doubled, life expectancy reduced significantly from 49.5 to 24.5 years as the overall population of China declined by 10 million from 1958 to 1962 (Wadler, 2012).

However, this policy disrupted the free operation of the market resulting in a loss of millions of deaths. It is said that 25 million people lost their lives because of the disastrous outcome of the Great Leap Forward 1958-60 and the Cultural Revolution 1966-1969 took lives of 400,000 (Jacques, 2012). However, despite of massive violation of human rights on Mao,

China experienced impressive economic growth of 4.4 percent on annual basis from 1950 to 1980 (Maddison, 2007). Similarly, China's Human Development Index increased three and a half time from 1950 to 1980 because of paying close emphasis on education, managing illiteracy, promoting equality and improving the overall healthcare system (Desai, 2003).

### **3.4.2 The Cultural Revolution (1966-1976)**

Mao had to face serious critique from the party leadership, especially from Liu Shaoqi, the third most powerful CCP leader after Mao and Xu Enlai, who termed 'the great leap forward' as 'the great leap backward' (Wader, 2012). However, Mao reasserted himself in a speech that he delivered in September 1962. This speech is considered as the primary inspiration for the Cultural Revolution. Mao suggested in this speech that during the transition from capitalism to socialism, the societies had to face a difficult time that tested them thoroughly. He said that all the elements that were loyal to the previous Nationalist government had not been successfully eliminated. Through this strategy, Mao secured his control over armed forces, propaganda units, and communication system. This was start of the Cultural Revolution in China (Wadler, 2012). Mao was of the view that even after seventeen years of his 'socialist revolution', the revolution was still incomplete as even in his party, certain pro-capitalist system leaders were present who were the real threat to China's journey towards real socialism. Frank Dikötter (2010) suggests that through this drive of Cultural Revolution, Mao hoped that this revolution would make China as the leader of socialist world and would turn Mao as the man who really transformed this earth into a world of communism.

All the views unanimously suggest that the Cultural Revolution culminated in social and political chaos. The primary target of the campaign was the dissident leadership within the party who did not remain loyal to the socialist cause and had serious differences with the policies of

Mao; such leadership was targeted through a massive propaganda campaign. The gangs of the Red Guards and students attacked every symbol of bourgeoisie culture like the people wearing ‘bourgeoisie clothes’ on streets, party officials and intellectuals were murdered and some were driven to suicide. Ten years of turmoil, mayhem, and bloodshed crippled the Chinese economy and ruined the lives of millions. Once the damage done by this drive of ‘getting rid of the last bourgeoisie symbol in China’ became evident, the leadership of CCP had to admit that Cultural Revolution was nothing but a period of ‘grave disorder, retrogression, and damage’. The official statement of the party came forward in these words, ‘the most severe setback and the heaviest losses suffered by the party, the country, and the people since the founding of the People’s Republic’ in 1949 (Walder, 2015).

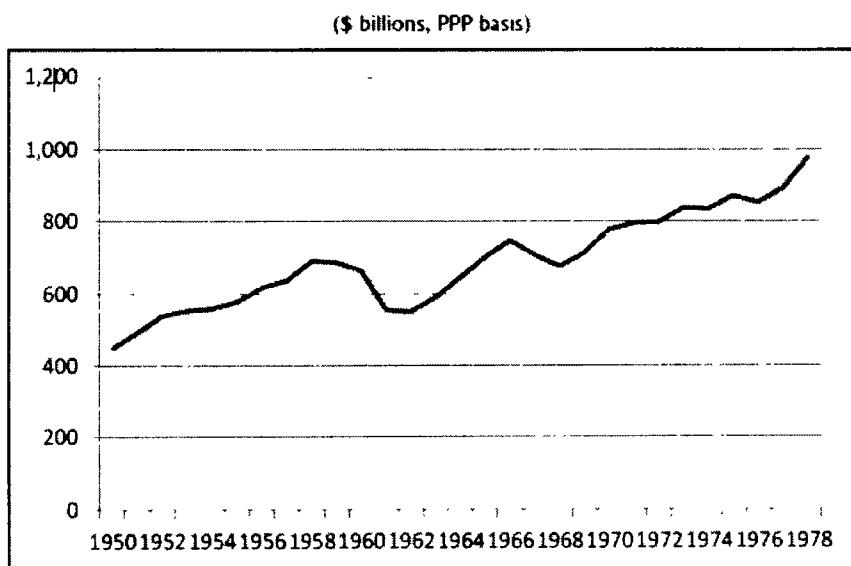
### **3.5 China Under Mao: Final Words**

The People’s Commune system functioned in two ways. At first, it proved the main source of extracting rural surplus to feed industries in urban regions; secondly, it worked as shock observer when the socialist urban areas faced an overproduction crisis (Wen, 2013). At the time of crisis, the party leadership instructed the labor to migrate to the People’s Commune in search of jobs. The waves of such cities to countryside movement were witnessed in the early 1960s, the late 1960s and the mid-1970s. The party invested in rural communes in basic education, infrastructure and health care. Life expectancy at the time of birth increased from 43.5 years in 1960 to 66.5 years in 1978 (Jacques, 2012). A World Health Organization report suggested that Mao’s initiative of ‘barefoot doctor’ revolutionized the overall health system in China’s rural regions and proved highly efficient in controlling infant mortality and spread of contagious diseases (World Health Organization 2008).

China under Mao's leadership followed a centrally planned economic model in which the state was the only decision-maker in setting important decisions like setting controlled prices, producing goals and allocating the resources in the economy. During the 1950s, Mao collectivized China's household farms in large communes. Because of these policies, almost three-fourth of production in China was engineered through centrally controlled enterprises by 1978. Foreign investment and private enterprises were barred from actively participating in the economy to make China's economy self-sufficient. Foreign trade occurred only in those areas in which China was unable to produce itself. There was no mechanism through which resources could be allocated efficiently in the economy. According to data provided by the Chinese government, from 1953 to 1978 China's real GDP increased at an average rate of 6.7% annually. However, these statistics provided by Mao's government are refuted by independent economists as the famous economic historian Angus Madison is of the view that China's average GDP increased merely about 4.4 % between 1953 and 1978 (Maddison, 2007).

China's economy had to face massive economic distortion because of isolation and self-sufficient economic policy of the Great Leap Forward of Mao from 1958 to 1962 in which worst famine occurred and 45 million people reportedly died (New York Times, 2010) and because of the Cultural Revolution during 1966 and 1976. However, if compare with other developing economies during the same period, China performed better than many third world economies as it is recorded that China's per capita GDP with respect to purchasing power parity (PPP) doubled from 1950 to 1978.

### China's per capita GDP from 1950 to 1978

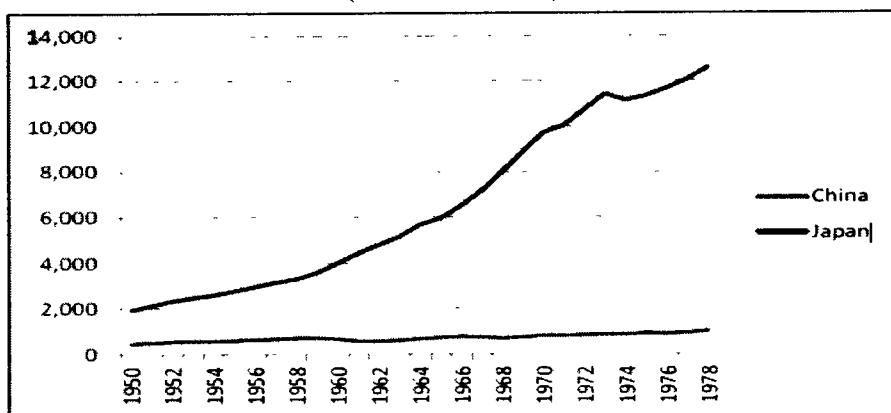


Source: Angus Maddison, Historical Statistics of the World Economy: 1-2008 AD.

Figure 1. China's Per Capita GDP from 1950 to 1978

However, China's economic performance was paled if we compare and Japan's GDP during the same period as has been shown in the picture below.

### Comparison of Chinese and Japanese Per Capita GDP: 1950 to 1978



Source: Angus Maddison, Historical Statistics of the World Economy: 1-2008 AD.

Figure 2. Comparisons of China's and Japan's Per Capita GDP: 1950 to 1978

After the death of Mao in 1976, China decided to alter its Soviet style economic model gradually by reforming the economy in gradual steps towards free trade and to open its economy for investment and trade with the US, the West, and the Asian Tigers. About altering China's model, Deng famously said that the color of the cat did not matter unless it could catch mice (Jacques, 2012) which suggests that the economy was more important than ideology. However, China's journey towards market reforms was slow and very cautious as Deng Xiaoping called his approach as 'crossing the river by touching the stones' (Jacques, 2012).

### **3.6 Post Maoist China: Rise of the Liberal State (1978-present)**

#### **3.6.1 The Immediate Crisis**

Deng Xiaoping emerged as the unrivaled leader of China after Mao's death on September 9, 1976, and removal of the so-called 'Gang of Four' within the hierarchy of the CCP in 1976 because Hua Guofeng, Mao's successor, wanted to purge the extremists within the party and highlight the liberal and constructive figures within the party like Deng. However, Deng soon outmaneuvered Hua and took all the reins of power in his hands. The new government under Deng Xiaoping decided to introduce a major transformation in the Chinese economy to cope with the economic problems in which China was mired since Mao's period.

Towards the end of Mao's era, China was in serious trouble. Consumption per capita and income had been unchanged during the last twenty years. The indicators of economic efficiency were not encouraging and China was far behind technologically than other developed competitors. Factionalism created in the Cultural Revolution seriously undermined Chinese productivity because people were least willing to take responsibility and had a serious reservation of taking charge of things because of the fear of being attacked. Similarly, the earthquake of 1976, in which almost a quarter-million lost their lives, created unprecedented

problems for China. Because of Maoist excessive self-reliant approach, the center had little control over the provinces as well as the other smaller units. This meant that provinces had to manage their industrial units on their own with little hope of getting help and expertise from the central government. Because of these measures, the state capacity drastically plummeted (Bachman, 1989).

### **3.6.2 Whip of Capitalist Japan and Asian Tigers: An Analysis of Transformed Economic Approach in Post Maoist China through Uneven and Combined Development**

Leon Trotsky suggests that the countries had to live under the ‘whip of external necessity’ and, therefore, had to transform their socio-economic system by applying a successful foreign system in their own context. China endeavored to use its ‘privilege of historic backwardness’ during Mao’s era by massively funding the urban industries from the rural surplus; however, when China made great advancement in productivity and social sector as compared to other countries of the developing world; it actually remained far behind than its East Asian neighbors of Japan and the Asian tigers in field of technology, science and overall economic growth. Huang (2015) suggests the decision of introducing market reforms in China in the late 1970s was inextricably related to capitalist success in Japan and the Four Tiger\_Taiwan, South Korea, Singapore and Hong Kong which started their market economies from 1950 and were functioning till the time of Deng’s decision of opening China’s markets for foreign investment and to significantly transform economic system devised by Mao. Japan and the Tigers especially benefited massively because of the investment from the Western manufacturers who had to outsource labor-intensive production processes because of the economic crisis in the West in the 1970s. Japan and the Asian Tigers occupied different spaces in the value chain as each of the country specialized in export to the West a level of technological sophistication.

Japan had a specialty in high value-added items and the Tigers were keen to achieving specialty in middle-range products. This East Asian ‘flying-geese formation’ worked as a network of suppliers to the global markets (Cumings, 1984) and became ideal for Deng who planned to devise China’s economic approach on the success pattern of China’s neighbors.

### **3.6.3 Home Grown Approach of Market Reforms: Not a Carbon Copy**

However, Trotsky also suggests that there is no carbon copy of development; therefore, all the countries have to introduce a foreign system in its own context which may differ significantly from the country of which system is being copied. When China’s export-oriented and heavy investment model closely resembled East Asian Tigers and Japan’s model; at the same time, China’s model differed greatly from its neighbors’ economic models. China’s authoritarian political model, its existent strong networks of SOEs established during Mao’s era, China’s extensive surplus labor in the countryside and absence of foreign debt to the CCP differentiated it from Japan and the Asian Tigers (Naughton, 1995) differentiated post-Maoist CCP approach to its East Asian peers. Martin Jacques (2012) also suggests that the economies of the Asian Tigers and Japan had a strong influence on Deng’s reforms since the start of the reforms as these countries functioned their economies on pragmatic and non-ideological grounds. However, despite of similarities of the non-doctrinal economic approach, it was not possible for China to replicate the economic strategies of these countries in China. Roderick (2007) notes that while transforming their approach, the new Chinese leadership did not blindly follow neoliberalism as they eschewed any shock treatment suggested by Washington orthodoxy, rather Chinese economic liberalism was a domestic phenomenon not a copy of economic approach of the US or any other developed state (Roderick, 2007).

### **3.6.4 New Leadership and Transformed Economic Approach: First Phase 1979-1988**

‘Primitive accumulation’ can be considered as a process in which social change is constructed by destroying the pre-capitalist social structures (generally through coercive measures) and were substituted by capitalist relations of production and exchange. China had accomplished half of its process of primitive accumulation during Mao’s rule and the conditions were ripe for the completion of the other half\_ by allowing migration from the rural to urban regions, de-collectivizing large scale agriculture and property and offering incentive of wage labor to an army of unemployed and healthy labors in the rural sides (Rosenberg, 2019).

The endeavor of primitive accumulation during Mao’s era left China as a combination of fairly industrial and an agrarian nation based on demographic differentiation. Due to Mao’s heavy investment in rural education and health, China became a country with a massive reserve army of rural labor with high literacy and good health, contrary to other developing countries where labor was not so efficient and literate. This huge number of educated and healthy laborers proved an attractive source of foreign investment when Deng Xiaoping decided to end the segregation between rural and urban systems during the 1980s and 1990s.

Similarly, the huge number of industrial State-Owned Enterprises (SOEs) with an extensive and efficient network of infrastructure increased China’s attraction for foreign capital in the post-Maoist phase. Many of these SOEs became the main source of joint-venture between state and foreign manufacturers which increased the efficiency of these enterprises. The efficient infrastructure \_ telecommunication, ports and transportation system \_ built during Mao’s drive of revolutionizing China’s infrastructure, facilitated the movement of labor, capital and goods throughout China and across its borders. Another important legacy of Mao, which greatly facilitated the reform process, was the absence of any foreign debt because of Mao’s isolationist

and self-sufficient approach. Therefore, China's state enjoyed greater autonomy to deal with foreign investment in its economic transformation than the other developing countries which were heavily burdened by foreign debt (Friedman, 1999).

David Harvey (2007) argues about the transformed post-Maoist China approach that the new approach was to construct a new economic design that would incorporate neoliberal elements under the supervision of a strong state apparatus and individual initiatives were deemed pertinent for major increases in economic productivity. As inequality is inextricably tied with market-oriented reforms, therefore, the CCP leadership decided that inequality would have to be tolerated. Deng focused on four modernizations: industry, agriculture, education and science and defense. The two most important decisions made in the new transformed approach were market pricing and devolution of political-economic power to the localities. Moreover, China was opened to foreign direct investment and trade under state supervision, thus ending Chinese isolation from the global market. Initially, experimentation was limited to the southern province of Guangdong near the border of Hong Kong for procuring technological advancements. These tumultuous economic transformations incorporated China into the world market. The market endorsement of the CCP was gradual, therefore, if China was successful in avoiding the fate that other countries had to suffer which moved rapidly towards neoliberalism through shock therapies like Russia. In fact, China adopted a very unique path of the state-run market economy which is called 'capitalism with Chinese characteristics'. This economic model delivered unprecedented economic growth for China which has been recorded almost at 10 percent on yearly basis for 20 years along with rising standards of its public.

Marin Jacques (2012) is of the view that the post-Maoist reforms were in fact a very slow and gradual approach when special zones were created along with the south-eastern seaboard,

especially Guangdong province where the rural communes were eliminated and peasants were allowed to have lands on long-term leases to market their products. If a reform proved successful, it could be extended in other areas and if failed, then it was forsaken. This approach was in sharp contradiction with staunch ideological and highly ambitious approach of Mao. Deng himself regarded this step by step approach in Chinese great master Confucius's these remarks: 'Truth is to be found in practice', 'Seek truth by the facts', 'Cross the river by feeling for the stones' (Walder, 2015).

In the new pragmatic policy of China, the incessant confrontation was deemed as non-desirous and the US position of global economic powerhouse was recognized. Formal diplomatic relations with the US were established in 1979. China's assets were un-freezed and China was granted as the most favored country. These steps proved a harbinger for Chinese entry in the World Bank and the IMF in 1986. Similarly, China was granted observer status to GATT in 1982. The US got special importance in the new Chinese policy in the 1980s as Chines invested massively in the US, a lot of Chinese students went to the US to study, and especially the offspring of Chinese political elite went to the US for study. After the disintegration of the USSR, there was growing concerns among the Chinese that if they wanted to flourish economically and avoid a fate like the USSR, then the American free market-oriented economic model was pertinent. The Chinese state retreated as the prime provider of public goods, tariffs were lowered open trade environment was adopted (Hui, 2003).

These economic reforms or 'Open Door Policy' were carried out in two phases: from the late 1970s to early 1980s and from late 1980s to onwards. During the first phase of the reforms, the agricultural sector was de-collectivized and the country was opened to foreign investment and entrepreneurs were allowed to start the business. The second phase of reforms involved

contracting out the state's vital assets and privatization was encouraged along with lifting control on prices and regulation and protectionist policies. Because of this economic approach, the private sector became very strong as it accounted for almost 70 percent of domestic product by 2005. The open-door policy through all of its manifestations (direct foreign investment, foreign borrowing, expended tourism etc) was an endeavor to directly address the problems of China in which it was mired in 1976. This approach promised to bring advanced technology to the industry. It promised the availability of funds to both the central government and the local government. Hopes were attached that this would increase state performance and the levels of living in China were also thought to be increased substantially because of this approach.

It is argued that open door was in fact a redistributive policy which was thought to take the resources from the central government, local bodies, heavy industries and favors the coalition of the localities, the coast and the light industries. The interior regions of China succeeded in getting the loans from the World Bank. The release of resources enabled the central government to invest heavily in poverty alleviation drives which was not possible prior to this policy. Some of the coastal areas like Guangdong and Jiangsu developed rapidly (Oksenberg, 1987).

Huang (2015) suggests that China's capitalist model was like an explosion of mixture of Maoist legacies and capitalist model of East Asian counties, though both of them were completely different from each other and both fought ferociously during the Cold War in East Asia. The market reforms were initiated by de-collectivizing People's Commune in the countryside and by restoring the peasant economy in the early 1980s, which were followed by reforms in state enterprises and price reforms in the late 1980s. These reforms in SOEs continued unabated during the 1990s, and this transformation turned these enterprises into profit-oriented

capitalist corporations as the main agenda of the Deng's government during the second phase of reforms.

The peasants in the rural areas were allowed to use the communal lands through personal responsibility system in the early 1980s. The peasants could lease their lands, hire in labor and sell the surplus production at a market rate rather than prices which were controlled by the state during Mao's era. As a result of this policy, the earnings in the rural side increased 14 percent annually from 1978 to 1984. Furthermore, the income disparity between rural and urban areas increased menacingly. The urban incomes were recorded at \$80 in 1985 but soared at \$1000 in 2004; while the rural incomes rose from \$50 to around \$300 in the same period (Harvey, 2007).

The massive state capital, generated during Mao's era, became a special interest to foreign direct investment which just had to connect themselves with the existing networks with collective enterprises or local SOEs. For instance, foreign big companies like Volkswagen, Boeing and Toyota initiated their business by collaborating with pre-existing state-owned automobile or aircraft companies in China (China, 2003). The extensive supply of educated and healthy labor from the rural areas helped the CCP to keep wages low than international standards. China's competitiveness and attraction to global investment enhanced significantly when the CCP relaxed central control, delivering powers to the local and regional authorities to compete with each other to attract foreign investment in their enterprises by offering them lucrative terms like free industrial land and several tax breaks to achieve high GDP. As a result of this policy, the power of the center decrease substantially and local states became the leading agents of capital accumulation; while the central government was satisfied in devising macroeconomic policies like exchange rates, interest rates and preferential policy towards many regions. Lieberthal (1992) calls this policy of the CCP as 'fragmented authoritarianism'.

Major transformations were witnessed in China when the urban SOEs were transformed into independent profit-making units by canceling the government subsidies to the laborers working in these SOEs after the mid-1980s. The reforms replaced the centrally planned commodities prices and devise the new prices on floating market prices which meant runaway inflation along with the weakening of job security of the workers. Furthermore, rampant corruption was recorded as a result of massive changes in price reforms. It is also reported that government officials and their close kin amassed enormous wealth (Sun, 2002). Corruption, inflation and class polarization reached a crisis in 1988 and 1989 which finally led to the Tiananmen Square Protests (Naughton, 1995).

### **3.6.5 China's Entry in World Trade Organization and Post-Tiananmen Square Chinese Economy: From End of the Cold War1991- Present**

After the agreement at the Ministerial Conference, China was allowed membership of the World Trade Organization (WTO) on 11 December 2001. However, China's entry in WTO was not easy as the WTO required momentous changes in China's economy because China's entry in WTO was contentious for many members and it was very difficult to reconcile the difference between China's state led market economy and the framework of the WTO (Jacques, 2011). After introducing important political and economic reforms in China, the CCP signed various trade agreements in East Asia. Due to this modeling of China's economy on market principles, China was successful in gaining observer status with GATT. China hoped to be included as one of the founding member of WTO as it would help China in projection of its status as one of the regional or global power (Ah, 2017). However, this China's endeavor was thwarted by the US, Japan and European Union as these countries and regional bodies were of the view that at first

China had to introduce tariff reduction and open its markets for international investment. The main impetus in China's attempt to show its sincerity in applying market rules was witnessed in the aftermath of the 1997 Asian Financial Crisis when China merged or sold off its various state-owned enterprises. Similarly, the State Council was massively reformed to reduce the mandate of the State Planning Commission in China. China's entry in the WTO was a gigantic achievement of multilateralism as by joining the organization, China agreed to follow the rules that it had no say in making like China had to liberalize its service sector and foreign investment was to be allowed and the restriction imposed on retail, wholesale and distribution has to be lifted. Financial services, banking, telecommunication and services had to be opened up for foreign direct investment. Moreover, China had to deal with certain controversial issues like intellectual property and transparency which were highlighted by the WTO (Chambers, 2005).

The reforms process was accelerated during the mid-1980s transforming many State-Owned Enterprises (SOEs) into independent profit-making bodies. The reforms also relaxed state control on the commodity prices and many SOEs abolished worker's welfare packages. Massive inequality was widening between the have and have nots; however, the CCP was not perturbed because of this situation as Deng himself quoted that there was nothing wrong with the rich getting richer (Jacques, 2012). Through intervening directly in the economy, some high profile names in the CCP amassed enormous fortunes turning themselves into 'bureaucratic capitalists' or 'cadre-capitalist class' (So, 2003). Many segments of society \_students, workers, democrats, human rights activists etc\_ started gathering in Tiananmen Square on 15 April and stayed there till 4 June 1989 when they were finally crushed by the government. This protest is called as 'Tiananmen Square', 'June 4<sup>th</sup> Incident' or '89 Democracy Movement' (Hung, 2015). The

protests were suppressed through the use of sheer coercion on 4 June 1989 when the central government imposed martial law by sending the military to occupy Beijing's central parts.

The world harshly reacted against China's handling of the protestors. The European Union imposed an embargo on weapon sales in China and planned a resolution against China in the United Nation on China's role in quelling the protests. Similarly, the US also criticized China on the issue. The US president, Bush Senior, was under immense pressure from the Senate and the civil society to cancel ties with China and adopted a highly anti-China tone. Bush tried his best not to worsen the relations between China and the US; however, he made it clear that it had become increasingly difficult for the US to have relations with China that were before the Tiananmen episode (Nathan, 2001).

During the 1980s, top leadership of CCP was mainly divided in two groups: conservatives (often called as 'old guards') and liberals (called as 'cadre capitalist class'). The conservatives or the 'old guards' were in favor of adamantly centrally planning system and detested market reforms. The conservatives suggested that the protestors at Tiananmen should be ruthlessly quelled through coercion. On the other hand, the free marketers or the liberal, including the prime leader Deng Xiaoping, who had been mainly engineering the reform process of government and had amassed large fortunes, also saw the protestors as direct threat to their privilege and economic interests. These two groups within CCP unanimously decided to clear Tiananmen from the protestors. However, soon the free marketeers displaced the 'old guards' mainly through the blessing of ailing but still unparalleled Deng Xiaoping, who decided to took a southern tour in 1992 to check the overall performance of reform process and further energize the party to accelerate the economy. During this trip, Deng said in Shenzhen that the state would not only continue the process of economic openness but would accelerate this strategy. Since the

‘southern tour’ a political consensus for China’s development path was formed within the CCP based on unchallengeable authoritarian rule combined with equally uncompromising marketization (Hung, 2015). The inheritor of Deng Xiaoping, Jiang Zemin, continued the legacy of Mao with renewed vigor and aggressive neo-liberal agenda that was followed throughout the 1990s by carefully following the advice from the US financial capital and the Washington consensus.

Since the start of Deng’s economic reforms, China has been a heaven for foreign direct investment, especially for mammoth investment that was being poured in China from Hong Kong, Taiwan and Japan. Taiwan and Hong Kong preferred to shift much business in China because of high labor prices in their countries to benefit them from the cheap labor offered by the new Chinese government (Huang, 2001). This shift was so intense that till the late 1980s, about a million jobs and four fifths of Hong Kong’s light industry were transferred to China where wages were almost one-eighth of those in Hong Kong. During the 1990s, a similar trend was witnessed in Taiwan whose huge electronics manufacturing industries massively shifted their production operations in Mainland China. The expertise of these Taiwanese and Hong Kong companies was very significant for China’s development because they brought their connections with the export markets from their homelands to China’s new export zones (Brandt & Rawski, 2008).

FDI in China According to Chinese and Partners’ Declarations (billions of US\$)

Declarations	
	of China (A)      of partners (B)
USA	32
	11

Japan	30	11
South Korea	13	4
Germany	7	5
France	5	2
United Kingdom	9	2
Hong Kong	177	122
Taiwan	34	29

Notes : (A) Cumulated flows in the period 1990-2002; (B) Stocks.

Sources: OECD, International Direct Investment Statistics Yearbook, 2002; China Statistical Yearbook, 2002; Hong Kong Annual Digest of Statistics, 2002; Banque de France: Balance des paiements, 2002.

**Table 1. FDI in China according to Chinese and Partners' Declaration (billions of US \$)**

<https://www.uscc.gov/sites/default/files/Research/China's%20Economic%20Ties%20with%20ASEAN.pdf>

The primary focus of the reforms in the initial stage was stimulating economic growth in the rural areas to extract investment in the southern areas, however, till the 1980s, the center of gravity was clearly shifted towards the urban region and the industrial economy including central and northern regions as well. Hong Kong shifted its manufacturing operations from its city-state to the neighboring Guangdong region of China in search of cheap labor culminating in rendering Guangdong as one of the industrial bases of Hong Kong. Guangdong's economy became a precedent for the comparative advantage of the Chinese economy in the future. The success of Guangdong experience spread towards the northern and eastern regions of China during the 1990s when Japan and the Western countries invested heavily. China received since 1978 over \$500 billion of foreign direct investment which is almost ten times that accumulated by Japan

from 1945 to 2000. Foreign firms contribute over 60 percent of overall Chinese exports, especially these foreign firms are dominant in the high-tech area with almost 85 percent share (Gillboy, 2004). This has made China as an industrial base of the world with the cheapest manufacturing of national base for low and high-end goods.

Because of the spread in industrialization in central regions, unprecedented migration from the rural regions to urban centers was witnessed. The number and impact of the internal migration in China for China's policy of economic openness was so huge that by the mid-2000s, it had been recorded that migrant labors were responsible for half of all the labors working in export-oriented industries (Yue, 2015). China's export expansion was at such a massive level that China was responsible for two-third of processing trade in the global south (World Trade Organization, 2011). Chinese transformation from the countryside to cities was better in China even than the western European countries. Germany's population in cities increased from 15 percent in 1850 to 49 percent in 1910, France's urbanization grew from 19% in 1850 to 38% in 1800, United States urban population grew from 14% in 1850 to 42% in 1910 but Chinese living in cities increased from 17 percent in 1975 to 46 percent in 2015 (Jacques, 2012).

However, despite of cautiously following the economic reforms, state share in the economy was reduced greatly as it is noted that in 1978 state share in GDP was one third which shrank to merely 17 percent in 2005. Furthermore, dismantling tariffs barriers created highly competitive condition in China in which the domestic companies find it hard to compete with challengers from Japan and the West. Under such fierce competition, Chinese companies could only swim or sink. Moreover, Chinese membership in the WTO put severe pressure on the government to help on state-owned enterprises (Nolan, 2005). China soon became the special attraction of international investment as in 2003 China became the largest recipient of foreign

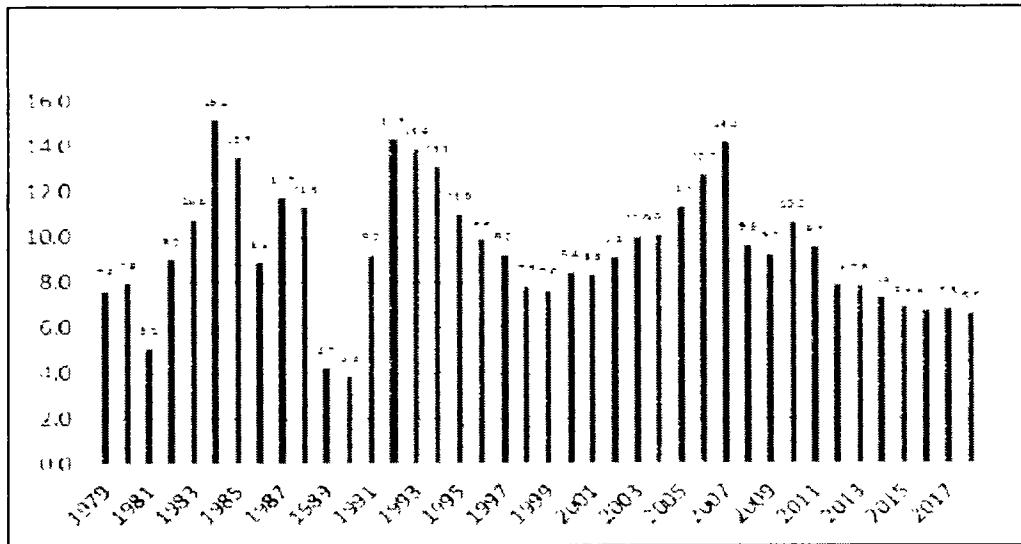
direct investment replacing the US as the top recipient of foreign direct investment. Foreign companies contribute almost 60 percent of total Chinese exports resulting in China becoming the 'workshop of the world'. Because of the attraction of lowering rates of tariffs, China's economic exposure to the world increased as foreign trade accounts for 75 percent of Chinese GDP which is way ahead of other states (Gillboy, 2004). During Deng's new Chinese economic approach, a lot of people migrated from the rural areas to the cities in search of better opportunities. From 1952 to 2003, the share of agriculture in the Chinese GDP dropped from 60 percent to 16 percent (The Economist, 2004).

The early phase of the reforms had targeted the rural southern region of China; however, by the end of the eighties the focus shifted from the rural areas to the cities and the industrial economy. Guangdong's economy became a precedent for the future economic approach of China when the businessmen from Hong Kong shifted its operations from Hong Kong to Guangdong, making Guangdong as the industrial base of Hong Kong. This model of Guangdong's opening spreads to the eastern and eastwards during the nineties when massive foreign investment was poured in China by the investors from Japan and the West. This massive change in the Chinese economic approach was the result of China's inclusion in WTO in 2001 because of which China adopted trade-oriented policy inwards and outwards. China has received over \$500 billion of foreign direct investment since 1978 which is almost ten times to the foreign direct investment in Japan from 1945 to 2000. As a result of this Chinese foreign direct investment friendly policy, foreign firms are responsible for production of more than 60 percent of overall Chinese exports, especially the share of the foreign firms in high tech production is more than 85 percent (Jacques, 2012).

China's unprecedented economic growth, especially after 2001, is marked with special emphasis on private investment. Lardy (2014) suggests that state-owned enterprises reduced drastically from 50 percent during the late 1990s to merely 25 percent by 2008. Furthermore, Lardy is of the view that 253 million (which means 70 percent of the urban labor force out of a total 359 million) were deployed in private sectors in urban centers by the end of the 2000s. The membership of WTO, the ambitious commodification of the Chinese economy and emboldened privatization spurred Chinese GDP after 2000. Due to this China's liberal economic approach, by the end of 2010, China produced 19 percent of manufacturing throughout the world, which doubled to its size after ten years prior.

China's economic rise from a poor country to a main economic powerhouse in almost forty years is almost a miracle of the modern day. From 1979 to 2017, China's real gross domestic product (GDP) increased at a spectacular average rate of almost 10% annually. According to the findings of the World Bank, China's unprecedented economic success in lifting more than 800 million people out of poverty is matchless in human history (World, Bank, 2017). China has become a global economic power as it stood first in terms of value-added manufacturing, purchasing power parity, foreign exchange reserves, and merchandised trade. Because of this unique Chinese economic approach in the post-Maoist phase, China's real GDP increased at a 9.5% annual rate from 1979 to 2018 which means that China's economy doubled after every eight years (Congressional Research Service, 2019).

