Durham University

Durham E-Theses

China's economic statecraft at the contemporary stage and its role in national security

WU, CHENCHEN

How to cite:

WU, CHENCHEN (2009) *China's economic statecraft at the contemporary stage and its role in national security*, Durham theses, Durham University. Available at Durham E-Theses Online: http://etheses.dur.ac.uk/32/

Use policy

The full-text may be used and/or reproduced, and given to third parties in any format or medium, without prior permission or charge, for personal research or study, educational, or not-for-profit purposes provided that:

- a full bibliographic reference is made to the original source
- a link is made to the metadata record in Durham E-Theses
- the full-text is not changed in any way

The full-text must not be sold in any format or medium without the formal permission of the copyright holders.

Please consult the full Durham E-Theses policy for further details.

Academic Support Office, The Palatine Centre, Durham University, Stockton Road, Durham, DH1 3LE
e-mail: e-theses.admin@durham.ac.uk Tel: +44 0191 334 6107
http://etheses.dur.ac.uk

China's Economic Statecraft at the Contemporary Stage and Its Role in National Security

A Thesis Submitted by Chenchen Wu

Thesis submitted in fulfilment of the requirement for the degree of Doctor of Philosophy at Durham University

Declaration

I hereby declare that this submission is my own work and it contains no materials previously published or written by another person, nor material used in support of an application for the award of another degree or qualification to this or any other university or educational institution.

Signature: chenchen Wu

Date : 23/Nov/2009

Copyright

The copyright of this thesis with the author and no quotation from it or information derived from it may be published without written consent of the author.

Acknowledgement

I would first to express my deepest sense of gratitude and appreciation to my supervisor, Dr. David Kerr, for his support and expert guidance throughout this work. His constructive and valuable advice helped me greatly at all stages to conclude my research.

I also owe my sincere gratitude and warm thanks to Dr. Gordon Chan for his professional advice, which contributes, to my understanding on International Political Economy.

Finally I would like to express massive thanks to my family for their understanding, encouragement and support.

LIST OF CONTENT:

ABSTRACT 13

CHAPTER ONE: INTRODUCTION 16

CHAPTER TWO: THEORIES OF NATIONAL SECURITY 46

2.1 CONVENTIONAL SECURITY STUDIES 47

2.2 NEW SECURITY STUDIES 51

2.3 ECONOMIC SECURITY 59

2.4 CONCLUSIONS AND HYPOTHESIS 71

CHAPTER THREE: THEORIES OF ECONOMIC STATECRAFT 73

3.1 ECONOMIC STATECRAFT 74

3.1.1 ECONOMIC SANCTIONS 76

3.1.2 ECONOMIC INCENTIVES 82

3.2 THE FAILURE OF ECONOMIC SANCTIONS 89

3.2.1 REASONS FOR IMPOSITION 90

3.2.2 THE OUTCOME OF SANCTIONS 93

3.2.3 THE EFFICIENCY OF ECONOMIC INCENTIVES 99

3.3 CONCLUSIONS AND HYPOTHESIS 102

CHAPTER FOUR: CHINA'S NATIONAL SECURITY STUDIES 105

4.1 CHINA'S NEW SECURITY THEORIES 105

4.1.1 CHINA'S MILITARY SECURITY 107

4.1.2 CHINA'S POLITICAL SECURITY 110

4.1.3 CHINA'S ECONOMIC SECURITY 112

4.1.4 OTHER NON-TRADITIONAL SECURITY 115

4.2 CORE OF CHINA'S SECURITY CONCEPT 117

4.3 CONCLUSIONS 120

CHAPTER FIVE: CHINA'S ECONOMIC STATECRAFT IN ITS DIPLOMACY 123

5.1 THE PROCESS IN THE MAKING OF CHINA'S FOREIGN POLICY 126

5.2 THE ROLE OF ECONOMIC STATECRAFT IN THE CHANGING FOREIGN POLICY 132

5.2.1 STAGE ONE (1949-1978) 133

5.2.2 STAGE TWO (1978-1989) 136

5.2.3 STAGE THREE (1989-2001) 141

5.2.4 STAGE FOUR (2001 ONWARDS) 150

5.3 CONCLUSIONS 161

CHAPTER SIX THE CHINA-AFRICA ENGAGEMENT AND THE FOREIGN AID STRATEGY 166

6.1 CHINA-AFRICA DIPLOMATIC INTERACTIONS 167

6.1.1 'EIGHT PRINCIPLES' ON ZHOU ENLAI'S AFRICA TOUR IN 1963—IDEOLOGICAL AND POLITICAL OBJECTIVES 168

6.1.2 'FOUR PRINCIPLES' ON ZHAO ZIYANG'S AFRICAN TOUR IN 1982—ECONOMIC OBJECTIVE 174

6.1.3 CHINA'S AFRICAN POLICY IN 2006 176

6.1.4 CONCLUSIONS 180

6.2 THE MECHANISM OF FOCAC 181

6.2.1 CHINA'S STRATEGIC OBJECTIVES IN AFRICA UNDER FOCAC 182

6.2.2 POTENTIAL OBSTACLES TO THE CHINA-AFRICA ENGAGEMENT 203

6.2.3 THE STRATEGY OF ECONOMIC INCENTIVES 221

6.3 CONCLUSIONS 226

CHAPTER SEVEN: THE CHINA-ASEAN ENGAGEMENT AND THE FTA STRATEGY 231

7.1 CHINA-ASEAN DIPLOMATIC INTERACTIONS 232

7.1.1 ASEAN COMMUNITY 232

7.1.2 CHINA-ASEAN INTERACTIONS 238

7.2 CHINA-ASEAN FREE TRADE AGREEMENT AND THE MOTIVATIONS BEHIND IT 246

7.2.1 MOTIVATIONS BEHIND THE STRATEGY OF FREE TRADE AGREEMENT 247

7.2.2 POTENTIAL OBSTACLES ON THE CHINA-ASEAN ENGAGEMENT 276

7.3 CONCLUSIONS 292

CHAPTER EIGHT: COMPARISON WITH REGARD TO CHINA-AFRICA AND CHINA-ASEAN ENGAGEMENTS 297

8.1 BOTH AFRICA AND ASEAN ARE IMPORTANT PARTNERS IN CHINA'S SOUTH-SOUTH COOPERATION 298

8.2 ASEAN AND AFRICA BOTH EMBODY THE EMPLOYMENT OF ECONOMIC DIPLOMACY, BUT HAVE DIFFERED IN THE MEANS OF ECONOMIC STATECRAFT 301

8.3 BOTH THE ASEAN AND AFRICAN CASES SUGGEST THAT ECONOMIC STATECRAFT MAY SERVE NATIONAL SECURITY, BUT THEY DIFFER IN PRIMARY DRIVERS 305

8.4 CONCLUSIONS 308

CHAPTER NINE: CONCLUSIONS 310

9.1 SUMMARY OF THE THESIS 310

9.2 SYSTEMATISING THE FINDINGS FOR THE RESEARCH QUESTIONS 312

9.3 RECOMMENDATIONS FOR FURTHER RESEARCH 321

APPENDIX I AND II 329

REFERENCES 340

List of tables

TABLE 3.1 EXAMPLES OF ECONOMIC STATECRAFT 76

TABLE 3.2 UN SECURITY COUNCIL SANCTIONS (1945-2000) 78

TABLE 4.1 PRIMARY ENERGY CONSUMPTION IN CHINA (QUADRILLION BTU) 114

TABLE 4.2 ESTIMATES OF CHINESE OIL IMPORTS (MILLION BARRELS PER DAY) 114

TABLE 5.1 MINISTRIES INVOLVED AND THEIR FUNCTIONS ON THE PROCESS OF MAKING FOREIGN POLICY AND FOREIGN ECONOMIC POLICY 128

TABLE 5.2 FDI FLOWS TO CHINA FROM 1979-1989 (USD BILLION) 139

TABLE 5.3 CHINA'S GDP GROWTH FROM 1979-1988 139

TABLE 5.4 PARTNERSHIPS BETWEEN CHINA AND MAJOR COUNTERPARTS DURING 1997-2000 144

TABLE 5.5 CHINA'S GDP AND GDP GROWTH 151

TABLE 5.6 CHINA'S TRADE VOLUME FROM 2001-2007 (USD BILLION) 152

TABLE 5.7 CHINA'S REGIONAL SOURCES OF IMPORTED CRUDE OIL, 2000-2003(%) 154

TABLE 5.8 CHINA'S IMPORTED CRUDE OIL BY REGION 1995-2006 (%) 156

TABLE 6.1 AFRICAN COUNTRIES RECEIVING CHINESE AID IN THE 1960S AND 1970S 171

TABLE 6.2 WORLD OIL RESERVES BY REGION AS OF JANUARY, 2007 (BILLION BARRELS) 185

TABLE 6.3 PRODUCTION OF PROVED RESERVES BY REGION IN 2006 (THOUSAND BARRELS DAILY) 186

TABLE 6.4 TOP WORLD OIL PRODUCERS IN 2004 187

TABLE 6.5 CHINA'S AVERAGE ANNUAL GDP GROWTH: 1979-2007 189

TABLE 6.6 MAJOR CHINESE OIL FIELDS OWNED BY THE THREE NATIONAL COMPANIES 190

TABLE 6.7 SOME COMMERCIAL DEALS OF CHINA'S THREE LARGEST OIL COMPANIES IN AFRICA 192

TABLE 6.8 CHINA'S TRADE VOLUME WITH THE WORLD AND WITH AFRICA (USD BILLION) 193

TABLE 6.9 CHINA'S IMPORTED CRUDE OIL BY REGION 1995-2006 (%) 193

TABLE 6.10 CHINA'S CRUDE OIL IMPORTS IN 2005 194

TABLE 6.11 TOP FIVE CHINESE IMPORTS FROM AFRICA: 2004-2007 (USD MILLION AND %) 195

TABLE 6.12 PROJECTIONS FOR CHINA'S COMMODITY IMPORT DEMAND 195

TABLE 6.13 SHARE IN TOTAL IMPORTS AND ORIGIN OF THE PRIMARY COMMODITIES IN CHINA'S IMPORTS, 1999-2003 196

TABLE 6.14 TOP FIVE AFRICAN TRADE PARTNERS WITH CHINA IN 2007 (USD BILLION) 197

TABLE 6.15 GEOGRAPHICAL DISTRIBUTION OF CHINESE ENTERPRISES ABROAD IN 2003 198

TABLE 6.16 CHINA'S TOP FIVE AFRICAN EXPORT MARKETS: 2004-2007 (USD MILLION) 199

TABLE 6.17 SOME CHINESE INFRASTRUCTURE PROJECTS IN AFRICA 200

TABLE 6.18 SUB-SAHARAN AFRICA'S PRINCIPAL TRADING PARTNERS (USD BILLION AND MARKET SHARE) 213

TABLE 6.19 CHINA'S TRADE SURPLUS WITH CERTAIN AFRICAN COUNTRIES (USD BILLION) 217

TABLE 6.20 CHINA'S TRADE DEFICIT WITH THE AFRICAN ECONOMIES (USD BILLION) 218

TABLE 6.21 MAJOR HIGH-LEVEL VISITS TO AFRICA BETWEEN 2000 AND 2009 222

TABLE 6.22 CHINA'S OFFICAL GOVERNMENT EXPENDITURE FOR EXTERNAL ASSISTANCE 1998-2007 223

TABLE 7.1 MAJOR DOCUMENTS DURING THE 1970S AND 1980S 235

TABLE 7.2 INTRA-ASEAN AND EXTRA-ASEAN EXPORTS, 1993-1996 (USD MILLION) 236

TABLE 7.3 GEOGRAPHICAL DISTRIBUTION OF CHINESE ENTERPRISES IN DEVELOPING COUNTRIES IN 2003 246

TABLE 7.4 TRADE VOLUME BETWEEN CHINA AND ASEAN DURING 2002-2007 253

TABLE 7.5: CHINA'S TRADES WITH THE ASEAN MEMBERS (USD BILLION) 253

TABLE 7.6 SITUATION IN THE SOUTH CHINA SEA 255

TABLE 7.7 SITUATION ON SPRATLY ISLANDS 256

TABLE 7.8 COMPARISON OF THE RICH AND POOR PROVINCES (IN 2004, RMB BILLION) 268

TABLE 7.9 TRADE VOLUME OF YUNNAN PROVINCE WITH GMS IN 2007 (USD MILLION) 269

TABLE 7.10 MAJOR RESOURCES AND INDUSTRIES OF GREATER MEKONG COUNTRIES/PROVINCE) 270

TABLE 7.11 ASEAN TRADE WITH AMERICA, JAPAN AND CHINA IN 2006 (USD MILLION) 278

TABLE 7.12 MAJOR EXPORTS OF CHINA AND ASEAN BY CATEGORIES IN 2006 287

TABLE 7.13 CHINA'S TOP FIVE EXPORTS MARKETS IN 2007 (USD BILLION) 287

TABLE 7.14 ASEAN'S TOP FIVE EXPORTS MARKETS IN 2006 (USD BILLION) 288

TABLE 7.15 ASEAN FOREIGN DIRECT INVESTMENT NET INFLOW 289

-

LIST OF FIGURES

FIGURE 5.1 CHINA'S FOREIGN POLICY MAKING PROCESS 130

Abbreviation:

ASEAN: Association of Southeast Asian Nations
ACFTA: ASEAN-China Free Trade Agreement
China Exim Bank: China Export-Import Bank
CNOOC: China National Offshore Oil Corporation
CNPC: China National Petroleum Cooperation
EMA: Evolution in Military Affairs
FOCAC: Forum on China-Africa Cooperation
FTAs: Free Trade Agreements
FTMAA: Free Trade Market Agreement of the Americas
GMS: Greater Mekong Sub-region
ICBM: Intercontinental Ballistic Missiles
MFN: Most Favoured Nations
NTS: Non-Traditional Security
NAFTA: North American Free Trade Agreement
NPC: Nation People's Congress
ODA: Official Development Assistance
PLA: People's Liberation Amy
PTAs: Preferential Trade Arrangements
RTAs: Regional Trade Agreements
Sinopec: China Petroleum and Chemical Corporation
SCO: Shanghai Cooperation Organization
UN: United Nations
WTO: World Trade Organization

China's economic statecraft at the contemporary stage

and its role in national security

Chenchen Wu, Durham University

Abstract: This thesis explores China's economic statecraft in the 20 years since the Tiananmen crisis and its role in China's approach to national security. It examines the intertwined relations between the strategy of economic statecraft and the service of this strategy in China's national security interests. It takes a regional focus of this relationship, using China–Africa and China–ASEAN as comparative examples.

The thesis is structured in three parts. Part I first presents the theory of national security (Chapter Two) and the study of economic statecraft (Chapter Three). On the basis of the theoretical frameworks it raises two hypotheses respectively: first, for a rapidly-growing economy, like China, the focus on economic development affects its security concept, which makes China pursue national security by means of economic security; and second, on the pursuit of security interests, the strategy of peaceful rising leads to the preference on economic diplomacy, instead of military instrument, though the specific approach of economic diplomacy may vary by region.

To verify these hypotheses, Part II starts with the analysis on China's security concept (Chapter Four) and its mode of economic statecraft in diplomacy (Chapter Five). The scenario of the security situation in China indicates the importance of economic security

due to the significant relevance of China's political security and social stability – supporting the first hypothesis (Hypothesis I) – but military security in the neighbouring area is still prominent. The arguments on the role of economic statecraft in China's diplomatic history since its founding in 1949 lead to the conclusion that, since the Chinese government largely defines its security concept as economic security with regional diplomacy predominating, the model of economic statecraft has shifted towards pragmatic security concerns and away from the ideologically based strategy of the past.

Part III further demonstrates the inter-linkage between security interests and economic statecraft in China's external relations, by exploring the strategic relations between China and Africa and between China and ASEAN. Chapter Six on China–Africa engagement identifies that the significance of Africa for Chinese security rests in the continent's increasing role in resources supply to Chinese economy. The primary motivation behind the Forum on China–Africa Cooperation is to foster economic exchanges in resources through massive incentive strategies, foreign aid in particular. In comparison, Chapter Seven on China–ASEAN engagement argues that the relations with ASEAN are crucial for Chinese economic security and regional security especially. The China–ASEAN Free Trade Agreement is an approach of economic statecraft that seeks to minimise the negative effects of the South China Sea dispute with the maritime ASEAN states and to produce a transportation corridor for energy supplies through the continental members, bypassing the 'Malacca Dilemma' of the sea lanes. These arguments entirely support the second hypothesis.

The thesis concludes that economic statecraft, being the strategy of economic diplomacy, has been playing an impressive role in service for China's national security interests, illustrated in safeguarding regional security in the Southeast Asian area and economic security in the far African continent. However, China's economic diplomacy towards the two areas is debatable: the aid policy towards Africa needs to be improved and the free trade agreement with ASEAN may not be effective in solving the disputes on the South China Sea.

Chapter One: Introduction

1.1 Research topic and objectives

The thesis is concerned with 'China's economic statecraft at the contemporary stage and its role in national security', and will explore the intertwined relations between the strategy of economic statecraft and the service of this strategy for national security interests. The thesis takes the rising economy of China as the central research object, and considers the application of the theories of economic statecraft and national security to the strategic partnerships with ASEAN and Africa, since the two scenarios are of strategic significance to China's emergence.

The thesis has three fundamental research objectives. The first objective is to make clear how the nexus between economics and security interests contributes to the framework of new security theory. The second objective is to understand the pursuit of the security interests of nations and people by states through what is termed 'economic statecraft'. The third objective is to test the application of the previous theories on the nexus between economy and security and between economic statecraft and national security through an examination of China's relations with its Southern strategic partners, ASEAN and Africa. These two cases are relevant due to the importance of ASEAN to China's regional security and that of Africa to China's economic security.

1.2 Research questions and hypotheses

1.2.1 Research background

In 1943, Edward Earle noted that the relationship between economics and security is an important part of state-building (Mastanduno, 1998: 825, cited from Earle, 1943: 117). But in security studies this relationship has not been paid as much attention as the link between military statecraft and the security issue. Mastanduno (1998) proposes that 'we should expect scholarship that links economics and security to become increasingly prominent in the post-Cold War IR literature' (Mastanduno, 1998: 853). The thesis considers this proposition to have two aspects: research should pay more attention to the impact of economics itself on security studies, and more focus should be paid to the role of economic statecraft in the service of security interests. This is particularly needed in China's security studies and is of increasing importance given China's emergence as both an economic and security actor.

i. The impact of economics on Security Studies and the relationship between International Political Economy and Security Studies

Security studies is a sub-field of International Relations. Traditionally, security is generally considered to be a precondition of ordered human existence, and its pursuit is a matter of the highest priority. For states, the majority of governments would agree that

'the maintenance of national security is a fundamental duty, the satisfaction of which is directly linked to their claims to legitimacy and public loyalty' (Mangold, 1990: 1-2). Only if security is assured can states safely seek such other goals as economic interests and social stability.

During the early period between the First and Second World Wars, scholars of International Relations perceived democracy, international understanding, disarmament and collective security as the most important ways to promote international peace and security. After the Second World War, great progress in security studies was witnessed. Numerous courses on international politics were introduced to universities and academic institutions, and research in this field began to recognise the role of military instruments of statecraft in ensuring security, which shaped a common understanding on conventional security studies. In the following decade, from the year 1955 to the year 1965, which was called the golden period, the agenda of security studies was dominated by how to use a particular set of weapons, such as nuclear weaponry and related concerns on arms control. The renewal of Cold War tension since the Afghanistan War in the late 1970s affected both the level of activity and the substantive focus of research on security, which paid attention to nuclear strategies, East-West relations, and to the security problems of the United States and Western Europe. Since then, the primary goal of national security was clearly defined in military terms, and how to use particular military instruments of statecraft became the central concern of security expertise. This differed from earlier research, which just considered what security was, and how

important it was relative to other goals. Krause and Williams (1996) concluded that politicians believed that security, in essence, should focus on 'safeguarding the core value of a state from external military threats, principally through the use of force, or the threat to use force' (Krause and Williams, 1996: 230).

However, traditional security studies, defined as the phenomenon of war or the nature of military force, have been challenged by gradual changes in the global situation. Remarkably, international economic relations following the post-war economic recovery imply interdependence among states and increase the integration of security and economics. National security is not confined to the security of political or military interests, and the international struggle for economic interests should be included. The breakup of the Soviet bloc and the subsequent end of the Cold War in the 1990s further paved the way for economic liberalisation, enlarging the sphere of international trade exchange and expanding the membership of the institutions that promote the exchange. When states over the world liberalise their economies and work to attract investment and increase exports, economic issues appear to gain precedence over military concerns, especially in the current background of economic globalisation where the integration of financial markets and the increasing dispersion of production have deepened the interdependence and interpenetration of national sectors. Through an international system of production, trade and finance structures, the international economy itself becomes a significant political issue when it rises in importance as a factor in the wealth of states.

Taking the emergence of non-military threats, such as illegal immigration, drug-trafficking and international criminals into consideration, we may conclude that the discipline of International Relations has turned out to be inadequate in dealing with the new global changes, which suggests the need for another analogous, broadening definition of national security. In 1998, Buzan, Waever, and de Wilde published a very influential book: 'Security: A New Framework for Analysis'. According to this framework, security should be a multi-faceted notion in five sectors: military, politics, economics, society, and environment. In the new context of national security, the nexus between economics and security is addressed. Although military force has not vanished as a major element of national security, it has declined in importance relative to other non-conventional issues like economic security. National wealth could be generated not only by production and exchange through the promotion of international trade, but also by predation through seizing the resources and economies of other nations. From this perspective, the effects of economics on security are embodied in access to resources, capital and markets necessary to keep a sustainable development and state power.

Indeed, the new security concept is not just about tacking the word 'security' onto economic, environmental and societal, but about dissolving the unhelpful boundary between Security Studies and International Political Economy. Much of the agenda that emerges from the new framework, especially the interaction between economics and security, lies in the realm of International Political Economy, not least because of the

propensity of liberal economics to spill security issues over into other sectors. For this reason, the neglect of economics-security linkages partly results from the disintegration of the boundary between International Political Economy and International Relations studies. In the post-Second World War period, the rapid emergence of the Cold War led to the most pressing international concerns being placed on the security sector. The questions of war and peace became truly high politics in the minds of many policy makers and IR specialists. Plus, post-war international economic relations were relatively stable under US leadership so that scholars viewed economic matters as low politics. Realists, who held prominence in International Relations, developed their theories by drawing mainly on politics instead of economics, and they focused considerably on security rather than on economic issues.

However, the incapability of the discipline of International Relations to deal with the changing global situation resulted in International Political Economy emerging as a research program that would offer explanation for these variables. The core issue in the study of International Political Economy is seen as the politics of international economic exchange. In Gilpin's view, the central issues of International Political Economy are the impact of the world market economy on the relations of states and the ways in which states seek to influence market forces for their own advantage (Gilpin, 1996: 22). It appears that states not only have a strong incentive to take actions that safeguard their own economic values and interests, but also attempt to manipulate market forces to increase their political power and influence over one another.

ii. The role of economic statecraft in the pursuit of security

In current security studies, relational dynamics, such as security dilemmas, power balances, and security regimes, have been stressed; but little concern has been paid to the implications of economic statecraft on national security. Indeed, there is little doubt that military force plays a key role in protecting national integrity and furthering national interests in a world which is heavily armed, but the possibility of other less-threatening routes should be considered, as the destructiveness of military force has been greatly developed and become so dangerous. In the current global climate where economies are closely linked to one another, economic interdependence offers a new type of soft solution instead of hard force. As Keohane & Nye (1989) note in their text 'Power and Interdependence', 'asymmetrical interdependence can be a source of power…a less dependent actor in a relationship often has a significant political resource' (Cohn, 2005: 97, cited from Keohane & Nye, 1989: 24-27). Economic statecraft has been one area of foreign policy where governments can practise such asymmetrical interdependence.

Both Baldwin's 'Economic Statecraft', and Hufbauer, Schott & Elliot' s 'Economic Sanctions Reconsidered' are fundamental books for the analysis of the impressive employment of economic statecraft. According to Baldwin (1985), statecraft involves the application and interplay of multiple instruments, including military, economic, and diplomatic capacities, to achieve the multiple objectives of states, such as national

security, economic prosperity and political influence. Economic statecraft, which includes economic sanctions and incentives, refers to influence attempts relying primarily on resources that have a reasonable semblance of a market price in terms of money (Baldwin, 1985: 13-14, 30). Sanctions, viewed as the deliberate government-inspired withdrawal, or threat of withdrawal of trade or financial relations, by limiting exports, imports or financial movements, have been applied in many scenarios with the purpose of forcing the target country to submit to the sanction sender's objectives. Lindsay (1986) further investigates that policy-makers might have one or more of five aims when enacting sanctions: compliance, deterrence, subversion, and international or domestic symbolism (Lindsay, 1986: 153). Also, economic incentives refer to the provision, denial, promise and threat of goods and services in an attempt to influence the attitudes and behaviour of another actor (Hufbauer, Schott & Elliott, 1990: 2; Crumm, 1995: 313, cited from Baldwin, 1985).

It appears that both sanctions and incentives are not treated simply as an economic policy, but economic leverages for political ends or other national objectives. In 'The Changing Relationship Between Economics and National Security', Friedberg (1991) argues that economic statecraft could play a central role in situations where relatively weak states seek to use their control over scarce resources to influence the policies of the comparatively strong and wealthy, where strong states use trade and financial assistance to shape the political preferences of the weak, and where strong countries could begin with increasing frequency to use economic instruments against one another (Friedberg,

1991: 272). In comparison to incentives, trade sanctions are more suitable to the countries that depend highly on imports or exports; financial controls are targeted to certain countries or specific groups, which rely heavily on loans or credits from the international capital markets to maintain economic development; economic engagement may be used to increase political leverage by maximising economic linkage with trade partners; and foreign assistance is mostly granted to potential political allies with the promise of future cooperation.

iii. China's International Political Economy

As International Political Economy studies the politics of international economic activities, most of the research objectives of International Political Economy focus on the industrialised regions of the world, where most of the economic activity occurs. However, the states of the developing world—also called the Global South—should have received more attention due to their impressive economic growth and their increasing economic exchanges and functions, in relation to the industrialised economies, but also within themselves, in the post-Cold War era. It is reported that South-South trade more than tripled between 1996 and 2006, and the trade exchange within the South shows two significances: it is dominated by developing Asia and driven by the large and expanding economies of China and India, and the export of natural resources is flowing from

developing Africa to the developing Asian regions, notably China.[1] It appears that China has become an important actor for the organisation and interaction of South-South economic exchange.

Therefore, the thesis will shift its focus on the international political economy of China's external relations away from the industrialised economies and onto that of China's Southern counterparts. It will examine this shift of orientation within the understanding of contemporary International Political Economy, which considers the interaction of both state and market actors; and contemporary security studies, which examine the role of economic factors in shaping security choices in the specific case of China.

1.2.2 Research questions

The three aspects of background research lead to three research questions:

Question 1: how should we understand China's thinking on security in its contemporary stage; and what role does economic security play in China's national security thinking?

Question 2: what is distinctive about the Chinese model of economic statecraft?

---

[1] The Asian market now receives more than a quarter of Africa's exported ores and minerals, and 20% of its exported fuel. In 2004, China alone took around 40 percent of total African exports, mainly petroleum and raw materials like ores and metals, and agricultural raw materials.

Question 3: how does China merge its economic statecraft and security objectives in practice and how do these objectives vary by region when comparing its differing approach in diplomacy towards Africa and Southeast Asia?

1.2.3 Hypotheses

Hypothesis I: for a growing economy like China, economic development is always the primary concern of government work, as Deng Xiaoping and his successors consistently advocated. The central position of economic development affects China's security thinking and makes China pursue national security by means of economic security at the contemporary stage.

Hypothesis II: for a new rising international player like China pursuing a peaceful rise policy, which never favours a military approach in seeking its security interests, security objectives and economic diplomacy can never be separated, though the means of economic diplomacy will vary greatly from region to region.

1.3 Research Design

1.3.1 Case studies

In social science, there are five major types of research design, namely experimental design, cross-sectional design, longitudinal design, case study design and comparative design. Case studies are an extremely popular form of research design and are widely used in research that requires hypothesis testing by generating data through the process of case analysis which then leads to wider generalisations. A case study design can be based on single or multiple cases. Carefully selected multiple cases may provide a more robust test of a theory and can specify the conditions under which hypotheses and theories may or may not be held.

As the thesis will explore the international political economy of China's external relations with its Southern counterparts by studying the role of economic statecraft in security interests and contrasting the application in different scenarios, the approach of multiple case studies will be adopted and the thesis will consider ASEAN and Africa as two research objectives.

The selection of Sino-African and Sino-ASEAN relations as case studies is justified for the following reasons. Firstly, in the current global climate, it is hardly conceivable that China would form a reliable allied-relationship with the West, since the fundamental

conflict between them is beyond ideological divergence, and increasingly lies in the struggle over resources. Following China's rapid expansion, it is unavoidable that it will take part in the struggle for global distribution of resources in order to feed domestic demands. In the present international order, the developed states, which account for one-quarter of the world population, consume three-quarters of global resources. If China, the unit accounting for one-fifth of the world population, wants to become a middle-income state (4,000-5,000 USD income per year per person), as their national target is set, they must engage in the scramble for control of resources, meaning a shrinking share for the West. The struggle will continue unless the Chinese economy shifts its reliance onto renewable resources, and away from traditional energy and other natural resources. Taking note of the widespread accusation of Chinese investments in Africa, one knows how the West could not tolerate a Chinese challenge on resources. As a counterstrategy, strengthening unity and cooperation with other Southern nations, including ASEAN, Africa, Latin America, South Asia and Caribbean states, is and will be a steadfast standpoint of China's foreign policy, especially with the former three regions are much notable.[2]

Secondly, China's national security thinking is one of the research focuses of this thesis.

[2] According to the data from CRS Report 2009, of the loans, infrastructure projects and other aid provided by China between 2002 and 2007, 44% was allocated to Africa, 36% to Latin America, and 20% to Southeast Asia (Lum, Fischer, Gomez-Granger & Leland, 2009: 9).

From a national security perspective, China has the territorial disputes with Japan in East Asia, with certain ASEAN states in Southeast Asia, and with India in South Asia; the US military influence circles a great part of China, such as the military bases in China's East side—Japan and South Korea, forcing exercises with the countries along China's coastline, including the Philippines, Indonesia, Singapore, Malaysia, Thailand, and to a lesser extent Vietnam, as well as the US military cooperation on anti-terror with India, Pakistan and Afghanistan to China's South. If China desired to become a global player in the future, it would have to begin by building a safe regional foundation. Moreover, before China is able to successfully open alternative channels from Pakistani ports, more than 80 percent of Chinese cargo has to be shipped through the Indian Ocean, across the Malacca Strait, along the South China Sea to Chinese coastal cities. The disputes on the South China Sea with some ASEAN states make the route's security uncertain. Especially since 2008 the involved ASEAN states have intensified their actions on the South China Sea, and the US navy confrontations with the Chinese in the disputed water have occurred more frequently, the already tense situation has been exacerbated. From this perspective, the significance of the neighbouring states, especially the ASEAN states, for Chinese regional security, is prominent in comparison to other regions.

Also, the economic security of the new security theory refers to access to resources, capital and markets necessary to keep a sustainable development and state power. In the case of China, its global hunt for energy is a wide-known phenomenon, and Chinese economic security is mainly concerned with maintaining a sustainable energy supply.

The Middle East area so far is the biggest energy supplier for China, followed by Africa, which supplied more than one third of total oil imports in 2006, increasing from less than 10 percent in the 1990s. Considering the unstable situation in the Middle East and rising investment in the African energy sector, the supplies from Africa are expected to increase in the coming years. Angola replaced Saudi Arabia to be the top oil exporter to China in 2006. Taking into consideration that Africa also contributes to the Chinese economy in supplying other natural resources such as ores, slag, ash and wood and so on, it becomes clear that Africa is of greater importance to China's economic security than other trade areas.

Thirdly, as the thesis studies the strategy of economic statecraft in terms of China's security interests, engagements with Africa and ASEAN are typical examples that the role of economic diplomacy plays in national security. There are a number of different motives behind this cooperation: the political intention of shaping a multi-polar system, the security consideration of creating a safe environment for development, and the economic motive of building a modernised country. These multiple objectives are pursued under the establishment of such mechanisms as the Forum on China-Africa Cooperation and the China-ASEAN Free Trade Agreement respectively. The differences lie in the varied approach of economic diplomacy and the primary driver behind these engagements. In the African case, the widespread use of foreign aid indicates an aid-for-economic security approach, whereas in the ASEAN scenario, the regional free trade agreement connects the Chinese with ASEAN economies, demonstrating a trade-for-

regional security strategy.

1.3.2 Research Methods

There are numerous approaches to collecting sources, such as using documents and other secondary sources by means of library and internet searches, conducting interviews, surveys and questionnaires, quantitative analysis through statistics, and so on. The selection of research methods is determined by the study itself. Since the nature of this research is from theoretical to empirical, the method adopted also varies, including the use of documentary, questionnaire, and basic statistical data.

i. Documentary

Documentary material constitutes a vast daunting resource in political science, which may provide an account of previous research and form frameworks within which the research can be placed. In order to build a comprehensive literature review of economic statecraft as well as national security, I will be employing documentary data as the main method of research in the theoretical framework of the thesis. The procedure of documentary research is composed of searching for related literature from sources including influential books, journals, magazines, newspapers, and websites of both Western and Chinese origin, not only accumulating the materials, but also integrating

different arguments systematically and developing new ideas about the theories in a creative and practical way.

In particular, Barry Buzan, Ole Waver & Japp de Wilde's 'Security: A New Framework for Analysis' (1998) and Barry Buzan's 'People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era' (1991) are two fundamental books that will be used to form the framework of security studies, while David Baldwin's 'Economic Statecraft' (1985) and 'Economic Sanctions Reconsidered: History and Current Policy' by Hufbauer G. C., Schott J. & Elliott K. A (1990) contribute significantly to that of economic statecraft.

For the Chinese perspective, governmental and academic documents provide a limited source of information on China's foreign policy. In China the highest official body, the Political Bureau, has the authority to make a final ratification on foreign policies. In general, researchers have a limited way to assess primary sources. An example of this would be what Beijing's standpoint on foreign policy is and how these policies come to the table. In this scenario, the most important source of empirical data on China has to come from official documentary materials such as the policy papers released by the Beijing government, the top leaders' speeches, and the information unveiled in the party-controlled media such as the People's Daily and Xinhua News. In this thesis, policy papers such as China's Africa Policy, some quotations from the state leaders' speeches such as that of President Hu and Primer Wen in international settings, and the column

released in the state media are adopted as secondary sources to analyse China's foreign policy towards its Southern counterparts, especially Africa and ASEAN.

There is very little significant Chinese literature to offer any insight into China's security policy. Security related subject is a less developed area of China Studies, and most of the current literature on this subject either describes the historic diplomatic evolution or repeatedly addresses the importance and wider application of the new security theory in comparison to traditional security theory. But none of them deeply or precisely defines the situation and priority of the Chinese security agenda at the contemporary stage. After the former President, Jiang Zemin, initiated the new approach to security, a policy paper—China's Position Paper on the New Security Concept—is the only reliable secondary source concerning China's security approach from a government perspective.

ii. Questionnaire

The questionnaire is a critical methodological tool in social research and it is widely used to collect factual data. A well-designed questionnaire is highly structured to allow the information to be collected from a number of people and for data to be analysed systematically. When the second hypothesis on the China-ASEAN case is examined, which is more complicated than China-Africa relations due to historical reasons and territorial disputes, standpoints from other scholars as well as officials are rather useful for conducting the research. There are several ways of conducting a questionnaire. It can

be done in a face-to-face interview, over the telephone or by mail. Considering the economic costs and efficiency, the method of self-administered questionnaire through e-mail is adopted and the second hypothesis (Hypothesis II) is translated into a series of questions.

The questionnaire, with a total of 18 questions, is clearly set out with a logical sequence going from general to particular. Most of the questions are closed-ended with a list of at least four or five choices. The final question is open-ended as it aims to explore the respondent's personal view on China-ASEAN relations. The crucial questions associated directly with the thesis such as the motivations behind the China-ASEAN engagements, the biggest obstacle for the cooperation, the role of the US in this area, the nature of the Chinese and ASEAN economies, and the prosperity of bilateral relations, are raised later.

The people interviewed satisfy two requirements: they are knowledgeable about China's security concerns or China-ASEAN relations, and they represent different perspectives from Chinese, ASEAN, and Western standpoints. The groups targeted are those reputable scholars and diplomats working in the field of China-ASEAN relations, however a low response rate is the biggest problem. The reasons for this are varied: researchers are too busy to concern themselves with questionnaires from people unknown; Chinese scholars do not traditionally reply to questionnaires and it is impossible to access diplomatic staff without having a personal acquaintance. Therefore, out of a total of 30 questionnaires, including 10 to Chinese military officials distributed,

only 16 were returned. The final respondents were Chen Shaofeng from the East Asian Institute, National University of Singapore, Termsak Chalermpalanupap from ASEAN Secretariats, Jorn Dosch from Leeds University, John Weiss from the University of Bradford, John Ravenhill from Austrian National University, Liu Xuecheng from the China Institution of International Studies under the Ministry of Foreign Affairs of PRC, and ten officials from the General Staff Department of the Central Military Commission.[3]

Since the questionnaires were used for research purposes and not for statistical analysis, the resulting data still delivers some interesting results which have been applied to this thesis. None of the respondents considers economic competitiveness between the two economies as an obstacle to bilateral relations. This to some extent suggests that the intention behind China-ASEAN cooperation is beyond economic. Only four out of sixteen thinks China's military modernisation is motivated by the South China Sea disputes, whereas most think the disputes in the South China Sea are the biggest threat to China-ASEAN relations. This thesis also recognises the South China Sea issue as a

[3] The PLA is organised in accordance with a system whereby the General Political Department, General Logistics Department, the General Staff Department and General Armament Department are placed under the leadership of the Central Military Commission. The General Staff Department leads the building-up of the nation's armed forces, and directs the military operations.

challenge to the prosperity of bilateral relations, but it defines the US intervention, the role of Japan, and economic competitiveness of the two unities as the primary obstacles.

Also, none of the respondents suggests that ASEAN should take an isolationist or encirclement strategy to deal with China's rapid growth, while ten Chinese military officials consistently consider China to be a reliable and capable state to lend support when ASEAN is in crisis. The thesis argues that ASEAN is taking dual strategies: trading with China while engaging militarily with external powers, while China sees itself as a trustworthy neighbour and expects to exclude the interference of external powers by economically allying itself with ASEAN. Furthermore, the comments from Termsak Chalermpalanupap, the ASEAN secretary, are particularly interesting. His standpoint somewhat represents ASEAN mainstream policy on current China-ASEAN cooperation and indicates ASEAN's willingness to strengthen its coordination with China for mutual benefit, since the two sides share similar concerns over economic development.

iii. Basic statistical data

Descriptive statistics are a range of basic statistical tools for describing data, and offer a powerful and clear way of measuring, analysing and presenting data. In the thesis some statistics and factual data in the form of tables are presented to assist the arguments, especially in the two case studies.

The section on China-Africa provides a number of tables which introduce data on world oil reserves and production by region to indicate the strategic importance of Africa in the world energy market. Besides the data on trade, China's regional resources of imported crude oil and the exported volume of raw material from Africa to China are presented to address the significance of the African continent in terms of China's economic security, while the FDI and foreign aid outflow from China to the African countries are listed to highlight China's foreign aid strategy.

In the section on China-ASEAN relations, statistical figures and dynamics, including trade volume and value, are employed to measure the extent and improvement of bilateral economic development. The top export markets of China and ASEAN are listed to indicate the similar export destinations. Similarly, the trade volumes of ASEAN with the US, Japan and China, and FDI net inflow to ASEAN are presented to show the unchallenged US economic influence in the area.

1.4 Research structure

The thesis is presented in three parts: theories of national security and economic statecraft in Part I, China's concept of national security and China's model of economic statecraft in Part II, and the application of the interaction between China's security concept and its diplomatic tools of economic statecraft employed in its engagements with Africa and ASEAN respectively, in Part III. Also, the whole thesis is structured by the

three research questions and two hypotheses, by raising hypotheses in the first part and testing them in the second and third parts.

Part I is a literature review. Chapter Two presents the study of international security, which emerged at the end of World War Two and which had not been given a precise definition. Despite the lack of conceptual analysis, security studies have still evolved from conventional security to take in the new security theory. The former only addresses the employment of military force to safeguard national integrity, whereas the latter shows the involvement of multiple factors. These include non-conventional issues such as economy in addition to traditional military concerns, as a result of the increasing economic interdependence and the emergence of non-military threats. This leads to the first hypothesis: for a growing economy like China, the core of economic development may affect China's security theory and make China focus on economic security at the contemporary stage.

Chapter Three introduces the specific means of economic diplomacy through economic statecraft. Based on Baldwin's definition that economic statecraft may be considered as a combination of economic incentives and economic sanctions, Chapter Three further specifies that economic incentives are primarily composed of foreign aid, economic engagement and free trade agreements, while economic sanctions includes both traditional sanctions, such as embargo, boycott and financial controls, and smart sanctions, including transportation and communication control, and humanitarian

exemptions. Furthermore, extensive literature not only reveals the limited role of economic sanctions in achieving initial objectives, but also suggests the preference of economic incentives or the mix of sanctions with incentives. This chapter results in the second hypothesis: for an emerging international actor like China, which claims to adopt the strategy of peaceful rising, it may favour the approach of economic diplomacy rather than military means, to support and advance national security interests, but the specific approach may vary by region.