#### **Chinese Annual Real GDP Growth: 1979 to 2018**

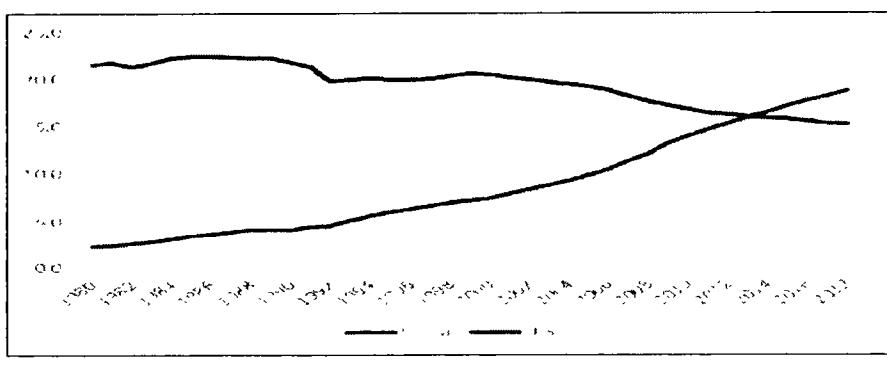


**Figure 3 China's Annual Real GDP Growth: 1970 to 2018**

(Source: IMF and Chinese National Bureau of Statistics)[https://www.researchgate.net/publication/323915659 Africa's Economic Growth TrendsConstraints and Lessons From Asia](https://www.researchgate.net/publication/323915659_Africa's_Economic_Growth_TrendsConstraints_and_Lessons_From_Asia).

Because of Post Maoist economic approach, China has been gradually replacing the US in share of global trade.

**Gross Value Added Manufacturing in China, the United States, and Japan: 2006 and 2016 (\$ billions)**



**Figure 4 Gross Value Added Manufacturing in China, the US and Japan: 2006 to 2016 (\$)**

<https://www.everycrsreport.com/reports/RL33534.html>

Two main factors responsible for rapid China's economic development were: large foreign and domestic savings because of Mao's industrial policies and quick productivity which occurred in China in the post-Maoist phase because of the huge inflow of foreign investment. At the time of economic reforms in 1979, the ratio of domestic savings to GDP at 32% because of some of well functioning SOEs. The opening of the economy led to the decentralization of economic resources in China which enabled significant growth in domestic and corporate savings in China.

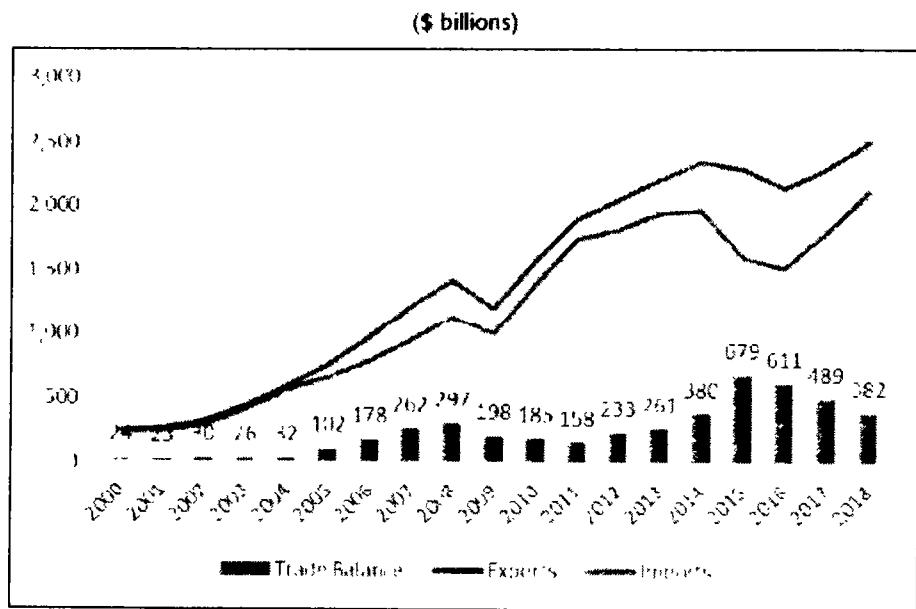
The opening of state-controlled resources to private investment gradually resulted in unprecedented productivity in China. The sectors like trade, agriculture and services which were heavily controlled by the state, were opened to foreign investment. A large part of the economy was opened to the competitive forces and provincial and local governments were permitted to operate numerous enterprises without the central government's interference. Furthermore, FDI in China accompanied important new technology which boosted China's productivity output and provided Chinese companies important exposure to the latest technology and knowledge of production processes at the industrial level.

According to the statistics of the World Bank, in 1997, China transformed from a low-income economy to a middle-income economy and achieved the status of upper middle-income economy in 2010. The CCP leadership is confident that China is all set to pass the high-income stage by 2025 by making innovation as the future Chinese strategy. The World Bank also suggested that China has become the largest manufacturer in the world. China's manufacturing was 49.2% higher than the United States in 2016 (World Bank, n.d). China's investment and trade incentives and reforms culminated in a massive increase in FDI since the early 1990s. Such

heavy pouring of investment in China outlines China's productivity successes and rapid economic growth since the adoption of market reforms. It is reported that 445,244 Foreign Investment Enterprises (FIEs) had been registered in 2010 which were responsible for employing 55.2 million labors which account for 15.9% of the urban work force in China (National Bureau of Statistics of China, 2012). These FIEs accounted for 41.7% of China's export and 43.7% of import in 2018 (figure, 12). Furthermore, China was the second-largest recipient of FDI in 2018 after the US (UNCTAD, 2019). Similarly, China was the second-largest outward FDI country in 2016 because of China's 'go global' strategy.

Similarly, China's reforms have rendered China a major trading hub. China's merchandised export increased from \$14 billion from 1979 to \$2.5 trillion in 2018 and merchandised import of China grew from \$18 billion to \$2.1 trillion (table 4 and figure 15).

#### **China's Merchandised Trade: 2000 to 2018**



Source: World Trade Atlas and China's Customs Administration.

**Figure 5 China's Merchandised Trade: 2000 to 2018 (\$)**

<https://www.everysreport.com/reports/RI33534.html>.

## Conclusion

This chapter was an endeavor to comparatively analyze Maoist and post Maoist economic policies. It has been argued that China enjoyed the status of 'civilizational state' or 'Middle Kingdom' during its halcyon days when China was the global leader in science and technology. The core of Chinese pre-eminence was China's extensive connection with the world; however, the Ming Dynasty (1368-1644) discouraged this China's connection with the world and adopted isolationist policies and China was no more leader in technology. This gap of global leadership in science and technology was filled by the Western European countries, which through the power of industrialization projected their power to the whole globe. China failed to respond to this 'whip' of Western aggression and had to face the century of ignominy. The CCP, under the leadership and of Mao Zedong, got control in China in 1949 and concentrated on urban

industrialization through extracting rural surplus and investing heavily in social services in the rural areas. Though China achieved important achievements during Mao's rule as compared to other developing countries, however, Mao's initiatives of 'Great Leap Forward' and the 'Cultural Revolution' pushed China far behind its East Asian capitalist adversaries of Japan and the Asian Tigers. Under the 'whip' of China's successful capitalist neighbors, Deng Xiaoping decided to massively transform China's economy by copying East Asian capitalist success in the Chinese context. Four Mao's policies helped Deng greatly for rapid transformation of China towards market reforms which attracted unprecedented labor: educated and healthy labor, efficient infrastructure, functioning SOEs to be used as a joint partnership between the state and foreign investors and absence of foreign debt due to isolationist and self-reliant strategy of Mao. During the early phase of the reforms (1979-1988), southern regions were opened for foreign investment and after the success of the first phase, the second phase (1991 to present) of reforms introduced massive market-oriented measures from the CCP like price reforms, reducing significantly share of the state in the economy, providing joint shares in SOEs to private investors and reducing or eliminating protections to labor to lure foreign investment. The next chapter will link China's export-oriented economy with constructive and engaging China's role in the East Asian economy. It will be argued in the third chapter that the success of the China export model is inextricably related to China's growing engagement with East Asia.

## CHAPTER FOUR

### CHINA'S ECONOMIC ROLE IN EAST ASIA IN THE POST-COLD WAR

The theory of Uneven and Combined Development (UCD) suggests that national and international politics are interconnected in such a way that both of these types of politics cannot be separated from each other. After 1949, Mao devised an isolationist model for the development of China after 1949 under the 'whip' of advanced capitalist countries. However, this economic model was bound to create reservation among China's neighbors because Mao actively encouraged the revolutionary groups in many countries of East Asia to oust the governments there and form their own revolutionary governments on the style of the government established by the CCP in China after the withdrawal of all the foreign forces from China in 1949. However, when Deng Xiaoping significantly transformed the Chinese economic approach after the death of Mao in 1976, China's relations with its neighbors witnessed gradual improvement because the new Chinese economic export-oriented approach was based on rationalism and constructive relations with neighbors, thus negating the role of ideology from China's foreign policy.

It has been discussed in the previous chapters that the early economic take-offs of East Asian Tigers were emulated by China wholeheartedly in the post-Maoist phase, which was to make China a final destination of production in East Asia through incentives of cheap and highly controlled labor which was ideal for regional and international enterprises for greater returns for their investment. This chapter studies China's economic approach in East Asia in the post Maoist phase, especially in post-Cold War phase. Three economic factors have been identified as the corner stones of China's economic approach in East Asia: trade, outward foreign direct investment and economic aid.

Currently, China is the largest trade partner with North East Asian and majority of ASEAN countries. Before China's unprecedented economic rise, Japan had been the largest and

most important East Asian country having great outreach. During that era, Japan was the largest trading partner of East Asia. However, China's economic rise transformed not only China's economy but the whole economic structure of East Asia has been massively reorganized by China by replacing Japan as the largest trading partner of East Asia. Incessant and voracious Chinese demand for East Asian raw material has greatly benefited poor economies of East Asia as their economies are rapidly developing along with China's continued economic rise. China's trade with its region witnessed new heights since the last decade as ASEAN-China trade increased from \$192 billion in 2008 to \$515 billion in 2018 (Biswas, 2018). The fact is that China has emerged as the most important trade destination for ASEAN countries because China accounts for 15% of trade with ASEAN; while the European Union is responsible for 10%, Japan 10.5% and the US merely 9.3% of trade with ASEAN countries (Ah, 2017).

There are mainly three reasons behind this increased China-ASEAN trade; at first, China's unprecedented economic growth is the main reason being increased China-ASEAN trade. China's share of global GDP increased from 4 percent in 2000 to around 15 percent in 2017 and it is predicted that it will increase further to 21 percent in 2028. China's per capita GDP increased from \$2650 in 2007 to \$8670 in 2017, making China as one of the rapidly growing middle-income countries. This increased wealth in China is inducing strong consumerism in China which requires strong trade relations with East Asia. The second factor is the establishment of the China-ASEAN Free Trade Area which eliminated significantly tariff barriers on trade between ASEAN and China since 2010. Third factor is growing consumer markets in ASEAN and China which encourage extensive imports and export between China and ASEAN (Biswas, 2018).

China is currently the fourth largest investor in East Asia after the EU, the US and Japan; however, due to China's growing economic power, its investment has been significantly increasing. The massive and ambitious One Belt One Road is an evident example of China investing billions of dollars in its region as well as in other regions for connecting China with other areas of the world. Furthermore, due to trade war, many Chinese companies are also shifting their business to Vietnam, Indonesia, Myanmar, Singapore and Malaysia; culminating in a massive increase of Chinese investment in these countries. Moreover, a huge chunk of Chinese investment comes from the projects of offshore commercial companies located in Singapore and other countries, therefore, the actual share of Chinese investment is much larger than it looks apparently. Therefore, the scope of Chinese investment is much larger than the EU, Japan or the US because the EU and US investments are concentrated in finance sector; Korean and Japanese investments are targeted towards manufacturing, the Chinese FDI covers transportation, retail and wholesale, finance and real sector.

It is extremely difficult to access the exact amount of such Chinese aid in East Asia; however, China's aid can be mainly divided into two groups. The first recipient group of China's foreign aid is the poor group of countries in East Asia: Myanmar, Cambodia and Laos. The second group is the relative group of rich countries of East Asia: Vietnam, the Philippines, Thailand and Indonesia. It has been found that when China's influence as a donor is exceptional in the first group; however, its influence is relatively limited in the second group because of their security alliance with the US and close economic relations with Japan. However, the current East Asian economic environment suggests that China is gradually replacing Japan and the US in East Asia as a potential economic donor; therefore, prospects are high that the East Asian countries where China's appeal was limited, will come under China's economic sphere of influence in

recent future. The special fact about China's economic aid in its region is that China does not attach stringent conditions like other donor countries and agencies (like market opening, democratic reform and environmental protections) (Lum., Morrison & Vaughn, 2008). China's policy of non-interference in internal matters and respect of the sovereignty of aid recipient countries is revered by governments as well as the public in poor countries of East Asia (Albert, 2018).

#### **4.1 China's Constructive Economic Engagement with East Asia in the post-Cold War**

The theory of Uneven and Combined Development is the only theory within international relations that suggests that there is no clear boundary between domestic and international politics. The other mainstream theories like realism view international relations as a constant struggle among sovereign states because of the anarchic international world. Hence, these theories disparage the role of domestic politics in foreign policy. While Uneven and Combined Development suggests that any major transformation in domestic politics is bound to have a definite impact on the foreign policy of that country. In case of China, which was following a stringently ideological model during Mao's era because of which it has rifts with almost every country within East Asia following free-market economy. Furthermore, most of the states within East Asia thought China as an existential threat to their security because Mao endeavored to establish socialist governments in East Asia. But, after Mao's death, Deng left the ideological economic model devised by Mao and adopted a rational economic model which provided confidence to the countries of East Asia that China now was no more an existential threat for their governments.

During the Cold War, China was considered a massive threat for East Asian countries which induced a 'communist threat' in the 1960s and 1970s in Thailand, Indonesia, Singapore,

Malaysia, Burma and the Philippines. Similarly, Chinese forces entered Vietnam in 1979 to teach Vietnam a lesson over its occupation of China's friendly neighbor Cambodia (Cheow, 2004). China's modern relations with the countries of the region started in 1978 after the death of Mao and Deng Xiaoping holding the charge. Deng Xiaoping decided on the 3<sup>rd</sup> plenum that groundbreaking economic reforms would be implemented in China. Because of the transformed economic approach, China altered its traditional policy towards its neighbors. While during Mao's rule China was charged with supporting the revolutionary groups against the states in East Asia, Deng reduced the ideological version in domestic as well as foreign policy and promoted rationalism and pragmatism as the key policies of the new Chinese political leadership.

However, towards the start of the Deng era, normalization of relations with the states of East Asia was not the first priority of China as it was still mired in its own domestic problems and in its problem of dealing with the US and the Soviet Union. When China wished to come out of the vicious web of sanctions in 1989, its preference was the countries of its region because these countries shared culture with China and were less demanding of China about the respect for human rights. The US, on the other hand, was demanding that China should rigorously follow the standards of human rights described by international bodies. China's drive to normalize relations with its neighbors proved successful as Taiwan became the first country that visited China after the Tiananmen Square incident. The Taiwanese businessmen regarded China as a very lucrative place because of cheap labor and stringent labor laws. The Taiwanese businessmen invested heavily in different sectors like footwear, luggage, textiles, and labor-intensive light industries. Furthermore, China and Taiwan started their quasi-official dialogue in 1992 after four-decade of the impasse. Other neighbors of China followed the suit of Taiwan. The Prime Minister of Japan visited China in 1991 and the Japanese emperor visited China in

1992. The Japanese Premier unambiguously declared that Japan did not want to see China as an isolated country and offered Japan help for the normalization of China's relations with the US. Similarly, diplomatic relations between China and South Korea were established in 1992.

China's huge population, rapid economic growth and its strategic importance have encouraged all the important actors including the USA to make a special arrangement for China. This is the reason that China entered in international bodies like IMF, GATT and World Bank on very favorable terms. The Chinese business community also sought massive opportunities of investment in the US especially since China's exports in textile increased significantly (Westlake, 1988). In those years, China sought friendly relations with the countries of its region to come out of the isolation imposed by the West. Similarly, China also endeavored to use these East Asian countries for working as a bridge between China and the West for the normalization of the relations. On the other hand, the neighbors sought huge investment chances because of the absence of fierce competition. The impact of this new Chinese economic approach was felt on the countries of its region which reaped huge benefits. China's trade with Malaysia increased eleven folds, with Korea increased seven-folds, with Taiwan increased four-folds and quintupled with Indonesia (Jacques, 2012).

#### **4.2 Main Pillars of China's Economic Approach in East Asia: Trade, Investment and Economic Aid**

China has been witnessed as the most important country in East Asia in the following economic areas: trade, investment and economic aid. The weak economies of Southeast Asia especially benefited heavily because of high commodity prices and strong demand from China which is playing a key role in the economic development of East Asian countries (Ah, 2007). This chapter takes China's economic engagement with East Asia in the following three

segments: China's trade with East Asia, China's foreign investment in China's economic aid in East Asia.

#### 4.2.1 Chinese Trade with East Asia

Since the end of the Cold War, China's economic engagement increased unprecedentedly with East Asia. East Asia has become the most significant region in China's economic policy because it can be seen from the chart below that out seven largest merchandised trade partners of China, five are from East Asia.

**Major Chinese Merchandised Trade Partners in 2018**

Country	Total Trade	Chinese Exports	Chinese Imports	China's Trade Balance
European Union	681	406	273	135
United States	631	477	154	323
ASEAN	575	318	257	61
Japan	327	147	180	-33
South Korea	313	109	204	-95
Hong Kong	310	302	8	294
Taiwan	225	48	177	-129

Source: China's Customs Administration.

**Table 2 Major Chinese Merchandised trade partners in 2018**

ASEAN played a key role in the increased economic role of China in East Asia. China-ASEAN trade was recorded at \$480 billion in 2014. Biswas (2018) notes that especially since the last decade, China-ASEAN trade witnessed new heights as trade between China and ASEAN increased from \$192 billion in 2008 to \$515 billion in 2018. Kastner (2018) predicted that China-ASEAN trade is expected to reach \$1 trillion in 2020. Furthermore, he notes that China is ASEAN's top trade partner accounting for 15% of trade while the European Union made 10%, Japan 10.5% and the US made 9.3% of trade with ASEAN countries.

#### China's Trade with ASEAN and the Rest of the World

(US\$ billions; share %)

	Import			Export			Total		
	S			S					
	2003	2008	2013	2003	2008	2013	2003	2008	2013
World (US\$ bn)	\$ 413	\$ 1,132	\$ 1,949	\$ 438	\$ 1,429	\$ 2,211	\$ 852	\$ 2,561	\$ 4,160
ASEAN	11.46 %	10.34 %	10.23 %	7.06% %	7.99% %	11.04 %	9.19% %	9.03% %	10.66 %
<i>Non- ASEAN Asian economies</i>	45.07 %	36.88% %	32.06% %	39.22 %	30.19% %	32.07% %	42.06 %	33.15% %	32.06% %
Hong Kong	2.70% %	1.14% %	0.83% %	17.41 %	13.35 %	17.41 %	10.27 %	7.95% %	9.64% %
New Zealand	0.25% %	0.17% %	0.42% %	0.18% %	0.18% %	0.19% %	0.21% %	0.17% %	0.30% %
Taiwan	11.95 %	9.13% %	8.03% %	2.06% %	1.81% %	1.84% %	6.86% %	5.05% %	4.74% %
Korea	10.45 %	9.91% %	9.39% %	4.59% %	5.17% %	4.13% %	7.43% %	7.27% %	6.59% %
Australia	1.77% %	3.21% %	5.05% %	1.43% %	1.56% %	1.70% %	1.59% %	2.29% %	3.27% %

a										
Japan	17.96 %	13.32 %	8.33% %	13.56 %	8.13% %	6.80% %	15.70 %	10.42 %	7.52% %	
<i>China's Largest Trade Partners</i>	<i>21.06 %</i>	<i>18.94% %</i>	<i>19.12% %</i>	<i>37.54 %</i>	<i>38.15% %</i>	<i>31.97% %</i>	<i>29.54 %</i>	<i>29.66% %</i>	<i>25.95% %</i>	
United States	8.20% %	7.20% %	7.83% %	21.10 %	17.66 %	16.67 %	14.84 %	13.03 %	12.52 %	
EU	12.86 %	11.74 %	11.29 %	16.44 %	20.50 %	15.30 %	14.70 %	16.63 %	13.42 %	
<i>Rest of World</i>	<i>22.40 %</i>	<i>33.84 %</i>	<i>38.60 %</i>	<i>16.19 %</i>	<i>23.67 %</i>	<i>24.92 %</i>	<i>19.20 %</i>	<i>28.16 %</i>	<i>31.33 %</i>	

**Table 3 China's Trade with ASEAN and the rest of the World**

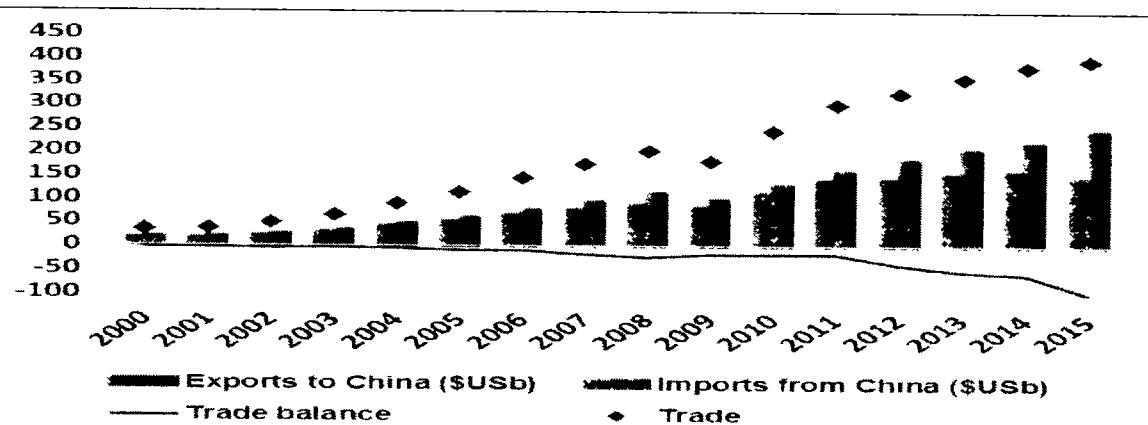
Source: China Ministry of Commerce, via CEIC database.

<https://www.uscc.gov/sites/default/files/Research/China's%20Economic%20Ties%20with%20ASEAN.pdf>

There are mainly three reasons behind this increased China-ASEAN trade; at first, China's unprecedented economic growth is main reason being increased China-ASEAN trade. China's share of global GDP increased from 4 percent in 2000 to around 15 percent in 2017 and it is predicted that it will increase further to 21 percent in 2028. China's per capita GDP increased from \$2650 in 2007 to \$8670 in 2017, making China as one of the rapidly growing

middle-income countries. This increased wealth in China is inducing strong consumerism in China which requires strong trade relations with East Asia. The second factor is the establishment of the China-ASEAN Free Trade Area which has eliminated significantly tariff barriers on trade and goods between ASEAN and China since 2010. The third factor is growing consumer markers in ASEAN and China which encourage extensive imports and export between China and ASEAN. ASEAN, with a population of 658 million, is a lucrative market for China's products and services (Biswas, 2018). It can be seen from the graph below that China-ASEAN trade is heavily dominated by China.

**China's Trade with Southeast Asia from 2000-2015**



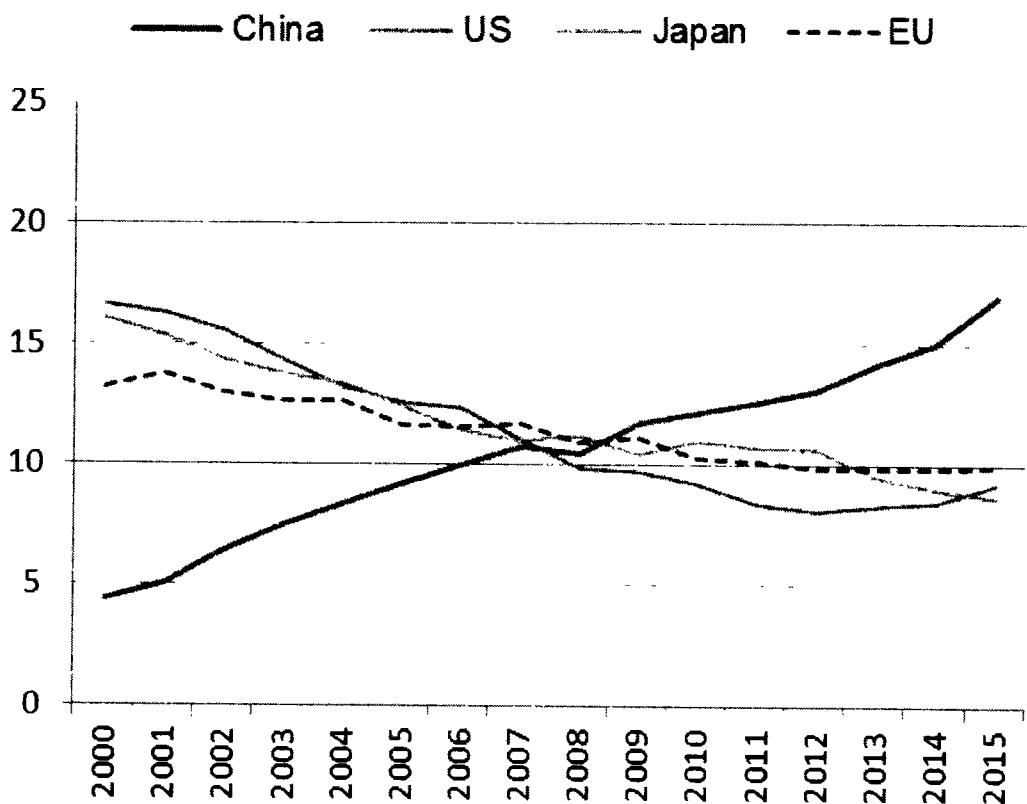
**Figure 6 China's Trade with Southeast Asia from 2005-2015**

(Source: IMF DOTS)

<https://think-asia.org/bitstream/handle/11540/7468/WEB%2017-18.pdf?sequence=1>.

Such a massive increase in trade of China with the region of Southeast Asia occurred at the expense of the economic engagement of other great powers with Southeast Asia as the share of EU, US and Japan are on a steady decline in the last 15 years.

**China, Japan, EU and US Trade with ASEAN from 2000 to 2015: Relative Trade Share**



**Figure 7. China, Japan, EU and US Trade with ASEAN from 2000 to 2015: Relative Trade Share**

(Source: Korean Institute for International Economic Policy)

<https://knowledge.ckgsb.edu.cn/2018-09/10/finance-and-investment/international-trade/trade-between-china-and-southeast-asia/>.

Since 2011, the trade deficit of Southeast Asia with China is on the steady increase which also coincides with the ASEAN-China Free Trade Area (ACFTA), especially in the electronic sector like in Vietnam which culminated in immense increases in imports from China of intermediate as well as capital goods. Besides the top exporter to Southeast Asia, China is also an exceptional import partner of the region as China is responsible of almost 21 percent of imports

from Southeast Asia. Chinese exports to SEA consist of consumer goods as well as intermediate goods (Bentham, 2018).

**China's Bilateral Trade with ASEAN Countries (US\$ billions)**

		US\$ million				Share of ASEAN (%)			
		1998	2003	2008	2013	1998	2003	2008	2013
ASEAN Total	Exports	10,919	30,935	114,139	244,133	100%	100%	100%	100%
	Imports	12,589	47,350	117,012	199,402	100%	100%	100%	100%
	Balance	(1,670)	(16,415)	(2,873)	44,731	100%	100%	100%	100%
<i>High-Income</i>									
Brunei	Exports	560	34	130	1,704	5.1%	0.1%	0.1%	0.7%
	Imports	0	311	83	87	0.0%	0.7%	0.1%	0.0%
	Balance	560	(277)	47	1,617				
Singapore	Exports	3,901	8,873	32,325	45,886	35.7%	28.7%	28.3%	18.8%
	Imports					33.6%	22.1%	17.2%	15.0%

		4,226	10,486	20,092	29,969				
	Balance	(325)	(1,613)	12,233	15,918				
<i>Middle-Income</i>									
Indonesia	Exports	1,172	4,482	17,210	36,947	10.7%	14.5%	15.1%	15.1%
	Imports	2,462	5,754	14,387	31,479	19.6%	12.2%	12.3%	15.8%
	Balance	(1,290)	(1,272)	2,823	5,469				
Malaysia	Exports	1,594	6,142	21,383	45,941	14.6%	19.9%	18.7%	18.8%
	Imports	2,675	13,998	32,131	60,068	21.2%	29.6%	27.5%	30.1%
	Balance	(1,080)	(7,856)	(10,748)	(14,128)				
Thailand	Exports	1,170	3,829	15,521	32,738	10.7%	12.4%	13.6%	13.4%
	Imports	2,423	8,829	25,636	38,518	19.2%	18.6%	21.9%	19.3%
	Balance								

		(1,253)	(5,000)	(10,116)	(5,780)				
The Philippines	Exports	1,499	3,094	9,088	19,836	13.7%	10.0%	8.0%	8.1%
	Imports	517	6,309	19,508	18,205	4.1%	13.3%	16.7%	9.1%
	Balance	982	(3,215)	(10,420)	1,631				
<i>Low-Income</i>									
Burma	Exports	n.a.	908	1,979	7,349	n.a.	2.9%	1.7%	3.0%
	Imports	n.a.	170	645	2,810	n.a.	0.4%	0.6%	1.4%
	Balance	n.a.	738	1,335	4,540				
Laos	Exports	n.a.	98	268	1,721	n.a.	0.3%	0.2%	0.7%
Vietnam	Exports	1,024	3,180	15,139	48,599	9.4%	10.3%	13.3%	19.9%
	Imports	217	1,455	4,343	16,886	1.7%	3.1%	3.7%	8.5%
	Balance								

		806	1,725	10,797	31,714			
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**Table 4 China's Bilateral Trade with ASEAN countries**

Source: China Ministry of Commerce, via CEIC database.

<https://www.uscc.gov/sites/default/files/Research/China's%20Economic%20Ties%20with%20ASEAN.pdf>

However, it should be noted that while China is the largest trading partner of SEA, its economic engagement with the whole of the region is not constant. Vietnam is the largest trading partner of China, Singapore as the second trade partner. China is responsible for 10 to 14 percent of trade per year in the developed economies of the region; while for the developing economies of the region, like Laos, Cambodia and Myanmar, China's ratio of trade ranges from 5 (Cambodia) to 38 (Myanmar) percent. SEA's trade with China is predominantly in machinery and electronics sectors in exports and high level intra-industry trade. These two sectors made up 48 percent exports and 34 percent imports from China in 2015.

Intermediate goods make almost 50 percent of the trade between China and SEA. The portion of semi-finished goods increased in China-SEA among intermediate goods. SEA enjoys a trade surplus with China in primary goods while in intermediate goods, SEA is in trade deficit with China. According to a study conducted in 2015, Vietnam is the largest trading partner within the SEA region and accounts for nearly half of the trade deficit of SEA with China. Vietnam's trade deficit with China mainly lies in intermediate goods which is almost at \$30 billion in 2015. However, Malaysia is in a significant trade surplus with China in intermediate goods, especially due to the worth of Malaysian semi-conductors in China.

China has become Vietnam's largest trading partner of Vietnam. In 2017, China was the largest importer of Vietnam making \$70.6 billion and responsible for 35 percent of total import of Vietnam. Similarly, China is the second-largest export destination of Vietnam responsible for

\$39.9 billion and responsible for 18 percent of the total export of Vietnam. Vietnam's economy is heavily dependent on China as the raw material used in the manufacturing industries of Vietnam mainly comes from China (oecd, 2017).

China is also the largest trading partner of Singapore, doing \$79.2 billion in 2017. China, along with Hong Kong, was the largest export destination of Singapore making export from Singapore worth of \$111.1 billion and 35 percent of total export. China is also the largest import country of Singapore as Vietnam imported worth of \$42.6 billion in 2017 and responsible for 15 percent of total trade of Vietnam (oec. nd). China is also an extensive trade partner of Japan as it was the largest import destination for Japan (\$157 billion) making 25 percent of total Japanese import. China was also the largest import destination for Japan (\$136 billion) or 20 percent of total Japanese export in 2017 (oec. nd). China is currently largest trade partner of Malaysia; China was the largest export destination for Malaysia (\$42.5 billion) or responsible of 16 percent of total Malaysian export and also the largest importer of Malaysia with importing 38.1 billion dollars and responsible for 19 percent of total Malaysian import (oec. nd).

China is also the largest trading partner of Indonesia; the largest export destination for Indonesian exports (\$25.8 billion) and responsible for 14 percent of total Indonesian exports. China is also the largest importer of Indonesian providing it \$34.8 billion of imports, making 22 percent of total imports of Indonesia in 2017 (oec. nd). China is also the largest trading partner of Thailand; the largest export destination for Thai exports (\$40.7 billion) and responsible for 19 percent of total Indonesian exports. China is also the largest importer of Thai providing it \$38.3 billion of imports, making 24 percent of total imports of Thailand in 2017 (oec. nd). The period since then witnessed the gradual improvement between the two countries in which trade played a key role in the improvement of bilateral relations. The trade between China and

Thailand increased from \$4.22 billion in 1999 to \$36.2 billion in 2008 (Manarungsan, 2009). The Chinese major exports to Thailand are electrical motors, consumer electronics, computer components, metal products, machinery, clothing and chemicals; while, the Thai main exports to China are rubber, plastic pallets, computer components, crude oil, electronics, refined oil, food and wood products (Jennings, 2018).

China is the largest trading partner of South Korea; largest export market for South Korea (\$149 billion) or responsible for 25 percent of the total export of South Korea and largest importer to South Korea (98.1 billion) and responsible for 21 percent of total South Korea's import (oec. nd). According to one report, more than 30,000 Korean firms have operations in China. Close business relations between China and South Korea can be analyzed in that over 840 flights are flown between South Korea and China (Cooper, 2016). China is the largest trade partner of North Korea; the largest export destination for North Korea (\$1.5 billion) or 91 percent of total South Korean export and the largest importer of North Korea (3.2 billion) and responsible for 94 percent of the total import of North Korea (oec. nd).

China is not among the three main export destinations of Cambodia; however, it is the largest importer of Cambodia (\$4.77 billion) and makes 40 percent of the total imports of Cambodia in 2017. China is again the largest trade partner of Laos; largest export destination of Laos (\$1.1 billion) or 58 percent destination of total export of Laos and is responsible for \$1.39 billion 69 percent of total imports (oec. nd). Similarly China is the largest trade partner of Burma; the largest export destination for Burma (\$4.46 billion) or 30 percent of total Burmese exports and \$8.34 billion and 39 percent of total Burmese imports.

China is also the largest importer of Brunei (\$ 649 million) or responsible for 21 percent of total imports of Brunei (oec. nd). The two countries established Brunei-Guangxi Economic

Corridor in 2014 promising \$500 million. China became the largest investor in Brunei with estimated investment of \$4.1 billion. Furthermore, China declared Brunei as an important country in BRI initiative (Jennings, 2018). The trade between China and Brunei reached up to \$1.79 billion in 2013. The Bank of China Hong Kong Limited was allowed to open a branch in Brunei on April 20, 2013, making BOCHK the first Chinese bank to open a branch in the sultanate (the global economy, 2018). The approval of the functioning of BOCHK makes the massive outreach of China in SEA more evident. The other Chinese investments are the development of a \$4 billion crude oil refinery at Pulau Muara Besar and the establishment of the Brunei-Guanxi Economic Corridor which is worth \$500 million. The BOCHK is regarded as one of the vital institutions of President Xi Jinping through which he seeks economic connectivity of mainland China with maritime Southeast Asia, Oceania, and the countries located in the Indian Ocean region (Puah, 2016). The cooperation between China and Brunei is found in investment and trade, agriculture, energy, defense, fisheries, air service, health, education, and people to people exchanges (Ministry of Foreign Affairs Brunei Darussalam, n.d). China is the Similarly, China is the second largest importer of Timor Leste (\$ 112 million) making 17 percent of total imports of Timor Leste (oec. nd).

#### **4.2.1.2 China ASEAN Agricultural Trade**

Agriculture is one of the most important sectors in some East Asia countries because of large share of employment in these countries. Though agricultural exports from East Asia to China is smaller if it is compared with other commodities, however, it is one of the few substantial areas of trade in China-EA countries. As the demand for food is increasing steadily in China, therefore, the dependence of China on its SEA neighbors will increase in the future and

prospects of China's investment in food sectors in SEA are high. Vietnam and Thailand, followed by Indonesia and Malaysia, are the largest food and agriculture exporters to China.

After the start of market reforms, China's consumption pattern was also transformed as nonfood items were preferred over food. Two food items have seen increased consumption trend\_livestock and fishery\_ in overall demand and consumption in china in aftermath of economic reforms. Furthermore, a substantial demand increase was witnessed for fruits, edibles oil and vegetables and soybean. The import of soya been from Southeast Asia increased from almost zero during the 1990s to above 50 million tons in 2010 (Huang, Yang & Rozelle, n.d, p.163). Millions of peasants shifted to the urban areas in search of jobs of other sector than agriculture as a result of which agriculture to GDP ratio declined from 40 percent in 1970 to 10 percent in 2009. Similarly, the share of agriculture in employment also witnessed a steep reduction as GDP reduced from 81 percent in 1970 to 38 percent in 2009. According to the statistics of The Global Economy, China's agriculture ratio was 41.64 percent; while in 2017, this ratio was reduced to 7.92 percent (the global economy, n.d). Felipe, Bayudan and Lanzefame (2016) suggest that China's agriculture share was 34 percent employment in 2013; while it was recorded at 81 percent in 1970. Furthermore, this ratio is thought to reduce to 5 percent from 2041-2048.

From 1985 to 2009, agricultural trade between China and ASEAN improved more than tenfold. China's import of oilseeds, soybean, agricultural fibers especially increased between China and ASEAN. China's agricultural trade with its Southeast Asian neighbors increased especially after China's accession to the World Trade Organization (WTO). China-ASEAN trade increased from 1990 -2001 to 2001-2009 from 3.7 percent to 11.8 percent. China's agricultural imports from ASEAN outplaced its exports resulting in China's agricultural trade deficit with

ASEAN which was recorded in 2009 at the US \$13.6 billion (Jacques, 2012). However, this trade deficit was only 0.5 percent of the total China's export in 2009; therefore, agricultural trade with ASEAN was no problem for China. After the establishment of the ASEAN Free Trade Agreement (FTA) signed in 2002, China-ASEAN trade witnessed new heights as 20 percent growth in agricultural trade was witnessed from 2002 to 2009. The agricultural trade between China and Southeast Asia significantly increased after China and ASEAN Free Trade Agreement (FTA) was signed in 2002. The bilateral agricultural trade grew rapidly from \$3.7 billion in 2002 to \$13.2 billion in 2009, with an annual growth rate of nearly 20 percent (Huang, Yang & Rozelle, n.d).

#### **4.2.2 Chinese Foreign Direct Investment in East Asia**

Though China is currently fourth largest investor in East Asia after EU, the US and Japan; however growing Chinese economic muscle, it's One Belt One Road and especially America's trade war with China will significantly enhance Chinese investment in Southeast Asia. Furthermore, it is also suggested that a huge chunk of Chinese investment comes from the projects of offshore commercial companies located in Singapore and other countries, therefore, the actual share of Chinese investment is much larger than it looks apparently. Moreover, the scope of Chinese investment is much larger than the EU, Japan, or the US because the EU and US investments are concentrated in the finance sector; Korean and Japanese investments are targeted towards manufacturing, the Chinese FDI covers transportation, retail and wholesale, finance and real sector (Kastner, 2018).

When Chinese investment in SEA is still less than the other investors in intermediate goods, however, it is still greater than Chinese investment in Africa and Latin America are concerned which are concentrated mainly in construction and natural resources. Furthermore,

because of rising labor costs and extremely fierce competition in domestic markets in China, Chinese key businesses are expanding or relocating to some of the SEA countries. The Sihanoukville Special Economic Zone (SEZ) in Cambodia and the Thai-Chinese Rayong Industrial Zone in Thailand are cases of success of Chinese policies of establishing special economic zones in SEA after a tough competition in domestic markets especially Chinese footwear and garment sectors. However, the majority of China's merger and acquisition in SEA are found in the following three countries: Singapore, Indonesia and Malaysia. The majority of China's deals in M&A deals in SEA were found in the power sector (35 percent) while manufacturing through SEA companies was found of 16 percent and real state was found at 13 percent.

**Stock of Chinese FDI in ASEAN Countries (US\$ millions)**

	2003	2008	2013
<i>High-Income</i>			
Brunei	\$ 0.1	\$ 7	\$ 72
Singapore	\$ 165	\$ 3,335	\$ 14,751
<i>Middle-Income</i>			
Indonesia	\$ 54	\$ 543	\$ 4,657
Malaysia	\$ 101	\$ 361	\$ 1,668
Thailand	\$ 151	\$ 437	\$ 2,472

The Philippines	\$ 9	\$ 87	\$ 692
<i>Low-Income</i>			
Burma	\$ 10	\$ 500	\$ 3,570
Cambodia	\$ 59	\$ 391	\$ 2,849
Laos	\$ 9	\$ 305	\$ 2,771
Vietnam	\$ 29	\$ 522	\$ 2,167

**Table 5. Stock of Chinese FDI in ASEAN**

Source: China Ministry of Commerce, via CEIC database.

<https://www.uscc.gov/sites/default/files/Research/China's%20Economic%20Ties%20with%20ASEAN.pdf>

A key think tank called ASEAN Macroeconomic Research Office (AMRO) suggested that due to US trade war with China, China's investment in ASEAN is thought to be triple to US\$500 in 2035. Currently, China's investment is 150 billion dollar in ASEAN; however, it may increase up to the level of 230 percent by 2035. AMRO pointed out that when on a short-term basis, China's economy will be hurt by the disruption in production networks and supply chains due to the US sanction; however, on the long term, China will mark ASEAN as the number one investment place (Lee, 2018).

The report estimated that China has invested US\$150 billion in ASEAN countries in 2018, but said that figure could soar by more than 230 percent by 2035. Investment in the other

direction was forecasted to rise by a similar proportion, to US\$200 billion in 2035 from an estimated US\$60 billion this year, it said. Already the US trade war with China has enforced South Korea's Samsung Electronics and LG to shift their manufacturing operations from China to Vietnam to avoid the US sanctions. A similar trend has been witnessed in Chinese manufacturing giants who are gradually shifting their businesses from China to ASEAN. During recent years, the Chinese officials have been suggesting ASEAN as their top priority zone for investment. According to a report, in 2018, more than 4000 Chinese companies have invested in ASEAN and employed more than 300,000 locals. Due to the increased investment of China in ASEAN, the number of Chinese tourists visiting ASEAN is thought to soar to 72 million by 2035 (Lee, 2018).

A survey published by Fitch Solutions suggests that Japan is much ahead of China in investment in Southeast Asia countries as Japan's investment in 2018 in ASEAN was recorded at \$367 billion while China's investment was valued at \$255 billion. Japan's investments are primarily concentrated in three key ASEAN economies: Vietnam, the Philippines and Singapore. However, Japan's upper hand in investment in ASEAN will be finished in the future as Japan's economy has been suffering from stagnation for the last three decades. On the other hand, China's economy has already become the second largest global economy and is almost three times to size of Japan's economy. This unprecedented Chinese economic development and the gigantic size of its economy will enable China to gradually displace Japan from investment in ASEAN (Mourdoukoutas, 2019).

Already China has won some key infrastructural contracts from Japan in Indonesia and Malaysia. China's East Coast Rail project in Malaysia is regarded as one of the key Chinese infrastructural projects in the world which will write the next phase in globalization and will

project the true prowess of China's soft power. China has also been investing heavily in the Philippines, a country that is considered a key US ally in East Asia. This heavy Chinese investment in the Philippines is thought to create a 'golden age of infrastructure' (Mourdoukoutas, 2019).

#### **4.2.2.1 China's Infrastructure Development in SEA**

Chinese unrivaled presence in the infrastructure sector in East Asia is a clear precedent of growing Chinese influence in SEA. Chinese generous investment in infrastructure in SEA is providing important impetus to some of the SEA countries which were suffering from low GDP because of dilapidated infrastructure. The majority of Chinese engagement with SEA in infrastructure is happening under the auspices of the multi-billion Chinese program of One Belt One Road. High-speed rail lines are being constructed with Chinese support in Indonesia and Laos; while China is negotiating with Thailand for a third of such rail lines as part of the 'Pan-Asia Railway Network' which is also known as 'Kunming-Singapore Railway'. The original program of this pan Asian rail line was initially adumbrated by SEA governments about two decades ago; however, its China which is materializing it. Though high risks are involved in this ambitious infrastructure program, however, once completed, it will increase Chinese connectivity with SEA to an unprecedented degree. The Asian Infrastructure Bank, established in 2015 is an important tool for China's infrastructure.

The Belt and Road Initiative is a Chinese plan of global development involving investment and infrastructure development in 152 countries in Asia, Europe, the Middle East, America and Africa. Belt denotes overland roads and rail transportation called 'the Silk Economic Belt' and road suggest sea routes. The central aim of the project is to endeavor for increased regional connectivity and a desire for a shared peaceful future. The project is thought

to be completed by 2049 to coincide with the 100<sup>th</sup> anniversary of the establishment of the People's Republic of China. Thailand and China started the construction of the high-speed railway that is envisaged to link Bangkok and Nakhon Ratchasima and further can be extended to Laos as a part of the Kunming-Singapore railway (Jennings, 2018).

Malaysia and China signed many investment deals including a US \$27 billion East Coastal Rail Link project having worth of \$3.1 billion, and a \$100 billion Forest City in Johar. Similarly, China is building along with Laos 414 km long Vientiane Bolton Railway which was started on 25 December 2016 and is thought to be in the phase of completion till 2021. After it completes, the Laos-China railway will be the longest railway of Laos which can be further connected to Thailand to be part of the Kunming-Singapore railway, which will start from the Chinese city of Kunming and will go through Thailand and Laos to end at Singapore (Parameswaran, 2015). The estimated cost of the project is US \$5.95 billion with China owning 70 percent of the project while Laos owning 30 percent of the project. The project will be financed by China (Janssen, 2017).

China was successful in winning a bid in Indonesia in 2016 to build Indonesia's first high-speed rail which will be 140 km long and is called as Jakarta-Bandung High-Speed Rail. This project is thought to shorten the time of the journey from over three hours to forty minutes. The project was envisaged to be completed at first till 2019 however, due to some problems, the project is delayed (Xinhua, 2011).

#### **4.2.3 Economic Aid**

Along with China's rise, it is extremely difficult to access the exact amount of such Chinese aid in East Asia because China's aid does not attach stringent goals to allocate economic aid. China's aid can be mainly divided into two groups. The first recipient group of China's

foreign aid is the poor group of countries in East Asia: Myanmar, Cambodia and Laos. The second group is a relative group of rich countries of East Asia: Vietnam, the Philippines, Thailand and Indonesia. It has been found that when China's influence as a donor is exceptional in the first group; however, its influence is relatively limited in the second group because of their security alliance with the US and close economic relations with Japan. However, the current East Asian economic environment suggests that China is gradually replacing Japan and the US in East Asia; therefore, prospects are high that the East Asian countries where China's appeal is limited, will come under China's economic sphere of influence in recent future. China's aid in East Asia includes a variety of economic methods: non development aid, trade, low-interest loans, and investment agreements. Lum, Morrison and Vaughn (2008) suggest that when these all variants of economic aid are included, China becomes the largest bilateral aid donor in East Asia. The special fact about China's economic aid in its region is that China does not attach stringent conditions like other donor countries and agencies (like market opening, democratic reform, and environmental protections).

### **Selected Southeast Asian Countries with Large Reported Aid and Investment Projects, 2002-2007**

Country	Main Exports to China	Pledged Aid, Loans, Credit Lines, and Investments	Major Types of Financing (as Reported)	Major Types of Projects Financed (as Reported)
Philippines	ores, copper	\$5.4 billion	loans, grants	infrastructure (railways), mining, non-lethal military
Vietnam	oil, rubber, wood, ores	\$3.4 billion	loans, investment	infrastructure (power), shipyards, mining

Burma	wood, ores	\$3.1 billion	investment, loans	hydropower, nickel ore
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**Table 6 Selected Southeast Asian Countries with Large Reported Aid and Investment Projects: 2002-2007**

Source: NYU Wagner School, Understanding Chinese Foreign Aid: A Look at China's Development Assistance to Africa, Southeast Asia, and Latin America, April 25, 2008. <https://fas.org/sgp/cis/row/R40361.pdf>.

According to a study, China plans to spend \$10 billion on investment funds for infrastructure, energy, communication, and natural resources. Furthermore, China announced to grant a \$15 billion credit for five years to the poor ASEAN countries and \$1.7 billion for cooperation projects (Connelly, 2016). The research team of Wagner School found that China allotted almost \$14 billion to ASEAN in which 43 percent was invested in public works and infrastructure, 32 percent to the extraction of natural gas and 3 percent to technical and humanitarian assistance, and the rest of 22 percent on unspecified activities (McCartan, 2009). China's policy of non-interference in internal matters and respect of the sovereignty of aid recipient countries is revered by governments as well as the public in poor countries of East Asia (Daojiong, 2015). The US and the Western countries harshly criticize this China's policy of offering economic aid without attaching strong strings and they suggest that China's approach perpetuates the problem in poor countries of East Asia like the failure of democracy, deteriorating conditions of sustainable development and environmental protection. Another critique on China's aid is that China focuses only on those countries of its region which have fractious relations with the US like Laos, Cambodia, and Myanmar (though relations of Myanmar with the US have become cordial after the government of Aung Sochi; however, China's influence on Myanmar is still very strong (Copper, 2016).

## Selected Major PRC Financing and Aid-Related Economic Projects in Southeast Asia

Amount	Funding (Year)	Project Type(s)	Country
\$2.4 billion	Investment (2005)	steel plant	Thailand
\$2 billion	Loan (2007)	infrastructure	Philippines
\$2 billion	Investment (2006-2007)	infrastructure, hydropower, pipeline	Burma
\$1.6 billion	Investment (2007)	mining	Vietnam
\$1 billion	Loan (2005)	power plant	Vietnam

**Table 7 Selected Major China's Financing and Aid Related Economic Projects in Southeast Asia**

Source: NYU Wagner School, Understanding Chinese Foreign Aid: A Look at China's Development Assistance to Africa, Southeast Asia, and Latin America, April 25, 2008. <https://fas.org/sgp/crs/row/R40361.pdf>.

China has been the largest aid donor to Myanmar, including \$1.4 billion to \$2 billion in military support since 1988. China helped Myanmar in building railroads, roads, ports, and airfields. When the US put sanctions on Myanmar because of alleged humanitarian violations in 2003, China continued unabatedly providing economic aid to Myanmar, by providing \$200 million in 2003, and another \$200 million in 2006 (Lum., Morrison & Vaughn, 2008).

### Reported PRC Aid by Year and Region, 2002-2007 (Million US\$)

	Africa	Latin America	Southeast Asia
2002	10	4	36
2003	838	1	644

2004	2,292	7,000	1,193
2005	2,953	2,931	4,221
2006	9,088	16,425	2,004
2007	17,962	401	6,735

**Table 8 Reported China's Aid by Year and Region: 2002-2007**

Source: NYU Wagner School, Understanding Chinese Foreign Aid: A Look at China's Development Assistance to Africa, Southeast Asia, and Latin America, April 25, 2008. <https://fas.org/sgp/crs/row/R40361.pdf>.

China is not the largest aid donor to Cambodia as Cambodia receives aid from Australia, France, the US, and Germany which offer aid to Cambodia through the Consultative Group. However, China has also become a major donor to Cambodia if Chinese support in public works, hydro-power and infrastructure is witnessed. China pledged to provide \$600 million in 2006, \$95 million in 2007 and \$236 million from 2007-2009 (Lum., Morrison & Vaughn, 2008).

China is the second-largest aid donor to Laos and provides grant and low-interest loans worth of \$178 million in technical assistance, developmental project and foreign investment, hydropower, technical assistance, and transportation). China offered another \$45 million in technical and economic aid to Laos (Kurlantzick, 2006)

China is considered the second largest donor to Vietnam. China provided \$200 million in loans and grants to Vietnam in 2005. China also provided loans and aid to Vietnam for the construction of shipbuilding, railways and hydro-power (Lum., Morrison & Vaughn, 2008). However, China's influence on Vietnam is much limited as compared to Laos, Myanmar and Cambodia. China decided to halt aid to Vietnam when Taiwan government officials were invited by Vietnam in 2006 to attend APEC Summit in Hanoi.

China also provides economic aid to relatively developed East Asian countries of Thailand, the Philippines and Indonesia; however, due to their extensive economic and security relations with the US and Japan, China's aid influence in these countries is limited. China announced to provide aid of \$29 million to Thailand in 2006 after the coup de tats in Thailand when Bangkok was under severe pressure from the US. China offered about \$272 million to Indonesia in diverse matters and another economic aid of \$300 million was promised by China to Indonesia in 2005. Similarly, China is said to finance different developmental projects in the Philippines and China's economic aid in the Philippines was recorded as almost three times than of the US in 2006 (Copper, 2016).

#### **4.3 China's 'Privilege of Historic Backwardness' and China's Rise**

Trotsky suggested that the pace of late developers was always faster as compared to the early developers because of the 'privilege of historic backwardness' which means that the late developers have all the successful recipes of development and they did not go through hit and trial methods. China's development pace after entering in liberal economic order was faster as compared to other economies because it took almost 160 years in Britain quintupling of per capita GDP, a century in the US and only 75 years in case of Japan, 25 years in East Asian economies and under 20 years in China (World Bank, 2018). Describing the importance of 'historic backwardness' Trotsky suggested that pre industrial tribal people throw their arrows for moving towards guns without travelling the journey that actually existed between these two weapons (Trotsky, 1980). Similarly, China depended on the experience of advanced country about the successful operation of market oriented economic decisions. The international financial institutions like World Bank and the advanced East Asian governments were requested to share business oriented policies with the Chinese government. Similarly, the Chinese diaspora doing

business in the other countries of East Asia was requested to invest in China so that the CCP could learn managerial skills, business culture and trading networks which helped China greatly in the early phase of its economic uplift (Vogel, 2011).

Goldman Sachs predicted in 2007 that the Chinese economy would be of similar size to that of the United States economy till 2015. Furthermore, the Chinese economy would be the largest in 2025 and it would be almost twice the size of the US economy in 2050 (Wilson & Stupnytska, 2007). By nominal GDP, the Chinese economy is the second-largest economy in the world (CSIS, 2018). Chinese GDP has increased more than 18 fold since Open Door Policy. China has replaced Germany as the largest exporter in 2009 (Weiwei, 2012). In terms of manufacturing, China is the largest economy globally. Similarly, China is the world's largest goods exporter (Sims, 2013). Since 1979, more than the US \$800 billion has been invested in China and China contributed about 50 % of the world's trade and economic growth. Lawrence H. Summers said that if during Britain's Industrial Revolution, living standards of people doubled in their life span, then during Chinese modernization, the living standard of people increased to seven times (Weiwei, 2012).

In addition to this, China is the fastest consumer market and the world's second main importer of goods (Barnett, 2013); the largest trading country globally (Scott & Sam, 2016). The financial crisis that shook the economies of the world could not cause a negative impact on Chinese growth. When economies of developed countries like the UK, the US, Japan, Italy and France were engulfed by the financial crisis; Chinese banks continued healthy balance sheets (Jacques, 2012). About a decade ago, the West was of the view that the Chinese could not excel in banking sector, but in 2010, three out of five largest banks in the world were owned by China. According to the statistics of the World Bank, more than 70% of the reduction in poverty in the

world has been achieved in China. The immense economic power of China has enforced the US to offer an idea of G2 because the US understands that it is unable to solve any important problem without the support of China (Weiwei, 2012). China has wholeheartedly endorsed several international bodies. Furthermore, China has signed free trade agreements with various countries: New Zealand, South Korea, Pakistan, Switzerland and Australia (Business, 2013) and has recognized itself as a real economic giant in East Asia.

#### **4.4 China's 'Big Country Effect' on East Asia: Shift of East Asian Economic Model From Japan led 'Flying Geese Model' to China led 'Factory Asia'**

Leon Trotsky suggested that when a 'big country' changes because of endorsing a modern mode of production of the world, the world also changed along with that country. When Russia transformed significantly because of adopting the modern industrial mode of production, the world capitalism too changed during the Czar's endorsement of the market (Rosenberg, 2019). Similar is the case with China and East Asia; when China, under the whip of its capitalist neighbors moved towards market reforms, the whole world of free-market too changed with China's endorsement of economic reforms. However, the most affected region of the world was East Asia which was working under the Flying Geese Model (FGM) in which Japan was the leader and the rest of the countries were the followers. However, since China's rise, the regional economic order in East Asia has been shifted from the FGM to the Factory Asia model in which China is the leader in global production while the rest of East Asian countries are dependent on China.

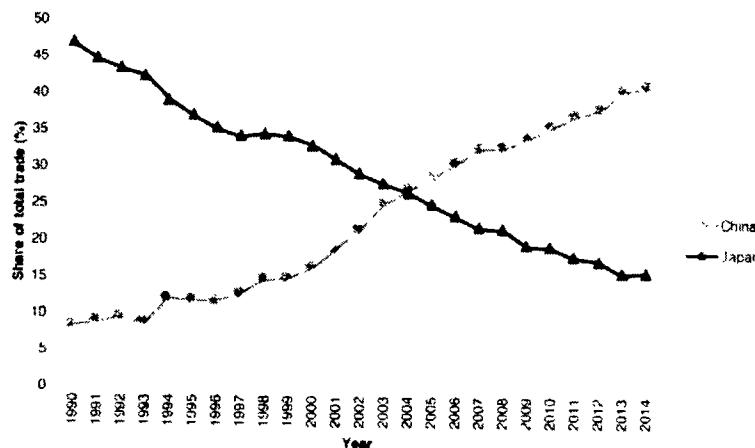
The 'flying geese model' (FGM) is an interpretation of the Japanese scholars regarding technological progress in East Asia in considering Japan as the leader. This model got popularity after Kaname Akamatsu's article published in the 1960s (Tautsche, 2014). Akamatsu argued that

the division of labor in East Asia was based on the principle of comparative advantage and East Asian countries would reach near to the advanced industrial western nations if the production process continued transferring from the advanced to less advanced countries. The flying goose model postulated that the less developed East Asian nations could succeed only if they closely align themselves behind Japan. The model took Japan as the lead goose, while the second tier of countries comprised of the newly industrializing nations like Singapore, Hong Kong, Taiwan and South Korea; and the third tier consisted of the main ASEAN economies like Malaysia, Indonesia and Thailand. The least developed economies of China, Philippines and Vietnam were kept in the rear guard (Kojima, 2000).

The FGM was built around Japan's internal restructuring because of mounting costs of labor. Therefore, Japan (being the lead goose) was shifting towards capital intensive production and away from labor-intensive production by shedding its some of its production to the countries down in the hierarchy of flying geese model (Terry, 2000). The FGM is considered as the useful economic model when describing East Asian regional economic structure after the end of World War2. For instance, the textile industry transferred from Japan to the second tier economies like Taiwan and South Korea, and then transferred further down the hierarchy because the second tier economies were concentrating on the automotive industry and consumer electronics and other similar things.

China's rise has disturbed the FGM as the East Asian region has been drifting away from FGM model to Factory Asia model in which China is at the center. The FGM depended on Japan's investment in East Asia; however, during the 1990s, Japan faced serious financial repression because of which its investment in East Asia was disturbed. The entry of China in liberal economic order meant addition of hundreds of millions of workers to global labor supply

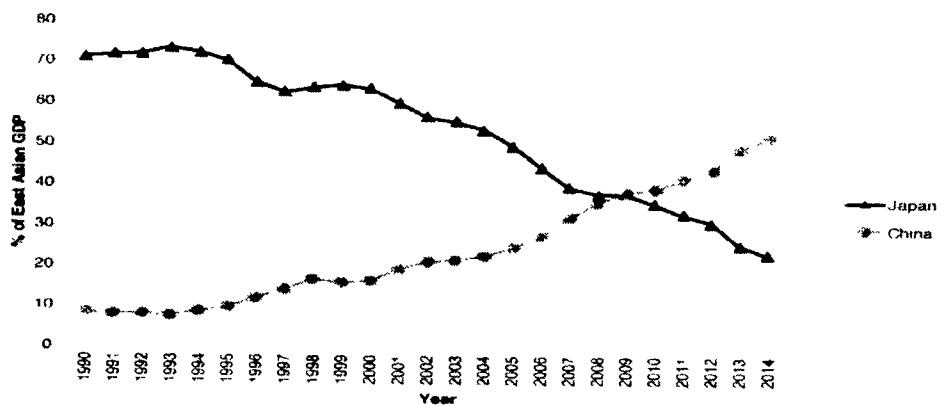
which resulted in increased competition in labor intensive industries in East Asia. China appeared as the ‘world’s factory’ because of cheap labor, lack of regulatory rules, strong business ecosystem, competitive currency and low duties and taxes.



**Figure 8 Share of East Asian regional Trade with Japan and China: 1990-2014**

*Source :* World Bank, World Development Indicators.

Kaplinsky and Messner (2008) termed China’s unprecedented rise as a ‘big country’ because, in 2016, China’s huge population of 1.4 billion was 27 times more than South Korea’s population which is largest Asian Newly Industrialized Country. Gigantic China was consuming half of the cement throughout the world in 2008, a quarter of the world’s aluminum, and a third of its steel (Economist, 2008). Furthermore, China became the largest manufacturer in 2010 and replaced the US in 2013 as the world’s top foreign direct investment destination and China’s merchandise trade was noted as a massive figure of \$4.2 trillion, again exceeding the US in 2014 (Economist, 2014).



**Figure 9 Share of East Asian Trade to GDP with Japan and China**

Source: World Bank, World Development Indicators.

China's big country affect changed overall economic regional structure in East Asia as China's voracious need for raw material created a 'commodious super-cycle' for East Asian countries which are rich in natural resources (Starrs, 2014). China's neo-liberal turn, especially since the late 1990s, created a situation in the region in which the countries of the region have regrouped around China which acts as an assembly hub in a new transnational production complex which is known as 'factory Asia' (World Trade Organization, 2011). China is the final assembly hub with a triangular pattern in which intermediate goods and components are produced in Japan, Taiwan and South Korea and then exported to China for their final processing and from there these are exported to the consumers worldwide. China's success as an export-oriented hub in the first decade of the twenty-first century was so great that China was responsible for two-third of the Global South entire processing trade, thus making China as the foremost outlet for East Asia's manufactured export to the West (World Trade Organization, 2011).

China's export-oriented economic model is heavily dependent on imports from the countries of East Asia. The neighbors of China like South Korea, Japan, Thailand, Malaysia, the Philippines, India, and Indonesia are running a trade surplus with China. In fact, the countries of East Asia regard China as essential for their own economic growth. It was confidence of neighbors that China replaced the US as the largest trading partner of Japan and China played a key role in the lifting of Japan from the years of economic stagnation. China is also playing an important role in the contemporary economic performance of Korea, Taiwan and Japan because these countries moved their labor-intensive and low-end industries in China because of cheap labor which allows them to stay competitive in the global markets. The Chinese economy has become highly integrated with East Asian economies as the ease of investment and doing business in China is phenomenal. The most important outcome of this close integration of East Asian economies with China is that these countries will resist if some sanction, if it has been placed on China as in past China, had to undergo before 1978 or 1989 because China and the countries of East Asia will swim or sink together.

During the early phase of China's economic uplift, China was highly dependent on Hong Kong and Singapore. However, since 1990s, these parameters are being reversed as now China's need for Hong Kong and Singapore is less than these countries need China. The stock exchange of Hong Kong has been surpassed by China in terms of market capitalization. The center of East Asia is China and no country can now withstand isolation from China. The economic growth and dynamism of China is spilling outside of its borders and infecting every country of East Asia. In fact, East Asia is reconfigured by the rise of China and the agenda of the region is now being set in China (Jacques, 2012). China's economic rise can be understood if only looked from the angle of East Asia, not from the lens of the US, EU or Africa. Therefore, China's policies and goals in

East Asia will have a very powerful impact on the Chinese goals and ambitions at the global level (Barnett, 2013).

## **Conclusions**

China's economic role in East Asia has been analyzed in this chapter. It has been argued that China's engagement increased significantly after transforming the economic approach in the post-Maoist era, especially in the post-Cold War era when the CCP followed neo-liberalism reforms with a renewed vigor in the post-Tiananmen era. Due to its unique export-oriented economic model, China has become the largest trading partner of the whole region of East Asia. Similarly, China's investment in East Asia has been growing steadily; especially the initiative of OBOR massively enhanced China's investment in East Asia. Furthermore, the US economic sanctions are increasing China's investment in emerging economies of ASEAN. China's unprecedented economic rise is also growing China's foreign investment in East Asia. The next chapter will explore China's role in multilateral institutions in East Asia. The main argument discussed in the next chapter is that China's economic role in East Asia is inextricably related to China's role in multilateral institutions in East Asia.

## CHAPTER FIVE

### CHINA'S ROLE IN MULTI-LATERAL INSTITUTIONS IN EAST ASIA IN THE POST-COLD WAR

This chapter is an endeavor to explore China's role in regional multilateral institutions in East Asia in the post-Cold War. It has been discussed in third chapter that China significantly transformed its economic approach in the post-Maoist phase, especially in the aftermath of the Cold War, under the 'whip' advanced Western countries and the 'East Asian Tigers'. Fourth chapter suggests that China's export-oriented economic model significantly enhanced China's engagement with East Asian countries in the post-Cold War era. Furthermore, China's economic transformation has impacted the whole region of East Asia to such an extent that the previous East Asian regional economic model of 'Flying Geese', in which Japan had been the leader, transformed to 'Factory Asia' model in which China has become the final assembly hub of majority of complex production cycles in East Asia. This chapter outlines China's regional approach in East Asia in the post-cold War era. East Asia has become one of the most economically integrated regions in the world, therefore, it is mandatory for China to cooperate closely with the multilateral institutions in East Asia for the continuation of its export-based economic model and to make it clear that China believes in the norms and rules produced through the regional organizations and that China is not interested in hegemonic designs.

The main finding of this chapter is that China did not abruptly endorse multilateralism in East Asia after Mao's death. Rather China's move towards East Asian regionalism was very slow and only became more evident after the end of the Cold War. This belated response towards regionalism has been explained through three reasons. At first, China's economic reforms were still in an incipient phase in the 1970s and 1980s; secondly, the legacy of Mao was still haunting Deng Xiaoping and other CCP leaders as there was active opposition against post-Maoist

economic reforms within the CCP party; thirdly, the world was still ideologically divided between capitalist and socialist block, therefore, the insecurities created by Mao's policies in East Asian countries were still active. In this chapter, China's role will be discussed in five major organizations: ASEAN, ASEAN Plus Three, ASEAN Regional Forum, APEC and the Six-Party Talks. However, ASEAN has been studied in more detail because ASEAN has been the most important regional organization in East Asia and most of the other regional organizations have been the offshoots of ASEAN.

Leon Trotsky suggests that national and international politics are inextricably related to each other. China, during Mao's era, was striving to bring socialist revolutions through supporting revolutionaries in East Asia because of the domestic approach of Maoism. Similarly, China's view about ASEAN was very harsh because Mao was of the view that ASEAN was formed to contain Maoism in East Asia. However, significant behavioral change of China towards regionalism was observed during the post-Maoist phase. Two main reasons of such China's less antagonistic views towards regionalism in East Asia will be discussed in this part one. The first reason was ASEAN's silence on the Tiananmen Square Massacre in 1989 in Beijing in which thousands of protestors lost their lives. This silence of East Asian states provided much-needed relief to China which had been under intense pressure from the West and the US. Secondly, the US was least interested in funding the security alliance in East Asia, which was mainly formed to contain Maoism and the ideological appeal of the Soviet Union in the region. After the end of the Cold War, the Soviet Union was disintegrated and China finally moved towards market economy, therefore the US saw little logic to fund for continuation of the anti-socialism security alliance in East Asia. This lack of the US interest in East Asia led ASEAN members to devise mechanisms in the absence of the US help and to face the US and

Western protectionism. It was deemed necessary to enlarge the scope of ASEAN by creating further regional organizations within the auspices of ASEAN and to widen the membership of ASEAN by including the non-ASEAN members in the framework of the regional organization. China's role was crucial in all the post-Cold War regionalism in East Asia. The pivotal change in China-ASEAN relations was witnessed during the Asian Financial Crisis in 1997 when China was under intense pressure to devalue its currency; however, China did not devalue its currency to rescue the economies of ASEAN which was adversely hit by the crisis. This Chinese decision was highly lauded by ASEAN and China was now looked as friend and constructive partner by ASEAN.