Part II traces the theories of security and economic statecraft in China's scenario. Chapter Four (China's National Security Studies) aims to testify Hypothesis I by analysing the specific Chinese security situation. The rise of multiple factors has not undercut the significance of military security, as the territorial integration with Taiwan, the East China and the South China Sea, the internal chaos in Tibet and Xinjiang, and the US encirclement in the Asia-Pacific area require a robust military force. At the same time, economic security, energy security in particular, shows its increasing importance since the sustainability of economic development is directly associated with China's political security, which is vital for the continuous ruling of the Communist Party. Furthermore, China's concept of security stresses the means of cooperation and the end of mutual benefits. The arguments verify Hypothesis I, but notably, military security has not been undermined.

Chapter Five explores the Chinese model of economic statecraft and its intertwined relations with China's security concept, by taking a four-stage chronology: from 1949-1978, from 1978-1989, from 1989-2001, and from 2001 until now. This considers the years 1978, 1989 and 2001 as turning points in Chinese modern diplomatic history, referring to the open policy of 1978, the Tiananmen incident of 1989, and the WTO membership of 2001 respectively. Each stage corresponds to a different focus of the Chinese security agenda, but embodies the consistent policy of economic statecraft. The diplomatic efforts experienced the protection of national independence in the earliest period, the provision of conditions for economic development in the 1980s, the breakthrough of Western political isolation in the 1990s, and the securing of regional and energy security nowadays. Correspondingly, prioritising the security agenda has evolved from the military security of the past towards the regional and economic security of nowadays. In spite of the change in priority at every stage, economic statecraft always works as a complementary foreign policy to assist the achievement of national strategy. This, in principle, proves that China prefers the employment of economic diplomacy to realise its national interests.

Part III further tests Hypothesis II by analysing the interaction between China's concept of security and China's use of economic statecraft on its empirical external relations with Africa and ASEAN. In Chapter Six, three impressive policy shifts in China-Africa diplomatic relations are defined: the 'Eight Principles' on Zhou Enlai's Africa Tour in 1963, 'Four Principles of Chinese Cooperation with Africa' in 1982 and 'a New Strategic

Partnership' in 2006. These shifts reveal at least three major features of China's foreign policy towards Africa: the mode of their engagement has moved away from unconditional one-way economic assistance towards pragmatic transaction based on mutual benefits; in the Chinese sense, mutual benefits do not just refer to political mutual support or economic mutual prosperity, but to the mutual strategic interests achieved through multidimensional cooperation; and the cooperation on multiple sectors is mainly driven by the employment of positive incentives, foreign aid in particular.

The study further argues that the establishment of the Forum on China-Africa Cooperation represents the achievement of China's strategic objectives through the promotion of bilateral all-round engagement. The focus on Africa today is not only driven by oil and other resource needs, but also the strategic importance of the African continent. This lies in three considerations, with commercial factors and diplomatic issues standing alongside the primary resource imperative. Furthermore, in confrontation with US interest in African resources and the potential economic shocks that China presents to the less-developed African economies, the Beijing government ought to expand the coverage of its continuous strategy of economic incentives to push forward their energy interests with a win-win consequence. The incentive strategy not only serves for the success of bilateral economic transaction at the current stage, but also forms a preferable foundation for their long-term strategic cooperation.

In the ASEAN case, the most impressive engagements between China and ASEAN are considered to be the proposals of the China-ASEAN Free Trade Agreement and the Great-Mekong Program. Chapter Seven argues that economic statecraft of the free trade agreement shoulders three objectives: to promote bilateral economic prosperity, to undermine the conflict on the territorial struggle over the South China Sea with some maritime ASEAN states, and to open a strategic land corridor through the continental ASEAN members for cargo transportation. Similarly, the study defines three major factors that might hamper the smooth cooperation of the two sides: the US strategic interests in this area, including the control over the Malacca Strait and restriction on the rising influence of China; the role of Japan in Southeast Asia; and the nature of competitiveness of the two economies. Confronted with these challenges, Beijing attempts to ease regional anxieties about China's increasing prominence and counter US ambition towards the Southeast Asian states. The strategy of free trade agreement is expected to motivate the ASEAN states to intensify China-ASEAN bilateral interaction for mutual economic benefits and to reduce the reliance of ASEAN on the US, which in turn ensures China's regional stability. From these perspectives, these arguments in the two cases entirely verify Hypothesis II that China has been using economic diplomacy in ways that advance its economic security in the Africa case and support regional security in the ASEAN case, though the specific means of economic diplomacy varies: foreign aid in Africa whereas trade agreements with ASEAN.

Chapter Eight will make a brief contrast of the two studies. The scenarios of ASEAN and Africa appear to differ from other counterparts of China, on the one hand, because the two destinations mark the target audience for China's South-South ambitions; on the other hand, because in a significant way they may effectively prove that Chinese economic statecraft has come into play for security objectives in the absence of an explicit approach to national security. The difference lies in that the strategy of foreign aid is visible in various cooperative fields on the China-Africa framework, while the free trade agreement is an example of China-ASEAN engagement.

Chapter Nine will summarise the whole thesis in the first section, and in the second section the findings for the three research questions will be systematised. At the end, recommendations to further researches on China's economic diplomacy towards Africa and ASEAN will be made: the aid policy towards Africa needs to be improved and the free trade agreement with ASEAN may not be effective in solving the disputes on the South China Sea.

1.5 Research contribution

This thesis aims to make a contribution to Chinese International Political Economy and differs from earlier work in three clear ways. Firstly, in Chinese literature, both the studies of security theory and economic statecraft are rather new ideas. In the year 1997, the Chinese government initially called for a new security concept. In 2002, 'China's

Position Paper on the New Security Concept' was released, and in the policy paper Beijing decided to work actively to put the new security concept into practice, and the experience conversely gave evidence to the feasibility of the new security concept. This is to say, China's new security theory is still in the experimental stage, and the thesis is expected to define the priority and significance of China's new approach to security at the current time.

Secondly, Wu Baiyi, one of the most influential Chinese experts in the field of national security, argues that the economic diplomacy of nation-states has two areas of execution: either using economic leverage to promote political objectives, or mobilising diplomatic resources to advance trade and commercial objectives. This thesis not only introduces economic statecraft as the means of economic diplomacy, but also explores its practical employment in Chinese foreign policy for political and security objectives.

Thirdly, the thesis offers a robust framework to trace the use of economic statecraft in the service of security interests. In current literature on China-Africa relations, we frequently see the definition of 'aid-for-oil', but neither of them upgrades the strategy as 'economic statecraft for national security'. In related literature on the China-ASEAN relations, scholars refer to the political intention behind the Free Trade Agreement, but most of them always address the South China Sea issue with the exclusion of the land transportation corridor through continental ASEAN states. In contrast, the thesis directly identifies the free trade proposal in service of China's regional security.

Part I: Theories of National Security and Theories of Economic Statecraft

Chapter Two: Theories of National Security

Theories of international security are a relatively new field of study, conceived following the Second World War. The definitive intellectual history of the field is yet to be written (Nye & Jones, 1988: 8). In terms of existing security studies, there are two competing schools. The first set is the novel one, proposed by innovators, which emphasised the interplay of multi-sectors with regard to security. The old school, espoused by the traditionalists, instead places focus on military security alone. The debates between the two schools have reached the consensus that a notion of security which focuses on military issues alone is inadequate, and the improved 'new security studies' is more suitable to the changing international circumstances. However, abundant criticism exists with regard to the fact that little literature attempts to either define the concept of security or delineate its boundaries.

This chapter does not set out to fill this gap by exploring the precise meaning of security, but rather to provide a brief review of national security theory—by comparing the

traditional military-security view with the new multi-sector-security perspective. Traditional security theory is an ambiguous concept, which only focuses on military security. The new theory has not made any breakthrough in conceptual reform, but it offers a broader theoretical framework, which suggests that threats may derive from various sources, including economy, environment, culture and so on, as a result of the increasing economic interaction between states and the emergence of non-traditional threats. In addition, as an important component of the new security framework, economic security will be clarified independently. Based on this theoretical framework, the first hypothesis will be presented at the end of this Chapter.

2.1 Conventional security studies

Following the Second World War, one of the most striking developments in social science has been the emergence of Security Studies. The impetus for the emergence was primarily contributed to two factors in the international environment: the urgent atmosphere generated by the Cold War and the emergence of new technologies of war, which required new conflict resolution methods (Bock & Berkowitz, 1966: 122). The establishment of the National Security Council under the National Security Act of 1947 in the US marked the beginning of government concern with this new subject in social science. Since governmental organisations alone were not capable of dealing with all aspects of national security, the facilities of academia were targeted onto this discipline:

universities began to offer security programs and scholarly work on national security issues grew rapidly.

According to the literature on this topic, Walter (1943) noted that security referred to some degree of protection of values previously acquired: 'a nation has security when it does not have to sacrifice its legitimate interests to avoid war and is able, if challenged, to maintain them by war' (Walter, 1943: 51). Therefore, Walter suggested that security rested on the ability of a nation to respond to an attack. Nye and Lynn-Jones (1988) identified the subjects that formed the central focus of security studies and listed the general issues, such as the causes of wars and alliances, policy-oriented research on military issues, and other threats confronting particular countries (Nye & Lynn-Jones, 1988: 6). In Nye's opinion, the core of security studies lay with the notions of threat, use, and control of military force. In Buzan's view, the study of security was perceived as 'the pursuit of freedom from threats and the ability of states and societies to maintain their independent identity and their functional integrity against forces of change, which they see as hostile' (Buzan, 1991a: 432). Similarly, Krause and Williams (1996) concluded that politicians believed that security, in essence, should focus on 'safeguarding the core value of a state from external military threats, principally through the use of force, or the threat to use force' (Krause and Williams, 1996: 230). Romm (1993) summarised various types of organisations' understanding of security in his book 'Defining National Security'. In general, these institutions perceived security as the ability of a nation to protect its internal values from external threats (Romm, 1993: 5).

These studies suggested that the security theories were indeed about the phenomenon of war. The focus on the use of military force was largely shaped by the international security situation during the period spanning the end of World War II to the end of the Cold War. International security was dominated by the militarised and polarised confrontation between America and the Soviet Union. Not only did the hostilities within these two core states divide the world into the Western camp and the Soviet bloc, they also had the effect of transmitting the intense rivalry into the periphery by way of arms transfers. The likelihood of war was high, so that both political and military considerations dominated the security agenda (Kirshner, 1998: 64). Prior to 1955, studies in the field mainly involved military concerns. In the decade from 1955 to 1965, which is known as the 'golden age' of security research, the central question continued to concern various military aspects, such as nuclear weaponry, arms control, security dilemmas, and the security strategy of the East and West (Walt, 1991: 213-214).

In other words, security is an important and politically powerful concept in international relations but study of its meaning received far less attention than it deserved. Evidence of neglect for security as a notion in International Relation studies is found in the limited nature of the literature qualified as conceptual analysis, with most scholars failing to provide a precise definition in their surveys. Wolfers Arnold, whose research is regarded as the best-known conceptual piece on national security, argues that national security may not have a precise meaning at all.

> For these reasons it would be an exaggeration to claim that the symbol of national security is nothing but a stimulus to semantic confusion, though closer analysis will show that if used without specifications it leaves room for more confusion than sound political counsel or scientific usage can afford (Wolfers, 1952: 483).

> In 1973 Klaus Knorr began a survey of the field by stating his intention to deliberately bypass the semantic and definitional problems generated by the term 'national security'. In 1975, Richard Smoke observed that the field had paid quite inadequate attention to the range of meanings of security (Baldwin, 1997: 8).

Although Buzan makes substantial progress over decades in this field, he also agrees that security is an immature notion and lacks conceptual backing. Buzan (1991b) makes a list of five explanations for the ignorance surrounding the definition of security in his book 'People, States and Fear: An Agenda for International Security Studies in the post-Cold War Era', including the complexity of the concept, the overlap between the concepts of security and power under conditions of acute confrontation, the lack of interest in security by various critics of realism, the fact that security scholars are too busy in keeping abreast with the latest developments, and that the decision-makers found the conceptual ambiguity helpful (Buzan, 1991b: 7-12). However, in Baldwin's interpretation, none of these explanations are convincing (Baldwin, 1997: 9). Conversely, Baldwin (1997) submits that the ambiguity lies in the lack of conceptual specification in terms of the

characterization of security, for example, security for whom, security for which values, how much security, from what threats, and by what means (Baldwin, 1997: 13-16).

Besides its vague definition, the study of security creates confusion on the basis of how it has been perceived. Though the majority of scholars are content to call the field 'security studies', other different but related concepts are deployed simultaneously, like national security studies, international security studies, global security studies, strategic studies, defence studies, military affairs and security regimes. Strategic studies primarily concern the choice a state has between alternative strategies for a state. Both defence studies and military affairs imply that the field is wholly concerned with military dimensions of a given state, while the idea of security regimes draws attention from the state to the system level of analysis (Nye & Lynn-Jones, 1988: 7). Haftendorn (1991) further clarifies that 'national security', 'international security' and 'global security' refer to different sets of issues and have their origins in different political contexts. In his theory, global security refers to a system of world order or security; the course of international security includes: theory and history of peace, war and conflict; security regimes and institution-building; impact of technology and information dissemination on international conflict; defence policies of states and their domestic foundation…nuclear strategy, weapons systems and disarmament (Haftendorn, 1991: 11, 15-16). It appears that only the term 'national security studies' can make it relatively clear that the research is national in scope and concerns the field of security in notion.

2.2 New security studies

It appears that national security in conventional security contexts is associated with military statecraft alone. If the issue entails use of military force, only then is it seen as a security issue. Military is therefore the central concern of conventional security studies. However, a series of papers have been presented, calling for a revised theory on national security, in two periods in particular: the first took place in the mid-1970s, and the second began in the late 1980s. Not only is a relatively clear definition of security required, but also a theoretical breakthrough is needed to ensure the notion's compatibility with the changing security system of the post-Cold War world.

Initially, Beaton (1972) pointed out the need for expansion of concepts relating to security so as to include a range of systemic considerations (Beaton, 1972: 7). Brown released 'Redefining National Security' in 1977. Jordan and Taylor (1981) suggested that national security should have had a more extensive meaning than protection from physical harm (Jordan & Taylor, 1981: 3). Later, the Brandt Commission put forward a new concept of security. In the 1982 report entitled 'Common Security', it was advocated that the military-based notion of security should be transformed through greater international cooperation, transparency, disarmament, conversion, and demilitarisation (The Brandt Proposals: A Report Card). In 1983, Ullman (1983) noted that 'defining national security merely in military terms conveys a profoundly false image of reality' (Ullman, 1983: 123).

The second stage included the publication of 'Redefining Security' by Jessica Tuchman Matthews (1989), and 'Defining National Security' by Joseph Romm (1993). Also, the United Nations Secretary-General in 1995 called for a conceptual breakthrough, extending beyond armed security and towards protecting people in their communities (Rothschild, 1995: 56). These studies reveal that military force has not ceased to be a major element of national security, but it has declined in importance, relative to issues of economy, energy, environment, cultural security and so on. In Mathews' words, 'global developments now suggest the need for another analogous, broadening definition of national security to include resource, environmental and demographic issues' (Mathews, 1989: 162).

McGuire (1990) explains four factors distinguishing current security problems from conventional ones: the diminishing military dimension of national security, the increasing socio-economic component, the change in the geographic nexus of risk, and the insecurity resulting from the competition between East and West (McGuire, 1990: 4). Taking other related literature into account, there are several triggers listed. First, America was the first group to study security. For more than four decades, from the end of the Second World War to the end of the Cold War, the national security strategy of the United States focused on containing the Soviet Union. However, with the collapse of the Soviet empire, America needed to search for a new direction, leading to a new debate over the problems which constituted a threat to national security (Romm, 1993: 1). Further factors include the fact that the Cold War's bipolar system was replaced by the

rise of a multi-polar power structure, and the warming-up in international relations which gradually reduced the importance of military power over time.

Secondly, military threats are not the only dangers that a state faces, though they are the most serious ones (Walt, 1991: 213). The emergence of non-traditional security issues such as drug trafficking, illegal immigration, and AIDS are a reminder that non-military issues deserve more attention from decision-makers and scholars. As national economies are connected more closely than ever before, a series of domestic problems such as resource shortages, food crises, and income inequality may spread from a single country onto the international scene. Some threats, such as environmental problems, societal disorder and internal chaos, used to be domestic issues but are now global threats also.

Thirdly, one feature of the Cold War was that international economic issues were marginalized as a secondary concern. Setting the rules for the economic system and achieving the optimal economic transactions were seen as technical issues. But since the 1970s, the birth of OPEC and the occurrence of oil crises, the collapse of the Bretton Woods monetary system, and the developing countries' push for a New International Economic Order, have made it clear that the major issues related to international economic relations fail to be explained solely by economic factors (Krasner, 1996: 108).

Therefore, the reduced importance of military force, the emergence of non-military threats and the impact of economic considerations on foreign policy drive the emergence

of the new security theory. In 1991, Buzan Barry promulgated the 'New Patterns of Global Security in the twenty-first Century' in the Journal of International Affairs. In 1998, he published an influential book with Ole Waever and Jaap de Wilde: 'Security: A New Framework for Analysis.' According to this new framework, security should be a multi-faceted notion. Military security involves two-level interplay of the armed offensive and defensive capabilities of states. 'Protecting the territorial integrity of the state is the traditional object of military security, and the two immediate environments for the state—regional and domestic—are again the main concerns in this sector' (Buzan, Waever & de Wilde, 1998: 70).

Political security focuses on the organisational stability of states, smooth running of the government and the ideologies allowing for legitimacy (Buzan, 1991a: 433). Unlike military security that deals with armed threats, political security focuses on non-military threats to sovereignty. The purpose of political threats may range from pressuring the government on a particular policy, to overthrowing the government, fomenting secessionism, and disputing the political fabric of the state so as to weaken it prior to a military attack (Buzan, Waever & de Wilde, 1998: 141-142; Buzan, 1991b: 118-119).

Economic security concerns access to resources, capital and markets necessary to maintain sustainable development and state power. The nexus between economics and security may be defined through reference to the idiom that war is economics by other means. National wealth could be generated not only by production and exchange

through the promotion of international trade, but also predation through seizing the resources and economies of other nations (Kapstein, 2002: 158, cited from Hirshleifer, 2001: 1).

Considering the fact that economic development is substantially driven by energy supply, energy security is regarded as a key component of economic security. Energy security is defined as a 'condition in which a nation perceives a high probability that it will have adequate energy suppliers at an affordable price' (Deese, 1979/1980: 140). According to Leidy's research, concerns about energy security stem from three related problems: concentrated supply in a historically unstable region; the sustained exercise of market power by key oil exporters; and the continued vulnerability of the economy to episodic oil supply shocks and price spikes. Firstly, global oil reserves are concentrated in a volatile region of the world, with 60 percent of reserves in the Persian Gulf region. Secondly, partly as a consequence of this concentration of low cost reserves, oil-producing states are able to exercise market power to maintain oil prices above estimated competitive levels. Third, in the face of short–run supply volatility, most oil consuming nations have limited scope for adjusting their oil demand or supply, particularly as oil demand becomes increasingly concentrated in the transportation and manufactory sectors (Leidy, 2007: 3). Nowadays, a new problem has developed: the last decade has witnessed a substantial increase in the world's demand for oil due to the dramatic economic growth in developing states, China in particular. It is reported that China imports 3 million barrels of oil per day, which accounts for almost half of its total

consumption. China's share of the world oil market is about 8 percent, but its share of total growth in demand since 2000 has been 30 percent (Yergin, 2006: 2-3). With the inclusion of significant demands from developing countries, the four major problems contribute to uncertainty in energy security, and also to concerns over economic security.

Societal security concerns the ability of societies to reproduce their traditional patterns of language, culture, association, religious and national identity, as well as customs, within acceptable conditions for evolution. The distinctive contradiction in the societal sector nowadays is seen as the clash of civilisations and migration problems, which leads to conflicts between several hundred ethnic-cultural societies trying to form an integrated international community (Buzan, 1991a: 433).

The idea of linking environmental issues to national security was suggested by Ken Conca in the 1950s. He stressed that the threats to a state were mostly from nature, not from other states (Kuang, 1997: 26). In Buzan's theory, on the one hand, there are many environmental issues that may threaten human existence, such as the mass production of greenhouse gases or chemicals that erode the protective ozone layer. On the other hand, 'environmental issues look set to become a regular feature of centre-periphery dialogues and tensions. The holistic quality of the planetary environment will provide the centre with reasons for wanting to intervene in the periphery in the name of environmental security' (Buzan, 1991a: 450).

Mathews (1989) considers the environment issue from the perspective of population growth. He argues that population growth is the origin of most environmental problems. It took around 130 years for the world population to grow from one billion to two billion, whereas it takes just a decade for it to increase from five billion to six billion. Although the linkage between population levels and the resource base is complicated, technologies may determine the impact of population growth, the added population certainly challenges the government's ability to provide food, housing, health care and education, which in turn increases the demands on resources, such as coal and oil (Mathews, 1989: 163-164). His analysis is in accordance with the current global oil crisis, global food crisis, and global warming phenomenon.

It appears that the new security agenda expands the scope to multiple sectors that cover almost every aspect of human life. In comparison to traditional national security, non-traditional security may be summarised in two ways: external military or non-military menaces to state sovereignty and territorial integrity, and internal threats to society and individuals borne by increasing international interactions. If categorised in specific fields, this includes security barriers to sustainable development, such as energy issues, environmental issues, and global warming, internal social issues affecting other countries and even the entire international community, such as refugee problems, financial crises, racial conflicts, and other harmful activities of non-governmental organisations in international society, for instance terrorism and extremism. In addition, Rothschild (1995) describes the redefined security concept of the 1990s as taking four main forms. It is

extended from the security of nations downwards to the security of groups and individuals, from national security upwards to the security of the international system; horizontally, covering different entities such as individuals, nations, and systems and different dimensions such as political, economic, societal, military, environmental and cultural. In other words, it is diffused in all directions, upwards to international organisations, downwards to local government, and sideways to public opinion and the abstract forces of nature or of the market (Rothschild, 1995: 55).

However, considering Baldwin's critique that the ambiguity of the security concept is due to the lack of definition in its characterisation, including security for whom, for which, from what threats, by what means, and how much security, the new security theory still fails to meet these criteria. In Baldwin's view, ''most such efforts are more concerned with redefining the policy agenda of nation-states than with the concept of security itself" (Baldwin, 1997: 5). Economic security, environmental security, military security, societal security, cultural security and so on are no more than different dimensions of security, while military power, economic power, civil rights and so on are just different embodiments of a national power, instead of a breakthrough concept.

2.3 Economic security

In Nesadurai's definition, economic security may be conceptualised through either a micro or a macro perspective. Micro economic security centres on the individual as the

referent of security, converges with the notion of human security, with economic security defined as the security of a stream of income for individuals as well as access to a level of consumption for basic human needs. The macro view is directed at securing the integrity or robustness of the market to generate growth and welfare in society (Nesadurai, 2004: 473).

Indeed, since ancient Athens taxed the empire to raise a fleet against Sparta, there has always been a connection between wealth and military power and therefore, in the most simple and direct way, between economics and national security. However, this relationship did not manifest for a significant time. During the Second World War, economists made no major contribution to the outpouring of publications on the causes, conduct, and consequences of war. Later, in the Cold War period, there was little economic cooperation between the two camps, and the dominant positions of the two superpowers in the international system meant they had few concerns for the consequences of economic interactions in preserving their autonomy. The split between the fields of International Political Economy and international security was actually one of the more serious problems within the discipline of political science.

The end of the Cold War, however, paved the way for increased political management of stable economic growth. The General Agreements on Tariffs and Trade put efforts towards trade liberalisation by removing restrictions on cross border activities. The attempts of liberation developed initially at the regional level, including the Association

of Southeast Asian Nations (ASEAN) and the North American Free Trade Agreement (NAFTA), eventually reaching global economic integration. The increased economic transactions after the reduction in trade tariffs and the gradual removal of capital controls in developed countries produced a new focus on the impact of the deepening economic ties on political relations. As Robert Keohane and Joseph Nye (1997) proclaimed in 'Power and Interdependence: World Politics in Transition', international politics has been characterised by a surge in economic interdependence (Keohane and Nye, 1977). As a result, questions were raised as to how International Relations studies may respond to the new phenomenon generated by increasing economic cooperation.

There is plentiful literature on the economics-security relationship.

- In an early book entitled 'Economic Aspects of Sovereignty', Ralph Hawtrey (1952) emphasised the nexus between economic affairs and national security, characterising these as essential and reciprocal (Hawtrey, 1952).
- Walt (1991) argued that the dimensions of economics and security include the connection between military spending and economic performance, the strategic importance of economic resources and their role as potential sources of conflicts, and the political influence of the military-industrial complex (Walt, 1991: 227).
- Charles Hitch provides an overview of topics that economists may work on within the security field. Topics include: the analysis and measurement of economic strength for war, the implications of large defence budgets in times of

peace, the appropriate size of the defence budget, efficiency in using and managing defence resources, economic warfare and foreign economic policy etc. (Kapstein, 2002: 162-163).

- Kirshner (1998) lists the classical areas where the link between economics and security studies is recognised, such as the political economy of power, the economic causes of war, and the role of national budget constraints on the construction and execution of grand strategy (Kirshner, 1998: 66).
- Nesadurai (2004) states that 'studies of the connections between economic performance and military spending as well as the linkage between economic resources scarcity and inter-state conflict are perfectly valid topics for security studies' (Nesadurai, 2004: 462).

In summary, the interplay between the two areas can be divided into four areas of study: economic statecraft used for foreign policy objectives, economic causes of war, economic interdependence and political conflict, and economics of national defence.

Aspect 1: economic statecraft's uses for foreign policy objectives

In a world of infrequent military conflict and greater economic interdependence, neither politics nor political conflicts are going to cease. States still have to face disagreements and attempt to impose their will on one another. The difference is that, in peacetime, states tend to influence the political behaviour of one another by using soft instruments,

and such practices become more common. As Dumas (1990) observed, there is little doubt that military power retains a role in protecting sovereignty and integrity, but considering the daunting costs of launching a war, the decision-makers may resort to other less threatening policies to ensure security (Dumas, 1990: 653). Huntington (1993) also notes that 'in a world in which military conflict between major states is unlikely, economic power will be increasingly important in determining the primacy or subordination of states' (Huntington, 1993: 72). It appears that economic and political factors are virtually inseparable, and international economic interactions, which have increased greatly in scope and significance, would be able to influence international relations through the application of economic leverage in international affairs.

Both David Baldwin's 'Economic Statecraft' and Hufbauer, Schott & Elliot's 'Economic Sanctions Reconsidered' are influential books for analysing the employment of economic statecraft for political means. According to Baldwin (1985), statecraft involves the application and interplay of multiple instruments, including military, economic and diplomatic, to achieve states' multiple objectives, such as national security, economic prosperity and political influence (Baldwin, 1985). In 'Economic Sanctions Reconsidered', Hufbauer, Schott & Elliot (1990) focus on the study of economic sanctions in particular, and suggest that a sender country may inflict expenses on a target country mainly by limiting exports, imports and financial movement (Hufbauer, Schott & Elliot, 1990: 36). Lindsay (1986) further posits that policy-makers might have one or more of the five aims he sets out when enacting sanctions: compliance, deterrence, subversion, and

international or domestic symbolism (Lindsay, 1986: 153). Furthermore, in 'The Changing Relationship Between Economics and National Security', Friedberg (1991) argues that economic statecraft could play a central role in situations where relatively weak states seek to exert their control over scarce resources to influence the policies of the comparatively strong and wealthy, where strong states exploit trade and financial aid to shape the political preferences of the weak, and where strong countries could increasingly frequently use economic instruments against one another (Friedberg, 1991: 272).

Given that economic statecraft may act as a political tool, Susan Strange debates the issue of who enjoys dominance when using economic leverage. In 'States and Markets' (1994), the state is defined as the embodiment of politics and the market is that of economics. Their relationship is shaped by the fact that the state profoundly influences the outcome of market activities by setting the rules that govern economic transactions as well as by regulating distribution. She finds that there is little doubt that markets can be controlled by those powers that provide security, as they decide how to produce, who manages financial flows, and who controls access to knowledge and information. Powerful states may use their advanced economic resources to expand their influence, and to exploit their privileges in manipulating markets to punish the small states. In particular, after the fall of the Soviet Union, the number of small and market-sensitive economies which are more sensitive and vulnerable to economic coercion increases within the international

system. This grants the powerful states an opportunity to use their economic strength to advance their political goals.

Finally, there are at least two weighty sources of evidence to corroborate the argument that economic statecraft may serve political objectives. Firstly, the two-time Arab oil embargos in the 1970s act as a means to revive research interests in the interplay of economic interdependence and international security (Nye & Lynn-Jones, 1988: 10). These events result in recognition that control over scarce resources such as oil could becomes a source of political power. Secondly, being the most powerful state in the world, the United States is not just responsible for the majority of economic sanctions, but is also an important donor of foreign aid, in the pursuit of international influence. According to Radelet (2003), 'Foreign aid first became an important tool of American national security policy under the Truman administration. The first great foreign aid program, the Marshall Plan, was aimed at rebuilding Western Europe after World War II, in part as a bulwark against Soviet expansion' (Radelet, 2003: 2).

Aspect 2: economic causes of war

Kirshner(1998) puts forward three ways in which economic forces are a source of war: changes in relative economic growth, internal economic dislocation, and incompatible national economic strategies (Kirshner, 1998: 67). For example, according to the economic growth theory, states tend to grow at different rates. The states that grow faster may

close the gap between the rising power and the position in the international order by means of waging war. Friedberg (1991) also notes that 'as some economies expand more rapidly than others, the distribution of wealth among states begins to shift, and with these shifts in wealth come, eventually, changes in the distribution of political power. Such changes are often accompanied by considerable turmoil.' (Friedberg, 1991: 268). Furthermore, international economic dislocation and incompatible national economic strategies suggest that conflict may occur if governments intend to engage in war to divert attention from their failed domestic economic policy, or to struggle for either economic opportunity or resources.

Furthermore, Gilpin (1981) argues that the distribution of the available economic surplus in a world of scarcity may lead to conflict (Gilpin, 1981: 67). Today, one sees states directly engaged in competition for shares of the world's wealth and resources, such as the struggle for energy resources. The US invasion of Iraq may be interpreted as a grab of oil resources by means of military statecraft.

Aspect 3: economic interdependence and political conflict

Interdependence in world politics refers to, according to Keohane and Nye's definition, a particular international relationship that merges when countries are linked by interactions that can have costly and reciprocal effects (Keohane and Nye, 1977: 9). Mutual dependence cannot be assumed to exist within the symmetric distribution of

costs and benefits between the countries. Through sensitivity and vulnerability, asymmetrical dependence can be expected to complicate bilateral relations (Keohane and Nye, 1991: 126-127). There are two schools, drawing opposite conclusions in regard to how economic interdependence influences political relations: one indicates that asymmetrical interdependence leads to an increase in conflicts amongst partners, whereas the other insists that interdependence reduces the likelihood of conflicts.

Many scholars are in favour of the latter perception. Haas and Schmitter (1996) clarify that economic interdependence may result in political cooperation and integration due to the effect of spill-over (Haas and Schmitter, 1966). Nye (1971) advocates that 'a functional web of interdependence can reduce international conflicts by creating a sense of community, raising its net costs, and producing value changes that promote integrative solutions to conflicts' (Gasiorowski, 1986: 26, cited from Nye, 1971: 109-110). Gartzke, Li & Boehmer (2001) argue that states are less likely to fight if there are costs associated with using military force, such as the loss of economic interests (Gartzke, Li & Boehmer, 2001: 394). According to their view, the increasing level of interstate cooperation in one field between states is thought to result in possible linkages in other fields, so that enhanced bilateral communication may reduce political suspicions and misunderstandings, thus decreasing the likelihood of international conflicts and increasing the possibility of coordination in other aspects. Furthermore, if considered at the level of states, economic growth can be acquired either through trade exchange or by military exploration. If the resources could be gained through market exchange, there are

few incentives for a ruling party to meet these needs through territorial expansion and imperialism.

This theoretical assumption can be corroborated through some empirical evidence. Mansfield's study provides strong support that frequent economic flows do inhibit the outbreak of military disputes among the member countries of a preferential trade bloc (Mansfield, 2004). Another finding provided by Gasiorowski and Polachek (1982) verifies the hypothesis that there is an inverse relationship between trade and conflict, using US-Warsaw Pact trade and conflict data (Gasiorowski and Polachek, 1982: 709). Similarly, in another of Polachek's papers, he analyses the data on trade and conflicts within 30 countries for the period between 1958 and 1967, and concludes that the desire to reap the benefits of trade produces greater incentives to retain cooperative relations (Polachek, 1978). Dumas (1990) uses the example of the European Economic Community to argue that the nations of the community have fought countless wars with one another in past centuries, but they make no effort to prepare for a war, despite continuous conflicts in other areas. He concludes that the establishment of a mutual and interdependent economic community eliminates the possibility of military conflict (Dumas, 1990: 655).

In comparison, realists and mercantilists believe that asymmetrical dependence may be used as an economic weapon, since the increasing economic interdependence may serve as a source of tension among states, rather than as a deterrent to conflict. For example, Mansfield and Pollins (2003) believe that the incentives to resort to military means would

increase as the states attempt to reduce their economic vulnerability and to minimise dependence on foreign commerce (Mansfield and Pollins, 2003). Pevehouse (2004) argues that the probability of potential disputes would increase as the issues between states expand in scope and complexity with increasing interdependence (Pevehouse, 2004). Keohane (1975) states that interdependence pressurises the international situation due to the problems arising from increased sensitivities (Keohane, 1975). Barbieri (1996) concludes that trade increases conflict by referring to a measure of interdependence based on the salience of trade (Gartzke, Li & Boehmer, 2001: 393, cited from Barbieri: 1996). Knorr (1977) notes that those vulnerabilities borne by economic cooperation might produce unforeseen problems that threaten national security (Knorr, 1977).

Aspect 4: economics of defence

Deger (1986) argues that the positive correlation is illustrated by the creation of additional aggregate demand in a society. If the aggregate supply is sufficient relative to the potential demand, an additional demand accrued by the defence sector may be complemented by the gap between initial supply and demand. An increase in aggregate demand that leads to more efficient capacity utilization is meant to stimulate investment and then increase the growth rate (Deger, 1986). Furthermore, given that a strong economic base is vital to military power and political influence, in wartime, the size of the national economy is an important determinant of a state's ability to sustain military capability. 'A state's military capability rests not only on the supply of key strategic

materials, but also on possession of an industrial base capable of supporting the armed forces. For major powers this means having an industrial base capable of manufacturing a wide spectrum of up-to-date weapons.' (Buzan, 1991: 126). Hawtrey (1995) also concludes that 'the amount of military power that any country can exert is determined by the numbers and military qualities not of its entire population, but of that portion of the population which can be equipped and maintained in the field and transported to the critical points. The limitation is an economic one.' (Hawtrey, 1995: 55). In peacetime, great powers may transform national economic wealth into defensive power in order to enhance security, and with strong defensive power and influence, social stability in general becomes likely, which helps attract investment and, in turn, enhances economic growth (Mastanduno, 1998: 830).

On the other hand, the negative effects of military expenditure are manifested in the deteriorating balance of payment accounts and the burden on public sector spending (Landau, 1993). Specifically, the claim is based upon the reallocation of resources. A national total saving should be composed of investment and defence. The resources used for a defence system are not available for investment, so that increasing the contribution to the defence sector is proportionate to a decrease in the amount available for investment, given the fixed amount of total savings. Dumas (1990) notes that the maintenance and expansion of large military forces may lead to short-term and long-term losses of economic strength, by diverting scarce resources from contributive to non-contributive activity (Dumas, 1990: 660). Although in some cases a reduction in the

defence budget may not definitely result in an equivalent rise in commercial investment, it could lead to smaller budget deficits, lower interest rates, and increased investment in education and infrastructure programs (Friedberg, 1991: 267). Also, a decrease of skilled scientists involved in defence-related research may lead to an expanded supply in the civilian and commercial sectors, which would promote economic performance more directly.

2.4 Conclusions and hypothesis

Studies in the field of security have undergone an evolution from traditional security theory to the new security theory. Traditional definition of security, perceived as the protection of territory and sovereignty through military power, has been proven inadequate for explaining the multidimensional phenomenon of the current international system. Particular flaws lie in the limited analysis of the effects of economic interdependence between states on international relations and the emergence of those non-traditional security threats. Thus, since the 1970s and especially after the end of the Cold War, the non-traditional security theory has become a research focus in the field of security study. It is estimated that more than one-fourth of US security research emphasises this field, including studies on illegal immigration and refugees, financial crises, cross-border criminals, drug trafficking, environment and so on.

Contrary to the accusation of lacking precise conceptual definitions in traditional security theory, the expansion of the security framework cannot necessarily fill in the blanks, or undermine the importance of military security. The non-conventional viewpoint simply delivers a message that, despite the fact that the military field is where a state is primarily established, a security study cannot be comprehensive without taking into account ideas from other major sectors. The new theory considers security as a particular type of politics applicable to a wide range of issues. In other words, the most significant difference between conventional and new security literature lies in that the latter includes what is termed 'statecraft', which is reflected in economic, political, societal, and environmental fields, in addition to military concerns. Among the five sectors, security in the economic sector is a remarkable component. For a state, economic capability determines its political influence and military power. In the background of economic integration, the issue of whether a state is capable of providing a steady increase in standard of living for the whole community through national economic development while maintaining independent economic sovereignty, is crucial, especially for developing countries.

It appears that, since the end of the Cold War, theories concerning national security, which previously focused on military security, have been expanded in new forms. Importantly, security interests have been redefined to include not just military security but others such as economic security. This redefinition of security should be examined in

particular with regard to a new class of international actors, such as China. This leads to the first hypothesis:

Hypothesis I: for a growing economy like China, economic development is always the primary concern of government work as Deng Xiaoping and his successors consistently advocated. The central position of economic development affects China's security thinking and makes China pursue national security by means of economic security at the contemporary stage.

Chapter Three: Theories of Economic Statecraft

Economic globalisation, defined as the integration of financial markets and the increasing dispersion of production, is understood to be a source of interdependence and interpenetration of national sectors. In general, the penetration of a national economy by an international system of production, trade, and finance structure may produce a range of political and economic issues, as the international economy itself becomes a significant political issue when its impact on the wealth of states increases. Therefore, it is expected that widespread economic interpenetration affects the participating countries both economically and politically, and the surge in the unprecedented levels of economic interdependence has directed attention to its impact on interstate relations.

From the perspective of politics, the major impact is on the way that international relations and related foreign policies are perceived. In addition, economic interdependence may act as an alternative economic instrument for the policy-makers. In the early 1970s, Japan attempted to link the renewal of the Japanese-America Treaty to American market access; in the 1980s, South Korea initiated an effort to engage in economic cooperation with the Soviet Union as a means to undermine Soviet relations with North Korea; in the 1990s, the United Nations punished Iraq for its invasion of Kuwait through the oil-for-food program. Such application must be on the basis of interdependence and its success depends partly on asymmetric dependence.

This chapter will focus on the use of economic instruments. The particular term 'statecraft' is used to describe the construction of economic strategies for securing national interests in the international area, as well as the execution of these strategies by diplomats. This study will review the strategies of economic statecraft at the first section,

adopting Baldwin's position that economic statecraft is a combination of economic sanctions and economic incentives.

The second section considers the discussion on the effects of sanctions in particular. Abundant research in this field shows the failure of economic sanctions, where they could not achieve designed objectives while resulting in unaccountable costs, not just on the target and the sender, but also on third parties, including the neighbours and the trade partners. Considering the debatable outcomes in sanction cases, a preference for economic incentives is apparent. The strategy of mixing sanctions with incentives, widespread foreign assistance, and the increasing establishments of trade agreements is evidence of the positive effects of economic incentives.

At the end of this Chapter, the second hypothesis will be introduced.

3.1 Economic statecraft

Statecraft is widely considered to be either the organised actions that governments take to change the external environment in general or the policies and actions of other states, in particular to achieve the objectives that have been set by policy-makers. In Kaplan's understanding, 'a day when the world is being divided between two great power blocs, when neutrality is becoming increasingly more difficult to maintain, when statecraft is invading the economic and cultural aspects of social existence, as well as the political and military areas, when most great problems of domestic life must be reconsidered with regard to their bearing on the international situation, few, if any, can doubt its importance' (Kaplan, 1952: 548). Baldwin's 'Economic Statecraft' (1985) is a fundamental book that identifies the instruments of statecraft available to policy-makers, including

propaganda, diplomacy, and economic leverage. Lasswell (1945) adds the policy instrument of military force.

1. Propaganda refers to influence attempts relying primarily on the deliberate manipulation of verbal symbols.
2. Diplomacy refers to influence attempts relying primarily on negotiation.
3. Economic statecraft refers to influence attempts relying primarily on resources that have a reasonable semblance of a market price in terms of money.
4. Military statecraft refers to influence attempts relying primarily on violence, weapons, or force. (Balwin, 1985: 13-14).

Both propaganda and diplomacy are believed to lack credibility or demonstrable efficacy in international politics, and military action entails high costs, economic statecraft, which has enjoyed resurgence in popularity since the 1970s, is seen as a 'middle-ground' between fighting and simply speaking. Economic statecraft is meant to affect the international economic environment if the participants have economic interaction at least, since it is meaningless to impose an economic barrier on a country with which the sending country has no economic cooperation at all. Scope of leverage varies with the size of the reliance relationship, the importance of the goods on which one relies, and the cost of finding replacements elsewhere. Together, these determine the payoff that economic statecraft reaps (Caporaso, 1978: 22).

Baldwin (1985) further catalogues some specific economic techniques of statecraft. (See table 3.1). The left column contains examples of positive incentives, also named economic rewards, while the right column contains the techniques related to negative sanctions. The remarkable significance of Baldwin's work in defining economic statecraft lies in the

integration of positive incentives and negative sanctions in the sphere of economic interactions, dismissing the misunderstanding that economic statecraft refers to economic sanctions only.