ASEAN Plus Three (APT) was formed in 1997 when the US and the international financial institutions failed to provide relief to the East Asian economies which were badly hit by the Asian Financial Crisis. APT was an effort to expand the membership of ASEAN to economically engage the most important economies of East Asia: China, Japan and South Korea. Another important reason behind the establishment of APT was to avoid any of three from becoming hegemon because APT can work as an important framework to set the behavior of these powers. China welcomed the overall idea of APT as APT provided China the opportunity to engage the important economies of South Korea and Japan along with ASEAN economies under the auspices of APT. Martin Jacques (2012) is of the view that historically North-East Asia has enjoyed superiority over Southeast Asia as Japan, Korea and Japan had been much advanced than the countries of Southeast Asia, therefore, the idea to engage North-East Asian economies with southeast Asian economies was welcomed by all the countries of the region. However, Japan was hesitant to join the APT because Japan was of the view that the US would not like Japan's joining the APT. However, with time these Japanese reservations were allayed. China's

attitude towards APT has been constructive as China manifested constraints and welcomed APT platforms to resolve its serious difference with Japan on some occasions.

ASEAN Regional Forum (ARF) is also an important organization in East Asia which deals with security in the region. The main objective of ARF was to contain any hegemonic designs of major powers in East Asia. It will be discussed in portion three that due to enlargement of the organization, specifically because of the membership of the US, China does not like to discuss maritime issues in the organization. China considers that its maritime boundary is based on 'nine-dash line' and does not believe in the post-WW2 demarcation of international boundaries through international law. However, China did not impede the discussion process in the organization despite of its displeasure. However, it has been suggested in the third part that since the second decade of the twenty-first century, 'low profile policy' is less visible in the contemporary China policy as China has been found more assertive in its maritime claims. However, a detailed analysis of China's maritime claims and the current scenario of security situation of East Asia will be presented in the next chapter.

APEC was formed in 1989 to deal with the regional economy in East Asia in face of the withdrawal of the US interest in the region. China's role has been overall constructive in the organization as China finds the organization as helpful for the successful operation of its export-oriented economy. However, due to the enlargement of APEC, it is much effective because its members have different interests and, therefore, different solutions to the problems with the regional economies, making the organization less effective in comparison with ASEAN.

The Six-Party Talks is an organization in East Asia to deal with the situation that emerged because of the nuclearization of South Korea. China has been an active member of the organization and its role is important because of its close interaction with North Korea. However,

scholars are of the view that contrary to general perception, China has little control over North Korea as because of the self-sufficient and isolationist policies of North Korea, it does not heed to China's views. Furthermore, due to the difference of opinion regarding how to deal with the North Korean missile crisis, this organization helped little to contain North Korea to test its nuclear missiles. However, real essence of the Six-Party Talks is that it provides the members an important opportunity to engage themselves in a dialogue about North Korea's nuclear ambitions rather than taking unilateral action against North Korea.

### **5.1 China-ASEAN Relationship**

ASEAN was found in 1967, covering almost whole Southeast Asia except East Timor. Ostensibly the regional organization was formed to foster regional and economic interdependence in East Asia; however, the primary trigger behind the establishment of ASEAN was the threat of communism in East Asia which was enunciated from China and Vietnam (Cooper, 2016). ASEAN was found on three primary goals: reducing the power of local communist groups by encouraging close economic connectivity, limiting the influence of external powers and to reduce intra-ASEAN rivalries among the member countries. The Indonesian president Suharto played a key role in the establishment of ASEAN because he was an avowed critic of Mao's approach of supporting revolutionaries in China's neighboring countries in East Asia (Narine, 2012).

#### **5.1.1 China's view towards ASEAN during Mao's era**

From China's perspective, the world since WW2 was divided into two major powers: US imperialism and the USSR chauvinism. The relations between China and the Soviet Union remained cordial during the presidency of Stalin; however, after Stalin's death on 5 March 1953, evident fissures emerged between China and the Soviet Union. Feng (2015) is of the view that

China, in the post-Stalinist phase, considered the global order shaped by the USA and the Soviet Union as unfair and unjust as both the great powers were using '*ba dao*' (sheer force) not '*wang dao*' (rule of virtue). The use of rule of 'virtue' (spread of Maoism in East Asia) was Mao's normative idea on which China's foreign policy was constructed during Mao's era. Mao regarded China as representative of those that were politically dominated, oppressed, impoverished, exploited and culturally contaminated. China regarded the establishment of ASEAN as a machination of the US against China because all the member states of the organization were non-communists. Mao did not conceal his aversion for ASEAN and avowedly considered ASEAN as the "running dog of American imperialism" which was primarily designed to contain communism in East Asia, specifically in Southeast Asia (Jacques, 2012).

China had no contact officially with ASEAN during its early phase (Feng, 2015). The East Asian states had been historically tributary states of China and much inferior to it, but relations with China had always been cordial till the start of the *Chinese Century of Ignominy* (1839-1949). After coming to power in 1949, Mao's stringently following ideological approach, creating a legacy of distrust among his neighbors. Most of the post-colonial states in East Asia were highly multi-ethnic and the central governments did not have a strong hold on these diverse anti-state groups; therefore, China's neighbors regarded their inheritance of ethnic divides as grave vulnerabilities to be manipulated by the Maoist model. Some of these ethnic groups in neighboring states of China were an active follower of Mao's ideological approach. On the other hand, China did not attempt to draw down apprehensions of its neighbors; rather it actively supported such groups that had centrifugal tendencies. Therefore, the majority of East Asian states were of the view that great danger emanated from Mao's ideological model, therefore it

was pertinent for them to respond to the looming 'Mao's threat'. This is the reason that in 1967, no ASEAN country had normal relations with China (Ba, 2003).

However, towards the late 1960s, China was engulfed in domestic problems because of the debilitating impacts of the Cultural Revolution. Furthermore, China had to shift international alignments because of growing conflict with the USSR which pushed China closer to the USA. This transformation in relations with the USA also induced China to bring important policy changes towards ASEAN. However, China failed to dismiss the reservation that it had generated in ASEAN and till the death of Mao Zedong on 9 September 1976.

The second phase of China ASEAN started after occupation of Cambodia by Vietnam in 1978. Both China and the USA were united in opposition against Vietnam's intervention in Cambodia which provided ample space to the USSR to spread its influence in Southeast Asia. In 1978, Deng Xiaoping decided to embark on a tour to the states of Southeast Asia in the wake of new Chinese economic reforms to suggest to its neighbors that now China was no more interested in fomenting trouble in its neighboring countries by supporting the communist groups there and that post-Maoist China wanted to have cordial and non-ideological pragmatic relations with its neighbors in East Asia (Ba, 2003).

Furthermore, Deng tried to inform the ASEAN countries about the severity of the situation which occurred after Vietnam's aggression on Cambodia which was fully supported by the Soviet Union. To the surprise of ASEAN countries, the US was not much disturbed at Vietnam's invasion of Cambodia. Deng also requested to ASEAN to cancel the membership of Vietnam because of its aggressive behavior (Feng, 2015). China's invasion of Vietnam to deter Vietnam from getting a hold in Cambodia relieved fears of ASEAN about the growing influence of Vietnam and rise of another Maoist China like Vietnam's ideological world view in East Asia.

However, no major development in China-ASEAN relations was witnessed till the late 1980s, despite of Deng's economic reforms in China and his commitment to canceling state support to revolutionary groups in East Asia (Lee, 2018). The main reason behind this impasse between China and ASEAN was driven because of three factors. At first, because of the legacy of Mao, it was not possible for Deng to denounce it entirely; secondly, China's reforms were still in rudimentary stage and limited to the southern regions, therefore China's neighbors were not sure that Deng would be successful in creating a new China's model based on free-market or would simply move back towards Maoist socialist world view. Thirdly, the Cold War was fought ferociously between the US and the Soviet Union during the last decade and the USSR had intervened in Afghanistan. The US and East Asian countries had still reservations that the USSR had sympathizers in East Asia (like Vietnam), therefore, global order between the US and the USSR was making improvement between China-ASEAN relations much difficult.

### **5.1.2 China-ASEAN relations in the post-Cold War**

Three important things occurred which gradually improved China-ASEAN relations towards the end of the Cold War. At first, massive student led protests were witnessed in Beijing in 1989 against the 'timid political reforms in face of bold economic reforms' (Huang, 2015). The US and the West took a close interest in this pro-democracy protest in China and the reaction of the Chinese state to quell these demonstrations in which thousands of the protestors lost their lives. made the West and the US highly critical of China's handling of human rights and certain embargos were put against China by the West. On the other hand, ASEAN mainly remained silent on the issue, therefore China found ASEAN much helpful than the European Union or the Western governments. Secondly, the US gradually eliminated its support and the alliances in East Asia towards the end of the Cold War which were primarily made to contain

socialism in the region. Therefore, in the presence of Soviet Union's disintegration and China's wholeheartedly endorsing market economy, there was little logic in the US spending colossal money in East Asia. This US lack of interest in East Asia led the countries of East Asia to think about new mechanisms, especially about China which was no more an ideological threat to the region.

### **5.1.3 Tiananmen Square Protests, Western Criticism, ASEAN Silence and Deng's Southern Tour**

The reform process was accelerated during the mid-1980s transforming many State-Owned Enterprises (SOEs) into independent profit making bodies. The reforms also relaxed state control on the commodity prices and many SOEs abolished workers' welfare packages. Massive inequality was widening between the have and have nots; however, the CCP was not perturbed because of this situation as Deng himself quoted that there was nothing wrong with the rich getting richer (Jacques, 2012). Through intervening directly in the economy, some high profile names in the CCP amassed enormous fortunes, turning themselves into 'bureaucratic capitalists' or 'cadre-capitalist class' in the party (So, 2003). Many segments of society \_students, workers, democrats, human rights activists etc\_ started gathering in Tiananmen Square in Beijing on 15 April 1989 and stayed there till 4 June 1989 when they were finally crushed by the government (Hung, 2015).

The protests were suppressed through the sheer use of coercion on 4 June 1989 when the central government imposed martial law by sending the military to occupy Beijing's central parts. Contrary to this harsh Western criticism on China's handling of the protests, ASEAN remained silent on the issue, providing much needed relief to China. Through this supportive

gesture of ASEAN, China realized the potential of ASEAN as an extensive economic partner which was allowing China freedom to deal with its internal matters (Yuzhu, 2012).

#### **5.1.4 The US Lack of Interest in East Asia and New Wave of Regionalism**

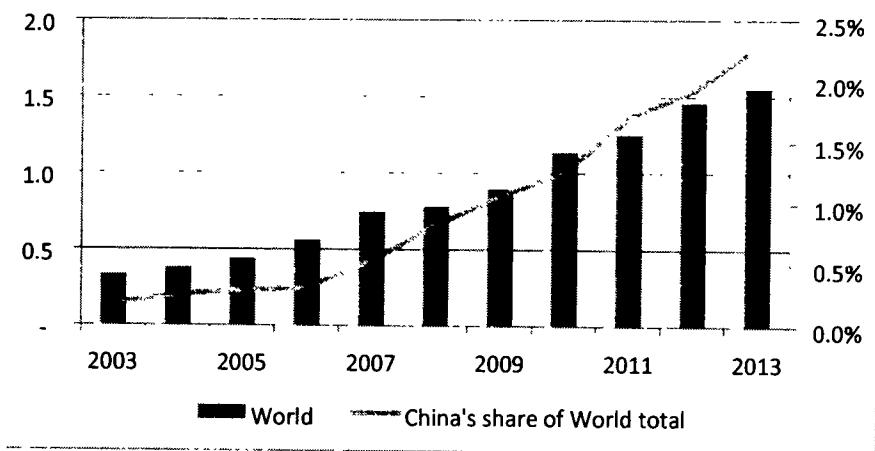
The US economy also encountered problems in the late 1980s and early 1990s, therefore, the US was least willing to support security arrangements and trade concessions devised during the Cold War (Crone, 1993). In this context, the priorities of ASEAN also changed because of considerable economic growth and their views about China became less hostile. By the late 1980s, the Western and the US protectionism proved highly unfavorable for ASEAN trade with the US and the West. Furthermore, Europe's Maastricht Treaty and the North American Free Trade Agreement (NAFTA) made ASEAN access difficult in Western markets. Similarly, the European markets were attaching stringent conditions related to human rights for East Asian countries. The countries of ASEAN started to revisit their dependence on the US in economic matters and they started to look towards China with a hope which was emerging as a new emerging economic power (Ba, 2003). At the ASEAN meeting in 1992, it was decided by the member states that non-ASEAN members should also be consulted for broadening the economic horizons of the region. Mahathir Mohamad, the Malaysian Prime Minister, proposed establishing an East Asian Economic Group in 1990 which could help the member states to offset the pernicious impact of West dominant financial system. ASEAN Post Ministerial Conference (PMC) was expended to East Asian countries including China culminating in ASEAN Regional Forum (ARF). China was also asked to participate in other East Asian regional organizations like the South China Sea Workshop, Asia-Europe Meeting (ASEM) and the ASEAN Plus Three (APT) meeting. China's engagement with these regional frameworks suggested that China's role in East Asia was widely transformed and became constructive (Ba, 2003). The emergence of new

regional institutions were signs of cracks in the Iron Curtain and, therefore, it was evident that in the post-Cold War era, these regional institutions could become new power centers, therefore, China could not ignore multilateral institutions in East Asia.

### **5.1.5 Gradual Improvement in China-ASEAN relations in the post-Cold War**

Towards the end of the Cold War, China-ASEAN relations started to transform significantly. In 1989, Vietnam withdrew its forces from Cambodia and decided to improve its relations with China. Indonesia also announced that it wanted to have friendly relations with China. Brunei and Singapore also followed the suit (Ba, 2003). China properly expressed its interest in improving its ties with ASEAN in 1991 when Chinese Foreign Minister Qian Qichen initiated a dialogue with ASEAN (Feng, 2015) and soon after China participated in the ASEAN Ministerial Meeting in Malaysia. China participated in 1994 in ASEAN Regional Forum and presented the sketch of the early proposal of ASEAN+3 (China, South Korea and Japan) which was finally materialized in 1997. This Chinese proposal received sympathies from Malaysia, Thailand and Indonesia.

#### **World and Chinese FDI Stock in ASEAN (US\$ trillions; share %)**



**Figure 10 World and China's FDI Stock in ASEAN**

Source: Chinese FDI in Asia figures from China Ministry of Commerce, via CEIC database; world FDI in ASEAN from the United Nations Conference on Trade and Development statistics (UNCTAD STAT).

<https://www.uscc.gov/sites/default/files/Research/Chinas%20Economic%20Ties%20with%20ASEAN.pdf>

Martin Jacques (2012) is of the view that two most important factors occurred about ASEAN-China re-appraisal in the post-Cold War. The first was the decision taken in 1992 of establishment of AFTA—the ASEAN Free Trade Area—which suggested complete barriers to trade should be eliminated within ten member states till 2010. The second was a recommendation of Malaysian Prime Minister Mahathir Mohammad of establishing an East Asian Economic Group which could help the member states to offset the pernicious impact of the Western dominated financial system. The core of this plan was the exclusion of any non-member state of East Asia. The turning point in regionalism in East Asia was witnessed in 1997 when East Asian economies were badly hit by the financial crisis. The countries of East Asia realized that multilateralism should be the only solution to face such a bewitched problem like the financial crisis of 1997 in future. China has played the key role in regional integration in East Asia since the financial crisis (Wang, 2019).

### **5.1.6 ASEAN-China Free Trade Agreement (FTA)**

China's regional approach significantly changed in the period from 1997 to 2001 at the China-ASEAN summit in 2001 when China presented a proposal of China-ASEAN free trade area to be set till 2010. The philosophy behind the establishment of China ASEAN free trade or ACFTA was to develop a market of two billion people making it the largest free trade area throughout the world. This proposal of free trade provided confidence to the neighbors that China would not follow such interests that could prove detrimental for its neighbors because of the increasingly integrated economies of East Asia. This agreement had very important ramifications on the overall political and economic atmosphere of East Asia because before this agreement Japan did not like to enter into free trade with the countries of its region. But, after this bold and ambitious policy of China, Japan was undecided about securing its national economic interests by using regional frameworks (Jacques, 2012).

ASEAN-China FTA was a series of discussions between ASEAN member states and China. Initially, free trade area would have to be constructed between China and the older ASEAN member states (Indonesia, Malaysia, Brunei, the Philippines, Thailand, and Singapore) by 2010; then the scope of the ASEAN-China FTA was thought to be expended to the rest of the member states of ASEAN (Myanmar, Cambodia, Laos, and Vietnam) by 2015. The main characteristics of the ASEAN-China FTA were non zero tariff barriers for products, services, investments, and development programs. The initiative of ASEAN-China FTA played a key role in economic integration between China and ASEAN in the following areas: Grand Mekong Sub-regional Economic Collaboration, information technology conference institution, and nontraditional security cooperation (Wang, 2019). In addition to this, China promised to grant the status of most favored nations to the members of ASEAN who were not the members of

WTO. On one hand, zero tariffs were deemed necessary for increasing trade and foreign direct investment in some of the countries which were in dire need of foreign investment; however, on the other hand, massive differences between China and ASEAN economies made some member states highly suspicious about the advantages of doing business with China (Ah, 2017).

To drawdown the reservations of ASEAN states, China went for bilateral negotiations with ASEAN members through the 'Early Harvest' program which is a strategy to produce products at lower tariffs and then gradually reducing the tariffs to zero. The logic behind this approach was to find enough time to see the efficacy of reducing tariffs rather than abruptly eliminating tariffs. Zhang Yunling (2010) is of the view that the ASEAN-China FTA is a very innovative idea of China to integrate its economy in East Asia. He is of the view that close economic connection with ASEAN was pertinent for China because China was not fully able to enjoy the maximum benefits of its accession to WTO. ASEAN-China FTA proved one of the most successful free trade areas in modern economic multilateralism. ASEAN-China FTA is the most successful precedent in the three 10+3 FTAs (Feng, 2015). Due to the growing economic might of China securing a free trade area with ASEAN, many competitors to China have also evinced willingness developing FTAs with ASEAN including Japan, South Korea, India, Australia and New Zealand (Feng, 2015).

#### **5.1.7 ASEAN-China Investment Agreement**

Along with improving its relations with the countries of East Asia within the confines of the regional framework, China also provided these countries massive economic aid, especially to reduce the impacts of the global recession of 2008-09. China promised to step up investments and aid to ASEAN worth of \$15 billion and another emergency fund worth of \$25 billion to save the region from future economic disasters (Cooper, 2016). This Chinese aid followed the

ASEAN-China Investment Agreement that China was endeavoring to put into practice since 2003. The majority of this aid was focused on overall Southeast Asia in addition to bilateral aid promise to the Philippines and Indonesia. Out of this China's economic help, \$1.7 billion preferential loans for 'cooperation projects'. In addition to this, China decided to provide \$39.7 million in special aid to Myanmar, Laos and Cambodia (McCartan, 2009).

China's foreign minister, Yang Jiechi, suggested at this time that China fully supported community-building process in ASEAN and China's aid to the region increased than US foreign aid. The Exim Bank of China established a private equity fund in 2009 as part of the China-ASEAN Investment Agreement. The China-ASEAN Development Fund set the goal of raising \$10 billion to finance projects related to infrastructure in the region like harbors construction in the Mekong River and railways and highways that connect Southern China and Vietnam (Cooper, 2016). Plans for developing the Nanning-Singapore Economic Corridor are underway which are thought to start from Nanning in China and will go through Vietnam, Laos, Cambodia, Thailand, Malaysia to Singapore through a network of expressways, railways, air routes and waterways. Furthermore, China decided to construct a \$7 billion high-speed rail line in Laos which will be constructed mainly by Chinese firms. China announced the construction of \$3.05 billion rail lines that will connect China with Singapore through Vietnam. Such connectivity projects in the region are vital for the Chinese economy to increase employment, promote exports and promote its security relations with the countries of East Asia. In 2010, the largest free trade area among the developing countries went into effect called as China-ASEAN Free Trade Association (CAFTA). According to the agreement, China promised to reduce tariffs to the countries from 9.8 percent to 0.1 percent. China announced to give a \$20 billion loan to

ASEAN and \$3 billion to China-ASEAN Investment Cooperation Fund and \$480 million to tackle poverty in Southeast Asia (Copper, 2016).

### **5.1.8 Dependence of ASEAN on China**

China's unprecedented rise outmaneuvered Japan in regional processes in East Asia because China's share in East Asian trade increased from 6 to 25 percent from 1980 to 2002 but Japan's exports in East Asia decreased in this period from 50 percent to 30 percent. On a similar line, China's East Asian imports increased from 8 to 21 percent while Japan's share of East Asian imports decreased from 48 to 27 percent. China decided to adjust its economy as fairly open to become an extensive exporter and multifaceted investor. A total of 46 mechanisms were established between China and ASEAN in 46 fields, including 12 related to the ministerial level, in 2005. On the contrary, ASEAN has only 15 mechanisms with the US while the US had been the most significant partner and benefactor of ASEAN since its establishment in 1967 (Cheng, 2013).

China's new strategy was to make China as the epicenter of regional growth through serving as the market of states of the region and provider of technology and investment in other countries. Through this policy, China became in less than a decade the most important market in East Asia. China's market is now three times bigger than Japan's market for the countries of the East Asia region. China accounted for 23 percent of Japanese exports in 2010 and Chinese imports from ASEAN increased at an annual rate of 30-40 percent. China was the market of more than 17 percent of Malaysian exports in 2009 as compared to China's Malaysian imports in 2009 which were only 2 percent. Similarly, China accounted for 31 percent of South Korean exports in 2009 from 0 percent in 1990. Though the majority of ASEAN exports to China are in the category of raw material and there is a huge concern that with such type of pattern of trade

with China, the countries of ASEAN will become dependent on China. Similarly, China's increasing demands of ASEAN imports will create serious concerns of resource extraction in exporter countries. However, intermediate goods also account a good proportion in East Asian exports to China. Such components account for almost 50 percent of Chinese imports from the member states of ASEAN (Jacques, 2012). These imports play a vital role in the final assembly of finished goods in multinational firms of the US, Japan, Europe, Taiwan and South Korea in China. China has also emerged as an active and extensive investor in ASEAN countries which is interested in investing in extractive industries and projects of physical infrastructure like toll roads, railways and refineries so that the speed of flow of imports from these countries can be improved. Asia accounted for almost 60 percent of Chinese foreign direct investment (Lampoon, 2005) making it the most important region in the Chinese economic approach. This Chinese investment energized the economies of East Asian economies in the situation of declining Western investment during the last few years.

Because of these warm economic relations, trade between China and ASEAN increased from 17 percent from 1991 to 2000, and from 2001 to 2007 it increased to 20 percent (Astaria, 2008). Some countries of East Asia complained that their companies were no more capable of competing with Chinese companies locally as well as internationally, however, China suggested that trade between China and ASEAN is heavily in favor of ASEAN. Furthermore, ASEAN countries also realized that having close economic relations with China was inevitable for almost every economy of East Asia.

## **5.2 China's Role in ASEAN Plus Three**

ASEAN+3 was established by ASEAN, China, Japan and South Korea in 1997 to deal with the devastating consequences of the Asian Financial Crisis.

### **5.2.1 Asian Financial Crisis and China's Help to ASEAN**

The Asian Financial Crisis was a financial crisis that hit most countries of East Asia in July 1997 and threatened most countries of the world with economic meltdown. This financial crisis started in Thailand with the economic collapse of the Thai baht. After the failure of Thailand to halt the fall of Thai Bhat against the US dollar, this crisis menacingly expanded to Indonesia, South Korea, Laos, Malaysia, Hong Kong and the Philippines. These countries had no other option than to float their currencies. The creditors got panicked because of this crisis as they were suffering from the sharp decline in demand and confidence was lost in the financial sectors of East Asia. Even an export-driven economy which was thought to benefit from the significant devaluation in currencies failed to prove competitive as majority of the firms could not have credit access required for the import of raw material. A threatening wave of bankruptcies followed this which overwhelmed the whole of Southeast Asia (Kurlantzick, 2006). At first, Japan offered the crisis-hit countries of creating an Asian Fund but soon had to withdraw its offer because of its own inconsistent bubble economy and the persuasion of the US not to materialize this plan of Asian Fund. China saw the opportunity to win the support of its neighbors and promised at the East Asian Summit not to devalue Yuan and signed a statement with ASEAN regarding future relations (Ruland, 2000). The decision of China of not devaluing its currency made recovery of the whole region possible and China's offer of economic aid to the countries of its region reduced significantly the reservations of the states of East Asia (Lai & Lu 2012). Furthermore, China decided to provide much needed help to the struggling economies of the region by offering interests free loans (Shambaugh, 2005). Mahathir Mohammad, the Malaysian Prime Minister, highly appreciated this Chinese move and suggested that the Chinese

decision of not devaluating its currency saved the whole region from the disastrous effects and that China showed 'great responsibility' (Jacques, 2012).

Before 1996, China was suspicious of multilateral institutions in East Asia, therefore it refrained from becoming part of any important multilateral institution. However, in the wake of the financial crisis, China whole heartedly adopted the cause of multilateralism in East Asia as China realized that its export-oriented economy could not succeed unless it joins the regional frameworks in East Asia (Astaria, 2008). The contemporary China-ASEAN relations have two important aspects. At first, China is the largest provider of Foreign Direct Investment (FDI) in most ASEAN countries as China actively provides colossal financial support to the countries of East Asia to improve infrastructure which can facilitate their trade with China. Secondly, the groundbreaking Agreement on ASEAN-China Comprehensive Economic Cooperation which was signed in 2002 according to which free trade zones should be completed till 2010 (Astaria, 2008). The unprecedented increase in trade between China and ASEAN was witnessed after this agreement and both sides agreed on establishing a variety of economic zones to attract more investment.

### **5.2.2 China's Role in the APT**

Cheng (2013) is of the view that the main reason behind the establishment of ASEAN Plus Three was the failure of IMF and the World Bank to salvage the economics of East Asia during the devastating Asian Financial Crisis in 1997. East Asian countries viewed it mandatory to reduce their dependence on the West; therefore, augmenting and expanding regionalism in East Asia was the key to post Asian Financial Crisis East Asian economic integration. The three most important economies in East Asia were: China, Japan and South Korea; however, when these countries had extensive economic relations with ASEAN, their non-member status in

ASEAN was the main hurdle to have their proper contribution in ASEAN and reap the benefits of emerging regionalism in East Asia. Therefore, through ASEAN+3, it was envisaged that the framework and scope of ASEAN would become efficient and holistic.

All the thirteen members attended the first meeting of ASEAN+3, which was held in the Philippines and a Joint Statement on East Asian Cooperation, was released in which it assured by all the members that in the age of globalization and interdependence, the member states of ASEAN+3 would endeavor to promote regional cooperation through dialogue. ASEAN+3 norms are mutual understanding, friendly relations, stability, peace and prosperity in East Asia (Astaria, 2010). It becomes clear from this statement that the primary concern of the establishment of ASEAN+3 was economic and all the countries were driven by economic rationalism to reap the benefits of economic multilateralism. However, soon areas of ASEAN were enlarged to many other fields as well like to agriculture, environment, labor, health and information technology.

The most important relationship in ASEAN+3 is between China and Japan because of avowed hostility between the two countries (Chang, 2013). In the initial stages, Japan had serious reservation about joining ASEAN+3 because Japan was of the view that by becoming a part of the regional set up, Japan would antagonize the US, however, at the same time, Japan could not let China to have unrivaled status in East Asian regional forums at the expense of Japan, therefore Japan decided to integrate itself deeply in regional frameworks in East Asia. The main clash in bilateral relations between China and Japan emerged because of the Japanese leadership visit to Yasukuni Shrine and the display of wartime themes in textbooks in Japanese schools. Despite of exchanges of high-level leadership between the two countries, the differences between the two countries were in fact deeply rooted. But, the organization of ASEAN+3 proved

auspicious in the sense that further deterioration in relations among the countries had been avoided.

China's willingness to work under the frameworks of regional institutions in East Asia suggests that China's views about the world have changed significantly as compared with the foreign policy goals during the Maoist era. After the end of the Cold War, China had openly advocated multipolar world order and this Chinese approach is even evident in East Asia despite of promising economy. China is not interesting in claiming leadership which could have made its neighbors insecure about hegemonic designs of China towards East Asian regional institutions. This Chinese unwillingness of taking the lead is in line with Deng's approach of 'hide one's ability and bide one's time' (Feng, 2015). On the other hand, Japan is also not in a position to claim the leadership because of its historic aggressive expansionist policies in East Asia and China-Japan hostility. It means that ASEAN+3 has a high potential of playing a key role in resolving the differences among the members in East Asia. The Presence of active ASEAN+3 also means the absence of a hegemon in East Asia and secures a decentered East Asia.

### **5.3 China and ASEAN Regional Forum (ARF)**

ASEAN Regional Forum is another intergovernmental organization founded by ASEAN in 1994 as a platform for security-related dialogue in the Indo-Pacific. The ARF provides a mechanism through which its members can discuss contemporary security-related issues for the development of cooperative initiatives for enhancements of security and peace in East Asia. The ARF is composed of 27 members: 10 ASEAN states (Cambodia, Brunei, Malaysia, Indonesia, Philippines, Laos, Singapore, Vietnam, Thailand and Myanmar); 10 ASEAN dialogue partners (Canada, Australia, China, India, the European Union, New Zealand, Japan, the Republic of Korea, the US and Russia); the Democratic People's Republic of Korea, Bangladesh, Pakistan,

Mongolia, Timor Leste, Sri Lanka and Papua New Guinea (dfat, n.d). In the second meeting of the forum in 1995, the need to promote confidence-building measures and developing preventive diplomacy to resolve conflicts was highlighted (Narine, 2012).

According to the views of Rosemary Foot (1998), the origin of ARF is inextricably related to transformation in regional politics in East Asia after the end of the Cold War in which China was gradually rising and the withdrawal of the US in East Asia which was already reducing in East Asia towards the second half of the Cold War because of their reconciliation with China and defeat in Vietnam. Bentham (2018) suggests that the desire of the countries of East Asia is understandable to devise a powerful multilateral framework against the rising power of China. When the end of the rivalries of the Cold War in early 1990s marked the era of disintegration of the USSR, reunification of Germany and unprecedented improvement in the European process of integration; for East Asia, this era proved time of great uncertainty because of the US withdrawal from the region and Chinese unprecedented economic growth due the market reforms of Deng Xiaoping.

There was a consensus among majority of the states in East Asia that they should engage the great powers throughout world in overall security situation in East Asia when the nuclear program of North Korea and Chinese growing assertiveness in maritime matters was posing grave challenges to the countries of the region (Severino, 2009). Initially ASEAN was hesitant for supervising a framework related to security because ASEAN was of the view that despite of closely cooperating economically; the countries of East Asia had serious differences regarding security. Therefore, it was declared that the countries through ARF, should devise such a mechanism in which they could solve their security related problems amicably and without the

use of coercion through creating mutual trust and devising foreign policies on rule of noninterference in the internal matters of the states of East Asia.

### **5.3.1 China's Role in ASEAN Regional Forum**

The Chinese leadership evinced readiness towards overall idea of ARF because the end of the Cold War was a period in which China was striving for improvement of its relations with the countries of East Asia. The primary goals of ARF and the official regional foreign policy of PRC seemed harmonious towards the initial stage of establishment of ARF. Rosemary Foot suggested that the level of comfort between ARF and China was because of China's ease with the organization's structure and approach towards security problems in Asia Pacific (Foot, 1998). She argues that the consensus-based decision making procedure of ARF was ideal for China because it allayed the Chinese fear of being singled out. Furthermore, such a type of organizational structure meant that China would not have to be concerned about spending resources for securing allies for lengthy voting process. Moreover, the platform of ARF allowed China to tell the whole region and world at large that China was very serious in its 'development thesis' (Shanon, 2018).

At the time of China's joining of the ARF in 1994, Qian Qichen, Chinese Foreign Minister, argued that the peaceful settlement of issues among the different countries of East Asia would occur at equal footings. The first meeting of ARF, organized in 1994 in Bangkok, it was agreed by the members that they should intensify diplomatic channels to discuss the security and political issues and their solutions should be sought in a peaceful way (Bethum, 2018). There was nothing controversial for China in the first meeting; however, during the second meeting of ARF, conducted in 1995, in Brunei, some ministers present in the meeting expressed their displeasure about the potential threat of conflicting territorial claims in the South China Sea.

During that year, two warships were deployed by China in the South China Sea to stop oil-rigging endeavors by the Vietnamese government at a site that was claimed by both Vietnam and China (Shenon, 2018). Furthermore, the Chinese flag was observed fluttering near Mischief Reef which is an area claimed by the Philippines and is thought to contain massive oil reserves. The indirect critique on Chinese growing assertiveness in the South China Sea during the second ARF meeting was the first time that concerns of Southeast Asian countries with the Chinese maritime policy were discussed in any multilateral organization in East Asia. In the next annual ARF meeting in 1996 and 1997, the issues related to the South China Sea were widely discussed. However, China evinced diplomatic maturity and played a constructive role during these meetings.

China and ASEAN signed a Declaration on the ‘Conduct of Parties’ in the South China Sea in 2002 through which it was agreed that China and ASEAN would remain committed to find the solution of all the security related problems, including territorial issues in the South China Sea. Similarly, China submitted a published paper to ARF with the title Position Paper on the ‘New Security Concept’ in which China reiterated its stance of striving for regional peace through dialogue and cooperation. Tang Jiaxuan, the former Foreign Minister of China, opined that ‘new momentum of development’ was witnessed in the relations between China and ASEAN states because of increased economic integration (Jacques, 2012). However, towards this period, it became evident that China wanted to engage the countries of East Asia economically through offering them lucrative opportunities but only in return of their silence on Chinese activities in the South China Sea. In a paper published by the Chinese government, it was suggested that the top regional priorities of China would be: financial cooperation mainly through the engine of Chiang Mai Initiative, agriculture cooperation and economic integration

through preferential tariffs programs (Bentham, 2018). This makes it clear that China's government was less willing to discuss its territorial policy at a multilateral platform.