Table 3.1: Examples of Economic Statecraft

	Economic incentives	*Economic Sanctions*
Trade	Subsidies to exports and imports Tariff discrimination(favourable) Granting licences Economic engagement Preferential free agreement ……	Embargo Boycott Quotas Tariff discrimination ……..
Capital	Providing aid Investment guarantees ……..	Financial control Freezing assets Aid suspension ……

Source: Baldwin, 1985: 41-42

3.1.1 Economic sanctions

Sanctions have been applied frequently as a policy instrument, predominantly in the form of boycott, embargo, and financial restraints. Scholars have often acknowledged the importance of these policies since their application and there are many significant studies scrutinising the context of economic sanctions.

Firstly, Hufbauer, Schott and Elliott (1990) provided the fundamental dataset in 'Economic Sanctions Reconsidered'. In the book they emphasised the universal use of negative sanctions and their limited effectiveness. Economic sanctions are viewed as 'the deliberate government-inspired withdrawal, or threat of withdrawal, of ''customary''

trade or financial relations, where ''customary'' means levels that would probably have occurred in the absence of sanctions' (Hufbauer, Schott & Elliott, 1990: 2).

Secondly, Kaempfer and Lowenbergs' 'The Theory of International Economic Sanctions: A Public Choice Approach' (1988) indicates sanctions as one of the public options. Martine (1992) addresses the importance of international cooperation to ensure the success of economic sanctions in 'Coercive Cooperation'. In addition, Van Bergeijk's 'Economic Diplomacy, Trade and Commercial Policy' (1994) explores the correlates of success in cases of sanctions. In addition to these key findings, other scholars, such as Jing et al, Pape, Cooper, also add plentifully to the sum of the research.

According to these texts, the use of sanctions has a long history, which can be traced back to 432 B.C. The Empire of the Ancient Greeks punished Megara by forbidding any trade with them for their support of Corinth during the battle of Sybata. Since World War I, there have been approximately a hundred sanctions that have been imposed by individual states or multinational groups (Nunor & Joaoe, 2002: 43). Currently, the use of sanctions has not only increased in frequency but has also been deployed more frequently under the aegis of the UN Security Council, which used sanctions 21 times in the last two decades (Oudraat, 2000: 107) (See Table 3.2). The first utilisation of economic sanctions by the United Nations stemmed from the unilateral declaration of independence in South Rhodesia in 1965 (Wallensteen: 2000: 2).

Table 3.2 UN Security Council Sanctions (1945-2000)

Country	*Type of sanctions*	*Date*
South Rhodesia	Comprehensive economic sanctions	Dec 1966—Dec1979
South Africa	Arms embargo	Nov 1977—May 1994
Iraq	Comprehensive economic sanctions	Aug 1990—present
Republic of the Former Yugoslavia	Arms embargo	Sep 1991—Jun 1996
FRY	Comprehensive economic sanctions	May 1992—Nov 1995
FRY	Arms embargo	March 1998—present
Bosnian Serbs	Comprehensive economic sanctions	Sep 1994—Oct 1996
Libya	Arms embargo Partial economic sanctions	Mar 1992—2003
Liberia	Arms embargo	Nov 1992—present
Haiti	Arms embargo Partial economic sanctions	Jun 1993—Aug 1993
Haiti	Arms embargo Partial economic sanctions	Oct 1993—present
Haiti	Comprehensive economic sanctions	May 1994—Oct 1994
UNITA (Angola)	Arms embargo Partial economic sanctions	Sep 1994-—present
Country	*Type of sanctions*	*Date*
UNITA (Angola)	Targeted financial sanctions	Jun 1998—present
Rwanda	Arms embargo	May 1994—Aug 1995
Sudan	Partial economic sanctions Travel ban and freeze of assets for human rights violators	May-1996—present 2005-present
Sierra Leone	Arms embargo Partial economic sanctions	Oct 1997—Jun 1998
Sierra Leone	Partial economic sanctions	Jul 1999—present
Afghanistan	Targeted financial sanctions Partial economic sanctions	Nov 1999—present
Eritrea	Arms Embargo	May 2000—present
Iran	Sanctions on trade in sensitive nuclear materials and technology	Dec 2006— present

On a state-level, the US has been most active in the use of unilateral sanctions. By 1997, around 75 countries experienced sanctions imposed by the US (Ernest, 1999:4). Other

entities, such as the EU, take part occasionally, but America mostly enacts sanctions alone, illustrated by trade sanctions on Iran, Libya, former Burma, Sudan, and so on.[4] However, this trend was reversed during recent decades. From 1990 to 1993, the United States enacted actual unilateral sanctions, excluding threats thereof, in only one case, namely against Russia and India over missile technology (Elliott, 1993: 33). Also, the objectives that the United States pursues have changed. During the Cold War, the use of sanctions was attempted to weaken the power of the Soviet Union. Subsequently, the use was to support human rights and to monitor weapon proliferation, and the targets of these policies were most likely to be Third World countries, which are supposed to be economically weak and politically unstable.

Traditional sanctions

In 'Economic Sanctions Reconsidered', Hufbauer, Schott & Elliot (1990) refer to a list of basic forms for sanctions. They suggest that a sender country may inflict costs on a target country mainly by limiting exports, imports or financial movements (Hufbauer, Schott & Elliot, 1990: 36).

Embargo on exports is probably the most common technique, which restricts exports from the sender to the target. The prohibition is usually enforced by export licences and related measures, such as destination controls. There are some examples, such as the weapons embargoes against South Africa and China respectively and limiting grain shipments against the Soviet Union.[5] An arms embargo, being a special type of embargo, is deployed not to inflict economic damage, but to prevent access to weapons. The

[4] See Appendix I.

[5] See Appendix I.

strategy is widely applied against violent groups in the form of a complete ban, restrictions on military equipment, and limitations on production (Tostensen & Bull, 2002: 383). Sanctions on South Africa were the first time that an arms embargo was enacted (Wallensteen: 2000: 2).

Embargo on imports may limit certain product shipments from the target to the sender. This form attempts to decrease the target's foreign exchange earnings, and in turn undermine its capability to purchase goods (Bornstein, 1968: 418). The other purpose is mainly to protect domestic infant industries. In the 1980s, for instance, the US steel industry lobbied the government to ban imports on steel from South Africa; Japan has a tradition of putting obstacles on agricultural imports in order to protect the interests of domestic farmers.

Financial controls refer to restrictions on payments to or from the target, suspension of loans or aids, blocking of foreign exchange holding, and freezing assets abroad (Bornstein, 1968: 418). For example, the International Seminar organised by the United Nations Special Committee on Apartheid called on all financial institutions to cut loan activities and trade financing to South Africa for their apartheid policy (Wassermann, 1981: 367). A comprehensive package of financial sanctions, which reduces the ability to access international financial markets, may have a devastating impact on the target countries, especially those with high account deficits.

Compared to financial sanctions, economic sanctions on imports or exports are unlikely to be effective (Hufbauer, Schott & Elliot, 1990: 70). An embargo is usually imposed on selected commodities so that it is comparatively easy to circumvent by seeking new partners or finding alternative markets. American President Carter cut grain shipments

to the Soviet Union as penalty for their invasion of Afghanistan, but the supplies were replaced by those from Brazil, Australia, and particularly France and Germany (Wassermann, 1981: 368). In the case of Nicaragua, a few weeks after the United States cut its aid, the Soviet Union provided around 20,000 tons of wheat to replace the lost shipment (Leogrande, 1996: 331). In comparison, reduced loans or assistances make it difficult for the target to find replacements. Furthermore, trade controls always hurt ordinary people who have little responsibility for the policies that result in sanctions, whereas financial controls are more able to affect decision-makers. A striking example is the sanctions on Iraq. Embargoes set the Iraqi health system back by around 50 years, according to the World Health Organization, whereas the ruling elite was virtually untouched (Alnasrawi, 2001: 214). On the contrary, financial sanctions are able to jeopardise the target's interests by freezing their overseas assets directly (Dashti-Gibson, Davis, Radcliff, 1997: 610).

Smart sanctions

In addition to the traditional sanctions, Tostensen & Bull (2002) introduce the concept of smart sanctions, which is composed of transportation and communication controls, and humanitarian exemptions. It is expected that smart sanctions have the potential to be the refinement of conventional sanctions policy without incurring excessive humanitarian costs.

The transportation and communications control covers the restrictions in the provision of aircraft, railways, and the limitation on shipping services. In general, the travel sanction hits the target while minimising humanitarian costs by individual travel restrictions, visa restrictions, and prohibition of air cargo flights. Individual travel and visa restrictions are

expected to influence the commercial relations of the target. The ban on air cargo flights is intended to reduce the imports of military materials or to decrease profitable exports (Tostensen & Bull, 2002: 380, 390). For instance, in the 1990s the United States stopped all travel and work permits to Iraq, and in 2005 the United Nations imposed various travel restrictions on Sudan.

Humanitarian exemptions refer to the institution-specific exemptions, the item-specific exemptions, and the country-specific exemptions (Tostensen & Bull, 2002: 381). The institution-specific exemptions allow certain organisations akin to the Red Cross to continue operating and furnishing ordinary people with necessary supplies; the item-specific approach excludes such items as urgent medicine or food consumed by vulnerable groups. In terms of the country-specific exemptions, if a country relies significantly on food imports, sanctions are likely to exempt such goods. All these exemptions aim to achieve the desired damage on the decision-makers but without collateral damage on the innocents.

3.1.2 Economic incentives

According to Baldwin (1985), economic incentives refer to 'the provision, denial, promise and threat of goods and services in an attempt to influence the attitudes and behaviour of another actor' (Crumm, 1995: 313, cited from Baldwin, 1985). Examples include aid programs, economic engagements and preferential trade arrangements (Dorussen, 2001: 252).

Foreign aid

Foreign aid is viewed as actual or promised aid that should be higher than the baseline of expectation of the target country (Baldwin, 1971: 23). Since World War II, foreign aid has been associated with national security and economic interests, supporting present strategic allies, seeking long-term national interests in certain regions, and serving domestic economic interests (Fleck & Kilby, 2001: 600). Morgenthau (1960) noted in 'The New Statecraft: Foreign Aid in American Foreign Policy' that 'foreign aid is always an economic instrument of foreign policy, but in conditions of pervasive conflict the instrument becomes a weapon' (Morgenthau, 1960:2).

Stokke (1996) argued that the origin of foreign aid lay in official development assistance. From the very beginning, development assistance became an instrument in the bipolar world system that emerged after World War II. For the Western powers, the main recipients of bilateral aid were almost without exception the newly independent countries which previously were their colonies. The promotion of democracy and an open market economy, and the containment of communism in the Third World were used as the prime argument for aid. Similarly, aid was also used by the Soviet Union as a foreign policy instrument extended to those strategically important governments and social structures (Stokke, 1996: 18-20).

Although the foreign aid doctrine has undergone several major shifts since the Second World War, in principle it remains a means of carrying out national foreign policy objectives. In the modern politics of aid, donor states link aid to a bundle of aspirations embracing democracy, the rule of law, human rights, transparency and good governance. The linkage takes two forms: political conditionality attached to aid allocations and

disbursements, and support for specialised projects and programs like democracy-assistance. In general, foreign assistance does not always incentivise the recipient's economic development, as the practice of tying aid to the purchase of the donor country's goods and services or linking aid to political concessions apparently decreases the real value of aid to the recipient (Burnell, 1997: 187).

The US, EU and Japan have always used foreign aid for the furtherance of their political objectives. In the EU's case, aid has been associated with national policy objectives relating to former dependencies with which they continue to have special economic and political ties (Mikesell, 1968: 1). In the case of Japan, the past decades saw Japan suspend the provision of aid to China three times for political reasons: first in response to the Tiananmen Square massacre in 1989; again in 1995 after China's nuclear testing; finally in 2005 after China's protest to the Japanese premier's visit to a controversial war shrine.

The United States is not just responsible for the majority use of economic sanctions, but also is an important donor of foreign aid in the pursuit of international influence, despite of the fact that foreign assistance legislation never receives strong support from Congress. Mikesell (1968) argues that the US national foreign assistance objectives involve national security, humanitarian and national economic benefit (Mikesell, 1968: 17). The first great foreign aid program, the Marshall Plan, was aimed at rebuilding war-torn Western Europe, in part as a bulwark against Soviet expansion. In current international affairs, Washington has placed significant efforts on tending to establish a positive relationship between the provisions of aid and the voting coincidence rate in the United Nations. Wang (1999)'s research proves that Washington has successfully used aid programs to gain support in the UN on certain issues that are crucial to their national interests (Wang, 1999: 208).

Furthermore, Black (1968) finds that the US uses different forms of aid in different areas. Development assistance, including development loans and technical cooperation grants, focus on Africa, Latin America, and near East and South Asia; supporting assistance, referring to loans and grants, is the predominant category of aid in the Far East, with a heavy emphasis on economic support for the struggle against Communist aggression; the contingency fund is used to meet urgent needs that either are unforeseen or cannot be accurately defined in advance, such as flood relief, earthquake rescue, and other urgent demands. Other donations include contributions to international organisations, American schools and hospitals abroad, development research and so on (Black, 1968: 73-80).

Economic engagement

Another type of economic incentive is economic engagement, which is defined as 'a policy of deliberately expanding economic ties with an adversary in order to change the behaviour of the target state and to effect an improvement in bilateral political relations' (Kahler and Kastner, 2004: 1). From seeking political allies to pursuing trade partners, Phillips (2006) suggests that the selection of the partners in essence reflects that the national interests shape a particular framework of economic engagement (Phillips, 2006: 12). According to Ravenhill and Jiang (2007), there are three categories of partners with which countries prefer to shape a economic framework: countries that may help facilitate the production network; neighbouring countries relevant to national security, while economic benefits are the second concern; and resource-rich countries with the aim to enhance a state's security of resource supply (Ravenhill and Jiang, 2007: 3-4).

Kastner and Kahler(2006) set out how to form a framework of engagement, in which three strategies are defined, including 'conditional policies that directly link economic ties to changed behaviour in the target state; unconditional policies where economic interdependence is meant to act as a constraint on the behaviour of the target state, and unconditional policies where economic interdependence is meant to effect a transformation in the foreign policy goals of the target state' (Kahler and Kastner, 2006: 523). No matter which one is used, the ultimate goal of the engagement is a reduction in threats to core security interests. Countries simply propose involvement in economic engagements with their counterparts in the hope that the increased commercial and financial integration will yield an improvement in bilateral political relations. As trade and investment expands in a community, the members would have an incentive to develop a greater interest in maintaining a stable political environment and instituting closer ties within the community.

In 'Economic Statecraft across the Strait', Wong (2005) tests the effects of economic engagement within the mainland China-Taiwan context. He argues that the Taiwan issue is always at the core of Beijing's foreign policy. Beijing encourages cross-strait exchanges since they expect that the increased commercial activity would limit Taipei's ambition of independence and would advance cross-strait reunification. In addition, Taiwan's economic ties with the mainland would give the latter certain political leverage to manipulate Taiwan's economy (Wong, 2005: 42-43).

Preferential Trade Agreements

The concept of Preferential Trade Agreements (PTA) and their negotiations have been put forward for years, but few studies have pointed out clearly that the trade agreement is

indeed a species of foreign policy instrument, which indicates a government's priorities through the selection of negotiating partners. Cooperation through trade arrangements is economic in nature, by definition. However, it is inadequate to conclude that these agreements are only economically driven. In general, nations pursue economic integration for two reasons: politics and policy-making, and economics. In the absence of multilateral control through WTO rules, nations are free to pursue many goals through the conduct of economic integration, so that PTAs could be considered as economic instruments that a country may bring to bear in its quest to enhance security. A trade arrangement is expected to provide an improved context for further contacts, and the tightened economic networks together with the growing interpenetration may amount to political leverage.

There are at least five forms of trade agreements:

- Preferential Trade Arrangements (PTA): the loosest type of arrangement involving the granting of partial preferences to a set of trading partners. If the concessions are unilateral, it is called a preferential trade arrangement; if the concessions are reciprocal, it is called a preferential trade area.
- Free Trade Area (FTA): if the members of a PTA eliminate all tariffs and quantitative import restrictions amongst themselves, it amounts to a free trade area. However, the members retain varying levels of tariffs and other barriers against the products of non-members.
- Customs Union: if all members do not just remove trade barriers amongst themselves, but also set a common level of trade barriers for outsiders, it is defined as a Customs Union, which will set all trade policy for the members as a whole.
- Common Market: this represents deeper integration, beyond the free exchange of goods and services—the free movement of labour and capital is permitted among the members.

- Economic Union: it involves harmonizing national economic policies and a common currency (Pangestu & Gooptu, 2002: 80).

Cheong (2003) revealed that more than 50 percent of existing Regional Trade Agreements are based in Western Europe and the Mediterranean region, followed by RTAs in the Americas and Eastern Europe (Cheong, 2003: 169-170). In Europe, the former rivals, Germany and France, take the leading role in influencing neighbouring countries to take part in economic integration. The situation is different in the Asia-Pacific region. Japan is the most promising country in terms of economic power, but it has not yet taken a leadership role in promoting economic integration. Considering that the Japanese exclude the agricultural sector from the FTA with Singapore, Japan is unlikely to become a leader in pushing economic integration if it maintains its current position on this matter. China's proposal of an FTA with ASEAN and the promise to open domestic agriculture markets gradually raise the question of whether China can become a leading force and promote economic integration in East Asia.

From an economic perspective, the spread of PTAs can be attributed mainly to the fact that cases of regional economic integration have resulted in economic benefits, as seen in the success of NAFTA and EU, though attempts to liberalise trade through the WTO have met frustrating delays. Therefore, existing trading blocs are considering expansion and new economic agreements are emerging. States often form PTAs to improve their access to foreign markets. By reducing trade barriers among participants and restricting the possibility of raising these obstacles, trade agreements provide insurance against future disruptions of commerce with selected economic partners. Such insurance appears crucial, especially when the stability of the global trading system is threatened. Also, it has been argued that having a Preferential Trade Agreement is a defensive strategy

against the proliferation of other trade blocs, spurred on by the fear of being excluded. For example, the emergence of European integration is expected to spur the formation of the North America Free Trade Area, which together with the Europe Economic Community contributes to the initiative of free trade agreements in the Asia Pacific region.

In addition, Wang (2004) argues that the primary purpose of regional economic agreements is often political, and the economic consequences, good or bad, are side effects of the political payoff (Wang, 2004: 139). In fact, the leading trade powers such as the US, the EU and China, have actively engaged in the PTA not just for economic motivation. In the case of America, the country has signed an agreement with Jordan, Singapore, Chile, Australia, ASEAN and a number of Central and South America countries. As to ASEAN, US Trade Representative Susan Schwab confirmed that "the ASEAN region… is a very high priority for not just US commercial and economic ties but for the overall geo-political interests and commitments of the United States" (Jegathesan, 2006). China was a latecomer to the Preferential Trading Agreement and reluctant to engage in the framework. However, Beijing has become an active player in negotiating the agreement, especially after its successful accession to the World Trade Organization. According to Wang (2004), the economic partnership agreements with Hong Kong and Macau are intended to facilitate the production network on the one hand, and to calm the regions by offering them economic incentives on the other hand. The ASEAN-China Free Trade strategy is designed to contribute to China's capability to form a counter power comparable to the US by unifying Southeast Asian states (Wang, 2004: 144 –145).

3.2 The failure of economic sanctions

This section mainly explores the situations wherein policy-makers intend to apply economic sanctions and examines the outcomes. In most situations, the outcomes appear to be unsatisfactory. Both the failure in making the target country compromise and the expensive costs that sanctions impose suggest that economic sanctions should not be considered to be an effective strategy. Instead, the efficiency of economic incentives is apparent.

3.2.1 Reasons for imposition

There are some scholars investigating the typical scenarios of sanctions' employment. In the opinion of Van Bergeijk (1995), there are several factors. To begin with, military operations have failed to maintain peace, for example in Iraq and Afghanistan. Policy-makers are therefore inclined to resort to the sanction routes. Secondly, the end of the Cold War makes international cooperation more likely, which reduces the possibility of trade diversion or sanction busting. Thirdly, international agencies increasingly impose sanctions in order to avoid the proliferation of nuclear and chemical weapons as well as the spread of mass destruction weaponry. Though CoCom (the Coordinating Committee for Multinational Export Control), which restricts the exports of related technologies and weapons to communist countries, was dismantled, other institutions, such as the United Nations Security Council and the International Atomic Energy Agency, have the power to prevent nuclear proliferation through sanctions. Fourthly, current economic interdependence creates a number of trade conflicts, such as the disputes between the United States and Japan over Japanese cars, or between the United States and China over textile products. Within the international order, both communities may resort to sanctions to solve the problem if negotiations fail to reach agreement. Finally, sanctions

are proposed against free riders especially when international agencies enforce environmental policies (Van Bergeijk, 1995: 445-448).

Cooper (2001) analyses the logic of using economic leverage, especially sanctions. He notes that for a decision-maker, available options follow a sequence: diplomacy, economic leverage, and military force. Economic leverage is the second of the three steps available to a government. A dispute between two countries is initially addressed through diplomatic efforts. If tensions escalate, one or both sides will consider a more serious solution, generally economic sanctions; if sanctions do not produce results, participants will resort to military force. Taking Iraq as an example, the first response of international society was to require Iraqi troops to withdraw when Kuwait had been invaded, followed by comprehensive sanctions as Iraq refused to comply. Finally, international troops led by the United States began to remove Iraqi forces when sanctions did not succeed. However, economic leverage is not always the middle-road between diplomacy and force. In some cases, where the dispute is not severe enough to escalate to the military level or where conflicts involve human rights, economic sanctions become the last resort for the decision-makers (Cooper, 2001: 487).

There exists an expectation that economic sanctions may help achieve certain objectives. Hufbauer, Schott and Elliot (1990) have compiled a lengthy list of objectives that the sanction senders pursue in relation to target countries. In many human rights and nuclear non-proliferation episodes, sanctions aim to change policies or modify behaviours in the target country. Also, sanctions are aimed to destabilise the target regime, and it is expected to limit the military capability of the target country (Hufbauer, Schott & Elliott, 1990: 11).

Lindsay (1986) also studied the objectives that economic sanctions may achieve. He suggests that policy-makers might be guided by some of the five aims he sets out, when enacting sanctions: compliance, deterrence, subversion, and international or domestic symbolism. First, sanctions are deployed to force the target nation to alter its policies to comply either with the sender's preferences, or with a system of international regulations. The effectiveness is based on the expectation that the costs of sanctions would exceed the profits derived from the disputed policies. Second, sanctions are supposed to subvert or overturn the entire regime. The use of such sanctions rests on the possibility that economic damage would lead to a greater level of political disintegration. Third, the sender wants to dissuade the target from repeating the disputed action in the future, or to warn other countries not to imitate its behaviour. Fourth, the sender regards the sanctions as a signal to express disappointment, or as a sign of taking actions to thwart criticism (Lindsay, 1986: 153-168).

Finally, Kaempfer & Lowenberg (1988) analyse the cases of sanctions via public choice approach. According to the approach, the level of economic sanctions is determined by a function of political influences of different interest groups. (Kaempfer & Lowenberg, 1988: 789) For one group, this implies a demand for sanctions—members wanting to impose sanctions, whereas in another group that argues for reduced sanctions, the members want to avoid sanctions. Sometimes the groups seeking the same purpose would become allies to strengthen their power. If various interests groups have varied weight in terms of political influence, sanction interventions are not likely to be enacted, but the government would consider their imposition if the pressure against sanctions is offset by pressure for sanctions. From this point of view, the application of sanctions does not primarily pursue massive economic devastation on the target, but satisfies the requirements of domestic interest groups.

3.2.2 The outcome of sanctions

Economic sanctions are applied in many ways, ranging from curbing international trade movement, prohibiting financial mobility, and restricting communication and transportation. Since the earliest application of sanctions, the debate on the effectiveness of sanctions has been continuous. 'Economic Sanctions Reconsidered' (1990) investigates nearly 115 cases, which are divided into five categories according to the major foreign policy objectives pursued by senders: '(1) change the target country's policies in a relatively modest way (2) destabilise the target government (3) disrupt a minor military adventure (4) impair the military potential of the target country and (5) change the target country's policies in a major way' (Van Bergeijk, 1995: 392). For each episode, Hufbauer, Schott & Elliot (1990) define the success score of a sanction based on the combination of the policy result and sanction contribution. The two factors are evaluated from point 1 to 4 respectively. Points 1 to 4 represent the process from failure to success for policy results, and from none to significant influence for the sanction contribution. A score of more than 8 out of a possible 16 is regarded as success.

According to this approach, 34 percent of sanctions episodes are considered as a success in achieving their political objectives. Hufbauer, Schott & Elliot (1990) find that in the majority of the episodes, the policy of sanctions neither changes target country's policies nor overturns the target regimes. The success rate falls to only 25 percent during the period 1976 to 1989 (Bonetti, 1997: 2). In further research, Pape (1997) found that only five

percent could be considered successes (Wallensteen, 2000: 5, cited from Pape, 1997). Reasons are noted below.

Failure to reach the objectives

When sanctions are imposed on a nation, the desired effects are not the imposition of economic damage, but rather a change in the nation's behaviour. The success therefore is relative to a single factor—occurrence of desired change, and meeting the initial objectives will be a key to the judgment of success. In reality, however, few cases embody the connection between sanctions and the changed behaviours. As Wallensteen (2000) pointed out, in a total of eleven sanctions episodes initiated by the United Nations in the 1990s, only two saw the target modifying its policies. The success rate was close to twenty percent (Wallensteen, 2000: 6). He further noted that the United States' sanctions against Iran, North Korea, China, India and Pakistan 'do not seem to have changed the behaviour of these states or their leaders in the direction demanded' (Wallensteen, 2000: 8). Furthermore, an undeniable fact that innocent people, rather than power-takers, suffer the hardship in sanctions is regarded as the most significant failure. Hence, it seems safe to conclude that sanctions have limited efficacy in achieving foreign policy goals, although it is equally incorrect to claim that they never work.

As noted above, Lindsay (1986) suggests that senders impose sanctions for several reasons: compliance, subversion, deterrence, international symbolism, and domestic symbolism. However, he also confirms that sanctions generally fail to force compliance since the target suffers insufficient economic damage, or the target does not think the compromises can be offset by the costs; as political coalitions can be produced in certain

scenarios, sanctions fail to subvert the target regime; sanctions fail to deter the target's behaviour because the possibility of continuing the sanctions is in doubt, or the target believes that they are able to and intend to retaliate (Lindsay, 1986). In the subversion scenarios especially, there are numerous failed examples: the Soviet Union attempted to replace Tito with a pro-Soviet leader in 1948 via the power of sanctions. However, results showed that the target regimes still remained in power. In certain cases, such as Uganda and Rhodesia, the regimes collapsed due to other factors, not because of the impact from sanctions (Lindsay, 1986: 160). Galtung (1967) explains that an attack from the outside can conversely act as a catalyst to unite an entire nation. This phenomenon of 'rally around the flag' makes it even more difficult to subvert the target regime (Galtung, 1967: 378-416).

Similarly, Lenway (1988) agrees that sanctions do not work in general if judged by their efficiency in achieving the primary stated objectives (Lenway, 1988: 401). In Gavin's study, he argues that sanctions may achieve the 'signalling objective' but it is a costly signal, considering the loss of economic opportunities for the territorial neighbours. In his view, the application of sanctions is nothing other than an overreaction to public and legislative pressures (Gavin, 1989: 1-9).

Sanctions bring high costs

In the influential book 'Economic Statecraft and Economic Sanctions Reconsidered: History and Current Policy', Hufbauer, Schott and Elliott (1990) try not just to study the political or economic factors furthering the achievement of policy goal in a sanctions scenario, but also to address the costs of sanctions to all participants and to third parties. Van Bergeijk (1995) also agrees that economic sanctions are essentially the heftiest non-

military instrument in international conflict solution, which places costs on the target, sender, and even target's neighbours or trade partners.

Van Bergeijk (1995) divides the costs as direct and indirect. Direct costs are related to the target itself. In the case of financial sanctions, welfare loss may be the total value of reduction, since it is always irreversible. In the case of trade sanctions, the costs would include soaring transportation costs, disrupted trade flows or the risk premiums paid to the middleman, although a part or all of the loss may be offset by some assistance from third countries. Indirect costs refer to the external effects of sanctions on third parties. In some cases, the impact of sanctions will disperse the target's trade partners, and limit their external trade also (Van Bergeijk, 1995: 449-452).

For target countries, the direct damage caused by trade sanctions is limited and less significant. The research shows that only in a third of the total 116 episodes, the losses exceed one percent of Gross Domestic Product of the target state (Van Bergeijk, 1995: 450). This suggests that sanctions fail in imposing a severe economic impact, as they cannot be enacted on a broad enough catalogue of commodities or applied by many countries. The application on a limited scale gives the target a chance to reach triangular trade arrangements (Hufbauer, Schott & Elliot, 1990: 75). Conversely, the imposition of sanctions may produce the business opportunities for the entrepreneurs of both the third country and the target itself. Kerr & Gaisford (1994) suggest that entrepreneurs may exploit these opportunities by accessing the markets of the embargoed commodities, by producing substitutes for the sanctioned goods, and by exploring other potential partners (Kerr & Gaisford: 1994: 171). For example, a worldwide weapon embargo against South Africa motivated the swift development of its domestic arms industry, and

the boycott by oil-exporting countries led to the establishment of the coal-mining industry in South Africa.

However, the argument that sanctions impose limited costs on the target entirely neglects the criminal consequence of sanctions. In fact, sanctions may push underground economic activities, since the majority of targeted governments indulge in organised smuggling as a survival strategy for gaining urgent supplies to preserve the regime. Incentives for smuggling can be reinforced even after sanctions are lifted. For the entire society, the most dramatically criminalizing consequence is a high level of public tolerance of smuggling. According to an investigation by the Serbian Customs Administration, in some targeted states, smuggling, corruption and other illegal activities are viewed as normal, rather than as infringements of the law. It was reported that the underground trade between Bulgaria and Serbia reached more than 5 billion dollars in 1994; in 1996, the Serbian Prosecutor-General admitted that the country's financial system and infrastructure were not likely to survive without sanctions violators, resulting in the government rewarding key actors for their contribution to oil smuggling with the ownership of several gas stations (Andreas, 2005: 344-345).

For the sanction senders, the largest loss is the sacrifice of investment opportunities in the target, and the 'echo effects' of sanctions continue to impede bilateral trade between the target and the sender after their lifting. In addition, the costs for the senders may be more serious, taking the intangible costs into consideration. Sanctions produce uncertainty about the sender's reputation as the sender might be regarded as an unreliable partner, not only by the target, but also by other countries. The previous partners of the sender might diversify the supply channels and seek new co-operators with higher levels of reliability. In the case of Italy, trade sanctions against their occupation of Abyssinia in

1935-1936 were put in place. However, the Italians diverted their exports from the sanctioning to other countries. The effects persisted after the sanctions were removed (Slavov, 2004: 4).

For the third party, the 'disrupted trade theory' suggests that a land neighbour suffers trade reduction due to rising transportation costs and disrupted trade relationship. Slavov (2004) analyses the effects on the neighbour of the target through the gravity model, which measures potential trade flows between countries. The results show that a land neighbour would act as an innocent bystander, and their trade volume with the rest of the world tends to fall (Slavov: 2004: 2, 9). Although 'the smuggling theory' claims that the target's neighbours should gain more trade volume because part of their trade is by way of proxy for the target, the theory cannot be tested in economic terms, since it is difficult to measure the real smuggling value.

Similarly, some think that since the sanctioning countries have to face the phenomenon of sanctions busting, the reduced trade volume will be diverted to the other partners of the target. However, the study by Caruso (2003) suggests the opposite. His theory assumes that sanctions consist of three types: limited, moderate and extensive. Minor embargos, trade and travel restrictions are considered to be limited; moderate means broader sanctions; and extensive refers to certain comprehensive trade and financial sanctions. He gauges the effects on G-7 countries, with the exception of America. The empirical results prove that extensive sanctions have significant negative effects on trade volume between sanctioned and non-participating countries; unilateral limited and moderate sanctions only have insignificant positive effects (Caruso, 2003: 15, 20).

Other factors

There is an argument that the problem with sanctions is the lack of political will in certain nations. Some members of the United Nation Security Council may be concerned that sanctions would be held against them one day. The use of sanctions against Italy, for example, was vetoed in the Security Council; the comprehensive embargo led by America on the Soviet Union was initiated in 1947, but the United Nations refused to impose them subsequently (Wallensteen, 2000: 3). Furthermore, the senders always primarily consider their own national interests instead of the success of sanctions. The scenario with South Africa is a typical one. In 1963, the United States, France and other allies imposed an arms embargo against South Africa for the apartheid policy, but in 1970, these countries abstained when the United Nations tried to tighten the sanctions. In 1977, they even vetoed the UN's resolution of making sanctions mandatory. Interestingly, South Africa was able to buy the military-related goods and technology from them through foreign companies (Nathan, 2000: 4).

In addition to political unwillingness, success is limited by lack of cooperation with the neighbouring states, which have little incentive to apply sanctions entirely. The neighbouring countries are always used as the logistical centres to transfer goods into the sanctioned region. In the Italian case, the neutral position of Switzerland made trade flow appear usual; in the Rhodesia scenario, the embargoed goods could enter Rhodesia through South Africa; in Iraq's case, Iran not only refused to cooperate with the oil-for-food program, but also smuggled commodities to Iraq (Andreas, 2005: 344-345).

3.2.3 The efficiency of economic incentives

It is apparent that current literature on economic statecraft places a great deal of emphasis on sanctions. In regard to sanctions' performance, Baldwin (1985) insists that their efficiency has been underestimated due to the insufficient framework used to make the estimates. Unlike Hufbauer, Schott and Elliott (1990), whose analysis is designed to identify one primary objective and one target in each case, Baldwin not only introduces the idea of multi-objectives and multi-targets, but also addresses the sanctions' symbolic role. In Baldwin's theory, the policy-makers design economic leverage not just for national economic interests, but for political prestige. The effectiveness of economic sanctions, therefore, cannot simply be measured in quantitative terms, as many of these policies are crafted to deliver signals to adversaries. This may be the explanation for an interesting issue: economic sanctions are employed frequently, regardless of the notable failures' record. Furthermore, Baldwin argues that the costs of sanctions are unlikely to exceed the costs of other alternative polices like the use of military force, especially as the costs of war include lives lost, damage to prestige and moral costs. From this perspective, economic sanctions might be considered more efficient (Lenway, 1988: 404-407).

Furthermore, some argue that every form of economic statecraft has its own tailored scenario. Trade sanctions are more suitable to countries that highly depend on imports or exports. Financial controls are targeted to certain countries or specific groups, which rely heavily on loans or credit offered by the international capital markets to maintain economic development. Economic engagement may be used to increase political leverage by maximising economic linkage with trade partners. Foreign assistance is mostly granted to potential political allies in connection with future cooperation. Therefore, incentives may not necessarily be feasible in certain cases.

However, the advantages of economic incentives are apparent. Baldwin concludes that sanctions may not be costly in comparison to the costs of war, but it is hard to reach the same conclusion in comparison to the costs of economic incentives. Economic incentives are viewed as actual or promised aid that should be more valuable than the baseline of expectations of the target country, and negative sanctions are regarded as actual or threatened punishments related to this baseline. The difference between the two embodies not only the target's first reaction, but also after-effects. Firstly, punishment tends to deliver an impression of hostility to the target, which usually leads to fear and causes resistance. To some extent, the employment of economic sanctions is associated with a country's economic position in the global system. Since the majority of sanctions are imposed by the strong economies on the weak, sanctions appear to be the economic weapons of power politics, which may easily result in hostility and confrontation. In comparison, rewards may send the signal of sympathy, and always offer compromises. Secondly, as Chan (2006) notes, the objectives of economic statecraft are to increase a state's stake in ongoing and future commerce, and to decrease the incentives for other countries to support economic and political rupture (Chan, 2006: 4-5). Incentives may strengthen a bilateral relationship in the future, whereas punishments are likely to reduce the willingness of the target to cooperate on other issues. Thirdly, sanctions are mostly used to resolve disputes, but economic incentives may have wider applications in both solving disputes and ensuring parties' collaboration.

As Azam and Saadi-Sedik (2004) note, the foreign power has three major options: threatening sanctions, enacting sanctions, and providing economic rewards (Azam & Saadi-Sedik, 2004: 5, 14). Where utility of threats is restrained by credibility, and negative sanctions have debatable outcomes, economic incentives are viable. Recent studies have suggested the strategy of 'mixing carrots with sticks', meaning the application of

incentives and sanctions simultaneously. This can be understood as compensating the negatives of sanctions by the positives of incentives, which denies the unilateral use of sanctions from other perspective. In the case of North Korea in the 1990s, the United States and South Korea provided a package of economic rewards to motivate the North to dismantle their nuclear program. In the meantime, threats of both sanctions and military force were ongoing. Such a mixed strategy has been resumed under current Six Party Talks.

On the other hand, in recent years, the world has witnessed the development of economic arrangements between different trading unities. It is reported that of the 142 members of the WTO, 90 percent have formed or entered into regional economic cooperation organisations (Forging closer ASEAN-China Economic Relations in the Twenty-First Century, 2001: 30). Around 380 RTAs had been notified to the GATT/WTO by July 2007. On the same date, 205 agreements were in force. Taking into account those RTAs that are in force but have not been notified, those signed but not yet in force, those currently being negotiated, and those in the proposal stage, a figure of about 400 RTAs that are scheduled to be implemented by 2010 can be deduced. Of these RTAs, Free Trade Agreements (FTAs) and partial scope agreements account for over 90% (Regional trade agreements, WTO Homepage). In incorporating the widespread trade agreements along with the increasingly important role of foreign assistance in the external policy of major powers such as the US and Japan, it appears that economic incentives start to show their popularity and efficiency in the context of international relations.

3.3 Conclusions and hypothesis

The concept of 'economic statecraft' involves the utilization of a state's economic resources and capital in its foreign policy conduct, and economic statecraft itself is the art of conducting state affairs. The existing literature on economic statecraft follows two tracks. Firstly, it not only introduces the various forms of economic statecraft, which refer to the combination of sanctions and incentives, but also suggests the priority of economic incentives in comparison to economic sanctions in terms of efficiency.

Secondly, much of the literature gives more attention to the issue of whether economic sanctions or incentives can effectively achieve foreign policy objectives, which indicates that current literature has treated both economic sanctions and economic incentives as diplomatic means, and not just as economic policies. The provision of economic statecraft is associated with the increasing economic conflicts in the era of economic interdependence and the desire to avoid the use of military force. When economic interpenetration creates an incentive for states to utilise economic leverage, economic statecraft is used to advance national interests.

From this perspective, economic statecraft has become a major tool of international diplomacy. Both developed and developing economies have the experience of using economic statecraft to support national interests, but it is likely that the levels of development and differences in social system account for significant differences in approaches to statecraft. This leads to the second hypothesis:

Hypothesis II: For a new rising international player like China pursuing a peaceful rise policy, which never favours a military approach in seeking its security interests, security objectives and economic diplomacy can never be separated, though the specific approach of economic diplomacy may vary by region.

Part II: China's National Security Concept and the Chinese Model of Economic Statecraft In Its Diplomacy

Chapter Four: China's National Security Studies

A consensus has been reached that security theory is a contentious matter in academic and political contexts. However, the theoretical problems do not undermine the core value of security studies for a state in international relations. In comparison to traditional security theory, the new security theory still fails to reform the notion, but makes it a multidimensional concept and reflects certain changes that have occurred in global politics, such as the emergence of economics in international relations and the rise of non-military threats. While this evolution is quite similar in China's context, China's security study still shows its distinguished characteristics and defines specific threats that it faces.

This chapter will focus on China's new security concept and test the first hypothesis by analysing the priority of China's security agenda.

4.1 China's new security theories

The years 1997 and 1998 saw Chinese leaders frequently call for a new security concept in some diplomatic settings:

- The new concept was officially unveiled by the People's Republic of China (PRC) in March 1997 at a meeting of the Association of Southeast Asian Nations (ASEAN) Regional Forum.
- In their joint statement at the conclusion of their April 1997 summit, President Jiang Zemin and Russian President Boris Yeltsin called for a 'new and universally applicable security concept'.
- In December 1997, Foreign Minister Qian Qichen outlined and explained the

'New Concept of Security' during activities marking the 30th anniversary of ASEAN.

- In February 1998, Defence Minister Chi Haotian called for the establishment of a 'New Concept of Security' in a speech in Tokyo to the National Institute of Defence Studies, and again in a talk presented to the Australian College of Defence and Strategic Studies during his visit to Canberra (Finkelstein, 2003).

Finkelstein (2003) explains that Beijing puts forward the new concept of security since the proposal is an indication of China's dissatisfaction and frustration with the unfolding international system; a reaction to policies and actions by the United States, especially Washington's strengthening of its military alliances in East Asia, and an attempt to dismiss the China Threat Theory in that proximate area in particular (Finkelstein, 2003). Wu (2001) also lists the changes in the international security area that may influence Chinese security thinking, including: the relaxation of global tensions; relations among major powers having become relatively stable; existing armed conflicts and local wars becoming less frequent; the development of the international process of disarmament and counter-proliferation; the interdependence of various economies having led to calls for joint control over financial turmoil; and East Asia having remained generally peaceful despite of unsolved disputes and ongoing differences (Wu, 2001: 278).

In China-related studies, the security concept is divided into traditional security and non-traditional security studies (NTS). Generally, they define military security as a traditional security study, but they differ in the analysis of the issues within the non-traditional study. In Wang Yizhou's 'Defining Non-traditional Security and its Implications for China', he notes that some Chinese scholars put forward five major NTS issues on the basis of China's domestic need: economic security – including energy

security and financial security; food security; environment security; information security; and population security, and the three negative forces such as: religious extremism; separatism; and terrorism. However, others think that NTS encompasses the economy, anti-terrorism, information, illness, drug trafficking, crimes at high seas and ecology (Wang, p.5). This section will discuss China's security situation, mainly in military, political, economic, and environment sectors.