Towards the start of the second decade of the twenty-first century, relation of China and ARF started changing. China was criticized by its neighbors on numerous times in 2011 and 2012. Vietnam accused China of cutting the cables of Vietnamese surveys of oil and gas in Vietnamese waters. Similarly, the Philippines criticized China for surveillance vessels posing a severe threat to Philippines ships. The Chinese Foreign Minister argued that some countries of East Asia were striving to internationalize their territorial conflicts with China. He further added that this would exacerbate the issues between China and the neighbors who were labeling allegations on China and the solution, according to the Chinese Foreign Minister, was to have direct negotiations not putting allegations on China in multilateral forums. China was exasperated after the US Foreign Minister, Hillary Clinton, spoke at the ARF forum in Vietnam that the countries of East Asia should search for international mechanisms to solve their territorial issues. China blocked the annual meeting of ARF in 2012 as a reaction because of the tense relations between China and its neighbors relating to territorial claims (Bentham, 2018). The complex relations between China and ARF deteriorated further in 2015 when Vietnam alleged that some unknown foreign ships killed Vietnamese fishermen near the Spratly archipelago. At the annual meeting that year, China argued that some countries of the region were exaggerating the tensions in the South China Sea (Ministry of Foreign Affair, 2018). Therefore, it can be argued that towards the start of the second decade, the South China Sea dispute has been escalating which made China highly reserved towards ARF; however, still China accepts the platform adopted by ARF for all the concerned parties to discuss their mutual differences.

In the ARF 27<sup>th</sup> annual meeting on September 12, 2020, Luo Zhahui, Chinese Deputy Minister of Foreign Affairs, acknowledged the achievements of the ARF. Luo Zhahui suggested that the confidence-building mechanism of ARF is at the center of long-term peace and security in the region. However, he deplored that the US, along with the help of Japan, India and Australia is trying to politicize the COVID 19 problem and is endeavoring to disparage China's efforts against the pandemic in which China provided all the possible help to different countries of the world. He reiterated that such type of US bullying will not prove helpful for the overall success of functioning of the ARF (Kobierski, 2020).

#### **5.4 Asia-Pacific Economic Co-operation (APEC) Forum**

Asia Pacific Economic Cooperation (APEC) was created in 1989, as a twelve-member consultative platform, for smooth consultation and to weigh the interests of the countries of Asia Pacific region against the Europeans General Agreements on Tariffs and Trade (GATT) (Mattli, 1999). Since its start, APEC endeavored to implement various measures to eliminate all the trade barriers; to create dispute mediation, develop monetary and macroeconomic cooperation and to agree on technical cooperation for the development of human resources, infrastructure and energy (Mattli, 1999).

APEC is an ideal economic framework where the members can discuss different matters relating to economic policy. When APEC was established in 1989, the average rate of tariff in the twelve member states was 16.9 percent and then it declined to 5.5 percent in 2004. Similarly, APEC's share of global export was 58 percent in 1989 and then it climbed up to 67 percent in 2008 which is almost 44 percent of world trade. APEC is considered politically as well as economically as a powerful regional organization as today it comprises of 2.7 billion populations, which means 40 percent of the world's total population and 55 percent of the

world's total GDP in purchasing power parity (PPP). The developed economies of APEC decided to eliminate the major barriers to trade and investment till 2010 and the developing economies of APEC declared to finish barriers till 2020. It was reiterated time and again that the member states of APEC through action plans like Shanghai Accord, Osaka Action Agenda, Manila Action Plan and Busan Roadmap that the members were very serious in achieving the targets. However, if we look at the tangible results of APEC, it seems clear that the actual goals are still very distant and the pace of liberalization of trade is very slow because of the enlargement of its membership (Solingen, 2007).

#### **5.4.1 China's Role in APEC**

Because of the success of China's economic openness since the 1980s, China achieved massive economic growth at 9.7 percent from 1978 to 2009. Currently, about 60 to 70 percent of trade and foreign investment is within APEC and 8 or 9 out of 10 top Chinese partners in trade are the members of APEC. This is the reason why China has actively participated in the APEC negotiations by keeping a low profile and non-threatening policy towards APEC members. Participating actively and keeping a low profile policy in APEC is pertinent for China because the export-oriented economic model of China requires friendly diplomatic relations with the other states of the region for the continuity of flow import and export. Furthermore, the regional framework of APEC is ideal for China because to deal with certain economic issues that stem from its export-oriented economic model, China needs a multilateral forum relating economic matters as an arbitrator among the states having the issue of some kind. China follows an economic approach for many years in which China is running in trade deficit with its neighbors through the importation of equipment and machinery, component and high tech parts from Korea, Japan and Taiwan; and national resources and raw material from the countries of

Southeast Asia more than the amount of export of China to these countries. This means that the export-oriented economic policy of China is also a key to the economic growth of the countries of East Asia which are exporting raw material and high-tech parts to China. In addition to this, China is an important link international supply chain which means that China is crucial for regional and international production networks. Similarly, China's unprecedented economic growth is the catalyst for market-driven economic integration in its region (Ho & Wong, 2011).

### **5.5 China's Role in the Six Party Talks**

Another important regional framework in East Asia is Six-Party Talks related to the North Korean nuclear problem in which China, the US, Japan, Russia and the two Koreas are the members. The first negotiations of the group were conducted in 2003. At the time of commencement of the Six-Party Talks, there were hopes that these negotiations might present a permanent solution to the North Korean nuclear crisis be sought. However, the unilateral pull out of North Korea from the talks in 2009 over international criticism on its long-range missiles put a halt before the successful transformation of the Six-Party Talks into a permanent security forum. Furthermore, the highly controversial North Korean nuclear missile test suggested that China's influence on North Korea is not absolute and China had to rethink its approach towards North Korea. Towards the start of the Six-Party Talks, China evinced great enthusiasm for the regional framework to deal with the North Korea nuclear issue. Dai Bingguo, Chinese vice minister of foreign affairs, visited Japan in 2003 and argued that institutionalizing the Korean nuclear program is the only solution of the lack of agreement among the countries. Furthermore, China insisted that the regional framework was pertinent to implement the decision made through multilateral talks and regional frameworks could limit the unilateral behaviors of states in East Asia (Jacques, 2012). China tried its best to prepare the mechanism of transforming Six-Party

Talks into a permanent regional security dialogue by establishing a ‘small group’ in which representatives of the six countries could be the members. China also showed considerable interest in establishing the ‘Asian dollar’ which was very difficult to materialize, however, Beijing found some success in the promotion of its yuan in bilateral settlements. The finance ministers of Japan, China, and South Korea agreed to establish a regional foreign exchange reserve within the auspices of ASEAN Plus Three. China and Japan decided to offer \$38.4 billion and South Korea decided to give \$19.2 billion to face the global financial crisis by stabilizing the regional currencies and to reduce the Northeast Asian dependence on the International Monetary Fund (IMF). Through this massive reserve, the ‘Asian Monetary Fund’ can be established or it could even pave the way for an ‘Asian dollar’ (Yiqing, 2009). This reserve was established on the lines of the Chiang Mai Initiative (CMI) started in 2000 by the ASEAN Plus Three while responding to the Asian Financial Crisis in 1997. This was mainly a number of bilateral currency swaps among the countries. This ambitious program of financial cooperation was hampered because of shortage of funds available. Chinese Ministry of Commerce had already suggested that an Asian currency was highly favorable to the Chinese RMB’s status in Asia. Furthermore, a regional currency would enhance the level of cooperation between China and other countries (Carminati, 2020).

## **Conclusion**

This chapter presented an analysis of China’s role in multilateral institutions in East Asia in the post-Cold War. The central argument discussed in this chapter is that China’s growing economic engagement with East Asian economies due to China’s export-oriented economy is the main reason behind China’s constructive role towards regional organizations. Zhang and Tang (2005) suggest that China’s regional approach is to participate actively, offer reassurance,

demonstrate restraint, foster interdependence, open markets, harmonize interests, and reduce conflicts. China's regional role has been discussed in five major regional organizations in East Asia: ASEAN, ASEAN+ Three, ASEAN Regional Forum, APEC, and the Six-Party Talks. Out of these regional organizations, ASEAN is the most important regional organization for China and as Papatheologou, Naseer & Amin (2014) suggest that ASEAN is the key to unlock China's regional approach in East Asia. Amitav Acharya (2008) also suggests that China made an important contribution towards regional stability in East Asia after its close coordination with ASEAN. It has also been discussed that when China has been ever ready to discuss economic matters at regional platforms, it is not happy over discussing maritime sovereignty issues in the East and the South China Sea; however, still, China does not refuse to participate in such platforms where anti-China rhetoric is very strong. Therefore, when China is the most important partner with ASEAN and APEC, China does not like the enlarged membership of ASEAN Plus Three. Similarly, China also suggests that it has no control over the North Korean regime's nuclear plan. China suggests that it participate actively in important regional organizations to bring North Korea towards talk on its nuclear issue, however, the sufficiency and isolationist nature of the regime of North Korea make it really hard for China to persuade North Korea to adopt constructive behavior. The next chapter will present a detailed analysis of China's security role in East Asia.

## CHAPTER SIX

### CHINA'S ROLE IN EAST ASIAN SECURITY IN THE POST-COLD WAR

This chapter plans to study China's security policy in the East Asian region in the post-Cold War era. The US administration and international relations circles have been assiduously declaring rising China as a security threat for East Asia, especially for the East Asian countries which have maritime and sovereignty related disputes with China: Vietnam, the Philippines, Indonesia, Malaysia, Brunei, Taiwan, Japan and South Korea. China's recent assertive behavior in maritime issues since the adoption of the 'Strive to achievement' policy of Xi Jinping has been depicted as an evident example of 'China's threat' theory which suggests that China will soon behave like a hegemon in East Asia. However, this chapter suggests that such views do not hold ground because China's export-oriented economy is inextricably related to a peaceful environment in East Asia and any massive security tension between China and its neighbors will create serious hurdles in the functioning of China's contemporary economic approach. The main finding of this chapter is that the US mainstream view that China's neighbors are requesting the US to balance along with them against an assertive China is wrong. The fact is that it is the US that is persistently suggesting to China's neighbors that China is a threat for them and that they are left with no choice than to balance against China with the help of the US. This chapter suggests that since the adoption of market reforms by China, the whole region has been reaping massive economic benefits. Therefore, East Asian countries want to have cordial relations with the US and China both and do not favor to contain China with the US help.

No country is sending 'costly signals' that it is under threat from China as currently defense spending to GDP ratio is almost half to what it was in 1990 towards the end of the Cold War in East Asia. There is only one country that is under existential threat from China\_Taiwan however, China's conflict with Taiwan is related to sovereignty not territorial

expansion, and there are gradual improvements in China-Taiwan relations since the last few years. Therefore, it is fair enough to suggest that since following economic reforms, especially after the end of the Cold War, China is posing no threat to East Asia and like China's regional policy, China's security policy is in harmony with overall China's constructive economic policy in East Asia. This chapter is divided into three sections; the first section explains China's 'threat thesis', the second section presents an analysis of China's territorial conflicts with its neighbors and the third section will suggest that why 'China threat' is wrong and why China is not a threat for any country of its region.

The 'China threat' thesis suggests that China's rise is a security threat for East Asia, especially for those countries having maritime and sovereignty conflicts with China. This China Threat Thesis argues that once China is economically much ahead of its neighbors, it will pose serious security threats to its neighbors and will try its best to dispel the US from East Asia. This thesis also points out that since 2010, China has become more assertive towards its southern neighbors in the South China Sea; while from 1991 to 2010, China's behavior can be suggested as 'cautious' or 'low profile'. But, since 2010, this 'low profile' has been transformed by Xi Jinping's 'Strive to Achievement' policy which made China more assertive towards its southern neighbors having maritime conflicts with China. Furthermore, this thesis suggests that the 'nine-dash policy' is now claimed vigorously by China. Therefore, according to this thesis, there is no doubt that China will be a hegemon in East Asia if its rise is not impeded by East Asian countries and China.

The American 'Pivot to Asia' policy, announced during Obama's administration, was such an endeavor to checkmate China's rise in its own region by increasing the US naval presence and not allowing China to claim its 'nine-dash policy' in the South China Sea through

much trumpeted ‘freedom of navigation’ which is supported by the international law. Similarly, the contemporary Trump Trade War with China is nothing new but the continuation of the previous US policy. Furthermore, it has been discussed that the US scholars and administration suggest that East Asian countries wholeheartedly endorse ‘Pivot to Asia policy’ because they have no other option to deal with China’s growing power in East Asia, which will finally threaten them.

The third section will explain China’s maritime conflict in the East and the South China Sea. In the East China Sea, China has maritime conflicts with Japan, South Korea and Taiwan on the Diaoyu archipelago (in China) or Senkaku (in Japanese). In the South China Sea, China has maritime conflicts with the Philippines, Vietnam, Indonesia, Malaysia and Brunei on the Paracel and Spratly Islands. Paracel and Spratly are not islands in pure sense but a collection of hundreds of reefs, islands, islets and underwater uninhabited rocks. These islands are thought to have potential natural resources according to some studies. When China’s southern neighbors claim their sovereignty on islands through international law, China claims its sovereignty through ‘nine-dash line’ which is a historic claim and which had been, according to China, China’s historic maritime boundary which was not opposed by any country in past. When China’s maritime policy since 2010 has been depicted as assertive and threatening in the US and China’s neighbors, China does not think of its current policy as assertive. China suggests that Japan and South Korea had never claimed sovereignty on the Diaoyu islands historically and similarly the southern Chinese neighbors never ever challenged Chinese sovereignty through the nine-dash policy historically. However, when different surveys appeared regarding massive energy reserves in the East and the South China Sea, Eastern and Southern neighbors of China started claiming their sovereignty through international law. However, it will be argued in the third section that

China will not let ruin its relations with its neighbors despite of potential maritime conflicts because China is of the view that the US is actually behind China's neighbors to suggest to them that China is a threat for them.

The last section problematizes China's threat thesis and knowledge production in the US foreign policy related circles that China's has become a threat for its neighbors. The main argument discussed in the last section is that China and East Asia have benefited immensely from China's inclusion in free-market reforms and that currently, despite of serious maritime and sovereignty related tensions, East Asian neighbors have no existential threat from China. China's portion of gross domestic product (GDP) in East Asia increased from 8 percent in 1990 to 51 percent in 2014 and China's share in trade in the region increased from 8 percent in 1990 to 39 percent by 2014. On the other hand, China's rise immensely benefited the whole of East Asia region. An important trend in East Asia that is being witnessed since China's decision to integrate itself in East Asian regionalism is that defense spending to GDP has been reducing steadily as currently defense to spending ration is in East Asia is half to what it was in 1990. The statistics show that defense spending was almost 3.35 percent of GDP in 1990 in East Asia and in 2015, this spending is merely 1.84 percent (Kang, 2017).

Furthermore, instead of entering into the military competition, the countries of East Asia are following comprehensive security: wide-ranging institutional, diplomatic, and economic strategies in mutual dealing (Kang, 2017). Almost all the countries of East Asia take their region as much safe as a generation ago. Similarly, it has been also suggested that classical literature in international relations suggests that the small countries, when threatened, request the great powers to balance against a regional hegemon. But, in East Asia, East Asian countries are not calling the US for help, but it is the US that is suggesting that China is an existential threat for

East Asia and balancing against China (like ‘pivot to Asia’) is the only option to stop China’s rise. However, not even a single country, including even Japan and Taiwan, in East Asia want to eliminate its economic relations with China. The only country that is being threatened by China is Taiwan, however, the relationship between the two sides is improving because of close economic relations and guarantee on side of China that unless Taiwan calls itself an independent country, its security will not be jeopardized. Therefore, East Asia is accommodating China’s rise, instead of balancing against it. The most important thing regarding this topic is that China has been a beneficiary of the capitalist global system and has vested interests in the perpetuation of this system therefore, China will not try to disrupt the economic system through which it has accrued so many benefits. Thus, it can be said that China in the future will endeavor its best to continue the system which has benefited China so immensely and China will not endanger its economic growth, which depends heavily on colossal import and export in its region, by behaving aggressively in its region.

### **6.1 Assertive China Thesis**

Caryle Thayer (2011) suggests that China’s assertiveness is being witnessed in both economically and militarily fields in East Asia. At first, the economic rise of China was seen as a threat by East Asian countries as a deliberate Chinese endeavor to pull the whole of East Asia, especially the developing economies of Southeast Asia, into the Chinese ‘orbit of dependency’ in which China’s neighbors would be the provider of raw material in return of the finished Chinese goods. Furthermore, these countries were also of the view that due to stiff competition from China, the US would adopt protectionist policies which could play havoc with the domestic markets of ASEAN. Similarly, the economic rise of China has accompanied modernization in its hard power and tough stance towards the countries like Philippines, Vietnam, Malaysia and

Brunei which had conflicting maritime and territorial claims with China. Being suspicious of China's power, many East Asia states requested the US to safeguard their national interests and the US had replied positively by declaring that to secure navigational freedom in the South China Sea for unimpeded commerce was also the national interest of the US (Mearsheimer, 2014).

Furthermore, Thayer (2011) noted these changes posing serious threats to East Asia in contemporary China's foreign policy: increased defense budget, harsher stance on Taiwan, declaring the South China Sea mineral wealth as China's natural resource, and to seek its interests in the world far away from its home base. Furthermore, China is blamed for building a massive naval base on the southern coast of the Island of Henan at Yalong Bay on the northern side of the South China Sea to create a new balance of power in the South China Sea. Furthermore, it is speculated that this base is equipped with nuclear submarines and ballistic missiles.

Along with developing naval bases and airfields in the South China Sea, an increasing number of cases of Chinese high handedness in the South China Sea with the Philippines and Vietnam are being recorded in recent years. The Philippines Department of Foreign Affairs suggested that China, in the fourth quarter of 2010, increased its assertiveness in the Spratly Islands (BS-CBN News, 2011). Six major incursions in waters near the Philippines were recorded in the first five months of 2011 (Philippine Daily Inquirer, 2011). Philippine harshly protested these Chinese actions diplomatically and raised these issues in the United Nations. Similarly, in 2011, a similar type of assertiveness was witnessed against Vietnam when Chinese ships threatened and interfered in the Vietnamese fishing, seismic survey and oil exploration activities which were operating in Vietnam's Exclusive Economic Zone (EEZ), the Spratly archipelago and the Paracel Islands. Similarly, the Vietnamese authorities alleged that Chinese

Maritime Surveillance ships cut cables of Vietnamese seismic surveying ships three times in 2011 which were protested by the Vietnamese government before the Chinese authorities. This Chinese growing assertiveness in the South China Sea led the Vietnam and Philippines to modernize their defense capabilities domestically as well as requiring help from the countries which are regarded as having anti-China stance such as Japan and South Korea (Thayer, 2011).

## **6.2 The Containment of China in East Asia: ‘Pivot to East Asia’ Strategy of the United States**

John Mearsheimre (2013) thinks that if the economic growth of China continues on the current patterns for a couple of next decades, China will definitely endeavor to become a regional hegemon in East Asia and its primary concern will be to oust the US towards the region where it belonged. He suggests that it is the only pattern of history and the great powers of the past behaved in the similar way\_ all endeavored to become hegemons in their regions. Furthermore, he opines that the US was too confident after the end of the Cold War that it had finally become an unreivalled global superpower. The US turned its focus away from the great power politics and concentrated on intervening in small states like Afghanistan and Iraq. Another big mistake made by America was to think positively about incorporating China in the global capitalist system by making China the ‘global factory’ because of China’s cheap labor. When the US and the West succeeded in eliminating ideological appeal in domestic and international politics of China, they failed to understand that China had massively benefited from such a global economic constellation which were bound to transform in the growth of China’s military in the future. Though the US grasped it very late, however, once they fully fathomed the massive potential and threat of China becoming a regional hegemon, the US government under the Obama administration decided to contain China with the help of the US allies in the

neighborhood of China through ‘pivot to Asia’ policy. Mearsheimer (2013) thinks that the US had no other choice than to come forward with the ‘pivot to Asia’ policy because China’s becoming a regional hegemon will be a nightmare for the US national interests in East Asia. Though China pretends to be a non-aggressive country, however, at the same time, it has categorically made three things clear: that China wants Senkaku Islands back to make it part of China, Taiwan will be ultimately made part of China and the South China Sea will be transformed into a ‘giant Chinese lake’ (Asian Nikkei Review, 2015).

The rationale behind the ‘pivot to Asia’ policy is similar to the rationale behind the US policy of containment of the Soviet Union during the Cold War days. Due to China’s rapidly growing economic capabilities and military power, the US has abandoned its policy of engagement with China. Obama Administration started since taking office asserting that ‘the US is back in Asia’ by acceding to ASEAN Treaty of Amity and Cooperation by appointing a permanent ambassador to ASEAN Secretariat and reviving the ASEAN-United States leaders annual meeting. In the context of growing Chinese assertiveness in the South China Sea, US top officials declared that the US had national interests in safeguarding the freedom of navigation and flights in the South China Sea. In response to the Chinese naval build-up, the US responded by consolidating its stance on Guam, increasing the sale of advanced weapons to Vietnam and basing its Combats Littoral Ship in Singapore. Out of its fifty-three advanced submarines, the US deployed thirty-one in the Pacific and strengthened its anti-submarine program (Jacques, 2012). The significance of East Asia for the US can be seen from the release of ‘National Defense 21<sup>st</sup> Century Strategy’ in 2012 in which it was reiterated that the US had potential national interests in the Western Pacific and East Asia, therefore, it would respond to the challenges and opportunities in East Asia by engaging militarily through supporting its allies (Thayer, 2011).

The East Asian Strategy of Barack Obama was reversal of the foreign policy of Clinton and Bush policies as the Obama administration took the US from the Middle East to manifest its power in full spectrum in East Asia in the vicinity of China (Goldberg, 2016). Though the previous administrations of Bill Clinton and George W Bush deployed air and naval weapons systems to Japan and Guam along with constructing an aircraft carrier in Singapore at Changi Naval Base. Similarly, an additional aircraft carrier was sent by the Bush administration to the Pacific theatre and the US declared that it would send almost 60 percent of submarines to Asia (Rose, 2012). However, East Asia was turned into the top priority of the US through the ‘Pivot to East Asia’ policy by the Obama administration whose main tenants were: improvement in relations with the growing powers, strengthening bilateral security relations, closely coordinating with multilateral institutions in East Asia, expanding investment and trade, the advancement of democracy and human rights and strengthening the military presence of the US in East Asia (Jacques, 2012). Though, the US government is still hesitant about discussing containment policy in the diplomatic circles and are striving for disguising their realist behavior through liberal rhetoric. But the Chinese political elites are fully cognizant of the fact that they are being contained by the US as the US do not want to relinquish its hegemonic status in East Asia (Navorro, 2016).

### **6.3 Territorial Disputes**

The following are the potential maritime dispute of China with its neighbors.

#### **6.3.1 China’s Dispute in the East China Sea**

The Diaoyu archipelago (in Chinese) or Senkaku (in Japanese) is a series of uninhabited islands located in the East China Sea covering an area of seven square km which are claimed by China, Japan and Taiwan. The islands are situated at a distance of about 200 km from both Japan

and Taiwan. It had been suggested in the United Nations Economic Commission for Asia and the Far East that the region between Japan and Taiwan might have massive reserves of energy that might function as 'future oil province of the energy of the world'. Similarly, the region is also known for rich fishing resources and an important shipping route for China, Japan and Korean energy imports.

The conflicting sovereignty claims over the islands is one of the main reasons for souring relations between Japan and China. After the defeat of China in the first Sino-Japanese war in 1894, Japan annexed the archipelago. When Japan was defeated in WW2, the US-controlled the islands till 1971. According to the Okinawa Reversion Treaty which was signed on 17 June 1971, Japan was allowed jurisdiction over Diaoyu and Ryuku islands which were under the control of the US under the Japan Peace Treaty. However, the US made it clear that this judgment was not relevant to conflicting claims regarding these islands and that the claimants should settle the management of these islands on their own.

There are four major waves of disputes between China and Japan regarding ownership of these islands. The first wave of tense relations between China and Japan was witnessed during the early 1970s when China's officials vociferously protested against the transfer of the Diaoyu islands to Japan. The second issue happened in 1996 when the Japanese Youth Association, a right-wing party, built a lighthouse on one of the island which was harshly criticized by China. The Japanese fighter planes and warships intercepted a fishing vessel of Hong Kong activists resulting in six causalities. The Taiwanese fishing vessels carried Taiwanese activists to the islands who landed and waved Chinese flags there. The third wave of conflict regarding these islands was witnessed in 2004 when Chinese activists landed on one of the Islands on 24 March and were incarcerated by the Japanese authorities. The Chinese government vehemently

protested the imprisonment of their people by the Japanese authorities. Large scale anti-Japanese demonstrations occurred across major cities in China regarding Japan's proposed inclusion as a permanent state in the United Nations Security Council. The fourth contention in China-Japan relations was witnessed when Japan's government decided to purchase three of the disputed Diaoyu Islands in 2012 islands from the local entrepreneurs who had been controlling these islands since 1932. This Japan's move was regarded as a 'unilateral Japanese endeavor to change the status quo which China could not accept'.

However, Japanese government suggested that there was no tacit or common agreement regarding management of these islands between China and Japan. The Chinese authorities reacted to this by sending regularly law enforcement vessels and by flying aircraft over the conflicting waters (Abe, 2013) and by cancelling top level official dialogues with Japan. Since then, China increased its naval presence near the islands and created air identification system over the East China Sea near the disputed archipelago in which the commercial planes were required to inform Beijing about their movements. This Chinese air defense identification system was in direct conflict with the Japanese air defense identification system. The US sided with Japan and reiterated on various occasions that contested territorial claims were part of bilateral security treaty signed between the US and Japan, therefore, the US forces were duty bound to protect Japan in time of need (scmp, 2019). When the incumbent Japanese premier Shizo Abe visited the Yasukuni shrine on December 26, 2013, the Chinese foreign ministry suggested that this visit shut the doors of China-Japan dialogue (Feng, 2013). In response to these Japanese decisions, the Chinese government adopted an aggressive tone towards Japan. However, Liu Feng (2016) suggested that the harsh policy of China towards Japan's territorial claims is not an

indication of Chinese assertiveness but just a tit-for-tat response towards Japan's coercive and confrontational maritime claims (Feng, 2016).

### **6.3.2 China's Maritime Disputes in the South China Sea**

Conflicting claims on different islands in the South China Sea (SCS) is the chief bone of contention between China and some Southeast Asian countries and is considered the stumbling block in China-East Asia relations. The maritime disputes in SCS include the islands, banks, reefs; the most famous are the Paracel Islands, Spratly Islands and some boundaries of the Gulf of Tonkin (Keck, 2014). The Spratly and Paracel islands are not islands in pure sense but collection of underwater uninhabited rocks situated in the South China Sea; the Spratly is located to the west of the Philippine and north of East Malaysia, and the Paracel is situated in the east of Vietnam. Spratly Islands is a group of over 100 reefs, islands and islets located in the South China Sea, which is regarded as one the busiest global waterway, within a total area of less than five square kilometers. The problem of Spratly Islands arose after the San Francisco Peace Agreement in 1951 which failed to allot these islands properly to countries of East Asia (Odgaard, 2001). Because of this failure, six countries claimed sovereignty over these islands: Philippines, Vietnam, Malaysia, Brunei, China and Taiwan. The rich fisheries and abundant energy resources in Spratly Islands is big attraction for all of the above mentioned countries (Odgaard, 2001). China is claimant on more than 80 percent of the whole SCS, while Philippines claims ownership of the Scarborough Shoal and Spratly archipelago, Vietnam claims Spratly and Paracel Islands and Malaysia and Brunei claim sovereignty over some of Spratly Islands and over southern parts of the SCS.

The SCS is of vital importance to all the said countries because it is the primary connector of these countries to Europe, Asia and Africa. It is believed that almost one third of global shipping passes through the SCS which is worth of trade of US \$3.37 trillion. The SCS is especially very important for China because almost 80 percent of Chinese oil imports reach mainland China via the Strait of Malacca by sailing through SCS. Furthermore, the SCS is considered entailing huge reserves of natural resources in oil and natural gas as the US Energy Information Administration has estimated that SCS entailed about 190 trillion cubic gas and 11 billion barrels of oil. Some other estimate suggest that the sea entails 290 trillion cubic gas and 22 barrels of oil. Similarly, the SCS has almost 10 percent of global fisheries which make it a fundamental food source for hundreds of millions of people. This is the reason that various claimants have seized control on many islands, rocks and low-tide elevations with the SCS.

#### **6.3.2.1 The Primary Maritime Disputes in the South China Sea**

1. The nine-dash line, at first claimed by the Republic of China (Taiwan) and later by the People's Republic of China (PRC), which runs through most the waters within SCS, therefore, overlaps within the maritime claims of Brunei, Malaysia, Indonesia, Taiwan, Philippines and Vietnam.
2. The maritime Vietnamese coast among China, Vietnam and Taiwan.
3. The northern waters of Borneo among China, Philippines, Malaysia, Brunei and Taiwan.
4. Islands, banks, reefs and shoals in the SCS including Pratas Islands, Paracel Islands, Scarborough Shoal and Macclesfield. Similarly, issue of sovereignty over Spratly Islands among China, Vietnam, Philippines and Malaysia.
5. Northern waters of Natuna Islands between China, Taiwan and Indonesia (Tweed & Shi, 2016).

6. The conflict among China, Philippines and Taiwan over waters in the north of Natuna Islands.
7. The conflict over islands and maritime boundary in the Luzon Strait among China, Taiwan and Philippines.

#### **6.3.2.2 China's Claims on the East and South China Sea**

China's sovereignty on the Diaoyu Islands had been irrefutable before the First Sino-Japanese War (August 1894-April 1895). After the WW2; China, the US and England were signatory of the Cairo Declaration and the Postdam Proclamation. That treaty suggested that Japan should return all the Chinese treaty which it captured during the WW2, including Penghu Islands, Taiwan and Diaoyu Islands. However, Japan presents its claims on the Diaoyu Islands through Peace Treaty of San Fransico (1952) in which PRC and the Republic of China in Taiwan were not parties, which means that one of the most important decision regarding Chinese territory was conducted without any representation from China including Taiwan. That treaty suggested that at first, Diaoyu Islands would be governed by the US and then it would be transferred to Japan. From the perspective of China, San Francisco Treaty of Peace is totally invalid as China was not provided with a chance in the treaty. At the time of diplomatic normalization between China and Japan, the former Japanese prime minister Kakuii Tanaka unambiguously recognized that Diaoyu Islands dispute has been a controversial issue between the two countries; therefore, should be set aside (Zhang, 2017). Similarly other Japanese leaders like Masayoshi Ohara, Sunao Sonoda and Susumu Nikaido all were agreed that controversy regarding claim on Diaoyu Islands existed between China and Japan. However, the incumbent Japanese Prime Minister Abe refuse to acknowledge the controversy between China and Japan

regarding Diaoyu Islands and declared the islands as important part of Japan. The US is tacitly backing this new anti-China approach of Japan.

The concept of maritime sovereignty is modern since 1945 when the US declared that it planned to exercise its sovereignty in its waters. This law is basis on which most of countries of East Asia develop their claims. China claims its sovereignty mainly through geographical marker called 'nine-dash line' which stretches almost 2,000 km from mainland China and goes close to the borders of Malaysia and Indonesia. China presents its maritime sovereignty on historic claims that these waters were south-east frontier of China for thousands of years. Various expeditions to the islands discovered certain artifacts such as copper cash and chinaware that dated back to Tang and Song dynasties. The Chinese government claims that such discoveries buttress Chinese historic sovereignty claims on these islands that these islands were part of China. Furthermore, the islands have been an important part of Chinese cultural folklore and certain Chinese map shows the islands within 'historic claim line' of China. Not surprisingly, Taiwan, which also claims to be China, also claims sovereignty on the islands on the similar basis, therefore, it can be analyzed that having sovereign rights on the islands is matter of Chinese (mainland China and Taiwan) identity. The overall concept of 'historic claims' is built on inter-temporal law which is concerned with rights and wrong on historic basis rather on contemporary legal proceedings (Jacques, 2012).

The Chinese maritime boundaries in the South China Sea had been endorsed as the legitimate Chinese boundaries in thirty-six maps that were published before 1974 by the nineteen major countries. No country refuted the Chinese maritime conflicts in 1974; however, when potential reserves of natural resources were discovered in the South China Sea, the countries like Vietnam, Malaysia, Brunei and Philippines started claiming sovereignty on the Islands (Zhang,

2017). However, still China favors peaceful negotiations regarding resolution of the territorial disputes on an equal basis rather than settle down the differences through the sheer use of force. The US has capitalized the frictions between China and its East Asian neighbors in maritime conflicts by asserting itself in the South China Sea through its Pivot to Asia policy. The US is making its East Asian partners, who have territorial disputes with China, that rising strength of China is a direct security threat for their survival; therefore, the only option is to balance China with the help of the US in East Asia (Zhang, 2017).

#### **6.4 Transformation of China's current foreign policy: from 'Low Profile Policy' to 'Striving for Achievement'**

After the end of Mao's era, the new Chinese leadership endeavored to concentrate on economic development and by adopting a more constructive and non-ideological tone towards East Asia. During that era, 'reassurance and accommodation' were the key Chinese theme regarding regional security strategy. The key elements of KLP presented by Deng Xiaoping were:

*'being moderate and cautious, undertaking no leadership, raising no banner, searching for no expansion, not running after hegemony and being consistent with the idea of peaceful development'* (Bingguo, 2010).

The meaning of 'undertaking no leadership, and 'raising no banner' is that China would not challenge the US hegemony at international level to avoid a zero sum tussle between China and America since the end of the Cold War. The phrases of 'searching for no expansion' and 'not running after hegemony' suggest that China's economic growth would not pose any threat to any country. However, when this Low Profile Policy of Deng Xiaoping was lauded by domestic and the international observers; at the same time, this China's absence from important regional and

international matters was criticized and it was argued that closing its eye from its responsibility, China was playing its due role in the larger interest of the community of states. Furthermore, when the Obama administration adopted an aggressive policy to rebalance China in East Asia, many critics opined that China's Low Profile Policy strategy failed miserably to stop the renewed assertive policy of the US who's threat had reached to the doorsteps of China (Xuetong, 2014).

Yan Xuetong (2014) suggests that China had moved away from 'Keeping a Low Profile' (KLP) to adopt strategy of 'Striving for Achievement' (SFA) since 2010 because of China's highly problematic relations with Japan, Vietnam, the Philippines and the United States. The basic tenants of 'striving for achievement' policy were presented by Chinese President Xi Jinping in a speech delivered at the foreign affairs conference of the Chinese Communist Party (CCP) on 24 October 2013.

There are different interpretation that what did Xi Jinping means by 'strive for something'; some scholars suggest that it is tantamount to strive for China's becoming a regional hegemon, while other are of the view that China just wants to become a normal great power that is given respect and recognized by the society of states. The countries of the region had different views towards the rising power of China; therefore, it can be said that China's policy in East Asia is both reactive and passive (Feng, 2016). David C Kang suggests that North Korea is a bandwagoner; Japan, Vietnam and Philippine are hedger; and Taiwan is taken as balancer (Kang, 2007). China's new approach is not an attempt to become a regional hegemon, rather it is a general behavior of a state which has been witnessing unprecedented economic growth since the last 40 years, making Low Profile Policy little relevant in contemporary South China Issues, especially in aftermath of aggressive presence of the US in SCS after its Pivot to Asia policy.

However, Chinese regional policy has not completely moved away from reassurance but it can be said that the Chinese security policy has become more targeted and selective than the immediate post-Cold War periods.

President Xi Jinping and Premier Li Keqiang toured Southeast Asia in 2013 to highlight China's continued policy of reassurance. Xi visited Indonesia and Malaysia and Li toured Thailand, Brunei and Vietnam to send clear message that China would continue its policy of reassurance regarding economic, diplomatic and security to reassure countries that do want to balance against a rising China (Feng, 2016). China's top leaders have been suggesting their intention of regional peace and harmony at the regional platforms. In a conference on October 24 to 25, 2013, China's President, Xi Jinping reiterated China's 'good neighbor policy' which was also presented with the same intention in 2001 by then Chinese President Jian Zemin. This 'good-neighbor policy' has been evinced by the cooperative Chinese behavior in regional economic, political, institutional and security related platforms almost since the last three decades (Feng, 2014).

#### **6.4.1 China's identity of a Status-quo Power**

China's identity in East Asia is the most important thing in explaining stability and instability in the region. However, Chinese identity is not merely historical narrative about the country because it is formed by pragmatic goals and constant interactions. The contemporary Chinese state is much different than China during the Qing and Ming periods because the modern China has great capacity of mobilizing the resources and have greater reach in the daily life of its citizens by fostering national identity among the Chinese citizens (Kang, 2007). The contemporary China's foreign policy shows more signs of status quo orientation and stability than the worrisome signs of aggression and nationalism because it has been more than three

decades that China has transformed from the ideological state to a pragmatic country whose interests in the region are synchronized with the economic growth and friendly relations with its neighbor. There is growing consensus among the scholars that for the foreseeable future, China will encourage peace at its borders to ensure economic growth at home (Kang, 2007). China offers potential economic benefits to the countries of its region and poses little military threat. It has been witnessed that along with the success of export oriented model of its economy, China became more involved in cooperative measures and in search of multilateral channels to resolve the emerging problems. In fact, one of the key pillar of China's 'peaceful rise' is the deliberate and conscious Chinese endeavor to reassure its neighbors that China is a status quo power in the region not a threatening power (Feng, 2016).

### **6.5 Trump's East Asia Policy and Knowledge Production in the US About China**

Trump's East Asia Policy is still in incipient phase; however, it is very clear that it will be continuation of Obama's 'Pivot to Asia' policy. If statements of the US officials and foreign policy pundits research during the last decade is analyzed carefully, it becomes evident that almost all agree that rising China is a grave threat for US standing in East Asia. Therefore, they consider containment of China as need of time. Trump's election campaign was mainly based on harsher anti-China stance towards China. David C Kang calls the wish of the US to have increased presence and control East Asian affairs as 'liberal hegemony'. When concept of 'liberal hegemony' is applied to China's role in East Asia, it suggests that the US approach is to impede China anywhere in East Asia, where it is making headways (Kang, 2017). However, it will be suggested in the coming paragraphs that East Asian countries are not interested in choosing sides between China and the US; and they will never try to economically impede China's economic rise which allows them mammoth economic benefits.

Peter Navarro, Trump's National Trade Council leader, blamed China for all of American strategic and economic woes by calling China as a 'predatory' country which has stolen millions of manufacturing jobs in America (Fish, 2016). In January 2017, Trump's secretary of state nominee Rex Tillerson also suggested the United States might engage in a naval blockade of Chinese South China Sea claims. Trump advisers have called for increasing the U.S. navy to 350 ships and suggested levying a 45 percent tariff on Chinese goods. Trump himself vowed to challenge One China Policy after taking office of presidency (Kang, 2007).

John J Mearsheimer, a prominent US international relations scholar, predicts that if China continues its current economic growth in the next few decades, China's rise will not be peaceful and China is bound to enter in intense conflict in East Asia with the US as well as its East Asian neighbors like Japan, South Korea, Vietnam and Philippines whose priority seem to balance China's growing might with the United States (Mearsheimer, 2005). His understanding of international relations suggests that the international system enforces states to search and devise mechanism of their survival in an anarchic world. The powerful states have only one option to survive that is to strive for maximization of their national power culminating in becoming hegemons dominating the whole system (Mearsheimer, 2014). Therefore, China's expansionist behavior in East Asia by ousting 'the US towards the region from where it belongs' in near future is quite normal behavior of a major regional power because all history suggest that all the great powers behave in similar way (Mearsheimer, 2006).

He goes on and suggests that the East Asian neighbors of China will go to any length to balance with the US against China (Mearsheimer, 2006). The American allies in East Asia had been much confident about their dependence on the US as their protector since the end of the Cold War because of global hegemony and unprecedeted economic and military power of the

US. However, since the rise of China as economic power, the power gaps between China and the US will shrink which will make the countries of East Asia highly suspicious about the Chinese intentions (Mearsheimer, 2010). Furthermore, China's rise will have a very powerful impact on the global order as well. The US, being fully confident that now no power was capable of competing the US after the end of the Cold War, moved its attention to small countries and groups throughout the world by destroying the countries and these groups like Afghanistan, Iraq, Libya. However, China's dramatic and unprecedented economic rise enforced the US to make East Asia as its top priority. He argues that contemporary China's assertiveness in East and South China Sea is evidence that his prediction of an expansionist and aggressive China starts to prove true (Mearsheimer, 2014).

Dan Blumenthal (2011) suggested that by not blocking China's rise in the initial stages, the US let its power in East Asia to erode significantly. Similarly, Tuan Pham (2016) argues that China's new maritime strategy is a direct challenge to American preeminence in East Asia. Michael Pillsbury (2015) is also of the view that China wants to supplant the US as the most powerful country, and China wants to accomplish this task till 2049. However, when currently the US is the number one spender on defense; Kagan and Rubin (2016) suggest 'significantly increase' spending on defense. An American official has suggested that China is now attaching the level of importance to Spratly and Paracel Islands that it has been attaching with Taiwan, Tibet and Xinjiang (Jacques, 2012). Alastair Iain Johnston (2014) is of the view that China's new assertiveness is nothing 'new' as it's just a matter of reporting in the US about a fictitious China's threat thesis. Lyle Goldstein (2015) also argues that the view that China wants to rule East and South China Sea and to settle its disputes with its neighbors through the use of coercion and economic punishments is no more than a 'myth'.

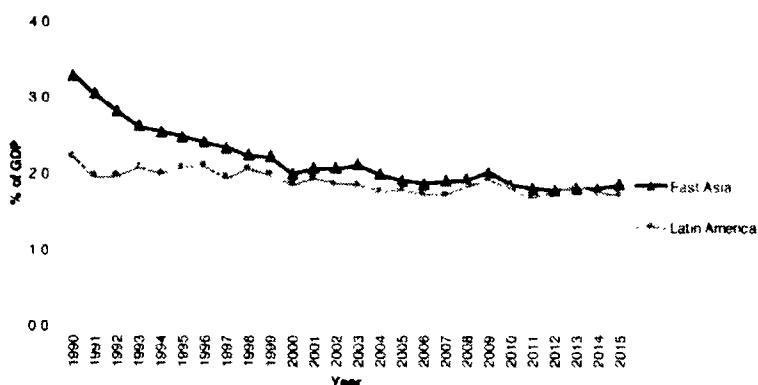
Therefore, it is quite fair to suggest that East Asia now is richer and stable in recent history due to China's rise and the countries of East Asia want to work with the US not to move away from it.

## **6.6 How East Asia Looks at China's Rise: East Asia Accommodating Rising China and Sending No Costly Signals**

### **Case Studies of South Korea, Vietnam, Japan, Indonesia, Taiwan and Singapore**

Currently there are no sign of China's existential threat in the region and China's neighbors are not interested in balancing against China as these neighbors are more interested in economic cooperation and deepening of regional integration than entering in intense arms race with China (Navorro, 2016). It seems reasonable to argue that if states were going to balance against China, they would have begun by now. Those who predict that a containment coalition will rise against China in the future, need to explain why this has not already occurred, despite three decades of transparent and rapid Chinese economic, diplomatic, and military growth (Kang, 2017). Evelyn Goh suggests that the regional order in East Asia is gradually changing as the countries of East Asia want to incorporate both the US and China. Furthermore, she believes that the regional order in the region is much stable than what is believed by the US foreign policy experts (Goh, 2013). Iain Johnston (2013) also argues that China's assertiveness is neither new nor so 'assertive'. The fact is that East Asian countries are not interested in choosing sides between the US and China; while China's neighbors welcome US presence, there is no appetite to support for the US policy of containment of China. No country in East Asia is limiting its economic, diplomatic or social ties with China. Therefore, it is highly unlikely for East Asian countries to choose between China and the US in absence of any existential threat from China (Kang, 2017).

Military expenditure is a key costly signal that suggests that countries sending costly signal is under threat from some country. However, if military expenditure of East Asian countries are investigated in detail it seems that no country is spending huge chunk their GDP on its defense. Furthermore, no country wants to limit its economic relations with China nor any country in East Asian is in favor of applying economic sanctions on China.



**Figure 11 East Asian and Latin American defense Spending**

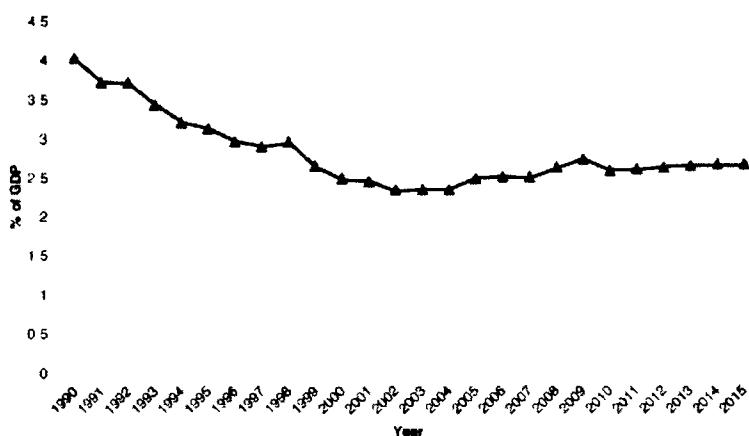
(Source: SIPRI 2016)

### 6.6.1 South Korea

South Korea clearly sends costly signals to North Korea to defend itself against an assertive and nuclear North Korea at any cost; however, South Korea do not send such signals to China. The US defense circles have been assiduously suggesting to South Korea that it sits on the border of an expansionist, communist and authoritarian China (Min, 2015); therefore, to cope with an aggressive China, South Korea-Japan security alliance is pertinent. However, ground reality is this that South Korea's prime fear is emanating from North Korea not from China with which South Korea enjoys extensive economic relations and it does not want to jeopardize the potential benefits that are accrued because of its close economic cooperation with China. Furthermore, South Korea's diplomatic relations with Japan are replete with tensions and

discords, especially in the government of an assertive Japan Prime Minister, Shinzo Abe (Oh, 2015). Some American circles are highly disturbed because of constant improvement of China-South Korea relations, and even there are concerns that South Korea has entered in China's 'sphere of influence' (Kang, 2017).

There is no evidence of sending of the costly signals by South Korea to China as since the last three decades, South Korean expenditures on military have been reduced. South Korea was investing more than 4.5 percent of its GDP on military during the late 1980s, however, it dropped to below 3 percent by 2010.



**Figure 12 South Korean military expenditures, 1990-2015 (% of GDP)**

(Source: SIPRI 2016)

China replaced the US as the top destination in 2003 of exports from South Korea; and, replaced Japan as the top importer to South Korea. The extensive economic relations between

China and South Korea is the most distinguishable thing between the relations of the two countries. China imported \$160 billion worth goods from South Korea in 2018, making China responsible for 26 percent of South Korean imports in 2018. On the other hand, South Korea imported 21 percent goods from China worth of \$107 billion in 2018. South Korea and China signed China-South Korea Free Trade Agreement in 2015 with ambitious target to reach bilateral trade over \$300 billion (oecd, n.d).

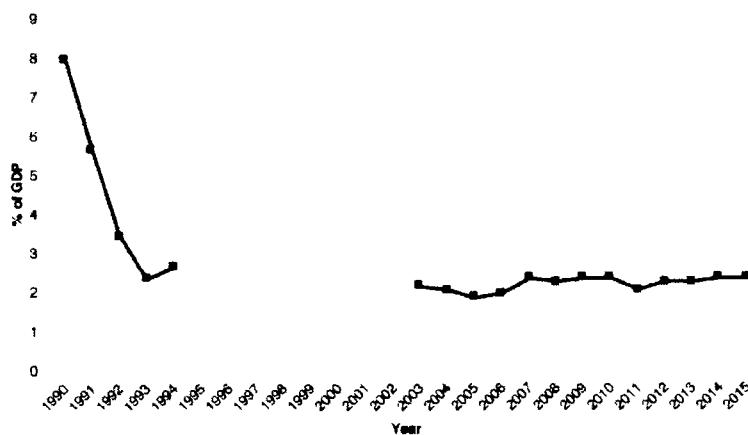
It is clear from the above graph that South Korea does not think China's rise as a grave threat for its national security because it would have dramatically its military expenditure if would think China as a threat. The South Korean Ministry of Justice (MOJ) declared in 2016 that 51 percent registered foreigners in South Korea in 2016 were from China; while only 7.5 percent American were registered in the same year in South Korea. Similarly, the percentage of Chinese foreigner students were 59.2 of total registered foreigner students in South Korea in 2016. It was found out by the Pew opinion poll in 2015 that the ratio of the South Koreans who think that China will supplant the US to those who were of the view that China could never replace the US as the super power was 59 to 40 percent. Furthermore, 61 percent South Koreans were of favorable view about China; while 37 percent were of unfavorable view about China (Richard, Stokes & Poushter, 2015). Therefore, there is no sign that South Korea feels existential threat from China nor it favors sanctions on China. Like other countries of East Asia, it does not want to choose sides between China and the US.

### **6.6.2 Vietnam**

Despite of serious tensions with China, Vietnam is also not interested entering in arms race against China. A close look at foreign policy of Vietnam will suggest that when Vietnam has been suggesting that China has become increasingly assertive in the South China Sea,

however it is not feeling any existential threat from China or asking for the US help against an assertive China. China's export oriented model has been beneficial for Vietnam and since the end of the Cold War, there has been increased economic partnership between the two East Asian countries. China is the largest trading partner of Vietnam, with total trade more than \$62 billion on yearly basis, and responsible for about 22.6 percent of exports of Vietnam and more than 30 percent of Vietnamese imports. Bilateral trade between Vietnam and China was recorded at \$32 million in 1991 but in 2004, the bilateral trade between the countries reached to \$7.2 billion, \$25 billion in 2011, \$75.6 billion in 2019 has been recorded between the two countries (en, 2020). Furthermore, China and Vietnam are trying to establish an economic corridor from Yunan Province in China to northern provinces in Vietnam to expand the economic ties between the two nations. Therefore, it becomes clear that Vietnam cannot afford to lose the economic benefits that have been accrued to it because of strengthening economic relations with China.

Vietnam's military expenditure to GDP ratio has been substantially reduced since 1980s and has been constantly low since the last decade. Vietnam invested 2.3 percent of its GDP on defense in 2015 by spending \$4.5 billion in 2015 and did not feel any need to increase on its defense. It should be noted that Vietnam spent 7 to 9 percent of its GDP on its defense when it was involved in border skirmishes with China and fighting in Cambodia during the 1980s. When Vietnam was fighting for its independence, it spent heavily on its military capabilities (Quinn-Judge, 1984). On the other hand, China is spending almost \$200 billion on its defense; however, no country is feeling existential threat from this growing China's military expenditure (Kang, 2017).



**Figure 13 Vietnamese military expenditures, 1990-2015 (% of GDP)**

(Source: SIPRI 2016)

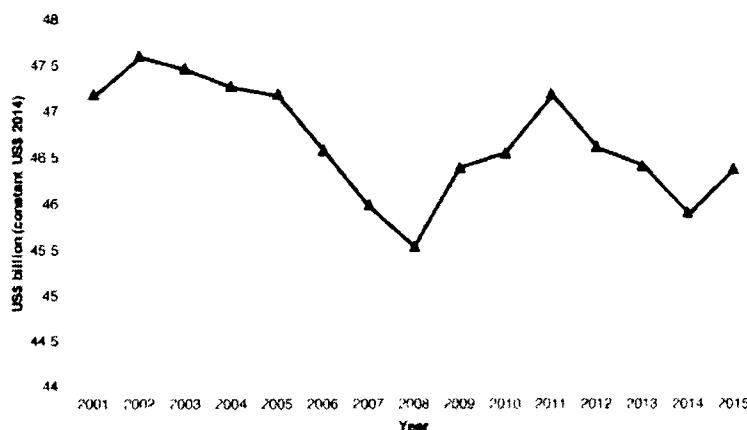
There is good evidence that Vietnam desires good relations with both the United States and China. Clearly Vietnam is attempting to chart an independent course between the two countries. But just as clearly, it is hardly about to join a containment coalition against China. As Evelyn Goh notes, Vietnam's "leadership, especially the older generation, still fears the subversive intent of the United States" and is unwilling to trade Vietnam's autonomy for risky permanent alignment with an offshore power (Goh, 2016).

### 6.6.3 Japan

Japan was at the acme of its economic power during 1980s, however, since then its regional role has been declining gradually, and now Japan is a middle power. Though, it is

evident that Japan's government and public do not like China's rising role in East Asia; however, Japan is not in a position to challenge China's position in East Asia or revive its own role of 1980s in East Asia. Abe's government justification of Japan's role during the WW2, distorted version of history and highly nationalist domestic policy in addition with hawkish foreign policy have made Japan's neighbors highly suspicious about Japan's ambitions (Einhorn, 2013). There is active animosity and mutual hatred between the two countries as a BBC World Service Poll in 2014 manifested that only 3 percent Japanese favored China's rise positively while 73 percent thought of China's rise negatively. Only 5 percent people in China thought positive about Japan while 90 percent Chinese people had negative perception of Japan (Kang, 2018).

Japan's military budget is modest, even under the hawkish administration; there is no massive increase in defense budget which might have been a signal that Japan is facing a military threat from China. However, if the decision of Abe to increase the defense budget by 0.8 percent is practiced, even then it can be hardly regarded as remilitarization. Japan's military budget was \$46.3 billion in 2015 as compared to China's military budget of \$214 billion in 2015 (Kang, 2017).



**Figure 14 Japanese military expenditures, 2001-2015**

(Source: SIPRI 2016)

Though Japan's economic and regional approach has been greatly influenced by the US since the end of the WW2; however, since China's economic reforms, Japan's dependence on China has been increasing. By 2015, China was responsible of 20 percent of overall Japanese trade; while the US was destination of 20 percent of exports from China and 10 percent imports to Japan. Despite of avowed hostility between China and Japan on Senkaku or Daiyu islands', there is no danger of looming war between the two countries, and no country wants to put economic sanctions on each other. Though skirmishes have been recorded between fishermen and coast guards; however, navies of two countries have not been seen entering in major clash with each other. Japan has also intense maritime conflicts with South Korea, which share along with China bitter memories of Japan's behavior in past (Kang, 2017).

The economies of China and Japan are respectively global second largest and third largest according to standard of nominal GDP. The mutual trade between China and Japan reached up to \$266 billion in 2008 making China and Japan as the top trading partners two way. Though the relations between the two nations are replete with discord and tensions, however the leaderships of both the countries like China's Xi Jinping and Japan's Abe Shinzo have met face to face to quell the rumors that the security relations between China and Japan have reached to such a point where their leaderships do not want to visit each other (Furhmann, 2016). And both the countries have set up maritime and air recognition system to avoid any unwanted situation. When some of maritime conflicts between China and Japan are very difficult to be resolved, however both the countries are unanimous that they should stop the pace of economic dependence of one another. Japanese Prime Minister Shinzo Abe argued in 2018 that both the

relations between the two nations had been greatly improving and going in ‘right’ direction (Landers, 2018).

#### **6.6.4 Indonesia**

Indonesia does not favor any country\_ China or the US\_ over the other and prefers to follow an independent and non-aligned foreign policy. Though Indonesian leadership vow to remained perfectly ‘non-aligned’, however, along with China’s rise, it has become increasingly difficult for Indonesia to ‘offend China’ (Connely, 2016). Though there are serious differences between Indonesia and China in South China Sea; however, David C Kang suggests that Indonesia has expressed itself as non-claimant in South China Sea disputes because Indonesia has other important issues to deal with other than China’s claims in South China Sea. Indonesia is more concerned towards illegal fishing by Vietnam than China’s fishing as out of fifty-seven boats that were captured by the Indonesia forces in Natuna Islands in 2016, forty-nine belonged to Vietnam. Similarly, kidnapping and piracy are also bewitched problems haunting Indonesia, Vietnam and Malaysia which led the three countries to create joint patrols to cope with these immediate issues. Therefore, it is quite evident that to fight with China regarding china’s ‘nine-dash’ claims is not the first priority of these countries.

M. Bayuni is of the view that the US should forsake its China containment approaches like ‘Pivot to Asia’ approach and accept the due status of China’s rise in East Asia and should take China as an important partner in the region not as a potential adversary. He goes on to say that such a constructive and engaging approach of the US towards China will be lauded by all the countries of East Asia (Siagian & Bayuni, 2013). Furthermore, Indonesian military spending ratio of GDP has been 2 percent since last many years. This shows that Indonesia do not feel

threatened from China and do not need substantial increase in its defense expenditures (Kang, 2017).



**Figure 15. Indonesian military expenditures, 1990-2015 (% of GDP).**

(Source: SIPRI 2016)

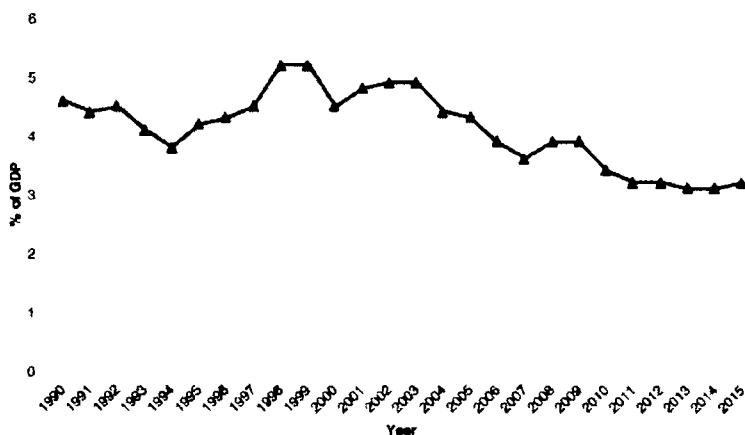
Furthermore, the findings of a survey in Indonesia about their perception about China suggest that 51 percent respondents suggested that Malaysia is hostile towards Indonesia; while, only 4 percent Indonesian viewed China as a threat. When asked that with which country, Indonesia should have friendly relations, 39 percent named China; only 34 favored the US (Laksmana, 2006).

China is largest trading partner of Indonesia with more than \$47 billion trade was recorded in 2014. China investment in Indonesia has been growing constantly as Chinese FDI in Indonesia was recorded at \$54 million which rose to \$4.6 billion in 2013. Furthermore, Indonesia awarded a contract of \$6 billion high speed rail to Chinese company in 2015; while Japan was giving superior offer. The former defense minister of Indonesia, Juwono Sudarsono, opined that Indonesian foreign policy should steer a middle course between China and the US because both the countries were of vital importance for Indonesia (Jacques, 2012).

### **6.6.5 Singapore**

Singapore is another country which is regarded as staunch US ally; but as a matter of fact, Singapore wants to have cordial relations with both the countries: China and the US. The Singapore officials have made it evident that they do not like to choose sides between China and the US; therefore, they have little appetite for joining the US in China containment policy. The US government officials and the scholars fail to understand a constant pattern of Singapore officials which emphasize to the US to change its attitude towards China. Singapore foreign minister Shanmugan argued in 2015 that China's rising power in the world economy required China's rightful place at the global level. If the US ignored this 'rightful' demand of China, then it would look for alternative sources to acquire it. Furthermore, Shanmugan suggested that the US should understand the multi-polar nature of world politics and China's place in multilateral institutions was unstoppable (Yong, 2015). Furthermore, an article was published in 2017 in government influenced newspaper Strait Times in which it was suggested that now it was right time for Singapore to move away from 'Uncle Sam's embrace' (Tiong, 2017). Such article in highly influential newspaper means that the narrative of moving away from the US embrace is gaining popularity. Hugh White suggests that for East Asian American allies have been supporting the US policies in their region because they perceived the US policies indispensable for maintaining security and peace in East Asia. The US allies will continue to support US policies if it guarantees maintenance of peace and stability, otherwise they will not support the US (Kang, 2017).

Singapore constantly decreasing GDP to defense ratio suggests that Singapore do not feel any existential threat from China and no reason to balance against China when China is proving economically so much beneficial for Singapore.



**Figure 16 Singapore military expenditures, 1990-2015 (% of GDP)**

(Source: SIPRI 2016)

### 6.6.6 Taiwan

Taiwan is not an issue of territorial expansion for China but is an issue related to national building. Recent researches on China have suggested that the Chinese leadership has been too much pre occupied with two aspects: still memory of ‘century of humiliation’ is haunting China and China’s obsession of competence with the US and other major powers (Karl, 2002). China’s post Maoist economic openness worked wonders for China as China witnessed unprecedented economic prosperity (Jacques, 2012). Other than nationalism, pragmatism is also an important pillar of post Maoist Chinese foreign policy. When Maoist foreign policy was too much concerned about establishing an ideological based regional structure, post Maoist Chinese leadership carefully studies realpolitik by realistically analyzing national power and international system. Chinese political elite are aware that a peaceful regional environment can be created only when China will have constructive and non-aggressive relations with its neighbors which are also of vital importance for its export oriented economy (Kang, 2007).

One thing that China has learnt during its ‘century of humiliation’ is to protect its sovereignty along with respect for the sovereignty of other countries. The conception of the Chinese about China is located around a geographic unit. Once Chinag Kai Shek said that China’s river basins and mountain ranges form a self-contained unit in such a way that no areas can be separated or split from the others (Guang, 2005). There are some border disputes between China and its neighbors regarding demarcation lines; however, there is no legitimacy crisis of other countries. Furthermore, China did not think about East Asia as a region of expansion but rather an area of stability (Ningzhu, 2013).

Five countries in East Asia have defense pact with the US: Japan (1951), the Philippines (1951), South Korea (1953) and Thailand (1962). President Trump has been avowed critic of One China Policy and called directly to Taiwanese president, which is unprecedented in the diplomatic relations between China and the US. However, Taiwan manifested little enthusiasm at the call. Lin Chong-Pin, former deputy defense minister of Taiwan cautioned the contemporary Taiwanese government to be suspicious of Trump’s new approach towards Taiwan and that Lin Chong-Pin feared that the American ‘carrots can immediately become sticks’ (Browne, 2016). Taiwanese President Tsai also argued that a single call from the US did not mean policy shift and that peace and stability in the region were important than anything else. Another renowned Taiwanese scholar suggested the government to make it clear to the US government that Taiwan would not let the US to use it as a ‘bargaining chip’ against China (Legar, 2016).

## **Conclusion**

This chapter was an endeavor to study impact of China’s liberal economic approach in the post-Cold War on China’s security role in East Asia by analyzing in detail ‘China’s Threat Thesis’ or ‘assertive China thesis’ after Xi Jinping’s announcements of ‘Strive to Achievement’ approach.

Contrary to popular discourses on China's relations with East Asia, this chapter suggests that rising China is not a threat for East Asia because China and East Asia as a region have benefited massively from China's inclusion in free market system. Therefore, neither China nor East Asia want to enter in conflict and to destroy lucrative economic benefits because of their highly integrated economies. China and its East Asia neighbors have intense maritime differences and these will stay as unresolved in current future; however, no maritime difference can be expended to a full-fledged major crisis between China and its neighbors. Even the most hawkish Southeast Asian neighbors of China, Vietnam and Philippines have made it clear that China is becoming assertive only on maritime issues, and none of these countries can opt for ending their economic relations with China. Furthermore, it has been argued that if China would have posed a security threat to its neighbors, there would be dramatic increase in defense to GDP ratio in East Asian countries; while, currently defense spending to GDP ratio is almost half to what it had been towards the end of 1990s. Martin Jacques (2012) suggests that China's rise is result of very careful Chinese policy and China can lose rapidly what it has achieved since the late 1970s if it acts aggressively towards its neighbors. However, Jacques notes that he sees no reason that China will act as a hegemon instead of resolving the issues in an amicable way. The next chapter will analyze China's political and cultural role in East Asia through investigating in detail China's soft power in East Asia.

## CHAPTER SEVEN

### CHINA'S SOFT POWER IN EAST ASIA IN THE POST-WAR: AN ANALYSIS

The previous chapters were focused on the impact of China's economic reforms on China's economic, institutional and security role in East Asia in the post-Cold War era. This chapter is an attempt to analyze China's soft power (China's political system, China's culture and peaceful foreign policy) in East Asia. This chapter has been divided into five sections to analyze China's soft power in East Asia comprehensively: the first part explains the concept of soft power, the second part deals with soft power in contemporary China, the third part will study China's soft power in East Asia (Chinese 'good neighborhood policy', the appeal of China's culture and political system) and the fourth section will analyze the performance of China's soft power in East Asia and how much it is successful.

Joseph S Nye, a renowned American scholar in international relations, coined the term 'soft power', which is the power of attraction of peaceful foreign policy, culture and political system of a major power. Through soft power, great powers attract small countries to behave in a way that suits great powers without the use of coercion. He suggests that in the contemporary world, use of hard power has become obsolete and highly hazardous for the overall soft power of a country. For example, the US destroyed its massive reserves of soft power that it generated after World War 2 by its drive of reckless regime changes in Iraq and Afghanistan in aftermath of the 9/11 attacks.

China's soft power in East Asia is very important because all the emerging great powers inevitably exert influence on the countries of their region (Kurlantzick, 2006). Along with the rise of China, its soft power has increased substantially in East Asia. Since the dawn of the

twenty-first century, Chinese officials have made numerous references to 'soft power' in their discourses. Furthermore, since the last decade, there is a surge in soft power related academic research in China. Such a focus on soft power in contemporary China suggest that the incumbent Chinese leadership want to project themselves as peace loving nation and want to dispel the 'assertive China' thesis.

'Good neighborhood policy' has been discussed as the first pillar of China's soft power in East Asia. Projecting itself as a constructive partner of the East Asia community is pertinent for China to dispel the American narrative of 'assertive China'. Asian Financial Crisis of 1997 was the key incident when China refused to devalue its currency during the crisis to support the economies of East Asia. After that China has actively supported every multilateral effort in East Asia. Even China has not refused to work within those institutions about which China has serious reservations like ASEAN regional forum.

The Western scholars are of the view that China's political system is not attractive for its neighbors because China's political system is not based on democracy, liberty and freedom of speech. However, it has been discussed that it will be a grave mistake to consider Western democracy as a universal system because China's stable and efficient system of political meritocracy has become attractive for its neighbors. Many countries in East Asia has been suffering from failed experiences with democratization; on the other hand, China's politico-economic has been delivering unprecedented economic success. Therefore, China's system and especially its insistence on stability and economic development are considered highly successful in East Asia.

China has been spending massive amounts of money on its projection of culture in East Asia through Confucius Institutes, offering scholarships and Chinese media. The promotion of

Chinese culture will make its East Asian neighbors to understand the peaceful nature of ancient Confucius culture which always took expansionism as way of barbarians. Through the projection of its culture, China is trying to suggest its East Asian neighbors that the 'Middle Kingdom' will not jeopardize their economic and security interests and that China's rise is in fact a win-win situation for every country in East Asia.

### **7.1 What is Soft Power?**

Joseph S Nye coined the concept of soft power in his three major books: Bound to Lead: The Changing Nature of American Power (1990), The Paradox of American Power (2001) and Soft Power: The Means to Success (2004). Nye differentiates soft power from hard power. Power is regarded as the ability of a state to influence the behavior of another state through coercion (hard power) or persuasion (soft power); hard power is channeled through threat, economic aid or sanctions and coercive diplomacy; and soft power is channeled through peaceful foreign policy and attraction of culture and political values (Nye, 1990). The important thing is that Nye did not add the economic power of a country in its soft power because he thought that economic power rests with hard power (Palit, 2010)

Nye opines that the use of the military to achieve economic goals in contemporary global affairs has become too dangerous for great powers, and even limited aggression might prove very costly for the powerful state (Nye, 1990). The United States appeared to be the main beneficiary of soft power in the aftermath of World War 2 through its attraction of Hollywood and culture industries. When the people throughout the world appreciated the products of the US, they were also enchanted by the US political system of institutions and democracy (Barker, 2017). However, the United States played havoc with its soft power through its reckless interventions in Afghanistan and Iraq and destroyed its charm offensive that the US generated

through skill maneuver of soft power in its relations with the other countries in the aftermath of WW2 (Nye, 2005).