4.1.1 China's military security

In China's security context, the Asia-Pacific region, which consists of Northeast Asia and Southeast Asia, is more akin to a security concept than a geographical one. The region is where great powers converge. If China is able to build up its power base in the Asia-Pacific, it may eventually emerge as a global power. This focus on the region has been reinforced by the international repercussions arising from the Tiananmen incident in 1989. Since then, China's diplomacy has paid much attention to the surrounding region (Zhoubian Waijiao), which signifies the diplomatic shift from the two superpowers for the first time. The former President Jiang Zemin stated that 'China is now going all out for economic development and this requires not only domestic stability but also a stable international environment. We attach great importance to political stability in the Asia-Pacific region, because this constitutes an important condition for ensuring economic development in the region' (Ong, 2002: 3). Under Jinag Zemin-Zhu Rongji administration, the 1990s saw the establishment of a broad range of relations with the neighbours, as evident in the Shanghai Cooperation Organisation and ASEAN Plus One, in particular.

In the Southeast Asian area, resorting to the mechanism of ASEAN Plus One or ASEAN Plus Three, China has been putting effort into promoting either political exchange or economic interaction. In the meantime, China signed the 'Declaration on the Conduct of Parties in the South China Sea' in 2002, by means of which China and other ASEAN claimants agreed a peaceful resolution to the South China Sea disputes. This effectively fosters bilateral relations towards shaping 'good-neighbourliness'. The Northeast Asian region, which may conveniently be treated as a geographical area including Japan, China, South and North Korea, Mongolia, Taiwan and the far-eastern portions of Russia, has always been a region full of contradictions. The area involves the interplay of major powers – America, Soviet Union, Japan and China, and in the twentieth century it experienced three wide-ranging wars: the Russia–Japan war in 1905, China–Japan war between 1937 and 1945, and the Korean War during 1950–1953 (Ong, 2002: 1–2). However, since China integrates economically with Japan, South Korea, and Taiwan, and is allied with Russia in international affairs, the security environment in Northeast Asia has been more relaxed than previously.

However, China's regional security is still open to challenge and deserves great attention. China is facing a severe security concern stemming from the neighbouring three powers: Russia in the north, India in the southwest, and Japan in the east. Vietnam and the Philippines in the south are non-allied states. Reunification with Taiwan has not yet been achieved, and China is facing the containment of the US 'first islands chain' in the Asia Pacific Ocean[6]. Moreover, the territory and resources disputes remain the greatest

[6] The deployment of the United States in the Asia Pacific region has three island chains: the 'first island chain' is composed of the US military bases in Alaska, the Aleutian Islands, Japan, and Korea, which is the frontline of the US military employment Westwards; the 'second island chain' is centred at Guam and linked with the presence in Australia, which offers a base for the US moving forwards; the 'third island chain' is primarily composed of the US military base in the Hawaiian Islands group, which is the defence frontline of American mainland.

security obstacles in the Asia-Pacific region. For complex historical and cultural reasons, the territorial demarcations between some states in this region have not been drawn. With the implementation of the United Nations Convention on the Law of the Sea, the disputes over the sovereign status of some islands and sea rights become prominent, such as the four northern islands between Russia and Japan; Tokto island between South Korea and Japan; the Diaoyu Islands (Senkaku Islands) and the East China Sea between China and Japan; the South China Sea between China and certain Southeast Asian states. These factors undermine China's regional security environment.

As well as being the most important stakeholder in the security framework of the Asia-Pacific region, over the past decades the US military has never changed its containment policy toward China. Part of the US military has always regarded China as a potential enemy and made strategies correspondingly. The United States maintains its dominance in the Asia-Pacific area through a military alliance with the Northeast Asian states such as Japan and South Korea, and grasps the opportunity offered by the war on terror to enhance its influence in Southeast Asia, which severely threatens the security situation surrounding China. Also, the US military actions in the Gulf, Kosovo, Iraq, and Afghanistan make the Chinese realise that Washington has not ruled out the possibility of using action to settle disputes. The military interference over the Taiwan Strait in 1996, the bombing of the Chinese Embassy in 1999, the airplane incident in Hainan Island in 2001, the confrontation between ships from the two countries in the South China Sea in 2008, and the collision of a Chinese submarine with sonar equipment being towed by a US destroyer in the Philippines in 2009, intensify the possibility of a war breaking out between the United States and China. Furthermore, as Chinese economic development urgently requires massive energy inflows, safe transportation appears to be critical for the sustainability of economic growth. But, the US navy dominates the 7,000 miles of sea

lanes from Shanghai to the Straits of Hormuz through which half of China's oil supplies must pass, and around 80 per cent of China's oil imports ship through the straits of Malacca, which is a natural target for terrorists and an interdiction point in any prospective conflict.

Due to these risks, China's military security continues to assume a supportive role in the security agenda. In China's definition, its military force should undertake the mission of defending the territorial sovereignty and integrity, resisting foreign aggression and safeguarding state unification. In order to build a capable force, after Deng Xiaoping, Jiang Zeming and Hu Jintao continued to emphasise the quality of the military, trying to build a high-technology-focused information defence system. China is expanding its military ability to strike Taiwan with shorter-range missiles; Japan, India, and the Philippines with medium-range missiles; and the United States with longer-range ICBMs. The PLA is also introducing sea skimming missiles, quieter submarines, and asymmetric capabilities in cyberspace and outer-space that are designed to keep US carrier battle groups away from littoral areas around China in times of crisis (Green, 2007: 98). Furthermore, China is stepping up its diplomacy in the region to create Asian-only institutions such as the Shanghai Cooperation Organisation and the ASEAN Plus Three.

4.1.2 China's political security

Political security relates to the ideology that grants the rulers of particular country legitimacy. In China's case, the key to its political security is to maintain the communist government, which to some extent represents the struggle between the communist and capitalist political system. The legitimacy of the Communist regime at the current stage has been challenged from external and internal pressure sources.

Externally, the West's response to the Tiananmen turmoil in 1989 reminds Beijing that Western-style democracy and human rights are a fundamental security threat directed at the core values of the Chinese communist leadership. Since the collapse of communism in the Soviet Union and Eastern Europe, China's communist regime has become the top target. The Chinese repeatedly state that 'in international political affairs, the superpowers should not be allowed to order other countries about, pursue power politics and impose their values on others' (Ong, 2002: 19).

Internally, rapid industrialisation results in two major issues for China's political rule. First, because of the lack of sophisticated legal and compliance system, the party's reputation among Chinese people has waned gradually due to the widespread corruption of the party members. People have been calling for political reform of the one-party system, including political transparency and democratic elections. Second, economic asymmetric growth has increased the gap between the advanced Eastern coastal provinces and the less-developed Western provinces, between rural and urban areas, and between the rich and the poor, which may lead to social tensions. In addition, China's economy mainly relies on exports of manufactured goods, but the collapse of some industries in the coastal provinces as a result of current global economic downturn results in massive unemployment. Since most of the labour comes from the less-developed western provinces, the high unemployment particularly hurts the economies in these areas. Given these two issues, on the one hand, the Communist Party must revise and clarify the party in order to reduce people's hostility. On the other hand, the party has to reduce social conflicts by sustaining economic growth, to reduce unemployment rates and to promote the development of the western provinces, in order

to ensure the ruling power of the party. For this reason, China's political security is closely associated with the possibility of a sustainable economic development.

4.1.3 China's economic security

According to Wang's analysis in 'Conceptualizing Economic Security and Governance: China Confronts Globalization' (2004), economic growth and national security were considered as two separate topics from 1978 to 1992, and as a single domain from the mid-1990s onwards, especially after the Asian economic crisis in 1997 and China's entrance into the WTO. He noted that 'before the middle of the 1990s, economic reform and economic growth had been given high priority on the agenda of government domestic policy, while national security, as a crucial part of China's foreign policy, was mainly related to policy instruments to ensure territorial integrity or to prevent subversion from outside hostile forces' (Wang, 2004: 524). Partly due to the deeper economic integration and the 1997 Asian Financial Crisis, the economic-security nexus has come to the attention of Chinese scholars and the ruling party.

Considering the effects of economy on national defence and its role in promoting political security, economic stability and development are extremely important. Since Deng's era, the development of the Chinese economy has been granted immense political importance and is considered China's long-term task. In Deng Xiaoping's words, 'except in the event of an emergent war, the Chinese people must steel themselves to carry out this task with reality and commitment; they must make it their central task and allow nothing to interfere with its fulfilment. Even if there is a large-scale war, afterwards China will still have to pick up where it left off or start over'(Li, 2007: 40, cited from Selected Works of Deng Xiaoping, 1994: 249). The principle that China must strictly

adhere to economic development continues to receive full attention in the leadership that succeeds him. At Hu's national congress speech in 2007, he stressed that 'we need to vigorously push forward strategic economic restructuring and make greater efforts to improve China's capability for independent innovation as well as energy and environmental conservation, and to enhance the overall quality of the economy and its international competitiveness' (Hu Jintao's speech at 17th Party Congress, 2007).

However, there are a number of pressing challenges to China's economic stability. First, the superiority of multi-national firms places Chinese counterparts at a disadvantage in capital, technology and policy treatment, leading to a shrinking market share for Chinese enterprises, and the frequent assertions of the 'China Threat' in recent years makes the maintenance of a security environment conductive to China's growth difficult. Second, as economic security involves not just the healthy growth of the domestic economy, free and fair trade practices, but also free access to resources, the supply of energy resources may correlate with China's economic security. China is now the world's second largest consumer of energy, accounting for more than 12 per cent of global energy demand. Its energy sector displays a dependence on coal and oil (see Table 4.1). In 2007, when the Asia-Pacific region accounted for two-thirds of global energy consumption growth, China contributed half of global energy consumption growth (BP Statistical Review of World Energy June 2008, p.2). In addition to the oil sector, while global coal consumption rose by 4.5 per cent in comparison to 2005, China accounted for more than 60 per cent of the growth in 2006 (BP Statistical Review of World Energy June 2007, p.5). It is certain that China will continue to rely on imported energy resources for meeting its consumption needs, considering its declining domestic production (see Table 4.2).

Table 4.1: Primary Energy Consumption in China (Quadrillion Btu)

Year	*Coal*	*Natural Gas*	*Petroleum*	*Total*
1980	12.5	0.6	3.8	17.3
1985	16.9	0.5	4.0	22.2
1990	20.7	0.6	4.9	27.0
1995	27.5	0.7	7.2	35.2
2000	22.7	1.2	9.7	36.7
2005	26.4	2.2	11.2	43.2
2010	33.3	3.4	14.2	55.3
2015	40.1	5.3	17.9	69.1

Source from Haider, 2008: 5, cited from Energy Information Administration (EIA).

Table 4.2: Estimates of Chinese Oil Imports (Million Barrels Per Day)

	2005	*2010*	*2015*	*2020*	*2025*	*2030*
IEA(2002)		4.2		6.9		9.9
US EIA(2003)	2.0	2.9	4.2	5.9	7.5	
APERC (2002)	2.0	3.5	5.1	6.9		
Sinopec (2003)		2.0–2.4		3.6–4.0		
ERI/SDPC (2002)	1.6	2.5		4.1		
PRC Industry (2002)		3.4		5		

Sources from Downs, 2004: 24.

Indeed, the insecurity of energy lies not in the dependence on foreign sources of energy supply itself – over the past two decades the oil-producers have not attempted to use

energy as a weapon against China as they did against the West in the 1970s – but rather in the growing consumption in China's domestic markets, without improvements in energy efficiency. From the perspective of international relations, the insecurity is also embodied in the unsafe sea transportation, the intense competition with other oil-consumers, the United States in particular, and the strong regional or international reaction to China's active pursuit of supplies through the exploitation of offshore sources of energy, notably in Africa. In view of the increased vulnerability of its oil imports from the Middle Eastern region and through the Strait of Hormuz, Beijing has adopted a cautious policy relating to the Gulf region and the Iran nuclear crisis. For the same reason, China has been giving economic assistance to Africa and has become involved in economic engagements to ASEAN, since the African continent may offer abundant energy supplies, and the Malacca Strait, which belongs to Malaysia and Singapore, both ASEAN member states, is a conduit for the supplies.

4.1.4 Other Non-traditional security

When economic globalisation leads to interdependence, high levels of interdependence effectively connect national economies. Such linkage acts as a transmission belt, conveying the issues of one country into or away from the other country. Examples include crime, drug trafficking, immigration, and environmental degradation, which were formerly regional concerns but have now become global and require collective cooperation. In China's case, the environment is a major concern in the framework of these non-traditional threats. Environmental degradation in China is severe. Environment problems like pollution, acid rain, and contaminated rivers have now become a key policy issue, which poses not only a major long-term threat to Chinese public health, but also a political challenge to the ruling party. It is reported that more

than 500 million people lack access to clean drinking water, and only 1 per cent of the country's 560 million citizens breathe air considered safe by the EU standards – air pollution is blamed for hundreds of thousands of deaths each year. Emissions of sulphur dioxide from coal and fuel oil, and the expansion of car ownership are the main cause of environment problems (Kahn and Yardley, New York Times, 2007; Whittington, BBC News , 2004).

Furthermore, under the assumption that launching a real war is overly costly, the competition between states will not necessarily continue to rely on military power, but mostly on scientific innovation. In the Chinese scenario, rapid growth does not lead to sufficient competitiveness globally. Conversely, the growth is attributed to the dependence on labour-intensive industries and foreign technology. However, international competitiveness derives from advances in information, communication, and related technologies, and those who possess them become rule-makers by asserting intellectual property over these achievements. To develop individual intellectual property or home-grown technology is the only way to be a regulatory state, which is defined to 'develop capabilities to set market rules and thereby steer market dynamics through regulatory agencies, commissions and administrative procedures that maintain an arm's-length relationship between state and market' (Bach, Newman and Weber, 2006: 500, cited from Majone, 1997).

If a state has its own property rights, this will replace the market share of foreign standards, enhance negotiation power, and reduce the payment to the technological owner. Importantly, it may avoid excessive dependence on other countries. Since Chinese technologies are far behind those of developed countries and it has to rely on foreign technologies in the key fields – such as communications, computer and military –

scientific innovation or scientific security should be a focal point for China to improve national competitiveness.

4.2 Core of China's security concept

In the mid-1990s, China called on the countries in the Asia-Pacific region to jointly develop a new security concept. In 1997, the former President Jiang Zemin clarified Chinese new security perspectives to the international community, by noting that the old security thinking, reliant on military confrontation, is regarded as a failure in ensuring security as military power cannot create permanent world peace. Subsequently in 2000, President Jiang repeated at the United Nations Conference that to create mutual-security is the only reliable way to prevent conflicts and war; the ideology of Cold War should be abandoned and the new security theory based on mutual-belief, mutual-benefits, equality and cooperation should be upheld in the international community (Wu, 2006: 5). In 2002, the new concept was formulated officially in the form of a policy paper —'China's Position Paper on the New Security Concept.'

According to the policy paper, the meaning of the security concept has evolved to be multi-fold, extending from military and political to economic, science and technology, environmental, culture and many other areas. The core of such a new security concept includes mutual trust, mutual benefit, equality and coordination. Indeed, the core value is not a novel one but is a re-packaged notion of the 'Five Principles of Peaceful Coexistence' announced by Former Premier Zhou Enlai in 1955, referring to mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

According to the policy paper:

> Mutual trust means that all countries should transcend differences in ideology and social system, discard the mentality of Cold War and power politics and refrain from mutual suspicion and hostility. They should maintain frequent dialogue and mutual briefings on each other's security and defence policies and major operations.
>
> Mutual benefits means that all countries should meet the objective needs of social development in the era of globalisation respect each other's security interests and create conditions for others' security while ensuring their own security interests with a view of achieving common security.
>
> Equality means that all countries, big or small, are equal members of the international community and should respect each other, treat each other as equals, refrain from interfering in other countries' internal affairs and promote the democratisation of the international relations.
>
> Coordination means that all countries should seek peaceful settlement of their disputes through negotiation and carry out wide ranging and deep-going cooperation on security issues of mutual concern so as to remove any potential dangers and prevent the outbreak of wars and conflicts (China's Position Paper on the New Security Concept, 2002).

China claims that different nations should trust each other on security issues, pursue regional and international security through mutually beneficial cooperation, commit to solving disputes by negotiation and seek stability through cooperation. From this

perspective, the new security concept is similar to Rothschild's idea of common security, which suggests that states may no longer seek security at each other's expense; conversely, it can be attained only through cooperative undertakings (Rothschild, 1995: 56). Taking note of the multilateral cooperation that China engages in within the region, the ASEAN Plus One, the ASEAN Plus Three, the East Asia Summit and Shanghai Cooperation Organisation highlight the efforts to achieve common security for all parties through communication, coordination and cooperation. Furthermore, at least at the policy level, China shows the gesture of seeking settlement of disputes with its counterparts through peaceful negotiation, working for the establishment of a regional or international security cooperation mechanism, and attempting to use economic mutual interests as an avenue to ensure lasting security in its concerned areas. In many international settings, China's leaders repeatedly claim that China is not pressing to ensure own interests and influence on the international level, and is not trying to challenge the current international power structure. Rather, it will conceal its capabilities and bide its time in its surrounding area.

However, the core value of the new security theory itself unavoidably causes security dilemmas. First, the theory states that the mutual benefits can act as an impetus to maintain national security and that mutual trust is the foundation of national cooperation. But mutual benefits cannot be automatically understood as equal payoff. The 'Prison Dilemma' in international relations suggests that with cooperation, if one side receives more than others, the one who gains less is likely to defect. Without a powerful treaty and effective punitive mechanisms, cooperation pursuant to mutual trust is unlikely to survive in the long term.

Second, even if the states enjoy common interests on certain issues, they might diverge on others. Every state faces different security problems at different stages. For developing countries, security threats could arise from such traditional perils as sovereign intervention, territorial violation, or a food crisis, while developed countries may have other concerns such as illegal immigration. For instance, the major threat that the United States faces nowadays is terrorism, so it is high unlikely to expect that North Korea would jointly attack terrorism with the United States, or call for environmental protection with the EU. Not only do the developed countries have different security concerns from developing ones, but also even a single state has different security agendas at different times. In the case of America, to retain its superpower position was the key aim before 9/11, but after that, anti-terror efforts became crucial in American security goals. Therefore, without effective incentives, cooperation on security is not easy to achieve.

4.3 Conclusions

As China's influence has increased remarkably since its open-door policy, there is insufficient discussion of China as an emerging power. The debate today is whether China would demand more influence to match its increasing strength and by what means it would attempt to secure its position. From this perspective, Chinese thinking on national security is an important research issue.

When scrutinising the Chinese scenario, we may conclude that the emergence of a new security view has not reduced the weight attributed to traditional security in China's security strategy. For a state, the principal and core objective is to protect its territory and sovereignty. Although there is unlikely to be a large-scale military invasion, due to a

series of internal issues such as the Taiwan, Tibet and Xinjiang issues, and the external conflicts akin to the East China Sea disputes with Japan, the South China Sea issue with some ASEAN members and the US encirclement in the Asia-Pacific region, China should continue to undertake the mission of maintaining territory integrity and security. Taking into consideration the recent chaos in Xinjiang and the aggressive confrontation in the South China Sea, military security in China's surrounding area should not be disregarded.

Meanwhile, economic security appears to be highly important for the Chinese within the current situation. As argued, most of the political security threats faced by the Chinese communist party are either directly or indirectly related to the issue of economic development. China's political security, referring to the sustainment of the ruling of the communist party, requires not just stable developments in domestic market, but also further economic growth in the less developed middle and southern areas – to narrow the gap between the rich coastal and the poor southern provinces. Otherwise, both the legitimacy and competence of the communist ruling will be questioned. More than that, the calls for political reform are expected to rise. For this reason, economic sustainability, which needs at least a stable regional environment and a sufficient supply of resources, is considered as the primary factor to secure both economic security and political security. Correspondingly, China's security agenda has shown a focus on neighbourhood-building and global resource hunting. For instance, China and Africa are being pulled into each other's economic and political contexts. China wants to engage Africa's resources in developing its economic muscle, while Africa wants to see China as a leader of the Third World that may speak for them politically and economically extract them from poverty. Similarly, the interplay with ASEAN may ensure a friendly environment for China, while ASEAN wishes to benefit from China's

growth and resort to Chinese power to prevent the United States from dominating the region.

These arguments have verified the first hypothesis. For a rising economy like China, economic development is always the primary concern of government work due to its significance to Chinese political security, thus China's economic security has become crucial in Chinese national security concept at the contemporary stage. Notably, China's military security has not been undermined its importance.

Chapter Five: China's Economic Statecraft in its Diplomacy

Wu (2007) argues that 'economic diplomacy represents compatible policy efforts by one state to respond to competing interests from either home or hosting societies. Its goals are to maximize national interests through government and its overseas missions...the economic diplomacy of nation-states has two aspects: either using economic leverage to promote political objectives or mobilizing diplomatic resources to advance trade and commercial objectives' (Wu, 2007: 1, 8). The former aspect suggests that the diplomatic efforts in service of strategic objectives take place by means of economic statecraft, either as rewards, sanctions, or engagement. The latter point refers to the diplomatic activities of a sovereign state intended to maximise national economic interests, in service of the domestic economy, including the monitoring and reporting of economic situations in foreign countries to the home government and the provision of advice on how to enhance overseas investment. This chapter focuses on the former.

Indeed, since the end of the Second World War and in particular the Cold War, economic statecraft has played an increasingly prominent role in international relations, as economic interdependence, which has closely integrated the participants as a result of swift growth of economic globalisation, enables economic statecraft. From an international relations perspective, the significance of economic statecraft does not simply stem from serving economic development, but also in assisting the state to achieve its strategic objectives. Taking the famous 'Marshall Plan' as a typical application, it helped Western countries restore their fragmented economies and opened a wider market for the US surplus capital and products. On the other hand, it may have repelled the possible socialist expansion of the Soviet Union by building a robust linkage within Western Europe.

In China's case, the strategy of economic statecraft is used rather often. The communist regimes in Cuba, North Korea and Laos are traditional recipients of Chinese grants; the return to the United Nations in 1971 was a remarkable reward for Chinese long-term assistance to Third World countries, in addition to the US efforts. In the 1990s, the Chinese took economic revenge on France for their arms sales to Taipei, and their shopping trip in Europe and the United States attempted to evade human rights accusations for the conflicts over Chinese trade surplus. However, as Wu (2007) notes, the use of economic statecraft in these cases reveals that the politics-first strategy usually involves little economic calculation and disregards the balance of cost and benefits. This remains unchanged until China clarifies its priority of diplomacy (Wu, 2007: 8).

This chapter will discuss the Chinese model of economic statecraft in foreign policy and trace its distinctive path. The first part will briefly present the structure, actors and processes in the making of China's foreign and foreign economic policy. The second part will analyse the evolution of Chinese diplomacy and the corresponding effects on the role of economic statecraft, dividing the process into four stages by examining three crucial years over the past decades: 1978, 1989, and 2001.

Stage one (1949–1978): Western isolation compelled China to conduct ideological diplomacy with other third-world states. Economic statecraft – foreign aid specifically – was used to break through the isolation and acquire recognition of its legitimacy.

Stage two (1978–1989): at the end of 1978, the Third Plenary Session of the Eleventh Party Central Committee decided to decentralise control over the economy and approved the open-door policy, which ceased the self-isolation and led to remarkable changes in its

economy. Diplomatically, China abandoned ideology-dominated thinking and tried to absorb Western advanced technologies and capital.

Stage three (1989–2001): the Tiananmen events in 1989, calling for domestic political reform of the One-Party dominant system, imposed significant changes on China. Externally, both China's political system and human right records have attracted Western attention and in turn have become the targets of criticism, forcing the Chinese government to reverse their diplomatic focus from developed countries towards developing states. Internally, China's political leaders altered their priorities between political and economic reforms. Some of them questioned the necessity of an open economic policy. Deng's speech on the Southern tour and the Fourteenth National People's Congress in 1992 stabilised the situation through identifying the primary role of economic development and ensuring the determination of securing a socialist market economy. Since then, the Chinese economy has experienced a decade's high growth.

Stage four (2001 onwards): in 2001, China successfully became a member of the World Trade Organisation. The membership not only corresponds with the expansion of Chinese economic scope, but also triggers resource shortages as a result of the swift expansion. This imposes direct challenges on domestic industrialisation; the Iraq War of 2003 further deteriorates the energy security of China, as the Middle East supplies the majority of China's energy imports; and the US anti-terror war in Asia exacerbates China's regional security. At this stage, both energy and regional security become key to China's security agenda.

Through the four-stage analysis, the chapter reaches two conclusions. First, Chinese diplomatic efforts have shifted the focus on the issues of surrounding security and

energy supplies, going through the protection of national independence before the 1970s, the provision of conditions for smooth economic development in the 1980s, and the breach of the Western political isolation in the 1990s. This is attributable to active South–South cooperation with other energy-rich countries and the efforts in improving the relations with periphery countries. Second, at each stage, no matter the focus of foreign policy, economic statecraft always works as a complementary leverage to assist the achievement of national strategic objectives. From the economic assistance to Africa in the 1950s to the proposals of Free Trade Area with ASEAN and SCO today, economic statecraft has become instrumental to China's diplomacy and its use has been rationalised beyond an ideology-dominated foreign policy.

5.1 The process in the making of China's foreign policy

Before assessing trends in China's economic diplomacy, let us remind ourselves of the state structures that govern foreign policy and foreign economic policy in China.

Despite the growing complexity and changing focus of Chinese foreign relations, it seems that Beijing's major foreign policy decision are usually seen as decisions of top communist leaders at the apex of China's political hierarchy. Indeed, the decision-making power for either the foreign or domestic policies is concentrated in the hands of a few key individuals. In theory, the party bodies, such as the Central Committee (中共中央委员会), the party Secretariat (书记处), the Central Military Commissions (中央军委), the government bodies such as the State Council (国务院), and the Standing Committee of the National People's Congress (人大常务委员会) are involved in foreign relations and policy-making processes to various extents. Especially the Political Bureau (政治局), representative of the Central Committee, is thought of as being the major decision-

making body, and the Ministry of Foreign Affairs under the State Council is the executive body. But in reality, the supremacy of the party leadership and the hero worship of the top leader determine that the highest party leader alone makes the final ratification. For example, since 1949 the ultimate foreign policy authority was understood to have depended on Mao Zedong, who raised 'two-middle areas' or 'the Third World structure' theories to conduct Beijing's diplomacy, while in the 1980s major policy authority rested with the single figure as Deng Xiaoping, who defined the central position of economic development, and, correspondingly, foreign policy was designed to approach the West and the regional states.

Since the late 1980s, Deng Xiaoping had attempted to institutionalise the decision-making process and to make it less dependent on personal authority. First, in addition to the Ministry of Foreign Affairs, many other government organisations under the State Council are granted functions related to foreign affairs, such as the Ministry of Foreign Economic Relations and Trade[7], the Ministry of Finance, Military Force, and other national policy banks such as China Export–Import Bank and China Development Bank (see Table 5.1). To support the implementation and coordination of foreign policy, there is the party Secretariat's Foreign Affairs Small Group (中央外事工作领导小组), which comprises key party and government officials, including the President, the Premier, leaders from the Ministry of Foreign Affairs, the Ministry of National Defence, the Ministry of National Security, the Ministry of Propaganda and other related senior officials.[8] In general, the decision-making process for foreign policy follows a fairly

[7] The Ministry of Foreign Economic Relations and Trade, and other organs under the Economy and Trade Commission were composed of the Ministry of Commerce in 2003.

[8] The party Secretariat's Foreign Affairs Small Group (中央外事工作领导小组), also named the Party Secretariat's National Security Small Group (中央国家安全领导小组), which was set up in 1998, is the successor of the State Council's Foreign Affairs Office (国务院外事办公室) established in 1981.

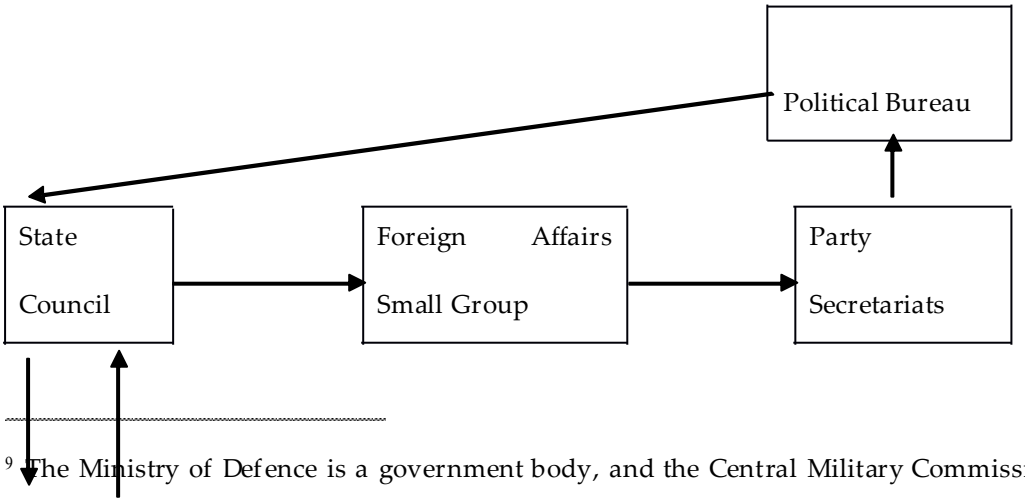
hierarchical pattern. If the ministries were unable to make a decision or if higher-level consideration was required, the issue might be referred to the State Council for review. Certain major issues would be discussed by the Foreign Affairs Small Group before consideration by the party Secretariat. If the issue were extremely critical, the final decision would be directed to the Political Bureau (see Figure 5.1).

Table 5.1: Ministries Involved and Their Functions On The Process of Making Foreign Policy and Foreign Economic Policy

Ministries	*Function on the process of policy-making*
Ministry of Foreign Affairs	Besides running diplomatic activities on behalf of the state and the government, the Ministry studies overarching and strategic issues in international situations and international relations, advises the Central Committee and the State Council on major foreign issues, and implements policy decisions.
Ministry of Commerce	Through regular meetings with the Ministry of Foreign Affairs, the Ministry of Commerce coordinates China's foreign economic policy with other aspects of its foreign policy, including the formulation of development policies of foreign economic cooperation, and the management of China's concessional loans, special funds and other foreign aid funds of the Chinese government. The Department of Aid to Foreign Countries under the Ministry is particularly responsible for the formulation of foreign aid plans.
Ministry of Finance	The Ministry drafts regulations on external finance and debts, and prepares the budget of the central government on foreign aid. Together with the Ministry of Commerce, the two examine the foreign aid projects regularly.

Ministries	*Function on the process of policy-making*
Military force	The most important link between the military and foreign policy establishments appears to be at the highest level – the Political Bureau. It is a kind of tradition that at least one of two Standing members of the Political Bureau must come from the Central Military Commission.[9] Furthermore, the PLA's strategic research bodies, such as the Beijing Institution for International Strategic Studies and Military Science Institution of PLA, work on military and security issues with foreign policy implications. These research fruits will be directed to senior military officials.
National Policy Banks	China Development Bank is responsible for the financial support of Chinese enterprises' going out strategy by offering investment. For example, the China–Africa Development Fund under the bank particularly aims to promote investment on Africa. The Export–Import Bank of China is authorised by the Chinese government as the sole lender of the government concessional loan. It is responsible for offering credit and soft loans, to its counterparts.

Figure 5.1: China's Foreign policy making process



[9] The Ministry of Defence is a government body, and the Central Military Commission is a party institution. The former has no real power except for diplomatic or military communication. In general, the leaders of the Central Military Commission are also the leaders of the Ministry of Defence. In 2007, 2 of the 25 elected members of the Political Bureau came from the Central Military Commission.

Related Ministries and Policy Banks

Second, the tradition that the decision-making power is concentrated in the hands of a few key individuals at the top of hierarchy has changed gradually. When the party Secretariat's Foreign Affairs Small Group meets weekly or as required by circumstances, in some cases, related expertise would be invited to provide expert advice, even directly to the Political Bureau. These invited expertise come from reputable think tanks and universities.[10] But one thing should be noted: Western scholars emphasise independence from government, political parties, and interest groups as well as non-profitability, as the feature of think tanks. In China, because of the existing one party dominated system, almost all Chinese think tanks are government-funded or have a degree of government connection. For example, Qian Qichen worked as the director of International Relations School, Beijing University, after he stepped down from Vice-premier. Xia Yong, an expert on Law, was removed from China Academy of Social Sciences and acceded to the Sea Palace, becoming a senior counsellor with Hu Jintao.

Third, the public voice can be heard by the core of power through the omnipresence of the Internet: President Hu Jintao and Primer Wen Jiabao are reported to use the Internet

[10] The top ten important think tanks are: Chinese Academy of Social Sciences, Development and Research Central of State Council, China Academy of Sciences, China's PLA Academy of Military Sciences, China Institute of International Studies, China Institute of Contemporary International Relations, China National Committee for Pacific Economic Cooperation, China Association for Science and Technology, China Association for Global Strategy, and Shanghai Institute of International Studies.

regularly to know what the public think and communicate with them through the official Xinhua Net and the Government Net. The party-controlled TV media, China Central Television, have begun to discuss the populous Netnews. A number of party officials have been deprived of both position and party membership after their corrupted behaviours were exposed via the Internet. In terms of foreign policy, the public has started to use the Internet channel to exert pressure on the party and government. For example, after French president Sarkozy met the Dalai Lama in 2008, a great number of people immediately launched an anti-France campaign through the Internet, which to some extent made the government take a hard line in its policy when dealing with France. From this perspective, foreign policy making in China has been moving towards a more democratic way.

Fourth, after the reform era, as China's contracts with other countries increased, not only top party and government leaders became involved more frequently in foreign affairs, but also officials at lower levels may meet with foreign visitors, sign cooperative treaties and agreement with foreign nations and companies, and travel abroad regularly. Therefore, the governments at lower levels may play roles in executing China's foreign policy and foreign economic policy on the one hand, and on the other hand their interest pursuits could be reflected in shaping the overall direction of Chinese foreign policy.

However, in the party state, the relations between party and government functions in foreign affairs could still be seen as party supremacy in overall policy making and supervision, with the government's State Council and related ministries under the State Council responsible for the execution of foreign policies and the daily conduct of foreign relations. The highest party body, the Political Bureau, makes final ratification on crucial foreign policies. The Nation People's Congress (NPC), which is supposed to be the

highest organ of state power in China, has the authority to amend the constitution, enact basic laws, elect the president and vice president, decide on the choice of premier and other members of the State Council, and examine and approve policy plans of the State Council, but its diplomatic role is limited in meeting with counterpart organisations in foreign countries. Although the NPC should have a voice in foreign matters and it should prepare reports on related foreign policy issues for other party and government bodies, traditionally, the NPC's proposals are more related to domestic issues, and they never veto on any government or party bills, including foreign policies, with anything less than 90% approval rate in every case. Since the majority of the NPC members are composed of party members and senior officials in governments, the highest power authority in China has limited effects on the foreign policy making process.

5.2 The role of economic statecraft in the changing foreign policy

This section will analyse the evolution of Chinese diplomacy and the corresponding role of economic statecraft in the evolution.

5.2.1 Stage one (1949–1978)

In the early years following the establishment of New China, 'war and revolution' dominated the ideology of both the country and the people, with expectations for the final victory of anti-imperialism, socialist revolution, and liberation struggles worldwide. The primary task of China's diplomacy was defined as the removal of imperialist control on China and restoration of national sovereignty and independence (Li, 2000: 45; Brodsgaard, 2002: 7; Tang, 2000). Confronted with the hostility from the capitalist camp and the Western blockage, the political leaders applied a highly systematic Communist

ideology to the realm of foreign policy, and the central government issued three principles in the early 1950s: leaning to one side (yi bian dao); building another stage (ling qi lu zhao); and welcoming guests before cleaning up (da sao gan jing zai qing ke) – which promoted diplomatic attention to other socialist countries and colonised countries.[11] The diplomatic relations with the Soviet Union and other socialist states like Albania, Begonia, Poland, Romania, and North Korea were set up immediately.

Under the full Western embargo against China, the 'leaning to the Soviet Union' along with the self-sufficiency policy were beneficial to national construction. During the first 'five-year' plan from 1953 to 1957, the Soviet Union helped China create development plans, offered low-interests loans, and transferred needed technologies. With the technology and capital assistance the industrial bases of China's North-eastern provinces were shaped.

However, the harmonious relations with the Soviet Union turned around in the late 1950s. In 1958, Soviet Premier Khrushchev proposed to set up military bases in Chinese territory, which would make China a periphery state of the Soviet Union. Triggered by Chinese opposition, later in 1959, the Soviet Union announced the abolition of all bilateral projects, including the cancellation of contracts and the withdrawal of experts. Both then assigned large forces to border areas, representing the complete breakdown of bilateral relations. Since then, the new communist regime confronted two superpowers and the foreign policy of 'leaning to the Soviet side' lost its significance. Confronted with the international situation, Mao Zedong pointed out the strategic thinking of 'two-

[11] Leaning to one side refers to alliances with others groups opposing imperialist invasion; building another stage means the abandonment of previous diplomatic relations that the old China established; welcoming guests before cleaning up suggests the complete removal of all potential imperialism in China.

middle-areas'. In his theory, the middle areas included the majority of under-developed countries in Asia, Africa and Latin America, and the developed capitalist states in Europe. The similarity of the two areas lay in opposing US control, so that Beijing may limit the two hegemonies by cooperating with the first area and allying with the second area. The following years saw Chinese efforts of engaging with countries in the two areas and the establishment of diplomatic relations with a total of fifty states, including many African and Western European states: with Gannon in 1960, Kenya in 1963, Tanzania in 1964, France in 1964, and Italy in 1970.

In the 1970s, Mao further constructed a hierarchical structure of three worlds: the two superpowers constituted the first world, Japan, Western Europe, Australia and Canada stood within the second, the rest of the world, including Asia, Africa and Latin America, was the third. He suggested an international strategy of cooperation with the Second and Third worlds to contain the hegemony of the two superpowers (Zhao, 2004: 4). However, considering the imminent threat from the Soviet Union, Chinese political leaders decided that the primary task was to ally with all potential allies, including the United States, against the influence of the Soviet Union. Therefore, Beijing seized opportunities to deliver positive messages to the United States, such as the resumption of China–US Ministerial negotiations, Ping-Pong diplomacy, and the secret visits of Kissinger. In 1973, when Mao met with Kissinger, the Former state secretary of America, the former clearly conveyed that Chinese cooperation with Japan, Europe along with the United States were able to counter the threats of the Soviet Union. Similarly to Chinese intentions, the United States also saw Beijing as a counter-balance force. During this period the role of Beijing shifted from a steadfast member of the Soviet Bloc to a socialist political ally of the United States. With the warm relations with the United States, the number of

countries recognising the legitimacy of Beijing grew from 32 in 1959 to 55 in the late of 1970s (Li, 2000: 46).

In the period from 1949 to 1978, the power balance between the two superpowers determined the priority of Beijing's foreign policy, although its diplomatic objective was always to get worldwide acceptance and to grow as an independent state. From a member of the Soviet-led socialist camp in the 1950s, a new communist state confronting both superpowers in the 1960s, to a political partner of the United States against the Soviets in East Asia in the 1970s, Beijing cautiously chose its position between the two states. Undoubtedly, the unstable political situation externally and the over-emphasis on class struggle internally caused more harm than good. Economic construction was set aside entirely. The centrally planned economy stood at the breaking line after the 3-year of natural disaster from 1959–1962 and the 10-year Cultural Revolution from 1967–1976.[12]

The only impressive diplomatic achievement was the setup of a good foundation for subsequent China–African relations. Regardless of the 'two-middle areas' or 'the third world structure' theories, Africa remained an unchanged political partner in China's strategic plan, given the mutual goals of revolution against imperialism. Furthermore, considering African countries made up 30 per cent of the membership in the United Nation, the group may have worked as a positive force to help Beijing win the legal seat in the UN, replacing Taipei.

[12] Even in comparison to the wartime period of 1920s, the average of the trade ratio remained much lower, 16.7 per cent of GDP in the 1920s to 9.8 per cent in 1957, and 6.9 per cent in 1965 (Ash, 2002: 38). By the late of 1970s, technological levels fell decades behind the average world practice, while consumption levels were static and falling for many (Brodsgaard and Heurlin, 2002: 84).

During the 1952 Bandung conference, Premier Zhou Enlai revealed the aim of cooperation with Africa. Later during visits to Africa in the 1960s, he clarified the necessity of mutual political solidarity and promised to finance the revolutionary activities and national construction in the continent, which may be seen as the initial attempt of China's economic statecraft. In 1967, China's largest foreign aid project was granted to build the Tanzania–Zambia railway at a cost of more than 600 million USD. Even during the domestic chaos of the Cultural Revolution, the Chinese government continued to commit aid, estimated at 1.9 billion USD to 29 African countries during 1970 to 1977 (Yu, 1988: 852, 855). The return to the UN with the support of the African states as well as the abandonment of diplomatic ties with Taipei was regarded as the return of the long-term financial assistance.[13] However, it was certain that the economic assistance was very limited in scope and in amount due to China's fragmented economy.

5.2.2 Stage two (1978–1989)

At this stage, there were two events having significant impacts on China's domestic development and its foreign policy:

- The influential Third Plenum of the Eleventh Central Committee in December 1978 showed signs of correcting Mao's errors in excessively stressing ideological war and class struggle, and suggested a focus on the socialist modernisation.
- In January 1979, official relations were formally established between the United States and China, and in September, the Soviet Union launched rounds of peaceful negotiations with China at the vice-minister level to solve the bilateral issues.

[13] In 1975, 30 of the 48 African countries had recognised Chinese legitimacy and abandoned diplomatic relations with Taiwan (Yu, 1988: 850-851).

With the remedying of Sino-America relations, the tension with the neighbouring countries in the East Asian region was relieved. In 1972, Japan established relations with China. In 1974, Malaysia and China set up diplomatic relations. In 1975, both the Philippines and Thailand initiated relations with China. Also with US backing, Beijing replaced Taipei in the United Nations, which symbolised the successful access to international political community. Due to the decline in the power of the Soviet Union as a result of its entrapment in the Afghanistan war, China faced fewer threats from its most powerful neighbour. It seemed to Deng Xiaoping that the world scene for China could be identified as peaceful so that the government should attach priority to domestic development. Furthermore, the political leaders acknowledged that the decline of China, in great part, was associated with the anti-Western sentiment and the self-isolation policy. Integration with the outside world through trade and capital flow was considered urgent when trade and the mobility of capital were accelerating worldwide. Eventually Deng Xiaoping defined the national goal of economic development and determined to adopt any means to that end. The market was defined as the socialist market economy, shifting from the planned commodity economy. Diplomatic resources were utilised to attract the Western advanced technology, capital, and managerial skills.

In early 1979, Eastern provinces, such as Guangdong and Fujian provinces, were nominated to be Special Economic Zones, and four Special Export Zones in the coastal areas, Shenzhen, Zhuhai, Xiamen, and Shantou, were established subsequently. These special zones shouldered the mission of importing foreign technology, investment and management skills, and of stimulating exports to earn foreign currency. In 1984, Beijing decided to move further, opening 14 cities located along the coast. Within the open zones, preferential measures were issued to promote economic development, including tax-

reduction or exemptions for foreign enterprises and export subsidies for local entrepreneurs. The private sector was granted legal status and equality of tax treatment, which effectively promoted the small and medium size entrepreneurial developments.

Due to economic reform, this period saw a rapid and stable economic growth and an increasing number of FDI inflows (see Table 5.2 and Table 5.3). In 1993 the total trade in the Special Zones reached a record high of 27.8 billion USD, and manufactured exports accounted for 14.3 billion USD (Webber, Wang and Ying, 2003: 148). Driven by the growth of economic zones, the total foreign trade grew from 20.6 billion USD in 1978 to 111.6 billion USD in 1989, and the GDP increased from 307.6 billion USD in 1980 to 401 billion USD in 1988 (World Economic Outlook Database, October 2007, IMF; Tang, 2000). The trade volume on GDP rose from 9.8 per cent in 1978 to 23.1 per cent in 1985 and to 30 per cent in 1990 (Brodsgaard and Heurlin, 2002: 38).

Table 5.2: FDI Flows to China from 1979–1989 (USD Billion)

Year	*Amount*
1979–1982	1.77
1983	0.92
1984	1.42
1985	1.96
1986	2.24
1987	2.31

1988	3.19
1989	3.39

Source: Ministry of Commerce, PRC

Table 5.3: China's GDP Growth from 1979–1988

Year	*GDP growth (%)*
1979	7.6
1980	7.8
1981	5.2
1982	9.1
1983	10.9
1984	15.2
1985	13.5
1986	8.8
1987	11.6
1988	11.3

Source: Liu, 2005; National Bureau of Statistics, China Statistical Yearbook 2004.

Since the focus of the government agenda remained on economic construction, the foreign policy was designed to serve this target. At the same time as economic reforms gave China access to Western technologies and markets, it required Beijing to maintain good relations with the countries providing abundant investments. In this regard, Beijing entirely abandoned the ideology-oriented diplomacy, instead, it actively promoted the full normalisation with the United States, Europe, and Japan. Through the growing economic interaction, the relations with the West reached a historic level and the divergence of the political system was over-shadowed temporarily.

Furthermore, Beijing directed massive diplomatic efforts to improve the relations with the neighbouring states. The initiative was to 'cooperate with neighbouring countries in order to take a share of the rapid economic growth in the region' (Zhao, 2004: 258). Later Deng Xiaoping clarified the importance of a favourable environment for economic modernisation, not only internationally but also regionally. Diplomacy in promoting regional stability was therefore launched by proposing to settle the historical issues through negotiation and to seek common ground without letting the divergences affect the restoration of bilateral relations. Beijing began border negotiations with India; it took positive actions to break the long-term confrontation with the Soviet Union, and the period saw bilateral interactions being restored on economy, trade, science and so on; it also intensified the exchanges with the ASEAN. When Chinese Primer Li Peng visited Thailand in 1988, he revealed the desire of establishing or restoring the friendship with all ASEAN members.

Moreover, since China was striving to improve people's living standards and to enhance national capability, which required economic support of the Western developed states, foreign assistance in this stage was mainly directed inwards instead of outwards, illustrated by an increasing FDI inflow. When China itself relied on external resources, foreign aid towards African countries was given less emphasis, as both were developing countries with limited capital. Less Chinese development aid was destined to Africa and the number of visiting delegations also declined. Nevertheless, China's aid commitments of approximately 259 million USD in 1984 made it Africa's sixth largest donor (Mawdsley, 2007: 411).

5.2.3 Stage three (1989–2001)

- The Tiananmen incident occurred in 1989, calling for political reform. Beijing's suppression by military force led to Western sanctions and criticism of China's human rights records.
- The Soviet Union abandoned the communist system and disintegrated entirely in 1991. The triangular America–China–Soviet Union relationship lost its equivalence so that the importance of China to both the United States and Russia faded.
- American military intervention in the Gulf War of 1991, the warship deployed to the Taiwan straits in 1996, the Revised Guideline for US–Japan Defence Cooperation in 1999, and the Kosovo crisis of 1999, including the bombing of the Chinese embassy, made China aware of the US unilateralism worldwide and its ambitions in the Asia Pacific.

Since 1989, the determination on economic openness was undermined by domestic calls for political revolution. The subsequent crackdown of the Soviet Union not only raised questions of the credibility of the communist system, but also placed Beijing at the centre of controversy, being the biggest Communist state in the world. Divergences appeared among the top leaders, hesitating between the priority of political reform or economic reform. Deng Xiaoping institutionalised the concept of socialist market economy and confirmed the primary task of economic construction during his Southern tour of 1992. In Deng's words, 'except in the event of an emergent war, the Chinese people must steel themselves to carry out this task with reality and commitment; they must make it their central task and allow nothing to interfere with its fulfilment. Even if there is a large-scale war, afterwards China will still have to pick up where it left off or start over' (Li, 2007: 40, cited from Selected Works of Deng Xiaoping, 1994: 249).

Also due to the 1989 incident, an arms embargo was imposed by the EU and the United States as a direct response to the military actions of the Chinese authorities. It seemed that the harmonious economic relations failed to dismiss the conflicts in the political sector. Since then, the Chinese human rights record has been the target of Western criticism and been used as a condition for economic collaboration, making Beijing aware of the fundamental divergence between them and the West.

Moreover, a series of US movements, including the military intervention in the Gulf War of 1991, the attempt of replacing the priority of national sovereignty by human rights in the World Conference on Human rights of 1993, the permitted visit of Taiwanese leader, Li Denghui, to the United States in 1995, the warship deployed to the Taiwan straits in 1996, the Revised Guideline for US–Japan Defence Cooperation in 1999, the Kosovo crisis of 1999, an increasing number of submarines deployed in the Asia Pacific since the mid-1990s, and the bombing of Chinese embassy, compels China to be aware of US military power and ambition. After the disintegration of the Soviet Union, Washington considers Beijing more a potential strategic competitor than a possible ally. In 1998, the Chinese Defence Minister publicly accused the US presence in East Asia of limiting China's development.

The above three factors changed Beijing's diplomatic thinking in many ways. Zhao (2004) discussed Chinese foreign policy of the post-Tiananmen period in his book *Chinese Foreign Policy: Pragmatism and Strategic Behaviour*. According to Zhao, first, Beijing engages more frequently in multinational cooperative frameworks, trying to abandon the image of dictatorship. Second, Beijing seeks to develop its regional policy, by the 'good-neighbours' mechanism. On the basis of his conclusion, this study argues that in the post-Tiananmen era, in order to avoid direct confrontation with the United States, Chinese diplomacy

follows Deng's 24-character strategy: observe calmly, secure our position, cope with affairs calmly, hide our capacities and bide our time, be good at maintaining a low profile, and never claim leadership; at the same time it attempts to break isolation from the West by uniting with Europe, and the Third World states, especially the regional developing states.

It is apparent that to restrain US unilateral expansion Chinese efforts alone would be insufficient and collaboration with second and Third World states is necessary. This period saw China tighten relations with potential allies (see Table 5.4). First were the relations with West Europe. Due to the 1989 incident, the European states followed the United States in imposing sanctions on China, which jeopardised bilateral economic and political relations. After the British Prime Minister and the Italian Prime Minister visited Beijing in 1991, the Chinese Premier paid visits to Italy, Switzerland, Portugal and Spain, which pushed the recovery with the West Europe. When Jiang Zeming visited France in 1994, he proposed to develop a long-term stable partnership with Europe and to enhance the exchanges in international affairs. In 1995, the EU issued a policy paper on China, calling for the enhancement of cooperation in all aspects. At the Asia–EU conference in 1998, China and the EU released a joint announcement, which lifted bilateral relations to a constructive partnership. These diplomatic exchanges effectively promoted China–EU interactions.

Table 5.4 Partnerships between China and Major Counterparts during 1997–2000

Country	*Year*	*Partnership*
Russia	Apr/1996	Both established a strategic, cooperative partnership of equality and mutual trust facing the 21st century
France	May/1997	Both established a comprehensive partnership
United State	Oct/1997	Both declared to build a constructive strategic partnership in th

Country	*Year*	*Partnership*
s		e 21st century
Canada	Nov/1997	Both agreed on a comprehensive partnership straddling over the present and the next centuries
ASEAN	Dec/1997	Both agreed to establish a partnership facing the 21st century based on good-neighbourliness and mutual trust
India	Dec/1997	Both reached a consensus on the establishment of a partnership of constructive cooperation facing the 21st century
Pakistan	Feb/1998	Both decided to establish a partnership of comprehensive cooperation facing the 21st century
European Union	Apr/1998	Both agreed to establish a constructive partnership of long-term stability facing the 21st century
United Kingdom	Oct/1998	Both decided to establish a comprehensive partnership
Japan	Nov/1998	Both declared to establish a partnership of friendship and cooperation facing the 21st century, working for peace and development
South Africa	Feb/1999	Both decided to establish a constructive partnership facing the 21st century
Egypt	Apr/1999	Both confirmed to establish a relationship of strategic cooperation facing the 21st century
Saudi Arabic	Oct/1999	Both confirmed to establish a relationship of strategic cooperation facing the 21st century
African Countries	2000	First forum of China–Africa summit

Source: Zhao, 2004: 181; official announcements.

Second, the relations with Africa and Latin America are also of interest. The relations with Africa were not affected by the Tiananmen incident. Conversely, the denunciation of the Tiananmen Square affair not only embarrassed the Beijing government but also represented a contagion effect that could have threatened the power base of the African political elites, as the majority of African leaders had come to power without democratic legitimacy. In order to avoid the wave of democratisation reaching Africa, they were not reluctant to lend their support to Beijing's behaviour. In 1996, President Jiang Zeming visited six African states (Kenya, Egypt, Ethiopia, Mali, Namibia, and Zimbabwe), and

proposed to develop full cooperation with Africa. During his visits, he signed more than 20 cooperative treaties in economy, trade and cultural sectors with the six states, and assisted more than 600 projects in the continent (Jiang Zeming's Trip to Six African States, 2000). In terms of Latin America, in the 1990s Beijing set up dialogues at the ministerial level with the Rio group, the most influential political institution in the region. In 1994, China became an observer state of the Latin American Integration Association. In 1997 the Caribbean Development Bank accepted China as one of its member states.

The third issue is the relations with the neighbouring states in Asia Pacific. The 'periphery policy' in the 1980s was initiated to produce a stable regional situation for economic growth, but after the 1989 turmoil, an additional implication arose – that the Asia Pacific region may be a regional foundation for China's diplomatic breakthrough in the future.

In the Southeast Asian region, as in Africa, the Tiananmen incident did not affect the relations with the neighbours. In 1989 China exchanged diplomatic recognition with Laos; in 1990, Indonesia restored full diplomatic relations with China; in the same year, Sino-Singapore and Sino-Vietnam relations were normalised, while Brunei followed in 1991. The normalisation with all ASEAN countries was widely seen as a breakthrough in Chinese diplomatic history. Later in 1991, the Foreign Minister Qian Qichen reiterated Chinese willingness to cooperate with ASEAN at the 24th ASEAN ministerial meeting. In 1996 China was granted a dialogue membership, and in 1997 the China–ASEAN Joint Committee was set up (China–ASEAN relations, Xinhua net). The Asian Financial Crisis in 1997 acted as an impetus to facilitate bilateral relations. Through the 'Stand-by-Asia' policy, Beijing did not just offer economic assistance to the afflicted countries but also

refused the Renminbi depreciation.[14] In December 1997, China and ASEAN agreed to establish a mutual trust partnership for the 21st century. At the ASEAN–China summit in 2001, the two agreed to expand areas of collaboration to agriculture, information and communications technology, human resource development and investment.

In Central Asia, after the disintegration of the Soviet Union, China recognised the new federal states and built diplomatic relations with them. In 1994, Beijing and Moscow issued a joint-declaration, which promised not to accumulate nuclear weapons directed at one another. Subsequently in 1996, both announced a strategic, cooperative partnership of equality and mutual trust facing the 21st century, which defined a direction for bilateral diplomacy. With the efforts of China and Russia, the two together with Kazakhstan, Kyrgyzstan and Tajikistan signed the Shanghai Agreement on Confidence Building in the Military Field in the Border Area in 1996, aimed at the development of long-term stability in the border areas. In 1997 the Agreement on Mutual Reduction of Military Forces in the Border Areas was released, which relieved tension by downgrading the military forces in the border areas to the minimum level compatible with good-neighbourly relations. With the inclusion of Uzbekistan in 2001, these states formed the Shanghai Cooperation Organisation, an inter-governmental multi-security organisation.

The SCO is a political group aiming to improve regional stability and counter the influence of Islamic fundamentalism in the Central Asia region. According to the declaration on the establishment of the SCO, the main purposes are: 'strengthening

[14] China did play an important regional stabilisation role in the 1997 Financial Crisis by not devaluing the Chinese Yuan just for the sake of maintaining its own export price competitiveness, and even offered financial assistance to some neighbouring countries to rebuild their badly affected currency markets, including more than USD 4 billion economic assistance to Thailand, and export-credits to Indonesia.

mutual trust and good-neighbourliness and friendship among member states, developing their effective cooperation in political affairs, economic and trade…working together to maintain regional peace, security and stability, and promoting the creation of a new international political and economic order featuring on democracy, justice and rationality' (Yang, 2004: 9). If including the observer members (India, Pakistan, and Iran), the SCO covers the largest geographical area of any regional organisation, and possesses 17.5 per cent of oil reserves, and 47–50 per cent of natural gas reserves in the world. It is undeniable that the cooperative treaties with the central Asian states significantly ameliorate Beijing from the concerns on border issues in central Asia, and enable it to concentrate on dealing with the US containment from the maritime Southeast Asia area.

In South Asia, when Jiang Zemin visited the three South Asian states in 1996, a constructive partnership towards the 21st century with India, the full-cooperation partnership towards the 21st century with Pakistan, and the Good-Neighbour relations with Nepal were successfully formed.

In North-eastern Asia, South Korea and China formed a partnership in 1998. However, relations with Japan did not significantly improve. In 1989, Japan joined the Western states in imposing sanctions on China, froze governmental loans, and cancelled all high-level visits. In 1994, without the knowledge of the Chinese government, Japan allowed the Taiwanese political leader to attend the opening ceremony of the Asia Sports Games held in Hiroshima, Japan. In 1995, Japan froze economic assistance to protest against Chinese nuclear tests.

According to the analysis above, it is apparent that since the Tiananmen turmoil of 1989, there were at least two shifts in Beijing's diplomatic focus. First, the US-led sanctions

reminded Beijing of the fundamental differences between the West and China. In order to break the Western isolation, Beijing re-emphasised the importance of Third World states in Latin America, Africa and Asia, which shared similar values. South–South cooperation became apparent within Chinese diplomatic efforts. Second, the US military actions around the world and in the Asia Pacific region further made Beijing aware of US military power and ambition. Especially after the collapse of the Soviet Union, Beijing, in the eyes of America, was not a valuable ally; instead, it could be a potential rival with clashing ideology. In order to surpass the US encirclement, a good regional environment appeared critical, so Beijing strived to improve the neighbouring relations in its Northeast, South, and Southeast sides. Therefore, regionalism became another symbol of China's diplomacy in the 1990s, in addition to South–South cooperation.

In the course of improving China's diplomatic situation, economic statecraft began to demonstrate its role. First, economic sanctions were initiated to express political dissatisfaction. In 1991 and 1992, Paris ignored Beijing's protests and approved the sale by French firms of six La Fayette frigates and sixty Mirage 2000-5s planes to Taiwan. In December 1992, Beijing ordered the closure of the French consulate and of the French Trade Commission in Guangzhou. At the same time, French firms were excluded from some tender processes, including Guangzhou's mass-rapid-transit system. Although these punishments failed to stop the deals, they may have warned other EU members not to follow suit.

Second, the 1990s also saw Beijing government's use of economic incentives. For example, when China wanted American compromises on access to the General Agreement on Tariffs and Trade, a purchase of more than 700 million USD in American goods in 1991 and a major contract with three automakers in Detroit in 1992 potentially helped achieve

this objective (Zhao, 2004: 148). In 1994, China signed 18 trade contracts valued at 18 billion Francs with France; in 1997, China bought 110 Boeing airplanes when the US Vice-President visited Beijing; also in 1997, China procured 4 billion USD products during the American trip of President Jiang Zemin (Chen, 2001: 175). These economic rewards were believed to undermine official critics by resorting to commercial pressure. Furthermore, in promoting regional solidarity, China proposed the strategy of creating a Free Trade Area with ASEAN. In December 1997, ASEAN members and China agreed to work towards a Free Trade Area at the ASEAN Plus Three summit. Later at the meeting of senior ASEAN and Chinese economic officials in August 2001, China put forward a series of tariff reductions and other economic measures to be settled before 2009. Subsequently, in November 2001, Chinese Premier Zhou Rongji presented the blueprint for a China–ASEAN Free Trade Area in 10 years' time, and promised to open Chinese markets in advance to those original ASEAN members as well as to grant special preferential tariff treatment for the commodities imported from less developed ASEAN members.

5.2.4 Stage four (2001 onwards)

- The 9/11 terrorist attack in 2001 grants Washington the excuse to re-access Asia.

- The full accession to the WTO in 2001 pushes Chinese economic expansion remarkably, at the same time leading to the resource struggle with other states as a result of resource' shortage.
- The Iraqi war of 2003 affects oil supplies to China from the Middle East, forcing it to diversify.

In this section, the study argues that the WTO membership and the Iraq war compels China to focus on its energy security; by resorting to an anti-terror war, the United States accesses central Asia and Southeast Asia, which directly challenge China's regional security.

WTO membership

After the end of the Second World War, dominant nations such as the United States and Western Europe have led the way in producing an international economic system in which labour, capital, and technology were meant to flow more freely. For the rest of the world, the choice was either to follow the rules or to be excluded from international forms of exchange and cooperation. If China wanted to be integrated into the world system, it would have been required to adopt a mode of operation of production and exchange, subordinate to pre-emptive regulations of the World Trade Organisation. Since China's growth imperatives are tied to economic globalisation and access to WTO membership may have increased its integration into the world system, China had ample motivation to join the system.

After rounds of negotiation, China joined the WTO in 2001. The direct results coincided with economic growth and resources shortages. Within the following tables, economic

growth is expressed as three variables: GDP growth, trade volume and FDI inflows. During the period from 2001 to 2007, GDP volume and GDP annual growth increased steadily (see Table 5.5). The trade volume increased significantly from USD 509 billion in 2001 to 2,173 billion in 2007 (see Table 5.6). Similarly, FDI into China increased to USD 52.7 billion in 2002, with Chinese share of total FDI into the developing countries rising to 32.5 per cent. The World Investment Reports 2006 suggested that FDI inflows to China and Hong Kong continued to rise. China received USD 60.6 billion in 2004, and USD 72.4 billion in 2005 (Woo, 2004: 1; World Investment Report, 2006: 51).

Table 5.5: China's GDP and GDP Growth

Year	*GDP RMB Billion at Current Prices*	*GDP Annual Growth Rate (%)*
2001	10,965.5	8.3
2002	12,033.3	9.1
2003	13,582.3	10.0
2004	15,987.8	10.1
2005	18,386.8	9.9
2006	21,087.1	11.1
2007	24,661.9	11.4

Source: National Bureau of Statistics; China Statistical Yearbook 2004; National Bureau of Statistics Plan Report, from 2007; CIA World Factbook, 2007.

Table 5.6: China's Trade Volume from 2001–2007 (USD Billion)

Year	*Trade volume*

2001	509.76
2002	620.78
2003	851.21
2004	1154.74
2005	1422.12
2006	1760.69
2007	2173.83

Sources: the Ministry of Commerce of PRC.

Furthermore, Chinese membership of WTO brought challenges to at least two groups of states. For those who have similar comparative advantages and produce labour-intensive goods, such as the majority of developing countries in Asia and Africa, the challenges came in the form of competition in third-party markets. For those relying on resource imports, such as the United States, conflicts occurred in the struggle for resources. In terms of the latter, China's extraordinary economic expansion demanded massive natural resources. Taking oil as an example, since 1993 China has become a net oil-importer country and, in the year 2003, surpassed Japan as the second largest oil-consumer in the world. From 2000 to 2005, China's energy consumption rose by 60 per cent, accounting for almost half of the growth in world energy consumption. However, in 2004, when oil consumption grew by 15 per cent in 2004, there was only a 2 per cent increase in domestic production. Although China is able to meet more than 90 per cent of its primary energy requirement with domestic supplies, it imports almost half of the oil it consumes. The Chinese government estimates that it will need 600 million tons of crude oil a year by 2020, more than triple its expected output, which suggest the unavoidable reliance on oil imports (data from Taylor, 2006: 943; Zhao, 2008: 209–210). The ninth five-year plan from 1995 to 2000 already involved a call for improving energy efficiency, and

the tenth five-year plan in 2001–2005 added a call for seeking international sources of oil and gas.

Iraqi War

The Middle East was the biggest oil source for China, amounting to more than 50 per cent of the total suppliers (see Table 5.7). Iraq was regarded as one well-supplied country. Before Saddam Hussein's regime was overturned, China made some deals with Iraq for developing its oil reserves, including oil exploration on the Al-Ahdab field in central Iraq, which was worth more than 1.3 billion USD and had the potential to produce 90,000 barrels a day, and the exploitation right to another big field, the Halfayah field, which could produce 300,000 barrels a day. The two deals were expected to be equivalent to 13 per cent of Chinese domestic oil production (Goodman, 2005: 2). Hence, Beijing actively advocated the removal of sanctions that limited Iraqi oil production and sales, and opposed any military actions to settle the Iraqi issue.

Table 5.7: China's Regional Sources of Imported Crude Oil, 2000–2003 (%)

Regions	*2000*	*2003*

Middle East	53.6	51.3
Africa	24.0	24.4
Asia-Pacific	15.0	15.3
Russia and Kazakhstan	3.1	7.2
Europe	3.6	1.8
South America	0	0.4

Sources: Lai 2007: 522, cited from Yearbook of China's Economic Foreign Relations and Trade, 2002, 2003.

However, the war on Iraq without the authorisation of the United Nations and with disregard for the opposition by the majority of states, not only represents US unilateralism in dealing with international affairs, but also poses a direct threat to Beijing's energy security. In the Middle East, the country with the richest oil reserves, Saudi Arabia, has been engaging with the United States through the security-for-oil relationship established since the Roosevelt era; the second largest source, Iran, was under the threat of military attack by the United States for years due to its nuclear ambitions; and Iraq was already under the control of American military forces. It seemed to China that it needed to decrease the dependence on the Middle East's sources and intensify the search for new suppliers.

Both access to the WTO and the Iraqi war caused uncertainty for China's energy security from different perspectives, which forced China to conduct an energy diversification strategy to secure its energy supplies. First, Beijing began the energy hunt worldwide. Since 2003, China National Petroleum Corporation (CNPC) has signed 20 deals in 12 countries (Goodman, 2005: 3). In central Asia, when Premier Wen visited Russia in 2004, Russia promised to expand oil exports to China and China decided to invest in the Russian infrastructure and energy sector (Lai, 2007: 526). In 2005, the Chinese President

Hu Jintao visited Kazakhstan and signed agreements aimed at developing a strategic partnership with the Central Asian republic. Largely through CNPC, China has invested heavily in several oil and gas fields, owning more than 85 per cent of Aktobemunaigas Corporation, 100 per cent of the Bars exploration and development blocks, and 50 per cent of the North Buzachi oil and gas field, and so on (Zhao, 2008: 216). In North America, President Hu Jintao signed a 19.7 billion USD investment deal during his tour of Argentina in 2005, of which 5 billion USD were earmarked for oil exploration. In 2006, Venezuelan President Chavez signed an agreement to allow China to drill for oil, set up refineries and produce natural gas (Wu, 2007: 10). In the Middle East, despite US attempts to classify Iran as a terrorist state, Sinopec made a major deal to buy 250 million tons of liquefied natural gas from Iran in the next 30 years and Iran will export 150,000 barrels of crude oil per day, for 25 years, to China (Lai, 2007: 523). This first deal was expected to be the largest natural gas purchase in the world. Another energy company, CNOOC, also negotiated a 16 billion USD investment in natural gas fields in Iran (Kleine-Ahlbandt and Small, 2008: 44). In the African continent, some countries, such as Sudan and Angola, already were major oil exporters to China. By 2007, China had become the largest trading partner of Sudan. Based on 2005 data, oil and natural gas accounted for 63 per cent of African exports to China, and the volume of oil supplies from Africa increased steadily (Africa-China: Hu's Tour, 2007, Africa Research Bulletin) (see Table 5.8).

Table 5.8: China's Imported Crude Oil by Region 1995–2006 (%)

Regions	*1995*	*2000*	*2003*	*2006*
Middle East	46	53.6	51.3	45

Africa	11	24.0	24.4	32
Asia-Pacific	41	15.0	15.3	8
Others	2	6.7	9.4	15

Sources: Lai 2007: 522, cited from Yearbook of China's Economic Foreign Relations and Trade, 2002, 2003; Zhao, 2007a: 10.

Second, Beijing began to use the political privilege of being a permanent member of the United Nations' Security Council to protect its resource-suppliers in particular, illustrated in the cases of Iran, Zimbabwe, Myanmar and Sudan. In the case of Iran, considering the energy interests there, China rejected any immediate sanctions. In the case of Sudan, China has long insisted that the massacre in Darfur is an internal matter. They refused to agree the imposition of sanctions on four Sudanese government officials from the beginning, and later persuaded the Sudanese government to accept the deployment of the UN peacekeeping force, including Chinese military engineers, as they were concerned about Chinese interests being violated. With regard to Myanmar, China together with Russia vetoed the proposal that a genuine democratic transition should be initiated in Myanmar, since Beijing planned the construction of a gas and oil pipeline from western Myanmar to Yunnan and Sichuan province of China, in order to facilitate the oil shipments from Africa and the Middle East while bypassing the Malacca Strait.[15]

Third, if Chinese economic assistance was ideology-oriented in the 1950s, nowadays China is beginning to step up interests-dominated economic leverage. For example, China's FDI is concentrated in the mineral and oil sectors with the highest Chinese FDI stocks in Sudan (352 million USD) and Zambia (160 million USD), accounting for 4.5 per

[15] It was reported that three days after the Chinese vetoed sanctions against Myanmar, the government granted a Chinese company an important oil and gas exploration contract (Kleine-Ahlbandt and Small, 2008: 46–47).

cent and 5.0 per cent respectively (ACP–EU Joint Parliamentary Assembly, 2007: 3). Furthermore, the proportion of non-commercial aid has been reduced, with commercially oriented assistance accounting for the vast majority of Chinese governmental aid. As of 2005, the Chinese Export–Import Bank made an accumulated commitment of 800 million USD in concessionary loans for 55 projects in around 22 African countries, with mostly resources-rich countries, such as Angola, Mozambique, Sudan, Zimbabwe (Zhao, 2007a: 17). Taking Zimbabwe as an example, it possesses deposits of more than 40 minerals including ferrochrome, gold, silver and copper. Mugabe's 'looking east policy' provided Beijing with opportunities to access Zimbabwe's valuable resources and secure lucrative deals for Chinese firms. In return, China supplied Zimbabwe with expertise, technical assistance, and agriculture equipment. Chinese banks grant the enterprises, including the Zimbabwe Iron and Steel Company, with credit. In Angola, China agreed to make provision of more development aid, around 6.3 million USD in interest-free loans, when they agreed a deal on a new oil refinery (Taylor, 2006b: 947).

The War on Terror

The 9/11 terrorist attack allayed the disputes between the United States and China in the 1990s, and shifted US focus to the War on Terror. The war in Afghanistan was officially meant to capture Bin Laden, destroy al-Qaeda, and remove the Taliban regime. Indeed, Afghanistan is a geographically important country, a cross point of Central Asia, South Asia and East Asia. Controlling Afghanistan means potential access to the Republic of Kazakhstan and the Caspian Sea, which are rich in gas and oil. The US military base in Afghanistan, on the one hand, will contain Russia from the north. Together with the expansion of NATO to incorporate Ukraine, Belarus and Georgia, the military force will

be in direct contact with Moscow. On the other hand, it may threaten China in the East, inciting the separatists in Xinjiang. If Kazakhstan can help China reduce its reliance on sea transportation from the Middle East and Africa by offering oil alternatives, access to Kazakhstan through Afghanistan also threatens China's energy security.

Furthermore, as Afghanistan is a land-locked country, the United States needs to use the transportation route from Pakistan to assist their military action, if necessary. Pakistan is a traditional ally of China, and the latter has massive interests in helping the former exclude external influence. For example, China intends to use Pakistan as an alternative line to transport supplies from the Middle East and Africa, bypassing the Malacca Strait, a waterway that is plagued by piracy and that could be closed off in a war or international crisis by the US navy.

Moreover, in the name of anti-terror war, the United States ramped up its military presence in the Southeast Asian region. The Bush administration boosted ties with the Philippine military, by expanding military assistance and training. The United States framed this as part of the war against terrorism. As a matter of fact, since 2002, the United States together with six countries in the Southeast Asian region – Singapore, Indonesia, Malaysia, Brunei, Thailand and the Philippines – have participated in annual anti-terror exercises through the Southeast Asia Cooperation Against Terrorism. The increasing military presence of the United States in the area poses direct challenges to China's maritime security.

It appears that the US global anti-terror war in the Asian region poses threats to China from its south and southeast sides. Regional security has become the primary Chinese concern. To deal with it, first, during the period from 1999 to 2000, the Chinese

government signed bilateral cooperation agreements with every ASEAN member that prescribed all-around cooperation, covering political, economic, cultural, and security issues. After the military clash over the territorial disputes in the South China Sea between China and Vietnam in 1992–1994 and between China and the Philippines in 1995, the release of the Declaration on the Conduct of Parties in the South China Sea in 2002, which paved the way for peaceful resolution for the disputed area, further promoted bilateral political relations and laid a stepping-stone for economic cooperation afterwards. In 2002, the China–ASEAN Comprehensive Economic Cooperation Agreement was released and both agreed to form an ASEAN–China Free Trade Area by 2020. In 2003, China and ASEAN announced a Strategic Partnership for Peace and Prosperity, and China became the first country outside ASEAN to accede to the Treaty of Amity and Cooperation. Through regional multilateral dialogue such as ASEAN Plus Three, East Asian Community and ASEAN–China Economic Cooperation Framework, China enhanced bilateral dialogues with ASEAN.

Second, resorting to the platform of Shanghai Cooperation Organisation, the organisation signed a contact group with the Islamic Republic of Afghanistan in 2005, with the purpose of elaborating proposals and recommendations on realisation of cooperation on issues of mutual interests. Moreover, after accepting Mongolia as an observer in 2004, the Shanghai Cooperation Organisation granted observer status to Pakistan, India and Iran in 2005. Integrating Pakistan and India within the framework as well as enhancing dialogue with Afghanistan may not only contribute to regional security and stability, but also restrain the US ambitions in using these states to contain China within its surrounding areas.

Although the Shanghai Cooperation Organisation is a security-oriented institution, China has proposed the possibility of enhancing security among the members through a common trade area. Chinese Premier Wen suggested establishing a free trade area in the organisation in 2004. During the 2006 summit, the member states promised to coordinate their efforts in implementing the Program of Multilateral Trade and Economic Cooperation, to promote trade and investment facilitation in priority areas such as energy, transportation, information and communications and agriculture, and to implement the free flow of commodities, capital, services and technologies gradually (Declaration on Fifth Anniversary of Shanghai Cooperation Organisation, 2006). So far, the SCO Inter-Bank Association and the SCO Business Council have been established and resulted in some effects. It is a certainty that for China, the significance extends beyond economic benefits.

In summary, the open policy within the Chinese economy has developed significantly, accounting for 5 percent of global income in 2004 from no more than 2.9 percent in 1978 (Gu, Humphrey and Messner, 2008: 275). At the same time, it is considered as an engine of global economic growth. During the period from 1990 to 2005, China actually contributed around 28 percent to the global GDP growth (Ianchovichina and Walmsley, 2005: 276). The WTO membership of 2001 facilitated its economic rise even further, illustrated in the GDP growth rate, trade volume and FDI inflow. However, after China became a net oil-importer in 1993, the thirst for resources supply became unavoidable as a result of economic expansion. The Iraqi war exacerbated the energy shortage severely, since the Middle East is the biggest oil supply for China, so that Beijing was compelled to diversify the supply channels by finding energy outside the Middle East, in Africa in particular, which came to be the second biggest oil-exporter.

At the same time as energy security is presented as the focus of Beijing's foreign policy, the US anti-terror war in the Asia Pacific and in South Asia, manifested in the US use of military force in Afghanistan, the military supply line in Pakistan, and the military exercises in the Southeast Asian region, pose challenges to China's surrounding security. Therefore, regional security becomes another focal point in China's security agenda. Through the platform of SCO, China enhances the dialogue with Afghanistan and integrates Pakistan and India into the mechanism. Also on the basis of bilateral cooperation of the 1990s, China intensifies the exchange with ASEAN.

During this process, economic statecraft continues to play a critical role. Although economic leverage is not a new means of China's diplomacy, its use appears much wider in scope and more efficient in consequence. The world has witnessed another form of competition as China exploits its economic and humanitarian aid to other regions. Besides the traditional allies including North Korea, Myanmar, Cambodia, Laos, Pakistan, China provides broader economic assistance programs to the African continent, in exchange for resources and political solidarity. In addition to foreign aid, China forms the Free Trade Area with ASEAN, and initiates the trade area within SCO, with the purpose of linking the neighbouring states by economic mutual interests.

5.3 Conclusions

This chapter gives a brief account of China's foreign policy making process, and discusses the Chinese diplomatic evolution since the year 1949 in four stages, the sequence being separated based on influential events that emerged in its diplomatic history. In the first stage from 1949 to 1978, from the initial ally of the Soviet Union to the confrontation of the two superpowers, national independence was the security priority.

Attempts to break the Western isolation led to China's ideological diplomacy towards other socialist and anti-imperialist states. China supported the Third-World revolutionary activities through the offer of foreign aid, even though the country was in downfall, at the same time as receiving the recognition of its legitimacy as return. This period saw the initial use of economic statecraft for political end.

In the second stage from 1978 to 1989, the mutual interests of containing the Soviet Union drove the normalisation of the China–US relations. The thaw of relations with the US-led west relieved China's regional and international environment, which enabled it to pay more attention to domestic development. The core position of economic development determined that the ideological diplomacy was abandoned in order to get advanced technology and sufficient capital from the West. So this period saw inward economic statecraft, in the forms of investment inflows.

The Tiananmen turmoil of 1989 along with the disintegration of the Soviet Union in 1991 took China's diplomacy into the post-Tiananmen era, which implied two significant shifts: the Western isolation forced China to approach Third World states and made it retain a low profile by remaining on the regional level. Since then, South–South cooperation and the focus on a regional sphere have been impressive highlights in Chinese diplomacy. On the one hand, the Chinese government signed massive commercial contracts with the United States and Europe to dismiss the critique over Chinese human rights records, and imposed sanctions on France to protest against French arms deals with Taiwan. On the other hand, they promoted a framework of free trade agreement with the Southeast Asian states to drive regional solidarity. If it was to be argued that the economic diplomacies towards the South in the earlier stage were just

a one-way ideological response to Western isolation, the approach to the South through economic incentives in this stage was framed with pragmatic political consideration.

In the period after 2001, the successful accession to the WTO and the US war on Iraq unveiled Chinese weakness in energy security. Since it became a net oil-importer, the reliance on oil imports has increased significantly. In this regard, Beijing began its global pursuit of energy, by utilising the political privilege of being a permanent member of the United Nations' Security Council and using economic statecraft of offering massive foreign aid to Africa in particular. In addition to the concerns of energy security, the US anti-terror war on central Asia and Southeast Asia posed direct challenges to China's regional security. With the mechanism of Shanghai Cooperation Organisation and China–ASEAN Summit, China placed efforts on binding the neighbours' interests together through the strategy of Free Trade Area, in order to limit the US political penetration. If it was to be argued that the South–South cooperation and the regional construction aimed to break the diplomatic isolation in the 1990s, they are also connected to the mission of safeguarding regional security and energy security. From this perspective, economic statecraft in this stage started to serve China's security objectives.

The study can thus conclude that, first, economic statecraft has been used as an implement of foreign policy since the early 1950s. Its forms developed from foreign aid of the past to the combination of foreign aid, free trade areas, and economic sanctions to a lesser extent, at present. Second, China has identified the mission of its economic statecraft to the key strategic areas at the contemporary stage. The Chinese diplomatic goals have been designed to take part in multi-national cooperation with both the developing and developed world, and to create a favourable regional and international environment for economic reform and modernised development. As a result, the role of

China's economic statecraft has been motivated to shape a peaceful environment for security reasons, and to promote the inputs of economic resources and the outputs of Chinese capital and products for economic construction.

In this regard, the purpose of economic statecraft has been upgraded from the protection of national identity of the past to the current guaranteeing of China's regional and economic security. This conclusion therefore attests the second hypothesis that for China, security objectives and economic diplomacy are not separated. Beijing has been using economic diplomacy in ways that support and advance its national security objectives. But whether the role of economic diplomacy will vary by region will be further tested by case studies in Part III.

Part III Case Studies

Chapter Six: The China–Africa Engagement and the Foreign Aid Strategy

The rise of China has gradually become a focal point of global interests, not just because of the significance for the international system but also due to the strengthening of South–South cooperation. Nowhere is this more apparent than in China's growing footprint in Africa's political and economic landscape, which is attracting widespread attention, despite the fact that these relations are not a recent development. There has been a massive increase in reports in the media, in particular since 2006, for instance: 'China in Africa—the New Imperialism?'(*Pambazuka News*, 02/March/2006), and 'Why China is trying to colonise Africa' (*Telegraph*, 31/08/2007). In addition to the media coverage, scholars have shifted the focus on China from the communist ideology to its pursuit of energy interests, such as 'Into Africa: China's Grab for Influence and Oil' (Brookes, 2007), 'China's Global Hunt for Energy' (Zweig and Bi, 2005), and 'China's Oil Rush in Africa' (Hurst, 2006). At the political level, German Chancellor Merkel called on the EU not to 'leave the commitment to Africa to the People's Republic of China', and argued that the EU 'should launch an enhanced partnership of equals with Africa' (Kornegay, 2007: 8, cited from Conference Summary: partners in competition? The EU, Africa and China). American diplomats, such as the former US Ambassador to Ethiopia, suggested a comprehensive study of China's policies, strategies and goals in Africa, aimed at increasing mutual understanding between China and America (Thompson, 2006).

This chapter concentrates on the China–Africa engagement at the contemporary stage, addressing the use of economic incentives to secure China's internal economic security and external political security. Part one considers the policy level, examining the past relationship from the 'Eight Principles' on Zhou Enlai's African tour in 1963, to 'Four Principles of Chinese Cooperation with Africa' on Zhao Ziyang's visit in 1982, to 'A New Strategic Partnership' in 2006. The discussion concludes that China's policy towards

Africa has moved away from unconditional assistance towards the present stance in which 'mutual benefits' has become the priority, but incentives have always been the main tool used.

Part two examines both the motivation level and the strategy of economic incentives under the framework of FOCAC. The study indicates that the mechanism of FOCAC confirms that China's engagement with Africa is driven not only by oil and other resources, but also by the strategic importance of the African continent – with three considerations: commercial factors; political consideration; and the resource imperatives. In addition, the study demonstrates that the active interaction with Africa may lead to conflicts of interest with the US, and possible negative effects on African economic development.

Finally, the study draws the conclusion that at the contemporary stage, China's African policy involves the consideration of new security theory, embodying the roles of energy security and economic security in defining foreign policy. It also indicates that the distinctive use of foreign aid, not only serves the economic interests of the current stage, but also ensures Beijing's long-term strategic position in Africa.

6.1 China–Africa diplomatic interactions

This section debates the evolution of China's African policy from the founding of New China to the contemporary era, by means of three turning points: in 1963, 1982, and 2006. The examination of the past relationship from the 'Eight Principles' on Zhou Enlai's Africa Tour in 1963, to 'Four Principles of Chinese Cooperation with Africa' during Zhao Ziyang's visit in 1982, to 'A New Strategic Partnership' in 2006 shows that China's

interests in Africa have significantly shifted from an ideological desire to be seen as a leader of the Third World to the expansion of its global influence. Such expansion is considered to link with the smooth access to resource import and export markets through diplomacy, investment and trade. During the period of evolution, though China's approach towards Africa has moved away from ideological unconditional assistance towards pragmatic 'mutual benefits', the study notes that economic incentives always stand as a unchangeable priority.