Though the idea of ‘soft power’ in a concrete sense is a modern Western concept; however, many scholars before Nye have presented similar concepts to ‘soft-power’. Famous Chinese philosopher Lao Tsu insisted in the seventh century on the sovereigns to deal with their neighbors through ‘respect not through coercion’ (Palit, 2010). Paul Kennedy, a renowned international historian, also pointed out in his book ‘The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000’ that sometimes the great power spends much more than they did two generations ago, but still they found that still the world was not much secure (Kennedy, 1987). Dennis H Wrong (1968), a US political scientist, differentiates political power into a military force, manipulation, authority and persuasion. Another American scholar John M. Collins (1973) argued that the political characters of a leading power like educational level, the outlook of life and other relevant factors play a key role in influencing the other ‘people thought and actions’. The Italian Marxist philosopher Ontario Gramsci (1992) argued that contrary to the societies of the past, the modern societies did not run solely through coercion and violence because culture, ideology and value system played a pivotal role in shaping modern societies. The British realist international relations scholar E H Carr (1946) categorized international power into three categories in his book “Twenty Years Crisis”: military, economic and power over opinion.

## **7.2 Soft Power in Contemporary China**

After the end of the Cold War, the concept of soft power achieved much focus in the official and academic discourses in China. China’s drive for soft power is channeled to enhance its attraction by projecting itself as a benign regional power in its region, thus creating a suitable

environment for Chinese economic development at home. During the first decade of the 21<sup>st</sup> century, top Chinese leadership including Chinese President Hu Jintao stressed on the relevance and significance of soft power in Chinese domestic as well as foreign policy (Li, 2009).

The incumbent Chinese President Xi Jinping, while addressing to the Central Committee on December 30, 2013, accentuates the role of ‘soft power’ in realizing the goals of Chinese modernization and the Chinese Dream through the use of cultural institutions and industries (Zhang, 2017). Similarly, President Xi Jinping vowed in 2014, “We should increase China’s soft power, give a good Chinese narrative, and better communicate China’s message to the world’(Albert, 2018).

Mingjiang Li did an extensive study by consulting massive amounts of research journals and periodicals in China to investigate the relevance of soft power in contemporary Chinese foreign policy. It was found out in the study that the articles related to soft power were averaged at eight during 1994-2000. The number of soft power related academic research increased to 53 from 2000 to 2004 and grew to 314 during 2005-2007 (Li, 2009). Baidu, a popular search engine in China, suggested in 2010 that the Chinese soft power term was contained in more than 14 million websites in Chinese foreign policy, localities, enterprises, and local governments. In fact, soft power has become a ‘trendy term’ in Chinese publicists, officials, scholars and entrepreneurs (Lai, 2012). Since the rise of China as an economic power, the number of articles containing soft power has appeared in mainstream Chinese newspaper like the People’s Daily and Global Times have skyrocketed. There has been a consensus among the Chinese political elite and the public that the Chinese economic rise cannot go without its soft power (Scot, 2012). Therefore, along with the rise of economic power, there is a surge in soft power related academic researches

because it is the utmost effort of the Chinese government to project contemporary China as a benign regional power (Huang, 2013).

The soft power approach is an easy and inexpensive route for China to accomplish through attraction, persuasion, cooperation and collaboration rather than use of threat, punishment and force. Beijing is thought to spend around ten billion dollars on yearly basis her drive of soft power (Shambaugh, 2015). The main reason behind the increased significance of soft power in China's political and academic circles was the Chinese desire of making the world aware that China's rise would be peaceful for the region as well as for the whole world. China had been 'ultrasensitive' about the 'China threat thesis' since the post-Cold War era (Deng, 2008) because China threat perceptions might enforce East Asia Chinese neighbors to balance against China through 'strategic encirclement of Beijing' (Graver & Wang, 2010). Therefore, through the skillful use of public diplomacy, China has been trying to convince its neighbors that China is a benign, non-threatening and constructive regional power to quell these China threat perceptions in East Asia. Furthermore, China wanted to prove itself as a different power than the coercive great powers of recent history like Britain, France, Germany and Japan which relied on sheer use of territorial expansion along with the development of their industrial power; and the US, which proved highly interventionist in the domestic politics of the developing countries after its economic rise (Lai, 2012).

Pei Minxin (2006) noted in an article in Foreign Policy that 'The only thing rising faster than China is hype about China'. If China's rise is the most debated topic in discourses regarding political science and intentional relations, then China's soft power is the 'latest hype about China'. The enthusiasts and critics are both agreed at least on the immense increase in the Chinese influence in regional economic and political development. China is said to try its best on

mounting its ‘charm offensive’ through the use of ‘soft seduction’ in its foreign policy. China came forwards with a ‘master plan’ to ‘transform the world’ during the period when the United States was increasingly busy in regime changes and interventions. Therefore, the global image transformation of China appears in a time when the US has suffered massive curtailment in its soft power (Kurlantzick, 2007).

The evident examples of Chinese soft power in East Asia are Confucius Institutes and China’s developmental and assistance initiatives like an investment and economic aid to assuage the concerns of the neighboring countries about China’s hard power. Chinese endeavors of projecting its image of benign regional power through the use of soft power have been producing products and the East Asian countries have been thinking positively about China (Huang, 2013). The event of the Asian Financial Crisis in 1997 was an especially clear symbol of the change of image of China in East Asia as the countries of the region started to look at China as a more reliable partner (Huang, 2013).

### **7.3 Sources of Chinese Soft Power**

Joseph S Nye (2006) opines that there are three main sources of soft power: culture, political values and foreign policy. Nye excludes the economic power of a country from soft power as he suggests that the economic power of a country fall under the category of hard power. However, considering economic power as an important factor in hard power rather than soft power is, in fact, problematic and a number of scholars evinced reservation at Nye’s consideration of economic power as an example of hard power. Guozuo Zhang (2017) problematized the basic idea of ‘soft power’ by suggesting that Nye’s concept of ‘soft power’ was in fact presented in the context of US hegemony towards the concluding period of the Cold War. Furthermore, Zhang suggests that the idea of ‘soft power’ was, in fact, to bolster the hard

power of the US through the bombardment of the charm offensive of America in the developing world.

Joshua Kurlantzick (2007) in his book 'Charm Offensive: How China is Transforming the World' argues that Nye's definition of 'soft power' is confined because for the Chinese political elite, soft power is anything outside of realms of security and military affairs, including not only public diplomacy and popular culture but also diplomatic and economic levers like an investment, economic aid and participation in regional organizations. Martin Jacques (2012) in his book 'When China Rules the World' is also of the view that the soft power of a major power is based on its economic power as other countries only follow or emulate wealthier countries not the poorer countries; and secondly, the whole edifice of soft power is standing on economic power as without abundant economic resources the original Nye's pillars of soft power—culture, political values and foreign policies—cannot be projected to other countries (Jacques, 2012).

The use of economic power in China's soft power is even more conspicuous in East Asia as from 1949-2000, China did not enjoy any substantial charm offensive in East Asia because of its highly ideological politico-economic system during Mao's era and a unique mixture of the system based on political meritocracy and semi-free economy. However, when China started making unprecedented economic progress towards the late 1990s and early 2000s, it left undeniable marks on its neighbors which were a mixture of awe and inspiration. Therefore, all the China scholars are unanimous that China's economic power should be taken as a vital source of Chinese soft power (Zhang, 2017). Therefore, this study will take three sources of China's soft power in East Asia: China's peaceful foreign policy, China's politico-economic system and China's culture.

### **7.3.1 China's Peaceful Foreign Policy in East Asia: 'Good Neighborhood Policy'**

#### **7.3.1.1 Reason of 'Good Neighborhood Policy': To Dispel 'China Threat' Thesis**

The key to China's success is a skillful maneuver of its export-oriented economy which is inextricably related to the peaceful regional environment in East Asia to ensure an uninterrupted flow of imports and exports in East Asia. Furthermore, having friendly relations in East Asia is pertinent for the success of massive and highly ambitious Chinese initiative of One Belt One Road. There has always been a dilemma in international relations that the rising powers are bound to arouse fears in their regions. China is fully cognizant that the US has been striving to create fears in East Asia regarding China's rise since the Pivot to Asia Policy under Obama's administration.

Chinese domestic economic growth is inextricably related with a peaceful environment in its region through a multifaceted Chinese strategy based on win-win agenda. An evident shift in the US policy was witnessed when President Obama highlighted the strategic shift to the Asian-Pacific Areas by hosting the APEC in November 2011. Though the US did not own it publically, but in essence, Asia Pacific strategy was directed against China's rising economic and soft power in East Asia. The two key pillar of renewed anti-China US policy are: increased and bolstered military presence in East China and South China Sea and sowing seeds of discord in the relationship between China and its neighbors (Zhang, 2017). Furthermore, sixty percent of the US naval and air forces have been shifted to the Asia Pacific region to encircle China (Zhang, 2017).

To cater this anti-China policy of the US, China has been very carefully following win-win policy in East Asia since Deng Xiaoping's Open Door Policy, especially after the end of the Cold War (Albert, 2018). Consequently, China's public diplomacy language is an important

avenue for the PRC to reassure the international community, and avert such China Threat perceptions and consequent alliance formation balancing against it. The six most common terms that can be found in the contemporary Chinese diplomatic lexicon are: multilateralism, the democratization of international relations, peaceful rise, peaceful development and the harmonious world (Scot, 2012). Hunag (2013) suggests that a careful analysis of China's foreign policy in East Asia proves that China's relations with its East Asian partners are mainly non-military: trade, development assistance, business activities and exchanges in the field of education, economy and culture. Therefore, China relies heavily on its soft power in East Asia rather than relying mainly on economic and military strength.

### **7.3.1.2 China's Role in the Asian Financial Crisis: An Image Changer for China in East Asia**

China got first chance to improve its relations with East Asian countries in the post-Cold War in 1997 during the Asian Financial Crisis. China was under immense pressure to devalue its currency during the Asian Financial Crisis in 1997; however, China declined to do so to avoid its East Asian neighbors from the detrimental effects. As a result of this, China had to face a US\$60 billion loss. Contrary to the Chinese decision during the crisis, Japan and US response was more reserved; in other words, they secure their interests at cost of others; while China behaved generously (Qian, 2012).

### **7.3.1.3 China as Constructive Member in East Asian Regional Structures**

Regionalism has become a key pillar of the contemporary capitalist international system and East Asia is of a main economically integrated region in the world. China has been main beneficiary of liberal capitalist system in East Asia; therefore, it mandatory for China to closely integrate itself in the regional structures in East Asia for uninterrupted operation of export-

oriented economy at home. Therefore, close coordination in East Asia serves two purposes for China: an opportunity to project itself as a non-threatening power and constructive partner in East Asia regionalism, and securing its economic interests in East Asia. Kurlantzick (2007) is of the view that everything that China deals like ranging from China's constructive role in 1997 Asian Financial Crisis in fact augments China's soft power.

China has been a key member of ASEAN Plus One and ASEAN Plus Three in addition to the East Asia Summit (EAS). The most conspicuous thing about China's regional approach in East Asia is that it does not want to claim leadership in the regional mechanism, though it has the capacity to claim, and is very keen on accepting the regional agenda set by others, which can be sometimes not in favor of China's national interests. For example, China was not happy with the participation of India, New Zealand and Australia in the East Asia Summit which was launched in 2005; however, China did not resist the inclusion of these countries in the Summit. In fact China is more cooperative in regional matters than ever in recent history (Johnston, 2003).

The Asian Financial Crisis of 1997 started primarily in Thailand creating turmoil in exchange rates, and soon spread to Indonesia and Malaysia, culminating in a deeper economic crisis for all the aforementioned countries (Garnaut, 1998), China emerged from the crisis relatively unscathed by maintaining its high level of economic growth. Though the Chinese economy slowed down a little, but it successfully avoided the financial collapse that shook its neighbor economies to the core. China decided not to devalue its currency which was highly lauded by ASEAN states. The crisis in fact proved a pivotal point in the history of China-ASEAN relations as its neighbors, which had been always suspicious about China's ambitions in East Asia since the CCP coming to power in 1949. Extensive engagement of China was witnessed with ASEAN in aftermath of the Asian Financial Crisis. The first ASEAN-China

Summit was conducted in December 1997 in Kuala Lumpur in Malaysia, in which ASEAN-China Cooperation Fund was created to cooperate in these areas: information technology, education, agriculture, transportation and human resources development. The improvement of relations between China and ASEAN continued unabated as China was officially accepted as a 'friend' of ASEAN through the signing of the 'Strategic Partnership for Peace and Prosperity' at the ASEAN-China summit. The signing of the 'ASEAN Treaty of Amity and Cooperation' was soon witnessed between China and ASEAN (Leon & Ku, 2005).

In October 2003, China was accepted as a friend of the ASEAN with the signing of the "Strategic Partnership for Peace and Prosperity" at the ASEAN-China Summit in Bali, which then led to China's signing of the "ASEAN Treaty of Amity and Cooperation" (Leon & Ku, 2005). The two most important treaties signed between China and ASEAN in 2002 were: the 'Declaration on the Conduct of Parties in the South China Sea' and 'Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the People's Republic of China'. The former allayed greatly the fears of Vietnam, Malaysia, the Philippines and Brunei regarding China's conduct in maritime disputes (Djalal, 2002).

The flow of the flood of Chinese cheap products in East Asian markets after China joining the WTO in 2001, created strong reservations in business communities especially in the developing economies of East Asia because their products were not considered as competitive as Chinese products. To quell these reservations, China offered ASEAN free trade agreement and early harvest program to its neighbors so that East Asia did not think of China's economic ascendancy as a threat (Jianren, 2005). The close relationship between China and ASEAN increased China's soft power in East Asia as the relations between China and East Asian countries is of mutual trust based on economic integration (Wibowo, 2009). The charm offensive

of China has increased substantially in Myanmar, Laos and Cambodia. The influence of China's soft power in these three countries can be witnessed from the enthusiasm from the state and the public when the higher state officials from China traveled to these countries on officials trips. Thailand, which has been a historic American ally, too has been gradually drifting towards China's ambit.

#### **7.3.1.4 China's Country to Country Relations in East Asia**

China enjoys very perfectly good relations with Myanmar, Laos, Cambodia and North Korea; relations with Malaysia, Brunei, Indonesia, Singapore, Thailand and South Korea can be considered 'satisfactory' despite of some reservations maritime sovereignty issues; however, China's relations with Taiwan, Japan, Philippines and Vietnam are very stiff. China has publically only threatened only one country Taiwan because of stringently following the One China Policy which has been non-negotiable according to China. Other than issues related to One China Policy with Taiwan, China welcomes win-win relations with almost every country in East Asia. The pragmatic appeal in China's foreign policy in East Asia can be judged that, despite of having very close relations with the US and keystone in the US Pivot to Asia Policy, China has extensive economic relations with Taiwan, Japan, South Korea, Thailand and the Philippines.

There are historic territorial disputes between China and its neighbors in East Asia; however, since the adoption of the Open Door Policy, Deng Xiaoping expressed China's desire to amicably resolve the territorial conflicts with its neighbors by 'shelving the disputes over sovereignty and conducting joint development'. So far China has conducted numerous dialogues over territorial issues like Spratly and Paracel Islands with East Asian countries of Vietnam, Malaysia, Philippines, Brunei and Indonesia. China signed the Declaration on the Conduct of

Parities in 2003 in the South China Sea and the Treaty of Amity and Cooperation in Southeast Asia in 2003. Thus China became first non ASEAN country to enter in proper agreements with the ASEAN countries for the peaceful solution of the territorial issues. The second part of China's good neighborhood policy is China's endeavor to share with its neighboring countries the benefits of development by proposing an approach of promoting good neighborhood, creating prosperity and stabilizing the surrounding area. China also presented slogan of 'harmonious world' to ease the concerns of the neighboring countries about China's rise (Zheng & Chi, 2012, p.31).

Similarly, China's relations with maritime Southeast Asia\_Singapore, Malaysia, the Philippines and Indonesia has been improving (Haacke, 2005). Malaysia developed especially relations with China since the period of Mahathir Bin Mohamad as Prime Minister. The Chinese ethnic Malaysian diaspora also plays an important role in the cordial relations between the two countries. Singapore is considered as a 'natural friend' of China because of the presence of the majority of Chinese origin people in Singapore. Though relations between the two countries were strained during the 1970s, however, after 1991, relations substantially improved between the two countries because of an increased amount of trade and visits of high level officials. However, the China-Philippines relations have remained strained because of conflicting territorial claims in the South China Sea regarding Mischief Reef. But, both the countries agreed on the peaceful solution of their territorial conflict. Furthermore, China uses in economic policies to dispel the Philippines reservation of possibly high-handed policies of a rising China in the future.

Like China-Philippines relations, China-Indonesia relations have been historically very difficult especially because of the thirty-two years gap in diplomatic relations (Sukma, 1999).

However, in recent times, the relation between the two countries has been improving because of close economic relations. China's soft power in Indonesia is most conspicuous in the field of financial assistance. China contributed the US \$200 million out of total US \$400 million standby loan to Indonesia provided by IMF rescue package, during the Asian Financial Crisis when China was itself suffering from the negative impacts of the crisis (Leifer, 1999). Chinese economic aid to Indonesia continued unabatedly even after the crises as China provided a loan worth of RMB 180 million to Indonesia between 1999 and 2003. China provided a huge chunk of financial and technical assistance to Indonesia during the Tsunami disaster. Furthermore, China provided RMB 30 million to Indonesia as part of 'technical cooperation' and another loan of U.S \$100 million for the financing of 'commercial contracts' (Wibowo, 2009). China is investing massive amounts of money in Indonesia through CNOOC and in manufacturing industries in Thailand and Vietnam which are main source of economic growth in the ASEAN region (Cheow, 2004).

China's role in de-nuclearization of the Korean Peninsula has been crucial through the channel of the Six-Party Talks. Furthermore, China has been cooperative in stubborn territorial disputes with its East Asian neighbors. Johnston suggests that regarding five international normative regimes of free trade, sovereignty, non-proliferation, self-determination and non-proliferation; China has been conforming with the external international community than in the past (Johnston, 2003). Despite of a war between China and Vietnam in 1979, the relations between the two countries improved after 1991 when diplomatic were restored between the two countries. A major development was seen in February 2002 when China and Vietnam agreed on the 'four good themes': good neighbors, good camaraderie, good friends and good partners (Wibowo, 2009). Furthermore, all the countries located in the Mekong River basin\_Cambodia,

Vietnam, Myanmar, Laos and Thailand\_ tremendously benefited from trade with China under the framework of the Greater Mekong Sub-Region (GMS) in which China pledged to provide economic aid for comprehensive development of the region (Haibing, 2007).

### **7.3.2 Attraction of Chinese Politico-Economic Model in East Asia**

There are some scholars who suggest that despite of investing a mammoth amount of wealth on its charm offensive, soft power is not working for China because China's political system does not offer the attractive political values of liberal democracy, individual freedom, political participation and civil liberty (Shambaugh, 2015). Furthermore, it is suggested that the 'China's model' and political values of China can pose a serious threat to the nascent democracies and weak civil societies of East Asia, especially in Southeast Asia (Kurlantzick, 2006). Joseph S Nye is also of the view that the secret behind the promotion of US soft power were liberal democratic political values; however, China do not entail such values, therefore its highly unlikely that China's soft power work in East Asia. Furthermore, he also thinks that along with the rise of the hard power of China, its neighboring countries of East Asia has been highly suspicious about the intentions of China as a regional power in the long-term. Furthermore, he is of the view that China has been actually intervening in the domestic politics of East Asian countries to repel the US influence and posing a security threat in maritime conflicts in the South China Sea (Zhang, 2010).

The neoliberal agenda witnessed ascendancy during the 1980s in the US and UK under the leadership of Ronald Reagan and Margaret Thatcher respectively. Many other countries, including the developing countries, followed the suit set by the US and UK (Yergin & Stanislaw, 1998). While ditching Maynard Keynes for Milton Friedman during the neoliberal economic model, it was envisaged that free market and democracy were intricately related to each because

common wisdom was that without democracy, no other political system could be compatible with free markets (Steger, 2005). In East Asia, the original five members of ASEAN (Indonesia, Malaysia, Indonesia, Philippines and Singapore) have been committed to the Western capitalist development model since the beginning of ASEAN (Islam & Choudary, 2000).

Hutton suggests that the main objective of the Economic Security Council formed during the presidency of Clinton in 1993 was to open the most important economies to the US finance and trade, including the markets of the Asian tigers (Hutton, 2000). This US policy of striving for the opening of the global markets in the post-Cold War era continued unabated during the presidency of George W. Bush who vowed to ‘work tirelessly to open up markets all over the world’ and to ‘end tariffs and break down barriers everywhere, entirely, so the whole world trades in freedom.’ Bush followed this market opening strategy with a new zeal in the aftermath of the 9/11 disaster as the central idea was to fight terrorism through offering market incentives to emerging and developing marks throughout the world (Steger, 2005).

Thomas Friedman highlighted the importance of the free markets in his book ‘The Lexus and the Olive Tree’ by arguing that there were millions of currency traders and CEOs of the influential multinational corporations, which were consistently searching for the most efficient production sites in the world. The key to success in a globalized world was to put on the ‘Golden Straitjacket’ (free markets) through pleasing the ‘electronic herd’ by offering liberal and free-market rules-based structure that the ‘golden herd’ wanted to find. The countries which were wise enough to put that ‘golden straitjacket’ were rewarded with massive investment capital; while those which avoid the ‘golden straitjacket’ were punished badly by the ‘herd’ either through avoiding such countries or by extracting their investment from the ‘illiberal economies’ to investment the capital in the lucrative places (Friedman, 2000). Francis Fukuyama suggested

in his book 'End of History' that 'free market and liberal democracy' would be key to success as the other alternatives of socialism and communism had been thrown into the dust-bin of history by the free markets. He argued that capitalism was inseparable from democracy (Fukuyama, 1992).

However, the main problem with such arguments is that they take the American and the Western values as universal and anything outside of American political values, is simply dismissed as being attractive for the rest of the world. In fact, China's political system in fact appears very attractive for East Asian countries because of its success to defy American pressure, while witnessing spectacular economic growth at the same time (Barker, 2017). Furthermore, the failed experience in some of the East Asian countries like Indonesia proved that Chinese political authoritarianism is more productive in bringing economic development. For residents of Jakarta and Manila, the Chinese system of authoritarianism is, in fact, very important (Barker, 2017).

Contrary to the advice of Friedman of combining free markets and democracy, China has made a tremendous economic success through its unique political authoritarian system, thus, problematizing the whole discourse of relevancy of economic growth-democracy nexus for the developing countries. China's system is a mixture of a semi-market system along with an illiberal political system which has been highly attractive for the countries of the developing world, especially for the developing countries of East Asia. It seems that the 'Beijing Consensus' will not only play a key role in the political-economic development of the ASEAN region but it will also prove pivotal in shaping the future of ASEAN countries (Wibowo, 2009).

The Chinese model is a significant example of Chinese soft power in East Asia, however, there is no consensus that what is 'China's model' as it is not a copied version of western development and much distinctive from the other development models. It can be simply

considered as 'China's own way to realize fast development' (Zheng & Chi, 2012). Some analysts equate the 'China's model' with the so-called 'Beijing Consensus', the concept of which was invented by Joshua Cooper Ramo (2004). Some analysis suggests that the 'Beijing Consensus' has the potential to replace the Washington Consensus (Zheng & Chi, 2012). Zheng and Chi (2012) are of the view that the concept of 'Beijing Consensus' is not clear and it is least likely that there exists such a consensus because China's journey towards development is still in 'crossing the river by feeling the stones' stage and is facing innumerable problems. A close look at the CCP approach may suggest that China's development has been a pragmatic and realistic phenomenon rejecting any 'consensus'. Furthermore, its not in China' favor to seek any so called 'consensus' as in the recent past, the US intervened, sometimes coercively, to enforce the countries to accept and implement its Washington Consensus. However, its not the CCP approach to project its model to other countries; however, it's the charm of China's success that the other countries are looking towards China's success with appreciation. China is not in favor of interfering in the domestic affairs of any country as China advocates that every country has the freedom to own to freely determine its own way of development (Zheng & Chi, 2012).

China's soft power has been improving at a time when the US soft power is declining and the 'Beijing Consensus' has been presented as a viable alternative of the Washington Consensus. However, the real Chinese soft power is found somewhere else\_ historical fascination of China in the West. Jonathan Spence argues that China's charm is in fact its capacity 'to attract and retain the attention of others'. This Chinese 'charm' enchanted the West since the start of their encounter with China and even during the Chinese Century of Ignominy; its appeal could not be eliminated. The amount of sharpness of attraction aroused by China in the Western world, the reiterated endeavors to analyze the country and its people, the unending receptivity of China

related new in the West, all bear witness the levels of captivation, China has generated (Zhang, 2010).

The event of the Asian Financial Crisis of 1997 was the pivotal point regarding this debate. The reaction of the US and IMF generated anguish and frustration across East Asia as the IMF attached stringent and very difficult conditions. The Malaysian premier explained with exasperation at the ASEAN Foreign Minister's meeting in 1997, 'We are told that we must open up, that trade and commerce must be totally free. Free for whom? For rogue speculators? For anarchists wanting to destroy weak countries in their crusade for open societies, to force us to submit to the dictatorship of international manipulators?' (Wibowo, 2009)

The Chinese model of development has a special attraction among the developing states which are suffering from a host of bewitched socio-economic and political problems (Gill, Hao & Morrison, 2007). Mark Leonard views alternative China's development model as 'the biggest ideological threat the West has felt since the end of the Cold War' (Gill & Huang, 2006). Lai (2012) noted that the 'Beijing Consensus' in East Asia is becoming increasingly popular and the general public in the region admired the China model. It has been witnessed that the Southeast Asian countries have been highly reluctant to accept the combination of free markets and democracy because of the unprecedented economic success of the Chinese political authoritarian system (Wibowo, 2009). This analysis suggests that ASEAN members are already following the 'Beijing Consensus' to varying degrees and Chinese model of semi-market economy and illiberal polity has become highly influential in the contemporary era (Wibowo, 2009). The countries of East Asia have been highly impressed of strategies of development of China especially after the Asian Financial Crisis in 1997 in which China remained relatively unscathed and the other East Asian economies were hard hit during the crisis. China's model of a semi-market economy and

illiberal polity has emerged as a ‘right’ model by many East Asian countries. The Fraser Institute suggested that the ASEAN economies have been experiencing vital transformations regarding market freedom (Wibowo, 2009). The study found that the economies of Vietnam, Brunei, Myanmar, Laos and Cambodia are ‘unfree’ economies; while Malaysia, Singapore and Indonesia are partly free economies and Thailand and Philippines are free economies (Wibowo, 2019).

Laos and Vietnam, after its unification in 1975, followed the socialist-communist economic model during the 1970s; however, after the fall of the Soviet Union in 1991, these countries transformed their economic approach. Cambodia has been a capitalist country despite of interruption made by the communist model during the 1970s. The capitalist journey of Myanmar was also disrupted by the so called ‘Burmese socialist model’ during the 1960s, however, Myanmar too has been a country preferring free-market system. However, Brunei has not experimented contrary to Southeast Asian neighbors and has been consistently following the capitalist strategy of development. provided in favor of this model was the high growth of the economies of the “four little dragons”: South Korea, Taiwan, Hong Kong and Singapore. On the other hand, there was another school of thought that argued that the success of these “new industrialized countries” (NICS) could not be attributed to free trade or the free market alone, but also to the role of the state. They showed the association between rapid economic growth and pervasive state intervention in Korea, Taiwan, and Singapore. This school was known as the “developmental state” model (Wibowo, 2009).

China has evinced that democracy is not necessarily precondition of economic development and that Chinese system of semi-free economy and illiberal politics can be a potential alternative to western liberal political democracy. It has been found that China is

striving to disseminate the ‘Chinese model’ through the spread of its ‘Beijing Consensus’. Though there is no official statement regarding China’s interest in promotion of ‘Beijing Consensus’; however, some Chinese scholars are of the view that China has been working diligently to spread its model abroad, especially in its own region (Youwen &Renwei, 2006, 271). For example, Zhang and Huang opined that it was very important for China’s ambition to become a regional as well as international power to develop its hard power and soft power at the same time (Wibowo, 2009). Peerenboom also suggests that many developing countries were looking for a new system that could usher in development without inducing major transformations in their political system. China’s unique political system offers the best option for countries searching for such an alternative (Peerenboom, 2008).

### **7.3.3 Chinese Culture and East Asia**

Nye spent less amount of time to discuss China’s soft power than the amount of time invested on describing the charm offensive of the former Soviet Union (Zhang, 2010) because he suggested that due to the authoritarian political system and failure to transform culture, China is least likely to entail any soft power. But it seems that Nye changed his mind about China’s soft power in his article in the Wall Street Journal in 2005 in which he noted several conspicuous strategies of Chinese soft power: dramatic increase of enrolled foreign students in China, increased use of public diplomacy through the use of Confucius Institutes, broadening of Chinese media outlets and Chinese constructive role in the regional mechanisms in East Asia and finally through the attraction of so-called ‘Beijing Consensus’ (Nye, 2005).

Chinese culture, calligraphy, cuisine, curios, cinema, acupuncture, art, fashion fads and herbal medicine all have emerged in East Asian culture. The Chinese films, television and music is especially famous among the youth in East Asia (Cheow, 2004). Though Chinese politicians

and scholars were alluding to the importance of Chinese culture in its foreign relations towards in East Asian neighbors; however, the concept of soft power was explicitly referred in Chinese government policy for the time in 2007 at the Seventeenth National Congress of the Chinese Communist Party. The official report of the 17<sup>th</sup> Party Congress in October 2007 noted 'In the present era, culture has become an increasingly important source of national cohesion and creativity and a factor of growing significance in the competition in overall national strength,' and that 'we must.... stimulate the cultural creativity of the whole nation, and enhance culture as part of the soft power of our country' (Zhang, 2017). Furthermore, it was found that the task of strengthening national cultural soft power and China's international influence would be more urgent (Albert, 2018).

Similarly, President Hu in July 2010, while addressing to the 22<sup>nd</sup> group study session held by the Politburo, reiterated the significance of culture in the emerging soft power of China (Lai, 2012). The CCP, while issuing its proposal for the twelfth Five Year Plan for 2011-2015, made the Article 9 specific for cultural soft power of China through elements of traditional culture, export of cultural products, domestic innovation and external media initiatives (Pew Global Opinion Project, 2010). Chinese political elites are agreed that China's global influence and image can be increased massively through the use of soft power as a key tool of foreign policy. Wang Huning, the political adviser to the former Chinese prime minister and a member of the Chinese Communist party (CCP) Central Committee Secretariat, suggested in 1993 that China should infuse its culture in its foreign policy against the US hegemony in East Asia. That article of Wang Huning is considered as the first academic endeavor of China to project its soft power in East Asia in the post-Cold War era (Huang, 2013).

Culture is a primary source of Chinese soft power which China operates through exchange programs, music, religious forums, tourism, sports, movies, and festivals towards the start of the 21<sup>st</sup> century (Lai, 2012). Wu Jianmin suggested that China's threat thesis which is mainly presented by Western scholars is because of ignorance of Chinese culture. Furthermore, he suggested to Chinese policy makers that culture could be a very powerful factor in dispelling the debates of China threat issues (Lai, 2012). Along with the rise of China, attraction and fascination of Chinese culture and language is increasing to understand China modern China, conduct commerce and landing a good carrier. The promotion of Chinese culture and language is basically engineered through the initiatives of Confucius Institutes in primary and secondary schools, enterprises and the communities in the host countries. These institutes provide language training in Chinese and organize exams along with providing consultancy in studying in China. These institutes are jointly managed by Chinese universities as well as foreign partners and there is very stiff competition among the host universities to host the Confucius Institutes (Lai, 2012).

The prosperity and decline of ancient China's glory was directly relevant to the rise and fall of China's culture. The CCP unanimously thinks that one of the main reasons of the disintegration of the USSR was the collapse of the cultural power of the USSR (Zhang, 2017). China had been the 'Middle Kingdom' unrivaled in its own region and enjoyed tributary relations with the states in its surrounding. During its halcyon days, China's culture was very influential in East Asia; however, when China failed to respond to the challenge of modernity in western societies, its cultural appeal as a leading power in science and technology eroded in East Asia which was also bolstered by the ignominious decline of China as the Middle Kingdom (Zhang, 2017). China has strong cultural appeal in East Asia through the ideologies of Confucianism, Buddhism and Taoism along with the Chinese Four Books and the Five Classics,

Book of Rites, Book of Poetry, Chinese classical poetry, local operas, Chinese folk music, traditional Chinese painting, couplets, calligraphy, riddles, traditional costumes, twisters, utensils and so forth (Zhang, 2017).

The cultural soft power of a country is the combination of the internal environment and external environment. The internal environment regarding cultural soft power refers to the schools of thought, academic workforce, academic activities, planning, ideology management, processes of cultural products, marketing, management, cultural macro layout, theme exploration, personal training and guidance. While, the external environment refers to whether the state is interested in the aforementioned cultural areas through supporting the laws, introduce regulation and adopting policies in the relevant areas (Zhang, 2017). Chinese soft power has been increased substantially in the ASEAN region as Chinese cuisine, culture, curiosity, calligraphy, acupuncture, medicine, herbal and fashion had penetrated deeply into East Asian culture (Wibowo, 2009).

#### **7.3.3.1 Confucius Institutes**

The initiative of the Confucius Institutes is considered as one of the key channels of Chinese diplomatic soft power (Zhang, 2010). These institutes are thought to function on the agenda of spreading the positive image of China throughout the world and marginalizing the role of Taiwan from the regional and global politics (Gill & Huang, 2006). The first Confucius Institute was opened in 2004 by China in Seoul in South Korea and since then, the number of Confucius Institutes increased to five hundred throughout the world. These institutes are non profit organizations and affiliated with the Chinese Ministry of Education for the purpose of disseminating Chinese language and culture in the world. The institute is based on the cultural associations like France's Alliance Francaise, United Kingdom's British Councils and Spain

Cervares Institute. These institutes function as partners of universities and minimum annual support of \$100,000 is offered for programs offered at the centers (Albert, 2018).