6.1.1 'Eight Principles' on Zhou Enlai's Africa tour in 1963—ideological and political objectives

China's relations with Africa may be traced back to six centuries ago. In 1415, Chinese explorers visited the East African coast and brought shiploads of Chinese commodities. Kenya provided many local gifts in return. Another record showed that in 100 BCE, Emperor Wuti of the Han dynasty sent envoys westward, reaching Syria (Scott-Meuser, 2007: 2). Although the historians disagree over the earliest contact between the two regions, they share a common understanding that the interaction in the modern era starts from the Bandung Conference held in 1955.[16] Of the 29 participating states, six were African, such as Egypt and Libya. Premier Zhou Enlai attended the conference and presented the 'Five Principles of Peaceful Coexistence'.[17] By that time, the Chinese side strived to get widespread international recognition and to seek political allies against the

[16] The core principles of the Bandung conference were political self-determination, mutual respect for sovereignty, non-aggression in internal affairs, and equality, which were of central importance to all participants, as most of them had recently emerged from colonial rule (Bandung Conference (Asian–African Conference), 1955).

[17] These principles were mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other's internal affairs; equality and mutual benefit as well as peaceful coexistence. They initially prescribed the Sino-India relations, and then applied to all China's external relatio

capitalist West, while many African countries were not yet fully independent and needed support, either politically or financially, to help them win the liberation wars.[18] The Chinese revolution was considered as a successful example to be followed by African people. Hence, following the conference, political exchanges began to be built between China and Egypt, Sudan, Tunisia at the end of the 1950s, Mali, Ghana, Somalia, Uganda, and Kenya at the beginning of the 1960s.

This diplomatic achievement expanded Chinese interests in the continent.[19] In 1963, Premier Zhou embarked on his first ten-nation tour of Africa: the United Arab Republic (currently Egypt), Algeria, Morocco, Tunisia, Ghana, Mali, Guinea, Sudan, Ethiopia, and Somalia. During the trip, Premier Zhou not only implied that international issues should not be manipulated by big powers, but also emphasised that China would offer economic assistance to Africa, which aimed to bind their interests against the phenomenon of Western domination. While in Ghana and Mali, Premier Zhou put forward the 'Eight-Principles', which were:

1. The Chinese government has unremittingly been providing assistance to foreign countries according to the principles of equality and mutual benefit…
2. While providing foreign aid, the Chinese government strictly respects the sovereignty of recipient countries, no strings attached and no privilege required.
3. In order to relieve the burden of recipient countries, the Chinese government provides economic aid in the way of an interest free or low interest loan, the time limit of repayment could be delayed when necessary.

---

[18] When the new China was founded, there were only four independent countries in Africa: Egypt, Ethiopia, Liberia and South Africa.

[19] According to related reports, the number of Chinese delegations visiting Africa went up from 25 in 1959 to 52 in 1962; 50 African officials visited China in 1959, whilst 1960 saw the number almost double to 98 (Taylor, 2006a: 22, cited from Ogunsanwo, 1971: 45).

4. The purpose of the Chinese government providing foreign aid is not to make recipient countries become dependent on China, but to help recipient countries gradually develop on the track of self reliance and economic development independently.

5. For the projects constructed through China foreign aid, the Chinese government does its best to make quick effects through small investment. Thus, the governments of recipient countries could increase income and accumulate money.

6. The Chinese government provides equipment and materials made in China of the best quality, and negotiate the price in accordance with the price of international market…

7. While providing technical assistance, the Chinese government will teach recipients to fully master this kind of technology.

8. The experts who are dispatched by the Chinese government to help recipient countries carrying out construction should be paid the same as their own experts of recipient countries. They are required to have no special requirement and enjoyment (Gountin: pp. 11–12).

These principles clearly clarified the Chinese intent to assist African countries through the policy of economic and technical aid. The amount of aid flowing to Africa had increased and the number of recipient countries had risen from 13 in the 1960s to 28 in the 1970s[20] (see Table 6.1). There were two characteristics of these assistance projects:

[20] It was reported that in 1960, the amount of China's aid to foreign countries was USD 57.6 million, and African countries received USD 25 million; in 1961, this amount was USD 167.2 million, and African countries received USD 39.2 million; in 1963, the amount of aid to foreign countries decreased to USD 90.4 million due to three years of domestic natural disasters, but the share for African countries increased to USD 74 million. Between 1971 and 1973, China's aid to foreign countries was USD 565.7 million, USD 647.9 million, and USD 229 million

excepting the Tanzania–Zambia railway, most of the aid in Africa came in the form of small and medium-sized projects; and second, the majority of projects were non-commercial, such as agricultural developments and infrastructure programs. Furthermore, these principles showed that the Chinese government provided assistances to African countries without asking for any economic reward. Some loans did not require repayment if the recipients could not afford it. However, for China's decision-makers, the aid diplomacy was conducted with both political and ideological objectives in mind.

Table 6.1: African countries receiving Chinese aid in the 1960s and 1970s

Country	*Date of first aid agreement*	*Amount (USD millions)*
Algeria	1958	100
Egypt	1958	193
Ghana	1961	81
Mali	1961	148
Somali	1963	220
Tanzania	1964	534
Kenya	1964	91
Burundi	1964	125
CAR	1964	56
Congo	1964	205
Uganda	1965	77
Mauritania	1967	239

respectively, and African countries received USD 323.5 million, USD 282 million, and USD 199 million (Gountin: p.2-3).

Country	*Date of first aid agreement*	*Amount (USD millions)*
Zambia	1967	372
Sudan	1970	230
Equat.Guinea	1971	18.7
Ethiopia	1971	155
Guinea	1971	161
Sierra Leone	1971	94
Togo	1972	77
Tunisia	1972	97
Benin	1972	72
Mauritius	1972	48
Nigeria	1972	3
Rwanda	1972	56
Burkina Faso	1973	92
Cameroon	1973	124
Chad	1973	77
Senegal	1973	108
Niger	1974	64.7
Gabon	1975	26
The Gambia	1975	36
Guinea-Bissau	1975	18
Mozambique	1975	116
Sao Tme-Prcp	1975	12
Botswana	1976	19.4
Comoros	1976	10.3
Morocco	1976	32
Cape Verde	1977	17.6

Country	*Date of first aid agreement*	*Amount (USD millions)*
Liberia	1977	37.4
Seychelles	1978	8.1
Djibouti	1979	12.9

Source: Brautigam, 1998: 45

On the ideological level, China seemed to support any revolutionary movement against imperialism, including African revolutions. The Chinese government believed that the liberated people must help those who were not yet liberated to achieve and defend their national independence. Also, the new Communist state insisted that assisting the independence of developing countries was the most appropriate way to pursue socialism. Therefore China actively supported the anti-imperialism struggle by providing material help, including military aid. During 1955 to 1977, China supplied USD 142 million worth of military equipment to African revolutionary groups, accounting for 75 per cent of total military aid towards Africa (Meidan, 2006: 73).

On the political level, the primary motivation was to counter the international recognition of Taiwan as the legal representative of China, and to a lesser extent to compete with the Soviet Union in the African territories, exemplified by the case of Zimbabwe.[21] In this regard, China's aid policy towards Africa did achieve its main objective. The number of African countries abandoning ties with Taiwan increased from 13 in 1967 to 30 in 1974, and the support from the majority of African countries contributed substantially towards the annexation of Taiwan's seat in the United Nations Security Council in 1971 (Looy, 2006: 2). Chairman Mao Zedong appreciated that without

[21] In Zimbabwe in the 1970s, China backed the movement of Robert Mugabe, while the Soviet Union backed Joshua Nkomo's party. Mugabe's election victory laid the foundation for the current relationship between China and Zimbabwe.

the African allies, China would not be able to become a permanent member of the Security Council.

6.1.2. 'Four Principles' on Zhao Ziyang's African tour in 1982—economic objective

After the acquisition of the seat in the UN Security Council in 1971, a diplomatic relation between China and the United States was established in 1979. The less hostile international environment was reflected in China's foreign policy, so that economic growth and domestic reforms instead of revolution dominated the policy agenda. The 12th National Congress of the Chinese Communist Party in 1982 delivered two messages that had implications on China's African policy: China would concentrate on domestic economic development, and China would pursue its independent foreign policy characterised by 'mutual benefits' in its direct meaning.[22] In accordance with these shifts, on the 1982 trip to Africa, Prime Minister Zhao Ziyang put forward the 'Four Principles on Sino-African Economic and Technical Cooperation', which stressed equality and mutual benefits, practical results, diversity in forms and common development:

> 1. In carrying out economic and technological cooperation with African countries, China abides by the principles of unity and friendship, equality and mutual benefit, respects their sovereignty, does not interfere in their internal affairs, attaches no political conditions and asks for no privileges whatsoever.
>
> 2. In China's economic and technological cooperation with African countries, full play will be given to the strong points and potentials of both sides on *the basis of their actual needs and possibilities*, and efforts will be made to *achieve good economic results with less investment, shorter construction cycle and quicker returns*.

[22] Before these shifts were publicised, the period from 1979 to 1982 had seen a reduction in economic aid. From 1979 to 1981, only eight new loans were granted and their value dropped from 178.8 million in 1980 to 19.7 million USD in 1981 (Brautigam, 1998:47).

3. China's economic and technological cooperation with African countries takes a variety of forms suited to the specific conditions, such as offering technical services, training technical and management personnel, engaging in scientific and technological exchanges, undertaking construction projects, entering into cooperative production and joint ventures…

4. The purpose of China's economic and technological cooperation with African countries is *to contribute to the enhancement of the self-reliant capabilities of both sides and promote the growth of the respective national economies by complementing and helping each other* (Brautigam, 1998: 49-50 emphasis added).

In comparison to the Eight Principles in the 1960s, these policies revealed a remarkable difference in which China asked for mutual promotion of the two economies, as principles 2 and 4 recommend. The shifts were in line with the changes in Chinese strategic focus. Before the 1970s, China's foreign policy was driven largely by the desire to combat superpower hegemony, so that African countries could be seen as potential allies in the political struggle. After Deng Xiaoping succeeded Mao Zedong and focussed on reforming domestic economy, China's development strategy changed considerably with the recognition that the anti-Western struggle only led to poverty and backwardness, and that the Western industrial countries must be relied on to advance the economy. It was apparent that because of continuous internal economic difficulties, China was no longer interested in pursuing ideological revolution, and the socialist modernisation project necessitated the input of massive foreign investment and technology – Africa was not able to contribute to these ends due to their own failure to open up to the international economy and their marginal role in global affairs.

Thus, Beijing saw Africa as economically deficient and technologically inefficient – incompatible with the reform aims. Though China maintained friendly relations with African countries, this was not sufficient to give Africa the recognition it needed as a significant partner. Chinese development aid destined for Africa decreased during this stage, and the number of visiting delegations also declined. However, China's aid commitments of approximately USD 259 million in 1984 still made it Africa's sixth largest donor (Mawdsley, 2007: 411). In addition, Chinese aid projects in Africa had tended to evolve into trade projects. Chinese workers provided aid and then remained behind upon completion of the project in order to provide a platform for Chinese companies to bid for African state contracts (Taylor, 2007a).

6.1.3 China's African policy in 2006

The lull in China–Africa relations lasted until the Tiananmen turmoil in 1989. When China intended to focus its diplomacy on developed countries, it was confronted with harsh condemnation on human rights and practical punishments exemplified by political isolation and economic sanctions. These made the Chinese government aware of the insurmountable value divergences between itself and the West. The only defensive strategy seemed to be to strengthen ties with the developing world, which expressed their understanding towards Beijing's action in handling this internal problem. This meant a reappraisal of the role of the Third World countries in China's diplomatic thinking.

In fact, the denunciation of the Tiananmen Square events not only embarrassed the Beijing government but also threatened the power-base of the African political elites, as the majority of African leaders came to power without democratic legitimacy of their

populace, so that these regimes were not reluctant to lend their support to Beijing's behaviour. In addition, Africa's backing was related to China's role as an important source of external aid and development assistance. It should be kept in mind that African economies at the time attracted very little foreign investment, and China had provided Africa with more than USD 4,783 million during the period of 1956-1987 (Naidu and Mbazima, 2008: 751, cited from Taylor, 2004). Even though the aid programs stagnated in the 1980s, China remained one of the largest donors to Africa.

Some may argue that the 1989 incident did not affect Beijing's relations with the Third World countries as it did with the Western world. The attitude towards the developing countries such as African states turned from one of temporary disregard to one of renewed emphasis. Diplomatically, the Foreign Minister, Qian Qichen, visited 14 African countries during 1989 and 1992, which highlighted the intention of seeking political assistance from the Africans. Economically, China increased the aid commitment. In 1988, China only disbursed USD 60.4 million to 13 countries, and one year after, the number grew to USD 374.6 million to 43 countries in 1990 (Taylor, 2004: 85, cited from Liu, 1996: 38).

In addition to the Tiananmen event, the disintegration of the Soviet Union during this period advanced China's initiative towards Africa. With the end of the Cold War, the balance of power in the global system was gradually moving towards unilateralism. In order to avoid becoming a sole target of the West, China seized the opportunity to push for a multi-polar international order, which required the support from the developing states including Africa. On the 1996 national visit to six African countries (Kenya, Egypt, Ethiopia, Mali, Namibia and Zimbabwe), President Jiang Zemin proposed the building of a long term and stable Sino-African relationship geared towards the twenty-first century

and put forward five principles of guidance: equality; sincere friendship; solidarity and cooperation; common development; and being oriented to the future.[23] Chinese commentators note that Jiang's proposal marked a new phase of development for the China–Africa relations. Since then, China maintained close political relations with African countries through frequent exchanges of high-level visits, and both sides conducted fruitful bilateral and multilateral dialogues. The most impressive outcome is the founding of the Forum on China–Africa Cooperation (FOCAC).

The First Ministerial Conference of FOCAC in 2001 was attended by almost 80 ministers from 44 African countries. It proposed the construction of an international political and economic order, and the exploration of a new Sino-African cooperation. The subjects discussed included Chinese investments in Africa, financial cooperation between bank groups, agricultural cooperation, resources and education cooperation. The Beijing Declaration was proclaimed at the end. In 2003, more than 70 ministers from China and 44 African countries responsible for foreign affairs and economic cooperation along with the representatives of some international and African regional institutions joined the conference. The FOCAC Addis Ababa Action Plan (2004–2006) was produced. In 2006, which was the 'Africa year in China', the heads of state, government and delegation of China and 48 African countries attended in the Third Ministerial Conference of FOCAC and the Beijing Action Plan (2007–2009) was put forward.

In the same year, the Beijing government released 'China's African Policy', which was considered as the first of its kind in China's diplomatic history with Africa. Through this

[23] The five principles are commonly explained as having the objectives to promote friendship and sincerity; respect the principles of sovereignty and non-intervention; promote development on the basis of equality and mutual benefit; establish norms of solidarity and consultation in international affairs; cooperate to create a more peaceful, stable and prosperous world (Pere, 2007: 13).

white paper, Beijing states the aim to develop 'a new type of strategic partnership with Africa' and the long-term plan is to 'enhance all-round cooperation' with the counterpart. Cooperation covers various aspects:

- The political field: China will continue to strengthen solidarity and cooperation with African countries on the international arena…
- Trade: the Chinese government will adopt more effective measures to facilitate African commodities' access to Chinese market and fulfil its promise to grant duty-free treatment to some goods from the less developed African countries…China is willing to negotiate Free Trade Agreement with African countries and African regional organizations.
- Investment: the Chinese government encourages and supports Chinese enterprises' investment and business in Africa, and will continue to provide preferential loans and buyer credits to this end...
- Debt reduction and relief: China is ready to continue friendly consultation with some African countries with a view to seek solution to, or reduction of, the debts they owe to China...
- Economic assistance: in light of its own financial capacity and economic situation, China will do its best to provide and gradually increase assistance to African nations with no political strings attached.
- Cultural exchanges: it will guide and promote cultural exchanges in diverse forms… (China's African Policy, 2006).

6.1.4 Conclusions

Current relations between China and Africa have their origins in the period since the

Bandung Conference of 1955, at which 29 Third World countries including China and six African countries met in Indonesia to confront superpower dominance. Chinese Premier Zhou encouraged the African states to forge ahead with the struggle for the total decolonisation of the continent, and during the national visits to Africa afterwards he inspired them with the promise of economic assistance. By that time, the relationship between China and some African countries such as Tanzania, Zambia and Zimbabwe were promoted by the support of the liberation war against imperialism. Since Deng Xiaoping took power and claimed the open-door policy in the late 1970s, Beijing's external engagement has been linked with pragmatic national interests, and bilateral cooperation has expanded from the political level alone to multiple interactions, on the basis of the change in China's strategic needs.

This study can note that, first of all, China frames the world as being ruled by a single hegemony—the United States, and China's diplomatic efforts to other countries, including Africa, have become centred on gaining support when confronting the hegemony. In Chinese perception, the political role of Africa in promoting a multi-polar world system is imperative. This diplomatic intention appears more prominently in the post-Tiananmen era. Second, Beijing addresses both multidimensional cooperation and mutual benefits. The 'mutual benefits' do not purely refer to the political gains in 1955–1978, or the economic interests in 1978–1989, but a combination of multiple strategic interests, which should be pursued through multidimensional interactions on political, economic, cultural or other sectors. Thirdly, despite the shifts in the strategic position of Africa at every stage, the diplomatic approach has always involved economic incentives. From the initial small-scope of infrastructure development to the present plan involving large-scale investment, China has consistently employed positive incentives instead of sanctions in pursuing its strategic goals.

6.2 The mechanism of FOCAC

More than four decades after Premier Zhou's visit to Africa in the 1960s, China has established diplomatic ties with almost every African state except those four countries maintaining diplomatic relations with Taiwan (Burkina Faso, Gambia, Sao Tome e Principe and Swaziland). To enhance the dialogue, the Forum on China–Africa Cooperation was established in 2000, which was initiated to institutionalise the China–Africa diplomacy and promote the bilateral dialogues. Naidu and Mbazima (2008) argue that the forum is seen as an alternative development paradigm of engagement to the G8's Africa plan and the Washington Consensus (Naidu and Mbazima, 2008: 756).

In this part, the study would argue that the mechanism of FOCAC undertakes the objectives of strengthening cooperation with Africa. To a very large extent, through frequent political exchange and increasing economic assistant, Beijing intends to ally with the African continent for seeking political multi-polarity, facilitating economic exchanges in resources, and furthering Chinese commercial activities overseas. In the second section, the potential conflicts between the presence of China and the interests of the United States in the continent, and the negative effects on African sustainable development are taken into consideration as possible obstacles to China–Africa relations. China's foreign aid strategy towards Africa will be re-addressed in the final section.

6.2.1 China's strategic objectives in Africa under FOCAC

In the current context of China's foreign policy towards Africa, Payne and Veney (1998)

point out three dominant objectives: national unification; the promotion of world peace and an impartial world order; and the sustainability of economic development (Payne and Veney, 1998: 2). Taylor's analysis suggests that China's African policy aims to reform the global order, increase resistance to hegemony, and contain Taiwan (Taylor, 2006a: 67–69). Other scholars, such as Alves (2008), observe that China's interest in Africa is based primarily on its need for natural resources and diplomatic support (Alves, 2008: 28). In other words, the People's Republic of China's foreign policy towards Africa is not interested in exporting communist ideology; instead, conventional economic and political factors occupy Chinese attention. The following section will clarify the motivations in three ways: political, resources, and commercial drives.

i) Political motivations

China's political mission ought to be understood from both external and internal perspectives. In external affairs, the biggest impediment in limiting China's development comes from the United States. In the latest Defence Strategy released by the US Defence Department, China is defined as 'one ascendant state with *the potential for competing with the United States*. For the foreseeable future, we will need to *hedge against* China's growing military modernization and the impact of its strategic choices upon international security' (2008 National Defence Strategy, 2008: 3 emphasis added). The US military bases in the neighbouring states including South Korea, Japan, Singapore, Indonesia and Afghanistan, along with the US Pacific Fleet, remind China of the US military presence in this area, and Washington's practice of unilateral force in the invasion of Afghanistan and Iraq compel China to consider the possible US strategy to its growing power. The concern about the dominance of the United States in the global system prompts China to seek political alignment with other countries which stand outside the central tendencies of world

political struggle.

In order to balance US power in the international system, the shape of a multi-polar world is proposed as the only solution. As early as the 1960s, Chairman Mao's 'Third World Theory' had already suggested that countries which had similar background and shared similar interests ought to act against hegemony by creating a multi-polar world system. Beijing tries to enhance relations with non-Western powers, and Africa can be included in this group. The Chinese presence in Africa is illustrative of Beijing's efforts to create a paradigm of political alliance in opposing unilateralism, and the increasing interaction under the forum enables China to use the strategic partnership with Africa as a way to circumvent Western containment in an international system where civilisation and hegemony coexist. In FOCAC 2003 Premier Wen presented that the collective power of the developing countries is a necessity to secure their own interests in international affairs, and in FOCAC 2006, President Hu Jintao indicated that China would cooperate with Africa to promote balanced and harmonious global development. The call to build a harmonious society and to create an impartial international order should be taken as an indication of the dissatisfaction towards America's unilateralist ambitions.

In terms of internal political affairs, the forum is certainly a part of China's long-term strategy to contain Taiwan. Taiwan is the only unfinished project in the Chinese reunification agenda, after Hong Kong's return in 1997 and Macau's transfer in 1999. In the past, political competition with Taiwan for African support was a major driver when designing the African policy. Without the support of the African group, China would not have been able to take over Taiwan's seat in the United Nations. At the current stage, China still needs to limit Taiwan's diplomatic space in the international community. When the first Forum was opened in 2000, eight African countries recognised Taiwan

(Liberia, Senegal, Gambia, Burkina Faso, Chad, Malawi, Swaziland, and Sao Tome and Principle), but in 2008, the number decreased to just five (Senegal, Gambia, Burkina Faso, Swaziland, and Sao Tome and Principe). All are small, resource-poor, and relatively minor in political importance.

However, when comparing the external objective of forming a multi-polar system to the internal Taiwan issue, the former takes more weight. It is quite an exaggeration to say that the Taiwan factor is a key determinant of China's foreign policy in Africa, although Beijing continues to insist on the diplomatic principle of 'one-China policy'. China has economic exchanges with the five African countries having diplomacy with Taiwan, but it appears that commercial interests, instead of political intention, drive these economic projects.[24] It is expected that fewer African countries would retain ties with Taiwan over time, if the national strength of Mainland China continues to grow.

ii) Resource concerns

Energy reports indicate that the crude oil reserves and production are mainly located in the Middle East, Africa, Eurasia, and North American areas, and the most productive countries are mainly from these areas, such as Saudi Arabia, Russia, Iran, Nigeria, Iraq, and Algeria (see Tables 6.2, 6.3, 6.4). John Browne, Former BP chief executive, ever observed the dependence on just three areas — West Africa, Russia and the five states around the Gulf, led by Iran, Iraq and Saudi Arabia (A Serious Problem, 2006, *Petroleum Economist* on line). In comparison to other productive regions, African oil potential has

[24] The projects, such as the Sayang Mineral Extraction in Gambia, Sinopec oil rights exploration in Sao Tome and Principle and construction of Chitipa-Karonga road in Malawi, are believed to be in accordance with Chinese commercial interests.

only become acknowledged in recent years. Taking the top two oil-consumers as examples, in America the importance of Africa to world oil supplies was revealed in the 2001 National Energy Policy; in China's case, Chinese oil companies started to invest in Africa at the end of the 1990s, and a specific foreign policy towards Africa was not put forward until 2006. Furthermore, North American area is seen as the backyard of the United States and mainly supply the US market. In the Middle East, the country with the richest oil reserves, Saudi Arabia, has been involved with the United States through the security-for-oil relationship established in the Roosevelt era; the second largest reserve country, Iran, has been under the threat of military attack by the United States for years; and Iraq has been under the control of the US military force since the 2003 invasion. In contrast, the situation in Africa is considered less sensitive with relatively little power intervention, after the ex-colonising powers such as France and Britain withdrew. This may lead to the conclusion that Africa could be seen as a stable source in the world energy market, although it possesses a relatively modest share of oil resources.

Table 6.2: World Oil Reserves by Region as of January, 2007 (Billion Barrels)

	Region	*Country*	*Oil Reserves*	*Percentage of world total*
World Total (1,317.4)	Middle East (739)	Saudi Arabia	262.3	59.1
		Iran	136.3	
		Iraq	115.0	
		Kuwait	101.5	
		United Arab Emirates	97.8	
		Qatar	15.2	
		Others	10.9	
	North America (213)	Canada	179.2	16.16
		United States	21.8	
		Others	12	
		Libya	41.5	8.65
		Nigeria	36.2	

	Region	*Country*	*Oil Reserves*	*Percentage of world total*
	Africa (114)	Algeria	12.3	
		Angola	8.0	
		Others	16	
	Eurasia (110)	Russia	60.0	8.35
		Kazakhstan	30.0	
		Others	20.0	

Source: International Energy Outlook 2007, cited from Worldwide Look at Reserves and Production.

Table 6.3: Production of Proved Reserves by Region in 2006 (Thousand Barrels Daily)

Region	*Production*	*2006 share of total (%)*
Total Middle East	25589	31.2
Total Europe and Eurasia	17563	21.6
Total North America	13700	16.5
Total Africa	9990	12.1
Total Asia Pacific	7941	9.7
Total South and Central America	6881	8.8
Total World	81663	100

Source: BP Statistical Review of World Energy June 2007.

Table 6.4: Top World Oil Producers in 2004

Rank	*Country*	*Total Oil Production (Million barrels per day)*
1	Saudi Arabia	10.37
2	Russia	9.27
3	United States	8.69
4	Iran	4.09
5	Mexico	3.83
6	China	3.62
7	Norway	3.18
8	Canada	3.14
9	Venezuela	2.86
10	United Arab Emirates	2.76
11	Kuwait	2.51
12	Nigeria	2.51
13	United Kingdom	2.08
14	Iraq	2.03

Source: National Security Consequences of US Oil Dependency, 2006: 21, cited from Energy Information Administration, http://www.eia.doe.gov/emeu/cabs/topworldtables1_2.html.

In the demand side, a total consumption of marketed energy is projected to increase.[25] The new price structure and slower world economy have dampened oil demand growth in OECD economies, whereas non-OECD economies, China and India in particular, account for the majority of world oil demand growth. In 2007 China contributed one-half of the two-thirds of global energy consumption growth, whereas the EU consumption decreased by 2.2 per cent (BP Statistical Review of World Energy June 2007; BP Statistical Review of World Energy, June 2008, p.2). China appears to be one of the biggest energy-consumer in the World.

[25] In the longer term the primary energy needs are expected to grow by 55 per cent between 2005 and 2030, at an average growth rate of 1.8 per cent annually. Oil would still remain the single largest fuel for satisfying primary energy demands, increasing by 37 per cent from the year 2006 to the year 2030. Coal consumption would jump by 73 per cent by 2030, pushing the share up from 25 per cent to 28 per cent (World Energy Outlook 2007 Executive Summary: China and India Insights).

Some argue that China's spectacular economic growth is largely responsible for its rising energy demands. During the pre-reform period from 1960 to 1978, the economic growth was only 5.3 percent on average, whereas between 1979 and 2007, the growth in China's GDP rose by 9.8 per cent annually (see table 6.5). Other issues accompanying economic growth, such as the expansion of the middle-class as well as urbanisation, also increase the demand for oil. However, at the same time as the two-digit economic growth significantly increases the energy demand, the declining domestic production furthered the energy shortage.[26] In 1993, only 6.4 per cent of the total oil supply was from outside sources. By 2002, that figure jumped to 31 per cent, and it is expected to reach 60 per cent by 2020 (Scott-Meuser, 2007: 13, cited from Eisenman and Kurlantzick, 2006: 22). The country has had to rely increasingly on foreign resources.

Table 6.5: China's Average Annual GDP Growth: 1979-2007

Year	*Average Annual Growth (%)*

[26] Roughly 85 per cent of Chinese oil production is located onshore, such as the Daqing oil field, the Shengli oil field, and oil fields in Xinjiang (China Energy Data, Statistics and Analysis—Oil, Gas, Electricity, Coal, 2006: 2). The offshore reserves are scattered in the East China Sea, the South China Sea (including the Taiwan Strait), the Yellow Sea and the Bohai Gulf (see table 6.6).

1960–1978	5.3
1990	3.8
1991	9.3
1992	14.2
1993	14.0
1994	13.1
1995	10.9
1996	10.0
1997	9.3
1998	7.8
1999	7.6
2000	8.4
2001	8.3
2002	9.1
2003	10.0
2004	10.1
2005	9.9
2006	11.1
2007	11.4
1979-2007 (Post-Reform)	9.8

Source: Morrison, 2008: 4.

Table 6.6: Major Chinese Oil Fields Owned by the Three National Companies

Major Chinese Fields by Company and by Production, 2006 (bbl/d)		
China National Petroleum Corporation (CNPC)	Daqing	929,268
	Liaohe	256,991
	Xinjiang	222,524
	Changqing	162,422
China Petroleum and Chemical Corporation	Shengli	535,531
	Sinopec Star	78,567
	Zhongyuan	67,092
China National Offshore Oil Corporation (CNOOC)	The East China Sea	519,108
	The South China Sea	
	The Yellow Sea	
	The Bohai Gulf	

Source: China Energy Data, Statistics and Analysis—Oil, Gas, Electricity, Coal, 2006: 2-3; Downs, 2000: 7.

Given the growing dependence on outside oil, in the tenth five-year plan in 2001–2005, the call for seeking international sources of oil and gas was voiced. In 2005, an Energy Leading Group headed by Premier Wen Jiaobao was established to oversee energy development and security. Africa figures on the agenda of Chinese oil diplomacy due to several factors: the external power influences are less evident in Africa; unlike the Middle East, African oil industries are open to foreign investment; apart from Nigeria, Algeria, Angola, and Libya, other African producers such as Sudan, Equatorial Guinea, Gabon, Central African Republic and the Congo, which do not belong to the OPEC cartel, are not obliged to follow the OPEC's production and export quotas; and African oil has low-sulphur content, which is best for environmental protection.

Therefore, there is an impressive presence of Chinese oil companies across the African continent, involved in a variety of commercial activities ranging from oil and gas exploration to pipeline building. The China Petroleum and Chemical Corporation (Sinopec) established in 1983, China National Petroleum Cooperation (CNPC) founded in 1988, and the China National Offshore Oil Corporation (CNOOC) created in 1982 are three vertically integrated companies. Historically, CNPC and its subsidiary companies dominated in the North and West of China, and focused on oil and gas exploration and production; Sinopec coped with the South part and engaged in downstream activities such as refining and distribution; CNOOC was responsible for offshore exploration and production. Nowadays, the three giants have not only stepped up exploration activities within the borders but also helped develop alternative fuels abroad. Instead of depending on the global oil market, the Chinese oil companies circumvent this reliance by either directly purchasing stakes in African oilfields or safeguarding access to the supply through long-term contracts. They have been taking a neo-mercantilist approach to operate new exploration deals and take shares in already established African oil companies (see Table 6.7). In addition to the three giants, other subsidised companies, such as the Zhongyuan Oil Company and PetroChina, also successfully access the African oil sector.[27]

[27] In 2005, PetroChina paid USD 800 million to the Nigerian National Petroleum Companies to supply 30,000 barrels of crude oil per day. In 2006, Zhongyuan Petroleum Company started exploratory drilling in the Gambella basin of western Ethiopia.

Table 6.7: Some Commercial Deals of China's Three Largest Oil Companies in Africa

CNPC	In 1997, CNPC pledged over USD 8 billion for oil concessions in the oil-producing countries including Sudan; in 1997, CNPC formally acquired a 40 per cent stake in the Greater Nile Petroleum Operating Company in Sudan; in 1997,CNPC began oil exploration in the Chad Basin under an agreement with the Nigerian National Petroleum Company; in 1998, CNPC purchased two blocks (OML 64 and OML 66) in the Niger River delta, Nigeria; in 2003, CNPC purchased oil refineries in Algeria for USD 350 million and signed an exploration deal for oil in two blocks; in 2004, CNPC invested USD 1 million in an oil and gas exploration project in Mauritania; in 2006, CNPC and Sinopec teamed up to exploit newly discovered drilling rights to an oilfield in Sudan in a deal worth about USD 600 million; CNPC has invested more than USD 8 billion in Sudan's oil sector, including a 900-mile pipeline to the Red Sea.
Sinopec	In 2002, Sinopec signed a contract for USD 525 million to develop the Zarzaitine oil field in Algeria; in 2004, Sinopec signed a technical evaluation deal for three onshore oilfields in Gabon; in 2005, Sinopec purchased a 27 per cent stake in an oil field of the coast in Nigeria; in 2006, Sinopec entered into a Joint Venture Partnership with a local oil company (Sonangol) to build an oil refinery in Lobito, Angola; in 2006, Sinopec began constructing a 1,500km pipeline to Port Sudan; in 2006, Sinopec paid USD 1.4 billion for a 40 per cent stake in the oil block 18, in Angola; in 2006, Sinopec won a 20 per cent stake in block 15 and 25.5 per cent stake in block 17 in Angola.
CNOOC	In 2005, CNOOC paid USD 2.3 billion for a 45 per cent stake in the Akpo offshore oil and gas field in Nigeria; in 2006, an offshore exploration deal was signed with Kenya, allowing CNOOC to explore 6 blocks covering 44,500 square miles in the north and south of the country; In 2006, CNOOC signed a production-sharing contract with Equatorial Guinea.

Source: Naidu and Davies, 2006; Scott-Meuser, 2007; Meidan, 2006; Taylor, 2006a: 44-45; Alves, 2006: 10.

During this process, Chinese political leaders paid high-profile visits to the oil producing states, and Chinese diplomats took advantage of China's political privilege in the United Nations to promote bilateral political relations, thereby helping the Chinese companies to secure oil deals. In addition, China's national policy banks act as credit-providers to finance these exploration activities. China's Export and Import bank is designed to

implement the state policy and serve economic and diplomatic strategies by providing financial services to key projects.[28] These governmental financial assistances allow China to insert itself in the continent. China has been one of the three largest trade partners with Africa, following America and France. Bilateral trade has increased from USD 10 billion in 2000 to USD 733.11 billion in 2007 (see Table 6.8). Africa has become a reliable oil-exporting area, by supplying approximately one-third of China's oil imports, increasing from 11 per cent in the year 1995 (see Table 6.9). Angola, Sudan, and Congo have become important oil-suppliers (see Table 6.10).

Table 6.8: China's Trade Volume with the World and with Africa (USD Billion)

Year	*Total trade volume*	*Trade with Africa*	*Weight (%)*
2007	21738.3	733.11	3.4
2006	17606.9	554.64	3.2
2005	14221.2	397.4	2.8
2000	4743	10	0.2

Source: Ministry of Commerce of the People's Republic of China.

Table 6.9: China's Imported Crude Oil by Region 1995-2006(%)

Regions	*1995*	*2000*	*2003*	*2005*	*2006*
Middle East	46	53.6	51.3	46	45
Africa	11	24.0	24.4	31	32
Asia-Pacific	41	15.0	15.3	8	8
Others	2	6.7	9.4	15	15

Source: Lai, 2007: 522, cited from Yearbook of China's Economic Foreign Relations and Trade, 2002, 2003; Zhao, 2008: 101; Medeiros, 2006: 130.

[28] In 2005, the bank granted a USD 1 billion oil-backed loan to Angola, which was increased to USD 3 billion in 2006 for upgrading of the local infrastructure. The boosted funds were expected to enable Sinopec to secure deals for oil exploration in the coming years (Naidu and Davies, 2006:76).

Table 6.10: China's Crude Oil Imports in 2005

Rank	*Country*	*Percentage of total Chinese imports*
1	Saudi Arabia	18
2	Angola	14
3	Iran	13
4	Russia	10
5	Oman	9
6	Yemen	5
7	Sudan	5
8	Congo	4
9	Indonesia	3
10	Equatorial Guinea	3

Source: Medeiros, 2006: 131.

Consequently, the search for overseas oil supplies seems to play a primary role in shaping China's African policy, however, it is more accurate that China has entered Africa for the extraction of raw materials to fuel its impressive economic growth. Taking note of China's top five imported commodities from Africa, Beijing's main trade connections in Africa include other raw materials, besides oil (see Table 6.11). The Chinese domestic manufacturing sector has created massive demand for copper, aluminium, nickel, iron ore, and so on. China is, as a matter of fact, the world's largest importer of crude oil, iron ore, manganese, plastic materials, metal ores, oil seeds, textile fibres, pulp and paper, the second largest importer of copper, the importer of 40 per cent of the world's soybeans, and the consumer of 50 per cent of global wood. Importantly, it is expected that the demand for these commodities will continue in the foreseeable future

(see Table 6.12). As long as China continues to demand the primary resources, the interest in the African continent will not wane, as many African countries have become major contributors to China's resource inputs and thus to China's importance as a centre of world manufacturing (see Table 6.13).

Table 6.11: Top Five Chinese Imports from Africa: 2004-2007 (USD Million and %)

Commodity	*2004*	*2005*	*2006*	*2007*	*% of total 2007*
Mineral fuel, oil, etc.	10,135	14,676	21,083	25,997	71.8
Ores, slag, ash	1,393	1,577	2,116	3,298	9.1
Precious stones and metals	742	967	1,196	1,358	3.8
Wood	473	524	705	915	2.5
Iron and Steel	439	475	315	851	2.4

Source: Morrison, 2008: 16

Table 6.12: Projections for China's Commodity Import Demand

Commodity	*Unit*	*Latest Demand*	*Predicted Demand in 2020*
Iron ore	m tons	148	710
Oil	m tons	91	1861
Soy	m tons	26	50
Coal	m tons	11	810
Copper	m tons	3	20
Manganese	m tons	3	13
Meat	m tons	0.3	4
Wood	m cubic	34	150

Source: Deutsche Bank Research Report

Table 6.13: Share in Total Imports and Origin of the Primary Commodities in China's Imports, 1999-2003

Product Group	*% of Imports by China in World Imports*	*% of African Imports in Total Chinese Imports*
Nickel	8.9	4.3
Iron and Steel scrap	9.5	0.1
Residual petroleum products	8.3	0.7
Iron ore and concentrates	29.1	5.9
Crude petroleum	4.7	24.1
Base metals	15	5.5
Copper	17.1	1.7
Other wood	23.4	20.5

Source: Rocha, 2007: 59, cited from COMTRADE

iii) Commercial considerations

Certainly, of immediate importance to China are Africa's abundant resources. However, it is insufficient to argue that China treats Africa purely as a resource base. Taking note of China's top five trading partners in Africa, it includes not only oil-producing states such as Angola, Sudan and Nigeria but also relatively well-developed economies with large populations such as South Africa and Egypt (see Table 6.14). On the policy level, the released white paper and the Beijing Action Plan (2007–2009) show the bilateral ties cover not just resource extraction, but also agriculture, infrastructure, science and technology. As apparent from the visit of President Hu Jintao to Africa, other commercial deals include automotive works in Namibia, opening a fruit market to South Africa, expanding investments in infrastructure, telecommunications, tourism in Seychelles, and increasing the number of duty-free commodities in Mozambique.

Table 6.14: Top Five African Trade Partners with China in 2007 (USD Billion)

Rank	*Country*	*Trade Volume*
1	Angola	141.20
2	South Africa	140.41
3	Sudan	56.15
4	Egypt	46.01
5	Nigeria	43.29

Source: Ministry of Commerce of the People's Republic of China.

There are a number of incentives driving the commercial engagements with Africa. In particular, economic expansion in China has brought significant opportunities for the Chinese state and private enterprises, which have been actively seeking new markets for their goods and investment. The outward expansion is motivated by the governmental 'Going Out' Strategy. By the end of 2000, the Chinese had 499 companies in Africa with a total contractual investment of USD 990 million (Taylor, 2004: 92). In 2003 there had been 7,470 Chinese foreign affiliates extending across 168 countries, and Central and Eastern Europe, ASEAN, and Middle East and Africa were the top three destinations among the developing states (see Table 6.15).

Table 6.15: Geographical Distribution of Chinese Enterprises Abroad in 2003

In Developed Countries	*Number of Chinese Enterprises*
Hong Kong/Macau	2,336
United States	786
EU-15	432
Japan	250
Australia	225
Canada	155
In Developing Country/Region	*Number of Chinese Enterprises*
Central and Eastern Europe	865
ASEAN	857
Middle East and Africa	769
Latin America	384
The Rest of the World	411
Total	7470

Source: Wu, 2005: 4-5, cited from the Commercial Ministry of China.

The pattern of Chinese commercial involvement in Africa can be grouped into four major activities: increasing investments in the energy and resource sector; participation in infrastructural projects; participation in global production networks; and small-scale entrepreneurial investments (Kaplinsky, McCormick and Morris, 2006: 17). In terms of involvement in production networks, textiles and clothing companies have invested in Africa, mainly in the form of joint ventures with African enterprises. This seeks to take advantage of the United States' African Growth and Opportunity Act and the European Union's Cotonou Agreement (replaced by the Economic Partnership Agreement), which provides preferential clauses for textile and apparel goods of eligible African countries

into the American and European markets. Besides, with 900 million potential customers, the untapped African continent itself is a rather suitable market. Those countries with large populations, such as South Africa and Egypt, have become export destinations for Chinese commodities (see Table 6.16).

Table 6.16: China's Top Five African Export Markets: 2004–2007 (USD Million)

Country	*2004*	*2005*	*2006*	*2007*
Africa Total	13,815	18,687	26,705	37,314
South Africa	2,952	3,826	5,769	7,429
Egypt	1,389	1,935	2,976	4,432
Nigeria	1,719	2,305	2,856	3,800
Algeria	981	1,405	1,952	2,709
Morocco	944	1,206	1,570	2,162

Source: Morrison, 2008: 17.