There are almost 41 Confucius Institutes in Southeast Asia and in Thailand alone, there are thirteen Confucius Institutes. China believes that once the countries are cognizant of the true essence of Chinese culture, they will not feel threatened from the China's rise (Fatima, 2018). On average, newly Confucius Institute was being established after every four days between 2004 and 2007. In 2010, 322 Confucius Institutes were counted in 94 countries with aim to teach Chinese to almost 100 million people outside of China. The Chinese Ministry of Education declared that it had intention to increase the number of Confucius Institutes to 1,000 by 2020 (Hunag, 2013).

### **7.3.3.2 Educational Exchanges**

China has is the third-largest destination for international students in terms of most popular educational destination in 2017 according to the findings of the International Institute of International Education (Albert, 2018). According to the official statistics of China, there were more than 489,200 graduate and doctoral students from 204 countries studying in 935 higher educational institutes in China in 31 provinces (Balachandran, 2018). The Chinese lavish spending on education by providing massive scholarships to foreign students proves that education has become a key source of exercising soft power in East Asia (Marleko, 2019).

According to an official document released by the Chinese Ministry of Education, the contemporary educational policy of China will serve as Chinese soft power in the interest of the China. China spends almost \$10 billion on the establishment and operation of the Confucius Institutes which operate in about 120 states throughout the world in more than 500 centers (Marleko, 2019). China has been focusing on improving its universities at a global level to

compete with Western universities through Project 211 and Project 985. These projects offer opportunities to the foreign students to study Chinese culture and language; at the same time, these projects manage to send Chinese students abroad to study in foreign high ranking universities (Marleko, 2019).

Chinese understanding of education is much different than the West understanding where objectivity is considered as the central pillar of education; the Chinese ancient wisdom thinks that one main purpose of education should be dissemination of culture. The objective of education should be 'to propagate the doctrine, to impart professional knowledge, and to resolve doubts'. 'To propagate the doctrine' means to tell the students about the world around them and how to deal and treat the world; 'to impart professional knowledge' means to impart the student professional skills and knowledge to earn living and serve their community and country and 'to resolve doubts' means to teach the students the analytical method to overcome their confusions and vague points (Zhang, 2017). The International Educational Institute suggested in 2017 that China became third top educational destination for international students. On the other hand, almost 18.6 million tourists from China visited the Southeast Asian countries in 2016 (Fatima, 2018).

#### **7.3.3.3 International Media**

China is especially focused on the foreign language media outlets in China to have control over opinions on China. This allows China not only to make the world aware about daily life diplomatic activities but also that information can be disseminated in the world which are not the focus of foreign media outlets. The government owned new agency, Xinhua, has 170 foreign bureaus and is planning to increase its foreign bureaus up to 200 by 2020. The Global Times and China Daily regularly publish English language editions covering almost the whole world. The

state television CCTV rebranded itself as China Global Television Network in 2016, broadcasting six channels, two in English, and one in French, Arabic, Spanish and Russian with reporting teams in more than 70 countries. Similarly, China Radio International is said to broadcast about 392 hours of programming on daily basis with twenty-seven bureaus in thirty-eight languages. The Reuters Investigation noted in November 2015 that the China Radio covertly runs a network of above thirty radio stations in fourteen states ostensibly through its front companies to conceal its influence (Albert, 2018).

In order to maintain social and political stability and the security of the mainstream ideology, the Chinese government would have to realize the potential of new technologies such as internet because of its alertness, swiftness, multiplicity of actors and promulgation of information (Zhang, 2017). Nye thinks that investing massive amount of money on Chinese propaganda will not serve any purpose for the China's soft power in the region as well in the world. However, Chinese understanding of propaganda is much different than the western conception of propaganda. Mao said once: 'As long as one is talking to others, he or she is doing the publicity work' (Zhang, 2017). The writer is of that foreigner scholars know little about context of Chinese soft power and how the government wields soft power in its national interest (Zhang, 2017). Chinese President visited People's Daily, China Central Television (CCT) and Xinhua News agency in 2016 and instructed the Chinese media giants to project Chinese progress and achievements 'genuinely'. The CCTV became Chinese global television by broadcasting in almost 70 countries (Fatima, 2018).

#### **7.4 How Much China's Soft Power is Successful in East Asia**

The idea of soft power can enable China to project itself as a cultural and constructive major partner that will not use coercion in its dealing with the other states. China has successfully

used its soft power in East Asia and the perception of the countries of East Asia about China is positive (Lai, 2012). Joshua Kurlantzick (2006) opines that China's soft power has been increasing since its economic rise. Furthermore, China's soft power is channeled in East Asia through these sources: culture, participation in multinational institutions, diplomacy, the gravitational pull of China's economic prowess and participation in regional institutions.

Pew Global Opinion polls in 2010 found that 57.8 percent of people from East Asia were of the opinion that China's soft power cultural, economic and public diplomacy in the region had proved beneficial for the whole region of East Asia (Lai, 2012). Before 1949, the Chinese dream was very simple: some land for farmland, two heads of cattle, a wife, some children and a warm house. During the early 1950s, China was influenced from the telephones and electric lights from the Soviet Union and then with time, with the latest consumption goods from the West, and Chinese dream also keep on expanding (Zhang, 2017) China's high economic growth has been proving positive for the overall region of East Asia as China's exports to ASEAN states was recorded at \$64.6 billion and imports from ASEAN were nearly \$72 billion, which is a sign of inclusive China's growth as China tends to import more than to export its neighboring countries (Qian, 2012).

According to a survey conducted by the Pew Research Centre, 78 percent Malaysian, 63 percent Indonesian and 54 percent Philippinos public view in favor of Chinese growing engagement in their region. China is successfully completing the US, Japan and South Korean influence in East Asia. Furthermore, President Trump's 'America First' policy will make East Asia suspicious towards the long-term US interests in the region, culminating in China's status improved in the eyes of the East Asian countries (Fatima, 2018). The BBC World Service and Lowy Institute for International Policy conducted in 2005 found that China's image was

becoming increasingly positive. Furthermore, the surveys suggested that internationally China is considered conducting positive behavior than the United States (Cook, 2005). China's image in its own region is more influential than that of the developed world. Kurlantzick (2007) argued that China's image in Thailand was improving if compared with a decade before. He suggests that China's compliance with the global norms, values and rules has improved China's image and legitimacy in East Asia as well as in the world.

Orville Schell argued that China's soft power started to transform the global balance of power in China's favor, thus posing a severe threat for the global preeminence of the US (Kurlantzick, 2007). East Asia is a region that is soon to be placed of clash of the US and Chinese soft power and China has already developed its charm offensive to push back the US influence in the region. It's most probably that the East Asian countries that are already using China as a hedge like Thailand and the Philippines will reduce their dependence on the US in the near future (Zhang, 2010).

Though the North Korean economy is dependent to a large extent on China; however soft power appeal of China in North Korea is limited. Since the regimes of Kim 2-sung, to Kim Jong 2 and then to Kim Jong-un, the state ideology of self-reliance is very dominant (Zhang, 2017) Although the US claims that its stance on the issue of Diaoyu Island is neutral; but at the same time, they claim that the Treaty of Mutual Cooperation and Security between Japan and the US is applicable to the island. Furthermore, the US is of the view that the islands came under the jurisdiction of Japan.

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influence in East Asia. Furthermore, President Trump's 'America First' policy will make the East Asia suspicious towards the long-term US interests in region, culminating in China status improved in the eyes of the East Asian countries (Fatima, 2018). China soft power has boosted China's influence, clout and standing in East Asia. Regarding, China-East Asia, the Chinese Prime Minister Wen Jiabao called China as 'friendly elephant' which had no malign desires towards East Asia (Cheow, 2004). China's role in the 1997 Asian Financial Crisis and its refusal of devaluing the Chinese currency was lauded by the whole region as the decision to save the East Asian counties from the devastating results of the crisis.

Robert Sutter suggested in his book titled 'China's Rise in Asia: Promise or Perils?' that China's charm offensive has substantially improved in East Asia because of the significance of the Chinese ethnic people to the economies of East Asian countries like Malaysia, Indonesia, and Thailand. Furthermore, China is accommodating a large number of students from East Asia and huge number of Chinese tourists visit East Asia countries which has been playing a key role in the economic development of Chinese neighbors. In addition to the improvement in public relations between China and its neighbors, state officials of East Asian countries think positively about China (Sutter, 2005).

China is using its charm offensive to compete the combined influence of the US, Japan and Taiwan in East Asia. China claims that it bases its relations with the countries of East Asia on the philosophy of 'win-win' but the US is punitive and disrespectful of the sovereignty of East Asian countries. Through the logic of a win-win strategy, China signed Southeast Asia's Treaty of Amity and Cooperation; while the US is not a signatory of this treaty. Furthermore, the increased use of anti-terrorism rhetoric in the US foreign policy has alienated some of the East

Asian countries. Since the end of the Cold War, the US has been using its doctrine of 'exceptionalism' through regular interfering in small countries and attaching high demands of political liberalism for the other states. Some developing East Asian countries feel these US preferences and policies as highly offensive. On the other hand, China do not like to interfere in the internal matters of its neighbor countries and does not attach restriction with its economic aid. For this reason, the West criticized China for supporting some of the ruthless regimes in East Asia; however, according to the Chinese view to interfere in the domestic politics of the countries of its regional is not China's policy (Kurlantzick, 2006).

## **Conclusion**

This chapter was an endeavor to analyze China's soft power in East Asia in face of unprecedented China's economic rise. It has been argued in this chapter that along with China's rise, China's soft power has been increasing as perception of China's neighbors are transforming about China. China's soft power in East Asia has been divided in three segments: China's good neighborhood policy and attraction of China's political system and culture. Having a constructive partnership with its neighbors for the successful continuation of China's export-oriented economy; therefore, China is trying its best to behave constructively and resolve its conflicts on bilateral and multilateral forums. The Western scholars suggest that China's authoritarian political system offers no attraction, but it has been discussed that East Asian culture and political ideas are much different than the West. Furthermore, highly efficient and stable China's system of political meritocracy is becoming a good example for developing neighbors of China in Southeast Asia. The CCP has been striving to project its culture by spending a colossal amount of money on Confucius Institutes and offering scholarships to

foreign students. Due to deliberate and highly skillful maneuvering of China's soft power, China's image has become constructive in East Asian and China's neighbors consider China as a constructive partner rather than a menacing hegemon.

## CONCLUSIONS

This thesis was an endeavor to investigate the causes behind China's constructive behavioral change from a revisionist power in East Asia in the post-Cold War era. Furthermore, this research aimed at studying China's role in East Asia after the end of the Cold War through analyzing China's economic, multi-lateral, security and soft power engagement in East Asia. The main finding of this study is that China adopted highly ideological economic model during Mao's era as reaction to the 'whip of external necessity' posed by the technological superiority possessed by the US and the advanced capitalist Western countries. Mao tried his best to help the revolutionary groups in East Asia, which created resentment against China in its region. When Mao's ideological model failed to deliver, post Maoist China Communist Party (CCP) hierarchy under the leadership of Deng Xiaoping significantly transformed China's economic and regional approach by gradually opening China's economy for foreign investment and ignoring the role of ideology in Chinese domestic and foreign policy. After end of the Cold War, China's economic reforms were followed with a renewed vigor which increased confidence among China's neighbors that finally China had forsaken the ideological model of Mao. After 1991, China has deeply entrenched economically itself in East Asian region through its gigantic trade, massive investment and generous economic aid to its neighbors.

This study suggested that mainstream international relations theories fail to explain this China's constructive behavioral transformation in the post-Cold War era. For example, neorealism, the dominant IR approach, ignores domestic politics impact on global politics. Justin Rosenberg (2016) lamented that there was not even a single IR approach which had travelled from IR to other fields of social sciences; while IR itself had taken a lot from other social sciences. Kenneth Waltz (1979) too was also of the view that there was no pure IR theory

because all the IR approaches like classical realism, liberalism, constructivism, Marxism etc were not pure IR theories as these were developed to study domestic politics or societies. Therefore, Kenneth Waltz was of the view that these all theories ignore ‘international’ from their analysis. Therefore, to resolve the impasse, he claimed to devise a theory of the ‘international’ which had tools to study the ‘international’ in detail; however, while concentrating on the ‘international’, he ignored the national perspective of politics’ and their impact on international relations. Therefore, there is a clear line of demarcation between national and international in IR theories. Only UCD, originally presented by Leon Trotsky, is the sociological theory of the international’, which suggest that national and international fields of politics are inextricably related to one and another in such a way that these cannot be separated. The central argument of UCD is that multiplicity of societies has been historic phenomena and this societal multiplicity culminates in competition because of technological superiority of one society is often perceived as threat by other societies, therefore, the other societies try to emulate the technological knowledge in their own way. The societies which do not emulate their advanced competitors are simply subjugated by their advanced enemies or competitors.

It has been explained in chapter three that China had been the civilizational state and considered itself the ‘Middle Kingdom’. China’s superiority over its neighbors was so massive that its East Asian neighbors were merely tributary states of China which used to pay tributes to China’s emperor in return of China’s patronage. Furthermore, the third chapter suggests that China was flag bearer in knowledge, technology and innovation. However, during the eighteenth century, when the West was witnessing historical transformation mainly through the engines of industrial revolution, China clung to its traditional system of production. On the other hand, Japan responded to the ‘whip’ posed by the advanced Western countries during the nineteenth

century by forsaking its ancient systems of production and adopted the system of industrial production of the West. This massive transformation is called ‘Meiji Restoration’ in 1868. However, contrary to Japan, China clung to its ancient system of production and administration, therefore, had to face subordination during the nineteenth century which is remembered in history as the ‘century of humiliation’ from 1839 to 1949. When the Chinese Communist Party under the leadership of party chairman Mao Zedong successfully ousted all the foreign forces from Chinese land and got control on the dissident forces within China, the party endeavored to embark on a massive Soviet Style modernization and industrialization program on Soviet. It has been discussed in the theoretic portion in chapter three that there is no carbon copy of development. Therefore, a country copies the productive systems of other countries while retaining its own uniqueness. Thus, Chinese modernization under Mao was much different from Soviet socialist experience. When Soviet allowed rural to urban migration, Mao attached stringent internal migration law to tie the rural population to their native lands to avoid the bewitched problems of ruthless urbanization. Furthermore, Mao collectivized the rural regions and abolished landlordism to extract rural surplus for investment purposes in the state run enterprises in the town to enable state deliver social service like education and healthcare.

Mao’s policies improved China’s economic performance; however, China’s performance under Mao was of no match to the US and western states. Furthermore, China was facing increasing pressure of development of Japan and the East Asian Tigers. Therefore, the CCP after demise of Mao decided to transform economic approach of China by gradually opening China for foreign investment. Till 1991, there were certain barriers because of which China was not able to significantly alter its regional policy in its regions. The problems like ideological international order, incipient economic reforms, the Western criticism on state handling of

Tiananmen Square protest and the legacy of Mao's rule were haunting China. However, after the end of the Cold War, China was able to follow its economic reform with a renewed passion. Economic liberalization of China worked wonders as China emerged as a regional hub of East Asian production and most of the regional countries had no other option than to join China led chain of East Asian supply. Economic liberalization made China an economic giant which is thought to replace the US as the world's largest economy in 2027.

Three pillars of economic approach of China have been discussed in chapter four in East Asia: trade, investment and economic aid. China's huge population and ideal policies for foreign investment made China the largest trading partner with North East Asia and majority of ASEAN countries. China has emerged as the final destination in assembly of East Asian production. This unprecedented production in China enabled China to replace Japan as the largest trading partner of majority of East Asian countries. It has been reported in chapter four that trade between China is responsible for 15% trade with ASEAN, while ASEAN trade with European Union is 10%, with Japan is 10.5% and with the US is 9.3% of ASEAN total trade (Biswas, 2018). Three reasons have been discussed in chapter four behind increased China-ASEAN trade: at first, China's massive economic growth which increased from 4 percent from China's share of global GDP in 2000 to 15 percent in 2017. Second factor is establishment of China-ASEAN Free Trade Area which greatly helped in eliminating tariff barriers on trade of goods between China and ASEAN since 2000. Third factor was growing consumer markets in China as well as ASEAN which encourage extensive exports and imports between ASEAN and China (Jacques, 2012). China is the fourth largest investor in East Asia while EU being the first, the US being second and Japan is the third largest investors in East Asia. The massive One Belt One Road is a platform through which China is investing billions of dollars in its region on a number of

projects. Furthermore, many Chinese enterprises are shifting their businesses from mainland China to Indonesia, Vietnam, Singapore, Malaysia and Myanmar which is making China's increasing presence possible in different countries in East Asia to evade the US restriction. Therefore, the scope of Chinese investment is much larger than the EU, Japan or the US because the EU and US investments are concentrated in finance sector; Korean and Japanese investments are targeted towards manufacturing, the Chinese FDI covers transportation, retail and wholesale, finance and real sector (Kastner, 2018).

Chapter four suggested that exact amount of China's aid is very difficult to be gauged; however, China aid is mainly divided in two groups. The recipient of China's foreign aid is poor group of countries in East Asia: Myanmar, Cambodia and Laos. The second group is relative group of rich countries of East Asia: Vietnam, the Philippines, Thailand and Indonesia. Chapter four argues that China's influence as a donor is exceptional in the first group; however, its influence is relatively partial in the second group because of their security alliance with the US and close economic relations with Japan. However, the current East Asian economic environment suggest that China is gradually replacing Japan and the US in East Asia; therefore, prospects are high that the East Asian countries where China's appeal is limited, will come under China's economic sphere of influence in recent future. The special fact about China's economic aid in its region is that China do not attach stringent conditions like other donor countries and agencies (like market opening, democratic reform and environmental protections) (Lum., Morrison & Vaughn, 2008).

Chapter five discussed China's role in multilateral institutions in East Asia in the post-Cold War. This chapter suggested that in the start, China was hesitant towards participating in the regional institutions; however, after the end of the Cold War, China's increased economic

engagement with East Asia culminated in close participation of China in regional institutions. Furthermore, it is discussed in this chapter that because of China's positive regional approach, China's image changed from a revisionist power to a constructive partner in East Asia in the post-Cold War period. The regional institutions discussed in this chapter are ASEAN, ASEAN Plus Three, ASEAN Regional Forum, APEC and Six Party Talks.

China's perception about ASEAN was very negative during Mao's era because China's leadership was of the view that the original objective behind formation of ASEAN was to fail socialism in East Asia. Therefore, ASEAN was originally an anti-socialist block formed by the capitalist East Asian states along with the help of the US and the West. However, massive change in China-ASEAN relationship has been witnessed in post Maoist phase, especially in post-Cold War era. This chapter outlined two reasons behind China-ASEAN re-approach. The first was the silence of ASEAN on China's handling of the Tiananmen Square protests in 1989 in which thousands of the protestors lost their lives. This silence of ASEAN provided some relief to China which was under harsh criticism in handling the protests from the West. Secondly, the US was not interested in funding the security alliances in East Asia which were initially formed to stop rise of Maoism in East Asia. This lack of the US in East Asia led East Asian states, which were under strong pressure of increased protectionism in the West, to devise mechanism to engage China which had significantly transformed itself after the death of Mao. This chapter further suggested that these all the facts culminated in furthermore extensions of East Asian regionalism. Many other regional institutions had been devised under the auspices of ASEAN. This chapter takes China's constructive economic policy during the Asian Financial Crisis in 1997 as the most crucial point in China-ASEAN relations because China declined to devalue its currency to save its neighbors though China was under extreme pressure to devalue its currency.

This Chinese reaction to the Asian Financial Crisis ensured East Asian countries that China was no more a danger to its region rather China was the big brother in East Asian region which was ready to help its little brothers in time of hardship.

The second multilateral institution discussed in this chapter is ASEAN Plus Three which was formed in 1997 after the failure of the West to assuage the East Asian economies from the devastating impacts of the Asian Financial Crisis. Furthermore, this chapter also argues that another key aim behind establishment of APT was to economically engage the great powers in East Asia like China, Japan and South Korea, so that none of them may become hegemon. China welcomed overall idea of APT and manifested willingness to work with Japan and South Korea along with ASEAN. APT provided good opportunity to China to form close regional engagement with Japan and South Korea under the auspices of APT.

ASEAN Regional Forum is the third regional organization discussed in chapter 5. ARF is an important multilateral institution in East Asia which deals with security. The main objective of ARF was to contain any hegemonic designs of major powers in East Asia. Although China participates in the framework of ARF; however, enlargement of ARF is problematic for China. Furthermore, China do not like to discuss the matters related to its sovereignty on multilateral forums especially in the presence of those countries which exploit the maritime conflictual claims between China and its neighbors in South China Sea. China regards itself as a civilizational state and is of the view that international law devised advanced Western states after the end of World War 2 is not applicable to the historic claim of China on the South China Sea. APEC is the fourth regional organization described in this chapter. APEC was formed in 1989 to deal with the regional economy in East Asia in face of withdrawing of the US interest in the region. China's role has been overall constructive in the organization as China finds the

organization helpful for the successful operation of its export oriented economy. However, due to the enlargement of APEC, it is not much effective because its members have different interest and, therefore, different solutions to the problems with the regional economies, making the organization less effective in comparison with ASEAN.

The Six Party Talks is the fifth multilateral institution described in this chapter. The Six Party Talks is an organization in East Asia to deal with the situation that emerged because of nuclearization of South Korea. China has been active member of the organization and its role is important because of its close interaction with North Korea. However, scholars are of the view that contrary to general perception, China has little control on North Korea as because of self-sufficient and isolationist policy of North Korea, it does not heed to China's advices. Furthermore, due to difference of opinion regarding how to deal with North Korean missile crisis, this organization helped little to contain North Korea to test its nuclear missiles. However, the real essence of the Six Party Talks is that it provides the members an important opportunity to enter in dialogue about the North Korea's nuclear ambitions rather than taking unilateral action against North Korea.

Chapter Six deals with China's security policy with East Asia. This chapter explained 'China Threat Thesis' which is mostly presented by the Western scholar that rising economic power of China will culminate in China's domination of its region like other great power of recent past. The China threat thesis suggests that the East Asian countries which have maritime conflicts with China will have to face the brunt of China's growing might. However, the finding of this chapter is that all such popular held views in the West are not based on facts because peaceful relations with its neighbors is pertinent for continuation of China's export oriented economic approach.

Therefore, revisionist behavior in its region will pose massive challenges to the China's economic outreach to East Asia. Furthermore, this chapter suggested that China's neighbors are not trying to balance against China along with the help of the US, rather it is the US which is trying assiduously to make East Asian countries balance against China. Furthermore, this chapter also explained that despite of tense relations with some of countries of its region, no country is in position to disengage itself economically from China. This chapter also suggested that when a state is under threat it sends 'costly signals' which means that its GDP to defense ratio increases significantly. But, such type of condition is not present as there is no significant change in GDP to defense ratio of China's neighbors since the last decade, which suggests that these countries are not feeling existential threat from China. Therefore, it is fair enough to suggest that East Asian countries want to have positive relations with both China and the US and are not very much interested in balancing against China with the help of the US.

Chapter seven presented China's soft power in East Asia. The concept of soft power was initially presented by Joseph S Nye and said that soft power is attraction of peaceful foreign policy, culture, political system and media. Nye suggested that in the contemporary world, the use of hard power has become less relevant. Along with China's rise its soft power has been increasing substantially in East Asia. This chapter takes 'Good neighborhood policy' as the first pillar of China's soft power. China has been assiduously trying to project itself as a peaceful power which is not interested in hegemonic designs in its region. The Asian Financial Crisis of 1997 was the main incident in which China's peaceful foreign policy became evident. China's political system has little attraction from a typical Western standard because China's political system is not based on liberty, democracy and freedom of speech. However, China's political system is unique in its sense and to universalize Western style democracy will be a mistake if

cultural difference between East Asia and the West is to be analyzed. Furthermore, failed experiences with democracy in many post-colonial states have increased attraction of China's system of political meritocracy in among poor East Asian states. China has been very keen in projecting its culture among other countries. China's Confucius Institutes, generous scholarships and vibrant Chinese media have been the key drivers behind cultural projection of China. Through these channels, China want to spread its peaceful history and culture among its neighbors. Contrary to other developed countries, China has never attacked any other countries, even during its halcyon days because China regarded expansionism as way of barbarian therefore, such revisionist behavior was in direct contradiction with China's peaceful policy. Therefore, through projection of its culture, China is trying to suggest its East Asian neighbors that the 'Middle Kingdom' will not jeopardize their economic and security interests in its region and that China's rise is in fact a win-win situation for every country in East Asia.

## **FINDINGS**

This thesis deals with China's momentous transformation from a revisionist and ideological state during Mao's era to a rational and liberal state in the post Maoist era, especially after the end of the Cold War. Furthermore, this research is aimed at analyzing impact of China's liberal economic transformation on the East Asian region. For this purpose, China's economic, multilateral and security role have been analyzed along with use of soft-power in contemporary China's foreign policy towards its neighbors in the East Asian region. The main finding of this research is that China's economic transformation in the post Maoist era was under the pressure of the 'whip' of industrial US, West and the Asian Tiger economies in the neighborhood of China. Haunted by the memories of the 'China's century of insult', Mao endeavored his best to make China an economic giant. However, his ideological and isolationist model was bound to create resentment among China's neighbors that were under the direct threat of a socialist China that was bent on helping the revolutionary groups in their struggle against their government.

China under Mao, though better economically than many other developing countries, was of no match of the West and newly emerging economies in East Asia like South Korea, Taiwan, Hong Kong and Singapore. Deng Xiaoping had realized the power of encouraging investment for East Asian countries. Therefore, Deng, after the demise of Mao, decided to face the 'whip' of industrial West and US in a new way. Deng suggested that the color of cat didn't matter unless it could catch mice, meaning that ideology of a state does not matter and if economy of a country is improving then it does not matter that the country is capitalist or socialist. Deng decided to utilized millions of educated and healthy labor which was tied in the countryside since the period of Mao. When this labor was allowed to migrate toward urban centers, this educated, healthy, cheap and highly control labor was of such type of attraction

which international investors could not ignore. Therefore, along with pouring of mammoth investment, China's economy started witnessing significant improvements. However, because of ideological international order of the Cold War and due to Mao's legacy, China could not seriously improve its relations with the East Asian countries. After the end of the Cold War, the reservation of China's neighbors about China reduced substantially and China was seen as constructive partner in the East Asian region.

Another finding of this study is that China's economic approach in East Asia in the post-Cold War is dependent on trade, investment and economic aid. Currently China is the largest trade partner with majority of the countries of East Asia and has become the final assembly place for production circles within East Asia. Similarly, the research suggests that although China is not the largest investor in East Asia, but the unprecedented China's rise has been enabling China to increase its investment in the region. Moreover, this research finds out that China's economic aid to relatively poor countries within East Asia is playing important role in their economies and China's soft power in those countries is extensive.

The thesis also suggests that China is very keen in participating in those multilateral forums where China's sovereignty related issues are not highlighted. ASEAN is the most important regional organization in East Asia for China as China has assiduously manifested its constructive behavior with ASEAN, especially China's decision not to devalue its currency in the Asian Financial Crisis in 1997 was highly appreciated by all the members of ASEAN. Furthermore, China is also the key partner of ASEAN Plus Three along with South Korea and Japan. China finds APT as important multilateral forum to enter in discussion with the most important economies of East Asia: Japan and South Korea. Though China do not like to participate in the plate forums where China's maritime policy is highlighted, however, China still

participates in the platforms like APEC and ARF. Similarly, China is the most important member of the Six Party Talks which is a multilateral forum to disengage North Korea from nuclear enrichment.

The finding about China's security policy in East Asia is that China is no threat for its neighbors; however, China's rise has been culminating in increased confidence in Chinese leadership. The famous 'Strive for improvement' policy announced in 2012 is such a policy in which China is manifesting as a regional power in East Asia that is committed to the peaceful environment and non-aggression in East Asia. However, the US policy makers are working diligently to ensure China's neighbors that rising China is a threat for them. However, the finding of thesis is that East Asian are not feeling existential threat of China because their defense spending to GDP ratio is still same that has been during the 1990s and in conflict time, defense spending to GDP ratio is much more than the East Asian countries spending.

Similarly, this thesis finds out that along with rise, China is very skillfully using soft power in its foreign policy and there is significant increase in soft power related research in China. China's soft power channels in East Asia are China's peaceful policy, attraction of its culture, vibrant media and the Confucius Institutes. Through these channels of soft power, China is sending message to its East Asian neighbors that China will not be an aggressive power like the European powers in the nineteenth century rather China will be a great power having shared future with its neighbors and China will continue to play its constructive role in its region.

## **RECOMMENDATOINS**

This study was aimed to investigate the reasons behind China's transformation from a revisionist state during the Mao's era to a constructive state in East Asian region in the post Maoist era and especially after the end of the Cold War. This thesis suggests that China's constructive behavior in the post-Cold War era is inextricably related to the gigantic change in China's domestic economic approach in post Maoist and specifically in the post-Cold War era. This thesis studies China's role in East Asia in the post-Cold War era mainly in four areas: China's economic role, multilateral role, security role and China's soft power in East Asia in the post-Cold War era. This thesis concentrates on China's economic role in its region in the post-Cold War era by investigating China's trade, investment and foreign aid in East Asia. For analyzing China's multilateral role in the post-Cold War era in East Asia, this thesis studies China's partnership with ASEAN, ASEAN Plus Three, APEC and the Six Party Talks. To research China's security role in its region in the post-Cold War era, this thesis comprehensively takes into consideration the so called 'China Threat' thesis, the reservation of the East Asian countries from a possible such a China's threat, China's maritime conflicts with its neighbors, change of China's foreign policy of 'Low Profile' to 'Striving for Achievement' and then this thesis presents the views of the writer after discussing this whole debate.

'China's Rise' is considered as the most discussed topic in international relations circles and China's behavior in East Asia will be the most important factor in China's global approach in near future. As the future is directly related to the present; therefore, the core theme of this thesis 'China's Role in East Asia in the post-Cold War' is of vital importance for knowledge production regarding China in international relations. This thesis suggests that there are certain gaps in the literature available on the topic and the dominant international relations theories fail

to provide a comprehensive understanding of the reasons behind China's transformation from revisionist to a constructive power in East Asia in the post-Cold War era. Furthermore, this research posits that the views of pro-China and anti-China scholars regarding the topic of thesis are antipodal to each other. Moreover, this study argues that policy makers in China, East Asia and in the US have conflicting views about China's contemporary approach in its region. Therefore, on the basis of literature studied during the research on the topic, this thesis makes three types of recommendations: at first, recommendations for international relations community especially related to IR theory, secondly, recommendations to IR scholars doing research on China and thirdly recommendations to the policy makers in China.

This thesis recommends to IR scholars and student to explore the potential of the theory of Uneven and Combined Development and apply on different themes in IR. The dominant theories in international relations have failed to impress the scholars of other fields of social sciences. Even some scholars within politics and international relations are doubtful on the subject potential of IR and applicability of themes of IR in other fields of social sciences. Kenneth Waltz, himself, categorically said that it was very difficult for the IR students to think their subject in pure IR theoretical terms contrary to other fields of social sciences like sociology and linguistics that have number of their pure subject theories which are equally important to other fields of social sciences. Unfortunately, international relations failed to produce any such theory that might have significance and applicability for the other subjects of social sciences.

Theory of UCD provides the hidden potential of 'international' of IR and suggests that the popular opinion that IR became relevant after the 'Treaty of Westphalia' or according to some views history of IR is as old as state system. However, the UCD takes these conceptions of IR as too narrow and suggests that multiplicity of societies has been a historic phenomenon because

there has never been a single society in human history. Multiplicity of societies means that the societies must have some type of interaction whether it is positive or negative. This ‘international’ takes IR to another level and suggests that the history of IR is as old as history of societies. Furthermore, the clear distinction between national and international politics have rendered IR too narrow, therefore it is pertinent that IR should take linguistic, economic and societal transformation at the core of IR theory. The UCD is such a theory which studies the societal transformations because of societal multiplicity and their impact on international system. Furthermore, the UCD is an emerging theory within IR discourse; therefore, researchers and students should concentrate on the theory to explore the potential of theory as much work is needed to understand the true potential of the theory.

The second recommendation suggested by this thesis is that majority of the researches on contemporary China ignore the mutual connection between China’s liberal economic transformation from a stringent socialist model and its impact on China’s foreign policy transformation in East Asia. Furthermore, regionalism in East Asia has become very important topic in international relations as there has been a surge in researches conducted from the English School lens in East Asia regionalism; however, these researchers too miss the societal transformations in East Asia because of mutual interaction between national and international politics, especially in China’s case. Therefore, this thesis suggests that there is a need to conduct important researches in UCD and its applicability in China’s contemporary domestic and international policy.

The third recommendation made by this thesis is to the Chinese leadership. It is natural that the Chinese leadership has been becoming increasingly confident about China’s capabilities. There has been a debate in Chinese IR and policy makers that whether ‘Low Profile Policy’ devised by

Deng Xiaoping is still relevant to contemporary China's policy, especially towards its region. Some scholars and policy makers are of the view that China should stick to the 'Low Profile Policy' (LFP) because China still need to ensure its neighbors that China will not take active interests in global and regional affairs so that the East Asian countries should not have fears about China's rise. On the other hand, some scholars and policy makers within the CCP suggest that now the conditions are much different than the start of the LPP policy by Deng because at that time China was in dire need of the US and the Western help. However, this view suggests that the economic help came at the cost of surrendering China's important national interests especially related to China's maritime conflicts with its neighbors. In addition to this, because of China's silence, the US became more entrenched in East Asia and signed a number of joint defense treaties with China's neighbors, thus, posing direct threat to China. Therefore, the only answer to such US pressure is the complete renunciation of the 'Low Profile Policy' and to come with a new proactive policy through which China can defend its national interests. However, this thesis suggests to the national policy makers of China that the continuation of the 'Low Profile Policy' is very important for China because economic prosperity is still number one need of China. The anti-China academia and policy makers within the US have been assiduously suggesting to China's neighbors that China's rise is an undeniable threat for them and the sooner they realize China's threat; it will be better for them. China should understand this knowledge production and should not provide any chance to anti-China lobby so that they cannot create fears in China's neighbors' minds.

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## **LIST OF INTERVIEWS**

In social sciences, a research is always mean to deal with a new phenomenon to find out the facts or reexamine some subject to find out changes occurred during some period of time. Some interviews are conducted from the scholars having grip on China's contemporary foreign policy and the main scholars in Uneven and Combined Development. List of interviews is as following.

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