With regards to participation in infrastructure projects, Chinese firms have been bidding for construction deals in the continent. Some think that one of the distinguishing features of China–Africa relations as opposed to OECD–Africa has been Beijing's responsiveness to Africa's infrastructure developments, which has not been a priority in Western investment in Africa. In 2006 alone, Chinese operated 259 projects in Africa, 79 per cent of these promoting infrastructures, such as building pipelines, dams, railways etc.[29](see Table 6.17). The participating companies, particularly state-owned enterprises, have the advantage of access to skilled and low-cost labour emigrating from China, access to cheap building materials through supply chains from China, and most importantly,

[29] China engages mostly in infrastructure for resource extraction (28 per cent), telecommunications (19 per cent) and transport (19 per cent) (Reisen and Ndoye, 2008: 37).

access to cheap capital through Chinese state-owned banks. The Export–Import Bank of China is authorized by the Chinese government as the sole lender of the governmental concessional loan. According to the concessional loan requirements, in principle, Chinese contractors must be awarded the infrastructure contract financed by the loan, and they must be contracted for procuring equipment, materials, technology and services, with no less than one-half coming from China. For example, the Angolan government signed 12 individual accords of credit, relating to a USD 2 billion loan from the China Export–Import Bank in 2005. Part of the credit was destined to support the acquisition of construction equipment for use in projects undertaken by Chinese construction companies.[30] Given these advantages, the arrival of Chinese construction companies, which now control more than 30 per cent of African infrastructure markets, has had a significant impact on the local industry as well as other foreign companies, mainly from Europe, South Africa and the Middle East.

Table 6.17: Some Chinese Infrastructure Projects in Africa

Country	*Projects*
Ghana	Journalism facility (2002) Officers' barracks (2003)
Nigeria	Railway refurbishment (2002) Propane and butane extraction(2003) Two power plants(2004) Development of oil blocks (2004) Road and drainage improvements (2004)

[30] Other similar finance-for-contract exchanges made by Export–Import Bank to support Chinese commercial activities are set out as follows: between 2002 and 2006, a loan in excess of USD 4.5 billion was committed to 10 infrastructure projects in Angola; USD 8.8 billion was granted for natural resource related infrastructure during 2004 to 2006 in Nigeria; Sudan received USD 1.9 billion for infrastructure investment between 2001 and 2005 (Reisen and Ndoye, 2008: 33; 2006 Annual Report of the Export-Import Bank of China; Official Webpage of the Export-Import Bank of China).

Country	*Projects*
Sudan	High-power electric line(2003) Power lines for hydroelectric dam(2003)
Ethiopia	Hydroelectric power plant(2002) Water resource development (2004) Pharmaceutical joint venture (2004)
Uganda	Channel construction (2004)
Kenya	Port upgrade (2004)
Tanzania	Airport in Zanzibar (2004)
Mozambique	Foreign ministry building (2003) High school (2004)
Madagascar	Road construction (2003)
Zimbabwe	Irrigation project (2003) Coal mines (2003) Rural power grid upgrade (2004)
Zambia	Copper mine (2003) Explosives plant (2003)
Angola	Army camp (2004)
Gabon	Senate palace (2003) Broadcasting facility (2003) Iron mine (2004)
Equatorial Guinea	Road construction (2003, 2004)
Cameroon	Hospital maintenance (2003)
Guinea	Broadcasting facility

Source: Sunders, 2006: 47.

With the strategy of packaging contracts with the promise of assistance, Chinese firms have established a considerable commercial presence in certain African markets. In 2006, the Chamber of Commerce for Chinese Companies in Angola was founded, which had 26 members, including China National Machinery and Equipment Import and Export Corporation, ZTE Corporation, China National Overseas Engineering Corporation, and China State Shipbuilding Corporation and so on. In 2007, China had around 800 state-

owned companies operating in Africa on 900 projects in 52 countries (Reisen and Ndoye, 2008: 35). Other ongoing commercial plans include the China–African Development Fund to provide start-up capital to Chinese companies investing in Africa, and the first group of overseas economic trade and cooperation in which three countries of the group come from Africa: Nigeria, Mauritius and Zambia. By massively investing in the African economic sector, China is trying to internationalise Chinese companies and diversify export channels.

Conclusions

China's foreign policy towards Africa has undergone a dramatic shift over the last half-century. Since China became more aware of the importance of the developing world as allies in 1989, Africa has been considered as a steadfast political partner of the Beijing government. Since Chinese companies started to internationalise at the end of the 1990s, Africa has been a commercial focus for Chinese outward-bound companies, especially in the extraction industries and related infrastructure sectors. The study argues that the renewed significance that Beijing accords Africa nowadays results in the conceptualization and creation of a new mechanism on China–Africa relations, which may coordinate Chinese foreign policy objectives towards Africa at the current stage.

The Forum on China–Africa Cooperation has become the institutional mechanism for bilateral multi-levels engagement, which is driven by a number of political, diplomatic, and economic factors. As has been argued, China's goal in Africa is seen as ensuring a reliable source for oil and other materials, a potential market for Chinese commodities, and in turn, a political ally for China's global interests. These are in accordance with

Beijing's version of global strategy, ultimately leading to the shape of an advanced economy inside China and a multi-polar world order externally.

However, in the pursuit of these objectives, the dilemma that China faces has been its emergence as a competitive force to certain Western countries and in certain ways, producing a detrimental effect on African economies. No one can question the rising influence of China on both African countries and the traditional stakeholders. The presence of 48 African leaders at the 2006 Beijing summit and the reaction of the international community over China's exploration in Africa are evidence of this. The Western countries begin to view the new rival sceptically and observe Chinese commercial activities in Africa, which has challenged the established business practices.

6.2.2 Potential obstacles to the China–Africa engagement

In this section, the US ambitions in Africa, and the negative effect of Chinese commercial activities on Africa are defined as two major obstacles to the China–Africa engagement.

i) The US factor

America is chosen, rather than another traditional stakeholder such as the EU, as the focus of this section for four major reasons. First of all, it is the biggest energy consumer in the world, followed by China. Both are consuming far more than their share of world reserves, but there is a reduction in oil consumption in the EU.[31] Second, America's oil

[31] Taking note of 2005 data, the United States possessed 2.5 per cent of the proven oil reserves in the world but consumed 24.9 per cent of global oil production, while China consumed 8.2 per cent of the world production but only held 1.4 per cent of reserves (Pollack, 2008: 232, cited from BP Statistics Review of World Energy 2006).

imports are primarily from the Western Hemisphere (more than 50 per cent), West and North Africa (less than 20 per cent), the Middle East (18 per cent), and others. China meets its imports requirement from Africa (25 per cent), Saudi Arabia (17 per cent), Iran (14 per cent), Russia (8 per cent) and others (Pollack, 2008: 232). It appears that the African continent is an important oil-exporting region for both Chinese and US markets. Third, given the significant position of Africa in the world oil market, Washington has worked on redefining the relationship with Africa as a sort of mutually beneficial partnership, through the passage of the Africa Growth and Opportunity Act of 2000. Similarly, China has established the Forum of China–Africa Cooperation and held regular dialogues. In comparison, the EU held the Second EU–Africa Summit up to 2007 following the first EU–Africa Summit in 2000. Last but not least, the traditional dominance of former colonial European countries such as Britain, Portugal, and France, has been declining gradually after US accession. Given its global strategic ambition of energy interests, the United States will continue to seek the dominant position in the continent. As a result, the conflict of interests is more likely to come to a head between the United States and China.

The United State's foreign policy towards Africa

As the biggest economy in the world, America is more acutely aware of the energy shortage than smaller economies. In 2001, when it faced the first serious nationwide energy shortage since the Oil Crisis of the 1970s, the National Energy Policy Development Group produced the 'National Energy Policy', which calls for numerous efforts to increase the domestic oil production on one hand, and to deepen dialogue with major oil producers on the other hand. Several African countries, Nigeria, Angola, Gabon, Congo, and Chad are shown on the list.

The decision to include Africa at the table is a combination of several considerations. To begin with, the Washington government recognises that the US economy is confronted with a different scenario in the present energy crisis. The competition for resources not only exists between the industrial countries, but also faces exacerbation with the involvement of developing countries. In the 1970s, when the West plus Japan struggled with the insurmountable challenges caused by two Middle East oil crises, little attention was given by Asian economies, as many Asian nations such as China and Indonesia were not only energy self-sufficient but also benefited from the rising oil prices by exporting oil. Nevertheless, the situation is quite different today. Both phenomenal economic performance and the expansion of the middle class in these developing countries have significantly increased the energy demands and swiftly converted these countries into net oil importers. A new energy struggle is likely to accelerate among global consumers, as every state puts energy security on the core of national concerns.

Also, the reduction of production capability in the Middle East is another issue. Saudi Arabia has announced plans to increase production capacity, but there is still an annual decline in existing Saudi fields' production.[32]Iran, another large-reservation country in the area, is under economic sanctions, so that America cannot expect Iran to supply their markets.[33] Similarly, the complicated situation in Iraq is not conducive to the exploration

[32] The plan includes the expansion of the Ghawar field, the Khursaniyah field, the Shayba field and the Khoreis field. But the consequences are unlikely to be very significant in boosting production, as there is still an annual decline of 6 or 7 per cent in existing Saudi fields' production (Jaffe, 2005: 12).

[33] A related point is that the oil supplies to the United States from Saudi Arabia, Qatar, the United Arab Emirates and others have to pass through the Strait of Hormuz, and Iran's geographic position and military capability give it leverage over the strait. If US relations with Iran deteriorate further, it is quite possible that Iran could cut off oil transportation to the America market.

of large-scale oil resources, and other oil exporters like United Arab Emirates, Kuwait, and Qatar lack not only the organisational capability but also the willingness to increase oil production. Furthermore, the 9/11 terrorist attack raised awareness that the Middle East may not be a reliable source of oil imports. The investigation into 9/11 exposed that Saudi Arabia-funded organisations or charities were involved in terrorism activities.[34] The outcome of the distrust is that both the United States and Saudi Arabia are looking for alternative partners: we may see the importance that America attaches to Africa and the frequent national visits to the Asian area by the King of Saudi Arabia. Moreover, the US military action in Iraq as well as its backing to Israel increases the hostility that the Arabic ordinary people hold towards Washington and provokes some Islamic extremists, who may take actions to sabotage American oil interests in the region.[35]

These realities in the Middle East and the upheaval by the Chavez government in Latin America drives the US to target Africa, where is a swing production region that allows oil companies to leverage production capabilities to meet the fluctuating world demands.[36] West African oil has the characteristics of being high quality, easily accessed offshore, and well positioned to supply the North American market. After the National Policy Paper issued in 2001, the US oil companies have been encouraged further to promote output capability of the African oil industry by increasing their investment.

[34] It is reported that a Saudi-based charity, al Haramain Islamic Foundation, had allegedly financed assistance to the Egyptian terrorist group Gamma al Islamic, and some half dozen of the most visible charities, including two of Saudi Arabia's largest – the International Islamic Relief Organisation and the World Muslim League – have financial links to Islamic terrorist organisations.

[35] In February 2006, terrorists associated with al-Qaeda attempted to destroy the processing facility in Saudi Arabia, which accounted for almost two-thirds of total Saudi production.

[36] In West Africa's five key producing countries—Nigeria, Angola, Gabon, the Republic of Congo Brazzaville, and Equatorial Guinea, their combined production is expected to rise by 2–3 million barrels per day in the next 5–10 years and by 3–5 million barrels per day in the next 10–15 years (Klare and Volman, 2006: 611).

Meanwhile, Washington government has actively taken measures to support these commercial investments.

First, Washington seeks to remove the restrictions on the participation of American oil companies in certain African countries, such as Libya and Sudan. Libya has the biggest energy reserves in Africa, but due to the charge of sponsoring terrorism, it faced sanctions imposed by America as well as the United Nations. In 2003, the Libyan government agreed to take responsibility for their officials' actions in the 1988 bombing of Pan American Flight 103 and offer compensation to the victims' families. This was seen as 'pay-for-removal of sanctions' settlement. In 2004, Libya declared to abandon the pursuit of weapons of mass destruction and then comply with the Nuclear Non-Proliferation Treaty. Immediately after the declaration, Washington lifted the travel ban and the trade sanctions on Libya, paving the way for their oil companies to bid on new deals or to resume production in oil fields which they were forced to abandon years ago. In the case of Sudan, since 1997 Washington has prohibited American companies to either trade or invest in Sudan, due to its civil war and possible involvements in terrorist activities. Although the relations have shown some signs of warming after 9/11 because of Sudan's help in the war on terrorism, sanctions will not be removed until there is a peace agreement reached by the participants of the civil war. Given that Sudan is capable of extracting 186,000 barrels of oil a day, it is predictable that Washington would remove the ban as soon as the situation in Sudan improves.

Second, Washington's strategies are accompanied by FDI and foreign aid packages. The United States is a leading financial provider to Africa.[37] In 2008, the Overseas Private

[37] According to the United Nations Conference on Trade and Development, the United States accounted for more than 37 per cent of total flows to sub-Saharan Africa from developed

Investment Corporation was announced to support five new private equity investment funds focused on sub-Saharan Africa, with a combined target capitalisation of USD 875 million. In addition to direct investment, it provided more than USD 1.2 billion in food assistance in 2005, and offered over USD 4 billion in humanitarian and development aid to Africa in 2006, increasing from USD 1.4 billion in 2001. Furthermore, Washington pledged USD 15 billion over five years to fight HIV in Africa and promised to provide drugs for AIDS victims (Thompson, 2007; Usborne, 2007). Not surprisingly, the largest chunk of US assistance flows to Angola and Nigeria, Africa's two leading oil supplies to the United States.

Third, Washington issued the African Growth and Opportunity Act (AGOA) in 2000, which offered tangible incentives for African countries to open their economies further and set up free trade markets. Among the clauses of the act, the most impressive one is the duty-free and quota-free treatment for eligible apparel articles made in 40 qualified sub-Saharan African countries through 2015. The AGOA appears to provide these African countries with the most generous access to the US market, but indeed the act more supports American interests by encouraging reform of Africa's economic and commercial regimes, which produce easier accessible markets for American businesses. In 2007, the total US–Africa two-way trade under the AGOA increased by 15 per cent. American exports to South Africa rose by 24 per cent, to Nigeria by 25 per cent, and to Gabon by 253 per cent. On the importing side, petroleum products still accounted for the largest portion with a 93 per cent share of overall imports. The imports from the oil producing countries grew with imports from Nigeria up by 18 per cent, Angola by 7 per

---

countries during the period 1996–2000, followed by France (18 per cent) and the United Kingdom (13 per cent) (US Trade and Investment Relations with Sub-Saharan Africa: the African Growth and Opportunity Act and Beyond, 2008: 10).

cent, Gabon by 60 per cent, and Chad by 12 per cent (US–African Trade Profile, P2-3). There are few economic benefits to other African states.

Fourth, although America does not possess a military base on the African mainland, they protect their interests by sponsoring military capability to oil-producers on the one hand, and relying on the agreement with certain African countries to use their local military facilities on the other hand.[38] In 2003, Washington designed an African Coastal and Border Security Program providing specialised equipment, training, and intelligence data to selected African countries. The provision of US arms, military equipment and technical assistance, again, are mainly earmarked for Nigeria and Angola.[39] On the other hand, the US navy has increased its presence in African water, mainly in the Gulf of Guinea, which is the closest to Nigeria, the major West African oil producer to America and the site of some promising offshore oil reserves.[40] In addition, the United States is planning to establish a basing infrastructure on the continent. The proposal of the US Africa Command was raised in early 2006, and the Bush Administration re-claimed the plan in 2007. So far, the majority of African countries along with the African Union show strong resistance to the plan.

---

[38] In 1980, Kenya signed an agreement with Washington, which allowed US troop to use the port of Mombasa, as well as airfields at Embakasi and Nanyuke. Afterwards, the United States has signed agreements with Ghana, Senegal, Gabon, Namibia, and Zambia to allow America aircraft to refuel at local air bases.

[39] In 2003, America commenced the delivery of seven surplus US Coast Guard cutters to Nigeria, significantly enhancing the Nigerian Navy's ability to protect offshore oil installations and oil tankers (Volman, 2006: 1). During the period between 2004 and 2006, the security aid to Nigeria and Angola provided by America amounted to more than USD 180 million (Klare and Volman, 2006: 617).

[40] In 2003, NATO Supreme Commander General, James Jones, indicated that US naval force would spend much less time in the Mediterranean Sea; instead, it would spend half its time patrolling the west coast of Africa; in January 2005, the US Navy commenced a two-month Gulf of Guinea Deployment; in September 2005, the US Navy operated a five-week West African Training Cruise exercise (Volman, 2006: 6-7).

For the United States, to better balance the domestic oil market it needs to increase the supply from sources outside the Persian Gulf. These efforts, including removing obstacles for oil companies, providing economic aid and weapons to the major African partners, as well as enhancing the military presence in the Gulf of Guinea, aim at improving the investment climate for US oil companies, and importantly, ensuring American long-term interests on the African continent. In 2000, Africa just supplied 14 per cent of the total oil imports, whereas the Western Hemisphere accounted for half of American oil imports and Middle East contributed 24 per cent (National Energy Policy, 2001: 130). But in 2006 the volume of crude oil exported from Africa has slightly exceeded that from the Middle East, becoming the biggest source of crude oil for the American market, and it is estimated that African oil exports to the United States will account for 25 per cent of total American imports by 2015 (Liu, 2007; African Oil: a Priority for US National Security and African Development, 2001: 5). However, the United States is not the only country having energy interests in Africa. The increasing involvement of China in seeking African markets for its products and pursuing energy supplies causes US awareness of the potential rival, and raises the concern that the Chinese presence would undermine US influences and then threaten US interests in a longer run.

i) Impacts of China–Africa cooperation on the US

There are several remarkable phenomena in the global energy market. First of all, energy dependence causes the consumers to form partnerships with suppliers for energy objectives. For example, the United States has been aligning itself to Canada and Saudi Arabia; China is creating close interaction with Iran, Nigeria and Sudan. Second, major energy consumers find that their growing dependence on imported energy increases

their strategic vulnerability. The consuming countries in some circumstances have to modify their policies to avoid confrontation with their suppliers, and they are more constrained in dealing with producing countries when oil markets are tight. This may explain why some EU members are evasive over the Georgia–Russia military conflict and are reluctant to deal with the issues of relevance to Iran. Third, the limited sources cause direct competition among consumers, notably between the biggest economy—the United States and the rapidly growing economy of China. Although the United States and China have different energy suppliers (the United States imports the most from Nigeria whereas China imports the most from Angola), American strategy is to take primary advantage in international political battles by controlling global oil resources and in turn manipulating world economy. Thus the only superpower must consider the oil market as a global one, in which a shortfall of oil anywhere would not only affect the oil price everywhere including America but also trigger the collapse of the global economic system. Chinese energy-hunting has already challenged American influence in Central Asia, and China's presence in Africa may have an impact on US interests as well. The best outcome is that China's search for energy will just challenge America's foreign policy, but the worst outcome could be a long-term energy battle between the two.

In some American views, the emergence of China in Africa as a visible player has been a striking feature, so that not only can China be portrayed as a strategic rival in the battle for energy but also China's interests in Africa should be seen as a threat. China has formal diplomatic relations with 50 of the 54 African countries, and China has been an important participant by granting commercial loans with generous terms, removing debt, and assisting infrastructure development.[41] These have caused alarm in Washington. Former

[41] China Exim Bank has been providing generous financial loans to drive trade, investment and development, and the accumulated investment by Chinese companies had doubled from

Deputy Secretary of States, Robert Zoelick, called for China to emerge as a 'responsible stakeholder' in the international society, and urged China to reduce the prospect of heightened rivalry with the United States in Africa (Pollack, 2008: 239). However, the Chinese level of economic engagement in Africa is still modest and far from constituting a threat for America. The primary position of the United States in the sub-Saharan African economic sector has not faced any challenges (See Table 6.18).

Table 6.18: Sub-Saharan Africa's Principal Trading Partners (USD Billion and Market Share)

USD 6.27 billion to almost USD 12 billion between 2005 and 2006 (Brautigam, 2008: 3).

Sub-Saharan Africa's imports	*Volume 2005*	*% share*	*Volume 2006*	*% share*
China	13.4	7.8	19.0	8.9
United States	10.3	6.0	12.1	5.6
Germany	11.7	6.8	13	6.1
France	10.8	6.3	11.3	5.3
United Kingdom	8.1	4.7	8.9	4.1
Sub-Saharan Africa's Exports	*Volume 2005*	*% share*	*Volume 2006*	*% share*
United States	52.4	29.6	61.5	29.5
China	19.3	10.9	26.3	12.6
United Kingdom	12.6	7.1	13.0	6.2
Japan	9.4	5.3	12.5	6.0
Spain	9.3	5.25	10.8	5.2
Sub-Saharan Africa's FDI Inflow	*2004 (USD 12.8 bn in total)*		*2006 (USD 36 bn in total)*	
United States	3.90 (30.5%)		13.8 (38%)	
China	2.7 (21.1%)		5.7 (15.8%)	

Source: US-African Trade Profile; IMF Direction of Trade Statistics Yearbook 2007, and 2008; US Trade and Investment Relationship with Sub-Saharan Africa: the African Growth and Opportunity Act and Beyond; Holder and Jackson, 2008:67; World Investment Report 2007.

The table highlights several points:

- Both the United States and China are top three trade partners of the Sub-Saharan region. But in terms of total trade volume, China stands far behind America's position.
- The United States imported 29.5 per cent of total Sub-Saharan African goods in 2006, whereas American exports to the region only accounted for 5.6 per cent of the total demand. In comparison, China contributed 12.6 per cent of the exports

of Sub-Saharan countries, while Chinese goods accounted for 8.9 per cent of total imports in Sub-Saharan region. China is more like a modest exporter and America is a major importer for the Sub-Saharan economies.

- In terms of FDI, America supplied the majority of FDI into sub-Saharan Africa.

Taking into consideration the trade volume, FDI contribution, plus the military existence of the US Navy in Africa, it is high unlikely that China would be able to challenge America's leading position in Africa in the coming years. As a matter of fact, there exists the possibility that the two could cooperate on the African energy sector. China's national interests determine that Beijing must continue its present energy strategy in Africa. In the game of asymmetric power with the United States, the only solution is to steadily push the energy diplomacy through enhancing ties with African countries on the one hand, and to eliminate America's suspicions by addressing 'common interests' on the other hand. China and the United States have shared interests in the energy sector. Both have to ensure a predictable availability of energy at affordable cost, to protect against any potential disruption in the transport of energy resources, and to prevent further environmental degradation. Besides, according to economic expectations, if the oil price could return to normal market place, the total benefits may reach USD 500 billion per year, and USD 150-200 billion of this amount could go to America (He and Guan, 2006: 67). If both sides take long-term benefits into consideration, a cooperative approach appears to be a dominating strategy. It has been suggested to the Washington government that only when America sets up close cooperation with other major oil-importing countries such as China, can they effectively confront the supply problem. An annual energy policy dialogue between China and the United States, initiated in 2005, should be taken as the first step of such coordination.

ii) Negative effects on African economies

For Africa's political elites, China's commercial deals come with no conditions except the recognition of the 'one-China policy', and the political clout that China holds as a permanent member on the Security Council is particularly attractive for countries which are under the scrutiny of international community for human rights violation. Therefore, it seems that African countries may not only benefit from the financial resources of the Chinese government, but also do not have to worry about questions on issues like governance or transparency by the international community. However, when the Chinese package of assistance allows the African states to exploit their untapped resources, it raises the concerns that China's emergence may jeopardise vulnerable African economies and undermine the efforts of international society to promote transparency.

Many scholars, including Alden (2006) and Taylor (2007), have analysed the negative consequences resulting from China's policy towards Africa: China may prolong authoritarian rule in 'pariah states' such as Sudan and Zimbabwe and in 'weak democratic governments', such as Angola, through injecting investment and aid; in the case of 'democratic states', such as South Africa, there may be direct competition between Chinese enterprises and local businesses. Differently, this section will not discuss the issue on the basis of different types of political regimes, but focuses on another three aspects: negative impact on certain African economies, illustrated by the apparel industry; the unbalanced trade mode with the continent; and the impediment to African stability.

To begin with, the most significant effect of Chinese exports on Africa is the phenomenon of the textile tsunami. Chinese textile goods flood into not only the African markets but

also replace the market share of African products in the Western markets. Some accuse the Chinese of bringing about the collapse of textile industries in many African countries. Since Chinese products began to pour into the continent, thousands of African workers in the apparel sector have lost their jobs, and numerous factories closed their doors: 8 closed in Kenya, 6 in Lesotho, 4 in Swaziland, and so on (Wilson III, 2005: 10). By the end of 2002, around 75,000 had lost their jobs in the sector (Lyman, 2005). In the competition for the third markets, after the 'Multi-Fibre Arrangement' was terminated in 2005, there is no longer any advantage for African goods and no further incentives for investors to set up factories in African countries. [42] In the first quarter of 2005, South Africa's clothing exports to the United States dropped to only USD 12 million from USD 26millon in the same period of 2004 (Lyman, 2005).

Second, it is quite important to pay attention to the economic nature of the two entities. At the first glance, the differences in the economic endowments of the two economies could make them complementary partners, as Africa has ample raw materials while China has huge foreign currency reserves, which it may invest in the continent. However, the fact is that one is a manufacturing economy and the other is based on natural resources and primary commodities. There exist severe trade imbalances. In 2007 China benefited to the effect of USD 370.28 billion from trade with Africa, while Africa gained USD 362.83 billion. It appears a balanced trade relationship, but considered individually, Benin earned USD 1.13 billion from its exports to China whereas it paid USD 19.71 billion for buying Chinese commodities. The scenario of Benin is not isolated, but quite common for the African counterparts such as Kenya, Egypt, Ghana and Togo (See Table 6.19).

[42] Before January 2005, African textile manufactures had privileged protection under the 'Multi-Fibre Arrangement'. The policy granted duty free status to textile products imports from Africa, so that African goods may have a competitive advantage of price in American as well as in EU markets.

Only energy deals with the limited number of resources-exporting economies like Angola, Sudan, and Congo may moderate the overall China–African trade surplus (See Table 6.20). This is, in a great part, because China's economic initiatives in seeking material inputs determine the asymmetric exchange mode towards African states.

Table 6.19: China's Trade Surplus with Certain African Counties (USD Billion)

Country	*Export to China*	*Import from China*	*Trade Surplus*
Egypt	2.40	43.62	41.22
Benin	1.13	19.71	18.58
Togo	0.26	13.74	13.48
Ghana	0.53	12.13	11.6
Kenya	0.28	9.21	8.93
Ethiopia	0.87	7.20	6.33
Tanzania	2.00	5.93	3.93
Liberia	0.03	8.03	8.00
Tunis	0.30	4.82	4.52
Namibia	1.58	2.43	0.85
Guinea	0.92	2.64	1.72
Mauritius	0.05	2.84	2.79

Source: the Commercial Ministry of PRC.

Table 6.20: China's Trade Deficit with the African Economies (USD Billion)

Country	*Export to China*	*Import from China*	*Trade Deficit*
Angola	128.89	12.31	116.58
Sudan	41.32	14.83	26.49
Congo	28.31	4.19	24.12
Libya	15.47	8.59	6.88

Source: the Commercial Ministry of PRC.

Third, much of the condemnation of China's African policy focuses on Beijing's support for the repressive states. In the case of Sudan, since other firms such as the US oil companies are excluded due to trade sanctions, Chinese firms have taken the business opportunities ahead of the others by investing heavily in the oil fields in the South area and building a pipeline for smooth oil transportation. To ensure its oil interests not being violated, Beijing threatens to use its veto right against the proposals of imposing economic sanctions against Sudan, in the United Nations Security Council. However, in 2006, under the pressure of world propaganda, Beijing endorsed the sanction proposal and the mission of peacekeeping. Also, China's National Development and Reform Commission removed Sudan from the list of the target countries for a new investment by Chinese oil and gas companies in 2007. In 2008, China's Special Envoy on Darfur Issue, Liu Guijin, conveyed willingness to strive with other Western nations for the peace and development in Africa. In the Zimbabwe scenario, Chinese investments in copper fields and the offers of financial loans enable President Mugabe refuses to make any further progress on human rights. Angola is another African state in relation to which China has faced harsh condemnation. Human Rights Watch says that the investments from China allow the Angolan government to ignore international pressure of strengthening

transparency in oil revenue.[43] In addition, Beijing's weapon-export policy is accused of inflaming some states' long-running civil wars and damaging African stability.[44]

However, China's influence in Africa has been exaggerated. While people condemn China's arms policy, they ignore the fact that several OECD countries, including France, the United Kingdom, the United States, and Belgium continue their military sales to the continent and profit from the deals with undemocratic, militaristic governments.[45] France even conducted direct military intervention in conflicts between the Chadian government and the rebels. Although China is currently the world's fifth-largest arms exporter, it stands far behind the United States, Britain, France and Russia with regard to sales volume, so that it is unlikely to produce significant difference in African stability if only Beijing revises their arms-sales policy. Also, given the principle of 'non-interfere' policy that Beijing always insists on its foreign policy, there is little expectation that China would make any steps further. Especially when China itself relies heavily on energy supplies, it has to be constrained in dealing with these countries.

What really puzzle China are the shocks to African economies and the asymmetric trade

---

[43] According to Pere, between 1997 and 2002, approximately USD 4 billion oil incomes in Angola disappeared from the public purse (Pere, 2008: 16).

[44] According to Human Rights First, an America-based non-profit organisation, since 1997 Sudan's military expenditures have increased significantly, and much of the money has gone directly back to China, for purchases of small arms and other military equipment. China supplied 89.95 per cent of Sudanese small arms in 2004, 94.16 per cent in 2005, and 87.66 per cent in 2006 (The Facts: China's Arms Sales to Sudan). In 2004, China sold Zimbabwe fighter aircraft and military vehicles for USD 200 million (Brookes and Shin, 2006).

[45] Taking note of data in 2003, five members of the G8—United States, United Kingdom, France, Germany and Russia—were responsible for 89 per cent of arms sales to developing countries. The United States is the biggest arms exporter to Africa, contributing to about 50 per cent of all arms to the continent. The United Kingdom and France account for around 10 per cent of the total arms market in Africa (Brautigam, 2008: 31).

mode. China always believes that its development mode with a non-imperialist method could act as an example to be introduced to the African countries, but their neo-mercantilist pursuit of national interests in the quest for resources reflects the ignorance towards the sustainable development of African economies. In Beijing, policy-makers and scholars have been engaging in debates about how to advance China's interests in the continent with a win–win consequence. The agreement on voluntary export restraints for Chinese textiles with South Africa in 2006 should be considered as one of the positive measures.

Nevertheless, it is debatable whether a more accommodating Chinese trade policy could help Africa. For most African states, the biggest problem is not the trade policy itself, but the fact that they do not have much to exchange in terms of value-added commodities. China ought to take more responsible measures to help them develop their economy, if Beijing intends to sustain a long-term relationship. In other words, China should change the mode that most foreign aid flows to the energy sector of certain oil-exporting countries.[46] Instead, the incentives from the Chinese government should cover a wider framework, assisting African sustainable development. For example, when infrastructure building and fundamental industries, which may lay foundations for economic growth, goes out of fashion in the West, China should take over these tasks, as they have been doing, helping boost the agricultural development, building public infrastructure like transportation, improving education system and public health, assisting the development of telecommunication, and exporting technologies to help build a competitive manufacturing sector. Only when African economy diversifies, not just relying on resources exports, can Africa trades more commodities with China, and can the two

[46] In terms of the geographical distribution of Chinese finance, it is estimated that 40 per cent goes to Angola, another 40 per cent to three economies (Nigeria, Ethiopia, and Sudan), and 3 per cent each to Ghana and the republic of Congo (Reisen and Ndoye, 2008: 37).

develop a long-term strategic relationship.

6.2.3 The strategy of economic incentives

In Africa, the Western influences have been able to build upon generations of engagement that dated back to the colonial period, allowing them to secure their interests in Africa. To compete with these influences and successfully insert itself in Africa, Beijing's approach has been constructed as follows:

Diplomatic attention: based on the 'one-China policy', China shows willingness to engage with any African state, including the pariah governments that Western states are reluctant to interact with. Frequent high-level visits undoubtedly increase the political coordination with African countries in international affairs (See Table 6.21).

Political discourse: the role of being a permanent member of the UN Security Council helps Beijing support the position of either individual African state or the African Union. Conversely, China also needs the votes of African countries for the success of its own proposals.

Economic diplomacy: The major government bodies, including the Ministry of Commerce, the Ministry of Foreign Affairs, the China Exim Bank, and China Development Bank, play decisive roles in promoting various assistance projects, such as the zero-interest loans, concessional loan program, direct debt relief, and the delivery of medical and education teams.

Table 6.21: Major High-Level Visits to Africa between 2000 and 2009

Year	*Diplomatic Events*
2000	24–27 April 2000, President Jiang Zemin visited South Africa. 10–12 Oct 2000, China–Africa Forum — Ministerial Conference.
2001	17–20 Jan 2001, Vice President Hu Jintao visited Uganda. 16–28 April 2001, President Li Ruihuan visited the Republic of Mauritius, South Africa, and the Kingdom of Morocco. 31 Oct to 17 Nov 2001, Li Peng visited Algeria and the Republic of Tunisia.
2002	13–18 April, 2002, President Jiang Zemin visited Libya, Nigeria, and the Republic of Tunisia. 19–27 April 2002, Premier Zhu Rongji visited Egypt and Kenya. 25 August to 6 Sep 2002, Premier Zhu Rongji visited Algeria, the Kingdom of Morocco, and the Republic of Cameroon.
2003	9–19 Feb 2003, Chairman Li Ruihuan visited Tanzania, Namibia, and Zambia.
2004	20–29 June 2004, Vice President Zeng Qinhong visited the Republic of Tunisia, Togo, Benin, and South Africa. 29 Oct to 8 Nov 2004, Chairman Wu Bangguo visited Kenya, Zimbabwe, Zambia, and Nigeria.
2006	Jan, Foreign Minister Li Zhaoxing visited Cape Verde, Liberia, Mali, Senegal, Nigeria and Libya. 18–29 April, President Hu Jintao visited the Kingdom of Morocco, Nigeria, and Kenya. 17–24 June, Premier Wen Jiabao visited Egypt, Ghana, Congo, Angola, South Africa, Tanzania and Uganda. 1–6 Nov, the Third China–Africa Summit.
2007	30 Jan to 10 Feb, President Hu Jintao visited Cameroon, Libya, Sudan, Zambia, Namibia, South Africa, The Republic of Mozambique, and The Republic of Seychelles. 23–27 April, Chairman Jia Qinlin visited the Republic of Tunisia, Ghana, Zimbabwe and Kenya.
2008	7–11 Jan, Foreign Minister visited South Africa, Congo Republic, the Republic of Burundi and Ethiopia. 17–24 June, Premier Wen Jiaobao visited Egypt, Ghana, Cango, Angola, South Africa, Tanzania, and Uganda. 11–13 Nov, Chairman of People's Committee, Wu Bangguo, visited Algeria, Gabon, Ethiopia, Madagascar, and Seychelles.
2009	14 Jan, Foreign Minister Yang Jiechi visited Republic of Rwanda, Uganda, Malawi, and South Africa.

Year	*Diplomatic Events*
	10–17 Feb, President Hu Jintao visited Mali, the Republic of Senegal, Tanzania, and Republic of Mauritius.

Source: official announcements

Among the three features of China's strategy, economic diplomacy is a remarkable approach. As noted previously, throughout the Sino-Africa diplomatic history, from the initial engagement with the first African counterpart—Egypt, to the establishment of the mechanism of FOCAC with the majority of countries in Africa, China's foreign policy has always been accompanied by economic incentives. The only difference is that earlier aid recipients were those declaring themselves to be socialist countries, whereas the targets nowadays are those which could serve China's national and global strategy. The economic assistance to Africa could be measured in two ways: the weight of Africa in China's Official Government Expenditure for External Assistance, and the specific assistance plans (see Table 6.22).

Table 6.22: China's Official Government Expenditure for External Assistance 1998–2007

Year	*Total (USD Million)*	*To Africa (USD Million)*	*Share (%)*
1998	449	198	44.1
1999	474	208	43.88
2000	554	244	44
2001	569	250	43.9
2002	604	266	44
2003	631	278	44.05
2004	734	323	44
2005	926	407	43.95
2006	1050	462	44
2007	1421	625	43.98

Sources from Brautigam, 2008: 20.

Since the founding of FOCAC, there have been three symbolic summits on the Sino-Africa diplomacy. Every summit came out with an action plan, including plenty of economic incentives.

- The first summit was held in Beijing in 2000, and the Beijing Declaration along with Program for China–Africa Cooperation in Economic and Social Development were announced.
- The Second summit was held in Addis Ababa in 2003, and the Addis Ababa Action Plan (2004–2006) as well as the Special Preferential Tariff Treatment Program was released.
- The Third Summit was held in Beijing in 2006, and the Beijing Action Plan (2007-2009) was published.

In comparison to the Africa plan by G8, these action plans involve practical commitments.

- So far, there are 900 economic and development projects in Africa that have been completed. In 2005 alone, China assisted 26 complete plant projects and 36 technological cooperation projects in Africa.
- By the end of 2005 China's Exim Bank approved loans worth USD 6.5 billion for 260 projects in 36 African countries.
- The provision of scholarships for 18,000 students from 50 African countries to study in China was undertaken.
- By 2007 China had held 2,500 short and medium term training courses in 20 different fields, including management, economics with more than 80,000 people participating.

- Since the first medical team was sent to Algeria in 1963, more than 16,000 medical personnel have been sent to 47 African countries and treated 240 million patients. In 2006 alone, there were more than 1,000 Chinese doctors and nurses working in 36 African states. In 2007, 48 Chinese medical teams were working in 47 countries worldwide.
- China has cancelled USD 10 billion debts of more than 30 African countries since 2000. The cancelled debt amounts to 60 per cent of the total owed to China.
- Zero tariff treatment to an unspecified number of exports from Africa's least developed countries.
- Two pharmaceutical plants in Africa were founded for the purpose of manufacturing artemisinin for treating malaria; around USD 8 million were donated with the aim to enhance African countries' capability in public health.
- The China International poverty Alleviation Centre has hosted the training courses that introduce China's poverty reduction experiences to African officials.

Other on-going commitments in the Action Plan (2007-2009) include:

- To commence a USD 5 billion China–Africa development fund to support reputable Chinese firms investing in Africa.
- To create five preferential trade and industrial zones for Chinese business entry, located in Zambia, Mauritius, Egypt, Nigeria and possibly Tanzania.
- To provide USD 3 billion for preferential loans and USD 2 billion for preferential export credit by 2009.
- To make a USD 20 billion pledge for infrastructure development, investment in human skills in Africa over the next years.

- To ncrease the number from 190 to more than 440 of commodities exported from the least developed African counties eligible for zero-tariff treatment.
- To dispatch 100 senior agriculture experts, set up 10 agriculture technology demonstration sites in Africa by 2009, and to organise working groups for some African countries to plan collaboration on seed production technologies, biological technologies in animal health and food safety.
- To increase the number of Chinese government scholarships from 2,000 to 4,000 for African students to study in China by 2009.
- To set up 100 rural schools.
- To build 30 malaria prevention and treatment centers and an additional USD 38 million for the provision of attemisinin by the end of 2009.

(Source: Wilson III, 2005: 11, cited from Thompson, Economic Growth and Soft Power: China's African Strategy; Tull, 2006: 463; Gill, Huang and Morrison, 2007: 5-7; Naidu and Mbazima, 2008: 755; Pere, 2008: 15; Forum on China–Africa Cooperation Beijing Action Plan 2007-2009; and other official announcements.)

6.3 Conclusions

There already exists a consensus that in international politics, national interests are the most influential factor and the basic motivation for a state's foreign policy. Since the first contact with some African countries at the Bandung conference in 1955, driven by political as well as ideological motivations, China intensified the supports in African nation's struggle against European domination. To this end, Beijing offered abundant assistance, including the weapon transfer and the infrastructure construction. These volunteered projects were politically or psychologically significant to shape a ground for subsequent re-engagement. After a temporary reduction of interests in Africa as China began to focus on inwards development in the 1980s, Africa has been considered as one of the most important counterparts and regained the attention from the Chinese.

If China's contacts with the developing countries were modest with less ambition in the past, nowadays these developing countries are no longer an element of the concept of South–South cooperation in China's diplomacy, but some of them have become political allies in international organisations as well as trade partners in international economic system. It is certain that the present influences of China on the African continent deserve more consideration. The profound changes in Africa's relations with China are an impressive factor in the phenomenal growth in trade and investment, placing these bilateral engagements at the centre of political debate, and ensuring that Beijing will be a crucial actor in the continent's future. Furthermore, the offer from China, to a great extent, is a type of leverage that gives Africa opportunities in bargaining with the North. Therefore China's activities in Africa rehash and attach both geopolitical and economic importance to the African economies in the international scene.

This chapter suggests that at the contemporary stage, one of the primary characteristics of China's African diplomacy has been the involvement of the new security concept, which lies in the consideration of economic security, energy security to be more precise, apart from the conventional motivations as the Taiwan issue. China is already an extraordinarily resource-inefficient economic power. The hunger for raw resources has sent Chinese national enterprises searching every corner across the World, from the iron mines of Australia in Asia Pacific to the oil fields of Venezuela in Latin America. For China, the strategy that they pursue towards Africa, not surprisingly, also aims to secure an uninterrupted supply of resources. Taking note of the top ten African trading partners in 2008 (Angola, South Africa, Sudan, Nigeria, and Egypt), all are either resource-rich, specifically oil-endowed countries, or the countries with potential markets, and the

resources-related commodities signify the majority of total African exports to China.[47] Compared to other regions, Africa's vast resources have remained relatively unexploited. The relative neglect of Western companies allows China to do business without having intensive competition, and the lack of funds, technologies, and management in Africa also promote the Chinese presence in the capital-intensive energy industries.

The second feature of China's African policy has been the remarkable use of economic incentives. Traditionally, the donors of foreign finance mostly come from the Western world or the international institutions such as the World Bank and the IMF. Today, the new emerging economy of China becomes not just a destination for Western aid, but also a source of finance. In this regard, the presence of China in Sub-Saharan Africa as an aid-provider is of significance. This chapter argues that these incentives serve to smooth the way for China's economic security. Given China's main interests in Africa are to secure energy assets as well as to boost foreign trade, economic incentives are supposed to undertake the role of securing resources contracts and Chinese business overseas. It has turned out that bilateral trade volume has experienced a remarkable rise annually. African resource exports have grown by the extension of resource-backed loans, and Chinese exports to Africa also have been stimulated by credit facilities for African governments such as export buyer's credits.

Furthermore, the strategy of economic incentives aims not only to secure short-term economic security, but also to create conditions for a permanent strategic security in Africa. As noted previously, there are two factors that may affect the long-term strategic relationship with Africa: the US factor and the negative effect on African sustainable

[47] The top import products to China in 2008 were Mineral products (82 per cent); Precious stones and metals (3 per cent); Spec class/parts for motor vehicles (3 per cent); Wood products (2 per cent) and Base metals (1 per cent).

development. The US ambition in oil is obvious. Reviewing the major oil-producing regions (Middle East, Central Asia, Africa, and so on), we see the ongoing wars triggered by the struggle for oil in Middle East and Central Asia, and we witness the direct intervention of Washington in these conflicts. Africa is the only remaining oil-producing area without breaking a real war, but we already see the shadow of US force to protect their energy interests in the continent. As both the US and China seek to further their energy interests in Africa, whether they work together or at cross-purposes remains an open question. Conflicts of interest may reveal themselves if the United States comes to see China as a competitor for African resources, and China could see the United States attempt to promote the model of stability and democracy in Africa as an effort to cut off China's access to raw materials and to further contain China's professed 'peaceful rise'. Even though current Chinese influence is far behind that of the United States, a potential conflict exists in the coming years if China fails to get full supports from Africa.

In comparison, how to promote African sustainable development is a more imminent issue, which may determine whether Africa recognises China as a permanent ally. China has been the most successful developing country in the process of globalisation, whereas Africa is viewed as an irrelevant bystander with no important economic interests. The resources in the continent are one of the few impressive exceptions to this perceived insignificance. China's African policy should help African countries turn their advantages in the resources sector into development strengths, and the presence of China as a key investor and consumer could provide a unique opportunity to unlock the continent's vast economic potential and development prospects. However, such development assistance should not be narrowed in the energy or related resource sector only. These developing countries, which are struggling to grow and reduce poverty, are interested in what is the source of sustainable growth. The lesson from Chinese economic success itself is the development of high-quality infrastructure, and one of the greatest

constraints faced by the African economies is exactly its poor infrastructure. Chinese companies in Africa have been active in various infrastructure projects, including roads, bridges, schools, shopping centres, office buildings and low-cost housing, which create conditions and much promise for further diversification of African countries' economies. In the context of Africa's willingness of asserting its independent authority and sustainable development path in the global setting, if Beijing continues to expand the coverage of its assistance initiatives and ensure more African countries and people benefit from that assistance, the strategy of foreign aid may create the conditions for securing Beijing's long-term strategic position in Africa.

Chapter Seven: The China–ASEAN Engagement and the FTA Strategy

The Association of Southeast Asian Nations was formed in 1967 by Indonesia, Malaysia, the Philippines, Thailand and Singapore, joined by Brunei in the 1980s, and by Cambodia, Laos, Burma and Vietnam in the 1990s. In 2002, ASEAN and China signed the Framework Agreement on ASEAN–China Comprehensive Economic Cooperation at the ASEAN Plus China Summit. China has benefited significantly from the economic reform of 1978 and the WTO accession of 2001. ASEAN views the growth of China with a mixed sense of hope and concern. It is a certainty that the size of China's economy, its rising industrial and military capability will impact on regional prospects in the Southeast Asian area, not only in economic terms.

The purpose of this chapter is threefold:

First, to provide a brief overview of the development of ASEAN and the relations between ASEAN and China respectively.

Second, to identify the intentions behind the China–ASEAN engagement. The study argues that economic prosperity remains the most important task for both sides. The ASEAN–China Free Trade Agreement (ACFTA) may drive economic growth for both regions and narrow the disparity between the developed countries and the less developed countries within ASEAN, and between the rich coastal and poor Southwest provinces within China. Besides, ACFTA is expected to restraint the South China Sea disputes with the maritime ASEAN states and to promote the construction of strategic land corridors through the continental ASEAN states. The second section will also explore the implications on the interests of the United States and Japan in this region,

and on the ASEAN economies themselves, as the three are major influencing factors for China–ASEAN engagement.

Finally, the study draws the conclusion that China's ASEAN policy represents a combination of national security and economic diplomacy. The uses of economic incentives, the establishment of free trade area in particular, are intended to defend China's surrounding security environment in addition to the pursuit of economic interests.

7.1 China–ASEAN diplomatic interactions

This section presents the evolution of ASEAN and China–ASEAN relations from the founding of PRC to the contemporary era.

7.1.1 ASEAN community

At the 2003 ASEAN Bali Summit, the heads of the Southeast Asian states released the Declaration of ASEAN Concord II, which revealed the attempt to establish a sophisticated community made up of three organs: the ASEAN Security Community, the ASEAN Economic Community, and the ASEAN Socio-Cultural Community. The decision to form a more integrated ASEAN community is a big step forward in ASEAN's solidarity and cooperation, which has gone through a long-term evolution since ASEAN was formed.

In August 1967, the ASEAN Five (Indonesia, Malaysia, the Philippines, Singapore and Thailand) was formed at Bangkok—an organisation aimed to conduct a joint effort to

promote the welfare of their nations and people. One of the central objectives of ASEAN was the pursuit of regional security. Internally, 'Indonesia had just emerged from a period of confrontation with Malaysia and Singapore; Malaysia and Singapore had just been through an acrimonious separation, and the Philippines were pursuing its claim to Sabah, a part of Malaysia. Thailand was bordered by communist Cambodia and Vietnam, and was itself threatened within by communist insurgency in the Northeast' (Pasadilla, 2004: 2). Suspicion among the regional states might have led to regional instability, so that the association was expected to establish norms of mutual respect for the sovereignty and territorial integrity, non-interference in member states' internal affairs, and the settlement of differences by peaceful means (Overview Association of Southeast Asian Nations). To date, ASEAN as a confidence-building framework has been able to consolidate the member states by providing an open regional platform. Issues such as the border problem between Malaysia and Indonesia, the dispute over the Pedra Branca Island between Malaysia and Singapore, the Sipatan and Lipatan Islands between Indonesia and the Philippines, the Sabah issue between Malaysia and the Philippines, and the Spatley Islands among Malaysia, the Philippines, and Vietnam, have not escalated into severe armed confrontation.

Another objective was to exclude the interference of external actors and limit the expansion of Communism. When the colonial powers withdrew, there would have been a power vacuum, which could have attracted outsiders to step in for political gains. Uncertainties about big states' commitment to the area and the spread of Communism in Vietnam, Laos and Cambodia forced these states to pursue mutual support. Nowadays to avoid a single external power dominating the area is still an important objective for ASEAN.

Besides security matters, the promotion of economic development also appeared on the list of the Bangkok Declaration. However, political realities forced the ASEAN members to delay the implementation of the blueprint of economic prosperity. Due to the hangover of unsolved bilateral conflicts, the members could not immediately begin to foster trust between one another. They spent almost the entire first decade of the association considering the basis and methods of mutual cooperation. Before 1976, the major outcome was the Treaty of Amity and Cooperation in Southeast Asia, just repeating the association's primary principles – the peaceful settlement of disputes and non-interference in internal affairs. In the second decade, the defeat of the United States in Vietnam and its withdrawal from mainland Asia nurtured Vietnamese ambitions in Southeast Asia, which saw the taking over of the rest of French Indochina as well as the north-eastern provinces of Thailand. The invasion of Cambodia and the subsequent disputes did not end until Vietnam entirely withdrew its troops in the late 1980s and the Paris Conference in 1991.[48] The unexpected violence undermined the attention on intra-regional economic cooperation, though in 1977, the original ASEAN five signed the Agreement on ASEAN Preferential Trading Arrangements, which encouraged the member states to take cooperative action in stimulating economic development programs. The continuous focus on security matters can be deduced from the major documents released during this period. All address regional stability without mentioning specific economic policies. (See Table 7.1).

[48] On October 23 1991, the Paris Conference convened to sign a comprehensive settlement giving the UN full authority to supervise a ceasefire, repatriate a displaced Khmer along the border with Thailand, disarm and demobilize the factional armies, and to prepare the country for free and fair elections.

Table 7.1 Major Documents during the 1970s and 1980s

The Foreign Minister Summit of ASEAN 1971	Zone of Peace, Freedom and Neutrality (ASEAN members were determined to exert initially necessary efforts to secure the recognition of, and respect for, South East Asia as a Zone of Peace, Freedom and Neutrality, free from any form or manner of interference by outside Powers)
The Bali Summit of 1976	The Declaration of ASEAN Concord (ASEAN members called for strengthening political solidarity by promoting the harmonization of views, coordinating positions and, where possible and desirable, taking common action). The Treaty of Amity and Cooperation in Southeast Asia (The treaty reaffirmed the following principles: mutual respect for one another's sovereignty; non-interference in internal affairs; the peaceful settlement of intra-regional disputes and effective cooperation. In addition, it mandated the establishment of a high council made up of ministerial representatives from the parties as a dispute-settlement mechanism).
The Manila Summit of 1987	Protocol Amending the Treaty of Amity and Cooperation in Southeast Asia

Source: ASEAN official website.

Moving to the 1990s, there were several events showing the improvement of the situation in Southeast Asia region. The first was ASEAN's enlargement. Since its foundation, ASEAN claimed to be open for all states in the region which had the desire to participate. After the formal admission of Brunei in 1984, Vietnam in 1995, Laos and Myanmar in 1997, the unification of all Southeast Asian nations came about when the last member, Cambodia joined in 1999. Through the enlargement program, the region reached a common identity, with no difference between ASEAN and non-ASEAN status. The participation of Vietnam, being an authoritarian state, is viewed as a historical event in the regional strategic outlook, as this changed the status of the association from an ideology-oriented union to a regional organisation in real terms.

Secondly, the end of the Cold War in the early 1990s relieved the political tension in East Asia, so that ASEAN could move from a solely political unity towards a more sophisticated mechanism including economic interaction. At the Singapore summit in 1992, ASEAN endorsed the documentary of Framework Agreement on Enhancing ASEAN Economic Cooperation, and passed the Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area, in which they approved the establishment of a regional free trade area and promised to take measures to accelerate tariff reduction. As Pasadilla (2004) notes, 'unlike the ASEAN Preferential Trade Agreement in 1977, the Free Trade Agreement includes a greater number of products subject for lower tariff, but it also includes provision of the elimination of non-tariff barriers, quantitative restrictions, and other cross-border measures' (Pasadilla, 2004: 4). Since then, the intra-regional trade grew steadily, but due to the diversified economies, extra-regional trade increased faster (see Table 7.2).

Table 7.2: Intra-ASEAN and Extra-ASEAN Exports, 1993-1996 (USD Million)

	Intra-ASEAN Exports	*Extra-ASEAN Exports*
1993	43,681.1	162,957.1
1994	58,571.5	188,193.3
1995	70,178.9	226,517.8
1996	80,973.7	242,387.6
1997	85,351.8	257,318.3
1998	69,312.9	247,337.9
1999	74,903.5	266,908.3

Sources: ASEAN Statistical Yearbook 2003,
Note: ASEAN group included Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam

Thirdly, in spite of internal divergence, the association began to show political solidarity on strategic issues of common concern, for example, the concern over the Cambodia issue and the South China Sea. On Cambodia, from the end of the 1970s to the early 1990s, ASEAN not only denied the legitimacy of the Vietnam-supported regime, but also persuaded the UN to pass resolutions that accused Vietnam of violating Cambodia's sovereignty. Moreover, ASEAN successfully prevented the United States, Japan and West Europe from assisting Vietnam, which effectively forced the Vietnamese withdrawal. On the South China Sea issue, ASEAN made a proposal in the Manila Declaration of 1992, which urged all claimants to exercise restraint, and endorsed the ASEAN–China Code of Conduct for the South China Sea in 2002. These to a large extent forced China to discuss this issue multilaterally with ASEAN at the ASEAN Regional Forum, abandoning the long-standing principle that they only negotiate territorial disputes bilaterally with individual claimants.

Fourthly, ASEAN began to intensify the contact with non-ASEAN countries. The external states also showed the willingness of consulting with ASEAN. Australia, Japan, and New Zealand joined the dialogue system with ASEAN. In 1993, the ASEAN Ministerial Meeting and Post Ministerial Conference agreed to set up the ASEAN Regional Forum to interact with these dialogue partners.[49] In 1997, ASEAN Plus Three (China, Japan, and South Korea) held the first leaders' meeting in Chiang Mai, and in 1999 the grouping was institutionalised formally. In 2005, the East Asia Summit composed of ASEAN plus Three groups, India, Australia, and New Zealand was announced. The increasing interaction

[49]The inaugural meeting was held in Bangkok in 1994. The current participants in the ARF are as follows: Australia, Bangladesh, Brunei Darussalam, Cambodia, Canada, China, European Union, India, Indonesia, Japan, Democratic Peoples' Republic of Korea, Republic of Korea, Laos, Malaysia, Myanmar, Mongolia, New Zealand, Pakistan, Papua New Guinea, Philippines, Russian Federation, Singapore, Sri Lanka, Thailand, Timor Leste, United States, and Vietnam.

between ASEAN and their outside counterparts undoubtedly gave the union speaking weight in regional and global affairs.

Over the past 40 years, although the Association of Southeast Asian Nations experienced intra-members territorial conflicts, the campaign against Vietnam's invasion of Cambodia, and the 1997 financial crisis, ASEAN managed to transform itself from an insignificant sub-regional organisation into an important community which called for the means of negotiation and the goal of peace and development in East Asian and global affairs. ASEAN's achievement does not just lie in preventing regional military conflicts, but also in creating a political environment where members and non-members may exchange views on security, political, military, and economic problems.

7.1.2 China–ASEAN interactions

In East Asia, China stands at the centre and has dominated the region throughout history. Chinese influence, culture and power have always moved southward since the first age of which there is reliable historical evidence. When a group of small entities geographically stand next to a giant, the consequence is likely to be that the latter exerts almost unchallengeable influence over the former. This was a long-held experience of the Southeast Asian states in relation to China before the Opium War. [50] This section traces the complicated relations between China and its South-eastern Asian neighbours, considering the Tiananmen crisis of 1989 to be a significant turning point in bilateral diplomacy.

[50] Since the Opium War and subsequent invasion of Western powers, the regional structure has changed fundamentally and produced tremendous historical problems.

i: The first period from the founding of PRC in 1949 to the Tiananmen event in 1989

Since the Communist Party took over Chinese government in 1949, relations with the Southeast Asian countries have experienced much fluctuation. After the PRC was founded, Indonesia and Burma recognised the new China immediately in 1950. The warm relationship with Jakarta was evident as China was invited to attend the 1955 Bandung Conference of Asian–African Countries. However, fairly estranged relations with the original ASEAN members appeared from the mid-1960s to the 1970s, attributed to Beijing's radical foreign policy. Chairman Mao Zedong showed the ambition in controlling the Southeast Asian region:

> We must without fail get hold of Southeast Asia…Southeast Asia is a very rich region, it abounds in minerals. In the future it will be very useful for the development of Chinese industry (Mondejar and Wai, 2005: 217, cited from Gahrana, 1984: 7).

The aggressive mindset was evident in actively supporting communist insurgence in non-Communist countries and deliberately granting ethnic Chinese in the region PRC citizenship. In Indonesia, Beijing was suspected of involvement in a major conspiracy which almost assassinated the entire military command in 1965; in Thailand and Malaysia, Chinese support for communist guerrillas continued until the late 1970s and party-to-party relations ended until the late 1980s (Whiting, 1997: 302). These policies aroused suspicions over China's motivations, led Thailand and the Philippines to work on containing any expansion of communist influence by participating in the Southeast Asian Treaty Organisation in 1954, and forced Indonesia to cut diplomatic relations with China in 1967.[51]

[51] The Southeast Asia Treaty Organisation was an international organisation created to block

In general, these Southeast Asian countries did not view China as a trustworthy neighbour. They were anxious to protect their hard-earned independence, with zero tolerance for any attempt to undermine their sovereignty. The Chinese-instigated communist revolution directly challenged their fundamental interests. Moreover, the majority of the Southeast Asian population followed Islam or Christianity, so that the ideology of Communism had little appeal in the region. Therefore, the Southeast Asian countries were reluctant to pursue a friendship with a country which they considered as a threat.

From the 1970s to the end of 1980s, the bilateral relations began to show positive signs, facilitated by three factors: Mao Zedong's decision to realign China's foreign policy towards the United States in the early 1970s; Deng Xiaoping's announcements that China would stop support for the communist movements in the region; end of the 'Dual Nationality' policy and pursuit of economic construction in the late 1970s; and regional re-alignment after the onset of the Cambodia war in the 1978. The first factor followed. In 1972, American President Nixon's historic visit to China, both signed the Joint Communiqué of the USA and the People's Republic of China, which marked the rapprochement of Sino-America relationship. The improvement of diplomatic relations with the United States caused a great shock to the Southeast Asian region and pushed them to follow. In 1974, Malaysia and China set up diplomatic relations. In 1975, both the Philippines and Thailand established relations with China.

Second, the decision to halt the support for communist activities in Southeast Asia and the abandonment of the policy of 'Dual Nationality', in a great part, showed that China

---

further communist gains in Southeast Asian. The organisation was dissolved in 1977.

viewed the Communism-exporting ideology as outdated. Also, the open policy of 1978 not only suggested the coexistence of Communism and capitalism, but also confirmed Chinese commitment to economic development, rather than communist revolution. At this stage, both China and the Southeast Asian countries cooperated on trade and investment, temporarily putting political divergence aside. In 1980, Singapore and China exchanged commercial representative offices in the absence of formal diplomatic recognition. In 1985, China signed a Memorandum of Understanding with Indonesia, resuming the interrupted direct trade.

Third, in December 1978, Vietnam invaded Cambodia. Although all ASEAN members agreed that Vietnam's attack violated the Treaty of Amity and Cooperation in Southeast Asia, they differed in strategic views. Due to a shared border with Cambodia, Thailand was eager to seek support from the ASEAN allies in its confrontation with Vietnam, whereas the Maritime countries such as Indonesia and Malaysia insisted on considering China as a real long-term threat and Vietnam as a potential ally (Narine, 2008: 415–416; Ma, 2000: 251–252). China's strong position against the Soviet-sponsored invasion of Vietnam succeeded in winning the appreciation of some ASEAN states. In particular, China formed an informal security alliance with Thailand as the 'front-line state' opposing the Vietnamese forces in occupied Cambodia, which resulted in increasing cooperation between China and Thailand. Afterwards, Thailand acted as a bridge between ASEAN and China, and worked to eliminate the fear that China would again support the communist insurgences within the member states (Chambers, 2005: 17).

In spite of these positive signs, Beijing did not achieve a breakthrough in relations with ASEAN as China had not formalised bilateral relations with Singapore, Indonesia, and Brunei. Another reason was that China maintained its sceptical approach towards

multilateral mechanism. China viewed the multilateral institutions as nothing more than a tool manipulated by the hegemonic power to interfere in other countries' internal affairs. China interpreted the formation of ASEAN as a product of the US imperialism and a threat to China's position. Furthermore, Beijing was concerned that ASEAN might either use the forum to internationalise the disputed Spratly Islands, or unite to contest the islands' ownership with China. Moreover, the economic reform of 1978 required abundant capital and technology inputs, which were mainly accessed from the West. The less developed ASEAN members were not able to contribute to China's economic construction except for exporting certain raw resources which China did not need as much as they presently do. As a result, though China recognised the legitimacy of ASEAN as a regional organisation in 1975, it continued to maintain a distance and observed ASEAN's development, in case it would harm China's sovereignty and interests.

ii. The second period from the Tiananmen turmoil of 1989 until now

As discussed in Chapter Five (China's Economic Statecraft in its Diplomacy), the Tiananmen crisis had an impact not only on China's diplomatic perspective, but also on China–ASEAN relations. Beijing's foreign policy switched focus away from the developed countries as a result of the Western sanction on China for humanitarian violations. Instead of isolating China as the West suggested, this period saw a new stage of China's diplomatic relations with the Southeast Asian countries. In 1989, China exchanged diplomatic recognition with Laos; in 1990, Indonesia restored full diplomatic relations with China, and China–Singapore as well as China–Vietnam relations were normalised; the diplomatic recognition with Brunei was followed in 1991. The diplomatic

exchange with all ASEAN countries is widely seen as a significant breakthrough in Chinese diplomatic history.

In 1990, Chinese Premier Li Peng visited the five founding states of ASEAN, and invited the leaders of Indonesia, Singapore, and Thailand to pay visits. In 1991, China attended the ASEAN Post-Ministerial Meeting, in which the Chinese Foreign Minister Qian Qichen sincerely expressed China's interests in enhancing cooperation with ASEAN. In 1994, the ASEAN–China Joint Committee on Economic and Trade Cooperation along with the ASEAN–China Joint Committee on Science and Technology were formed. In 1994, China joined ASEAN Regional Forum as a Consultative Partner. In the same year, China joined the Indonesia-sponsored South China Sea informal workshops. In 1996, ASEAN upgraded China to a full dialogue partnership.

ASEAN–China relations improved further after the 1997 Asian Financial Crisis. The crisis exposed the incapability of ASEAN to respond to a regional crisis and to take effective measures at a global level. Being considered as the 'last resort', both the United States and the International Monetary Fund's policies were disappointed.[52] Their reluctance to help the East Asian countries helped China build an image of 'a responsible power' in the surrounding region. Although preventing the crisis from wheeling out of control was in accordance to China's self-interests, Chinese active behaviour in refusing to devalue

[52] The performance of the United States in this crisis was quite different from that at the time of the Mexico financial problem, in which Washington lent support immediately. ASEAN also noted that the United States strongly opposed the plan of founding an Asian Monetary Fund. Furthermore, the solutions offered by the international organisations such as the IMF were viewed as inflexible and punitive.

the RMB and providing unconditional loans to sufferers drove ASEAN and China closer.[53] As Malaysian Prime Minister Mahathir put it:

> China's performance in the Asian financial crisis has been laudable, and the countries in this region…greatly appreciated China's decision not to devalue the yuan. China's cooperation and high sense of responsibility has spared the region a much worse consequence (Ba, 2003: 637, cited from Sino-Malaysian Forum Held on Economic Recovery 1999).

The financial crisis of 1997 was undoubtedly a positive catalyst in advancing bilateral relations. In 1997, the first informal summit between China and ASEAN was held in Malaysia, in which both sides agreed to adopt the strategy of 'good neighbourliness' and 'mutual trust'. During the period from 1999 to 2000, the Chinese government signed a bilateral cooperation agreement with every ASEAN member, covering political, economic, and cultural and security aspects. As well, after the military clash between China and Vietnam in 1992–1994 and between China and the Philippines in 1995, the release of the Declaration on the Conduct of Parties in the South China Sea in 2002 offered some prospect for peaceful resolution to the disputed area, which promoted bilateral political relations and laid a stepping-stone for economic cooperation. In 2002, the China–ASEAN Comprehensive Economic Cooperation Agreement was released and both agreed to form an ASEAN–China Free Trade Area by 2020. In 2003, China and ASEAN announced the formation of a Strategic Partnership for Peace and Prosperity, and China became the first country outside ASEAN to accede the Treaty of Amity and Cooperation. Since then, Beijing actively participated in regional dialogue, such as

[53] China pledge USD 1 billion to help Thailand, and it offered export-credit to the countries such as Indonesia and Thailand.

ASEAN Plus Three, East Asian Community and ASEAN–China Economic Cooperation Framework.

Apparently, the relations between China and these Southeast Asian countries underwent significant changes over the past decades. Beijing established official contacts with ASEAN in 1991, and 12 years later, the two sides formed a strategic relationship for peace and prosperity and signed the China–ASEAN Free Trade Agreement. The transition in Chinese perception of ASEAN was influenced by a number of factors. Politically, in the wake of Tiananmen events, China revived the objective of pushing for a multi-polar world, in which no state may dominate others. ASEAN became the target of Chinese diplomatic efforts, since to establish good diplomatic relations with the neighbouring countries may not only create a breakthrough in combating political isolation, but also ensure the presence of a new polar group in the global system. From ASEAN's perspective, the disintegration of the Soviet Union in 1991 sharply reduced its regional role, and the end of the bipolar confrontation led to the reduction of the US military deployment in this area. The Southeast Asian states without the backing of major states decided to thaw the relations with China, when Chinese influence was increasing.

Economically, since the introduction of the open policy, China's economy developed swiftly. The Southeast Asian region represents a rich source of natural resources necessary to fuel China's industrial growth, and a potential market of 500 million people for Chinese manufacturing products. From the late 1990s, China embarked on a 'going out' policy, encouraging its enterprises to invest overseas. Due to cultural, language, and geographical advantages, the Southeast Asian region became one of the top options for Chinese investors (see Table 7.3). Similarly, the Southeast Asian states, relieved from the

tense Cold-War situation, began considering economic construction and welcomed Chinese investment.

Table 7.3: Geographical Distribution of Chinese Enterprises in Developing Countries in 2003

Developing Country/Region	*Number of Chinese Enterprises*
Central and Eastern Europe	865
ASEAN	857
Middle East and Africa	769
Latin America	384

Sources from Wu, 2005: 4-5, cited from the Commercial Ministry of China.

7.2 China–ASEAN Free Trade Agreement and the Motivations behind It

In the post-Tiananmen era, it is obvious that China has gradually left behind the perception that multilateral forums akin to ASEAN may be harmful to China's national interests. Conversely, they think that such forums could be utilised to serve Chinese national strategy. In the first section, the study will submit that China–ASEAN Free Trade Agreement represents the objective of strengthening bilateral full-range cooperation along two tracks, in terms of geography. One is the maritime track, between maritime ASEAN states and China's coastal provinces, and the other is the land track, between continental ASEAN economies and China's Southwest provinces. The development on the maritime track is more significant in terms of regional security, since the South China Sea issue, including sovereignty and resources struggles with maritime ASEAN claimants, and navigation rights in the Malacca strait, are involved in this line. In

contrast, the land track is more involved in the economic and energy security. China's Southwest part is much less developed than the Southeast coast, so that the increasing economic interaction with continental ASEAN is expected to narrow economic disparity between the east and the west, and most importantly, to reduce social disability by eliminating the gap between the rich and the poor. Furthermore, the continental ASEAN countries, which are also the Greater Mekong States, may help open land transportation corridors linking the South-western provinces of China with the energy-rich Middle East and Africa, resolving the Malacca Dilemma.

Furthermore, the second section will define the influencing factors which may affect the China–ASEAN relations. Some scholars rank the United States or the territorial disputes as the biggest obstacle, while economic competitiveness of these economies is generally not seen as a big factor (see Appendix II). Instead, the study argues that the US involvement, the regional role of Japan, and the nature of competitiveness of ASEAN and Chinese economies are the three major factors which may pose challenges to bilateral engagement.

7.2.1. Motivations behind the Strategy of Free Trade Agreement

Current literature suggests different pictures in terms of the motivations.

- Muni (2002) makes a list of the objectives of China's strategy in the Asian countries: 'the tapping of energy potential in Central Asia and islands in the South China Sea; seeking access to the Indian Ocean through Myanmar and Pakistan; securing, enlarging, and integrating markets, and mobilizing capital, technology, and managerial skills from ASEAN; filling the power vacuum in

Central Asia and Indochina created by the collapse of the Soviet Union' (Ku, 2006: 118, from Muni, 2002: 16).

- Other scholars, such as Storey (2007), add the Taiwan factor. They argue that if a conflict takes place in the Taiwan Strait, the United States is likely to intervene militarily to protect its democratic ally, and the ASEAN states might have to choose a position.
- According to my interviews with the officials in ASEAN, the Foreign Ministry of PRC, and some Western scholars, the opinions from the three different backgrounds reach a consensus that the China–ASEAN partnership today is not motivated by a single factor, but a combination of political, economic and security considerations. However, they differ in the weight given to each element: Chen Shaofeng, a scholar at National University of Singapore, John Ravenhill from Austrian National University, and Termsak Chalermpalanupap from ASEAN Secretariat all think political motivation contributes to the most of the engagement; Jorn Dosch, an expert in Southeast Asia at Leeds University believes political and economic factors take equal weight; John Weiss from the University of Bradford insists economic motivation is the biggest driver; and the officials from the General Staff Department of PLA consistently consider the security element as one of the most important (see Appendix II).

In this chapter, I exclude Taiwan's role due to the following reasons. First, the Taiwan issue is indeed a debate over whether Washington and Beijing would militarily intervene if Taiwan pushed for independence. At the diplomatic level, Beijing repeatedly demonstrates its determination to protect territorial integrity, while Washington continues to remind Beijing of their allied relations with Taiwan. It appears that both sides have no exact information about the motivations of the other party, so that they

draw their own conclusions. In the current stage, where Washington is preoccupied with two wars and Beijing is concerned with both economic development and political reform, not only is it not the right time to establish Taiwan's status, but also neither is confident enough to control the situation if a war erupts. Second, both the United States and China are big states with ambitions, which behave according to their global strategic plan. For Washington, the final goal is to prevent any state from challenging or replacing its hegemonic position worldwide, so that in East Asia, both Japan and Taiwan are perceived as the front line in limiting China's rise. Without US instigation and endorsement, there can be no Taiwan independence or Japanese struggle for East Sea resources. In this scenario, the resolution of the Taiwan issue can only be determined by bargaining and negotiation between China and the United States. These two decide whether to take measures over this question according to the changes in their global plans. ASEAN has a limited role in the process. For these reasons, the Taiwan factor would not be a key role in the ASEAN–China cooperation, except in acting as another excuse for the United States to project military presence in the area.

Instead, I consider the incentives for China–ASEAN engagement to include:

- Generating economic prosperity with ASEAN as a whole, by expanding trade volume;
- Increasing bargaining power on the South China Sea by facilitating economic interdependence with maritime ASEAN claimants;
- Developing China's less-developed Southwest provinces and looking for land strategic corridors with access to the Indian Ocean across continental ASEAN states, which are also Greater Mekong Sub-region states, by promoting Greater Mekong Project within the free trade agreement.

i) Promoting mutual economic prosperity

After experiencing tough diplomatic relations, there are more factors that unite the Southeast Asian countries with China than separate them in this stage. Economy is certainly the main impetus. ASEAN has long portrayed itself as a united political and economic bloc, but indeed, it put much effort on maintaining regional political stability instead of economic growth. ASEAN seeks to re-energise its economic program, initially because economic incentives may provide ASEAN with a new purpose to unite in the aftermath of the Cold War and later because of the fear that the Asia Pacific Economic Cooperation forum might marginalise the role of ASEAN. This becomes a more pressing concern due to the urgency of rebuilding Southeast Asian economies after the 1997 Financial Crisis, which damaged confidence in an 'East Asia economic miracle' and exposed the lack of responsive economic mechanisms to economic shock. Furthermore, considering that the new ASEAN members like Burma, Laos, and Cambodia are less developed countries while Singapore, Thailand, and Malaysia have better economic circumstances, the association needs to narrow the economic disparity. Otherwise the disparity may diminish the collective capability of ASEAN.

ASEAN may choose to shape a trade area internally or to develop free trade agreements with external states. In 1992, ASEAN agreed to form a Free Trade Area with tariff reduction to 0–5 per cent by 2002, and to zero by 2010 for ASEAN-6 and by 2015 for new ASEAN members. The 1998 Hanoi plan included the acceleration of the ASEAN Free Trade Agreement date to 2002, the implementation of the ASEAN Investment Area, and the liberation of trade in services. By 2002, the ASEAN-6 realised the target of tariff reduction, covering 95.7 per cent of tariffs and 90 per cent of intra-ASEAN trade in goods. In 2003, the Economic Community under an ASEAN Community was set up to make

ASEAN become an integrated single market and production base (Narine, 2008: 420; ASEAN official website).

On the other hand, China's rise as a global economic power, the close geographic location, and the image of a reliable partner enhanced in the financial crisis make China a good option. China's phenomenal growth comes at a time when Japan's economy, being a driving engine in the 1990s, slows down. There is a perspective spread over the region that China would be able to replace Japan as a new force of growth in East Asia. In December 1997, ASEAN members and China agreed to work towards a Free Trade Area at the ASEAN Plus Three Summit. In August 2001, China put forward tariff reductions and other economic measures to be settled before 2009. In November 2001, Chinese Premier Zhu Rongji presented the blueprint of building a China–ASEAN Free Trade Area in 10 years, and promised to open Chinese markets in advance to the original ASEAN members as well as to grant special preferential tariffs for commodities imported from the less developed ASEAN members. At the 2002 summit, the Framework Agreement on Comprehensive Economic Cooperation and the Memorandum of Understanding on Agriculture Cooperation was signed. The Framework Agreement on Comprehensive Economic Cooperation set the basis for negotiations towards the realisation of an ASEAN–China Free Trade Area by 2010 for the 6 original ASEAN members (Indonesia, Malaysia, Thailand, Singapore, Philippines, Brunei) and by 2015 for the 4 new members (Laos, Vietnam, Cambodia, Myanmar). Meanwhile, the framework agreement lists 'Early Harvest Program' and special treatment to the weak ASEAN economies. In 2009, the China–ASEAN Investment Agreement, which marks the final step of the FTA negotiation process, was signed at the 12th ASEAN–China Summit.

For China, this is the first FTA after the accession into the WTO, and it also represents the first agreement concluded with an external state for ASEAN. In theory, ACFTA is expected to forge closer economic relations through lowering of trade and investment barriers, which may result in an enlarged integrated market and the promotion of economic exchange, on the basis of comparative advantage. According to the ACFTA, the tariff reduction involves two tracks. Track one refers to the Early Harvest Program, which calls for the implementation of tariff reduction and elimination on certain agricultural goods before the ACFTA is fully effective. Around 600 items are covered, including live animals, meat, fish, edible vegetables, fruits and nuts. The reduction on trade tariffs has come into effect on July 2003. Track two will entail a zero tariff regime which is envisioned for trade in goods by 2010 for the more advanced ASEAN-6 and by 2015 for the less advanced members (Cambodia, Laos, Myanmar, and Vietnam).

It is estimated that the agreement could increase ASEAN's export to China by 48 per cent and China's exports to ASEAN by 55.1 per cent, and it could foster the GDP growth by up to 0.9 per cent for ASEAN and 0.3 per cent for China respectively (Wang, 2005: 71; Acharya, 2003: 10; Purba, 2006: 2-3). Promoted by the tariff reduction, ASEAN–China trade has reached USD 2,025 billion in 2007 from USD 547 billion in 2002 (see Table 7.4). ASEAN has become the fourth highest trade partner of China in 2007, and China's exports to and imports from the region have increased significantly with ASEAN as well as individual ASEAN states (see Table 7.5).

Table 7.4: Trade Volume between China and ASEAN during 2002-2007

Year	*Trade Volume (USD Billion)*
2002	547.67
2004	1058.80
2005	1303.70
2006	1608.40
2007	2025.08

Source: Ministry of Commerce of the PRC.

Table 7.5: China's Trades with the ASEAN Members (USD Billion)

	China exports to			*China imports from*		
Year	2002	2004	2007	2002	2004	2007
Brunei	0.21	0.48	1.13	2.42	2.51	2.42
Cambodia	2.52	4.52	8.82	0.24	0.30	0.51
Indonesia	34.27	62.57	125.99	45.01	72.24	123.98
Laos	0.54	1.01	1.64	0.10	0.13	0.85
Malaysia	49.75	80.87	176.90	92.96	181.74	287.07
Burma	7.25	9.39	16.86	1.37	2.07	3.71
Philippines	20.42	42.69	74.98	32.18	90.59	231.16
Singapore	69.66	126.87	296.34	70.52	139.97	175.19
Thailand	29.58	58.02	119.74	56.03	115.42	226.65
Vietnam	21.49	42.61	119.00	11.15	24.82	32.16
ASEAN	235.69	429.02	941.39	311.98	629.78	1083.69

Source: Vaughn, 2005: 7; Ministry of Commerce of the PRC

ii) Restraining the South China Sea Disputes

China's size determines that it has a long border with numerous countries, mainly with those in continental Asia and the maritime part of East Asia.[54] In the maritime Asian part, the countries which have territorial problems with China are mainly member states of ASEAN, such as Brunei, Vietnam, the Philippines, and Malaysia. Chinese 'good-neighbour' diplomacy has succeeded in convincing the majority Southeast Asian states that economic cooperation is feasible and beneficial to both sides, but it has failed to dismiss the suspicions that China would regain the disputed territory under the claims. Chambers (2005) observes that Southeast Asian perceptions of threat from China has shifted from ideological to territorial, with the South China Sea as the primary focus of attention (Chambers, 2005: 16). This perception is also shared by my interviewees: 12 of the total 16 interviewees consider the South China Sea issue as the biggest problem that both ASEAN and China confront with. China's approach to the dispute with the four ASEAN states over the ownership of islands in the South China Sea is a severe test for China's relations with its smaller neighbours.

In the South China Sea, the hundreds of islands, islets, and reefs comprise four main archipelagos: the Pratas (Dongsha), Macclesfield Bank (Zhongsha), Paracels (Xisha) and Spratlys (Nansha) (see Table 7.6).

[54] The mainland of China has a coastline of more than 18,000 kilometres long, a sea area of 4.73 million square kilometres, and islands of more than 80,000 square kilometres in area (Yan, 1995: 5). In continental Asian part, the border issues with central Asian states have been solved and the negotiation with India is ongoing.

Table 7.6: Situation in the South China Sea

Pratas (Dongsha)	Claimed by China and Taiwan; Taiwan has controlled since the end of Second World War.
Macclesfield Bank (Zhongsha)	Claimed by China, Taiwan and Vietnam; no military or civilization presence.
Paracels (Xisha)	Claimed by China and Vietnam; militarily controlled by China.
Spratlys (Nansha)	China, Taiwan, Brunei, Philippines, Malaysia and Vietnam each claims part or all; except Brunei, other states militarily occupied part of it.

It appears that the South China Sea dispute mainly focuses on the Spratly Islands (see Table 7.7). The complexity arises due to the overlapping claims and military presence. According to international law, a claim on territory 'must be perfected by subsequent continuous and effective acts of occupation, generally construed to mean permanent settlement' (Joyner, 1999: 59). This is to say, only permanent occupation and settlement, rather than just discovery, is sufficient to invest a valid title of territorial ownership on the discoverer. From this perspective, in comparison to other claims on the basis of historic records or temporary occupation, only Taiwan's militarily control over Itu Abas since early 1956 may be viewed as a condition for supporting a legal claim and qualifies as a display of continuous sovereignty.

Table 7.7: Situation on Spratly Islands

Claimant	*Claims and references*	*Current situation*
Taiwan	Claims all;	Militarily controlled Itu Abas, the largest feature
Vietnam	Claims all based on historic activities during 17–20th century and a French claim to the islands first made in 1933; but the historic documentations fail to identify and distinguish between the Spratly and Paracel archipelagos, and the French made no subsequent efforts to perfect title to the Spratlys by occupation;	Militarily controlled at least 27 Spratly land formations
The Philippines	Claims 60 islands based on discovery of certain islands in 1947;	Militarily present on 11 islands
Malaysia	Claims over 12 islands based principally on certain continental shelf provisions in the 1982 LOS Convention, rather than the legal means of validating claim to title over territory through permanent occupation;	Militarily stationed on 10 islets
Brunei	Claim Louisa Reef based on certain continental shelf provisions in the 1982 LOS Convention;	No military presence, but it has 9 oil fields and 5 gas fields
China	Claims all based on historic references in 12th century and the record of navigation in 18th century, but international law recognises as insufficient to make valid the claim.	Militarily occupied 14 reefs and rocks

Source: Joyner, 1999: 59-66; Valencia, 1995: 6; Cossa, 1998: 2, B3; Baviera, 2005: 345.

Indeed, few islands in the Spratlys have fresh water or land-based resources to support permanent human settlement, but the significance of the South China Sea lies not just in sovereignty, but the strategic geography in terms of key sea-lanes and the abundant living and mineral resources. First, the navigation through the South China Sea, especially across the choke points of the Taiwan Straits in the north and the Straits of

Malacca in the South, link Northeast Asia with the rest of the world. It is the second busiest international sea lane in the world, conveying almost one-fourth of the world's crude oil and oil products, over half of the world's merchant fleets and more than half of the world's super tanker traffic (Wang, 2006: 108; Gao, 2005: 330). In other words, a military presence in the area offers a potential staging location for blocking ships going through the South China Sea.

Second, more than 500 million people living in the coastal areas, to a great extent, depend on the South China Sea for resources and transportation. It is reported that the Spratlys area, which covers 390,000 square kilometres, is one of richest fishing areas in the world, yielding up 7.5 tonnes of fish per square kilometre (Gao, 2005: 331; Joyner, 1999: 66). The fishing zone around the area ranks fourth among the world's 19 fishing zones in terms of total marine production each year (Dutta, 2005: 272). Furthermore, according to Russian research, the equivalent of six billion barrels of oil may be located in the Spratly Islands area, of which 70 per cent would be natural gas (Gao, 2005: 331). However, taking the insufficient geological data and the difficulty of deep-sea drilling into account, it is expected that the extent of usable resource deposits in the area may not as large as initially predicted. Given these two points, the issue of South China Sea should be seen as a sovereignty and resources struggle, and a dispute for navigation control over the Malacca Strait.

China's strategy:

Historically, little attention was paid to sea territory or maritime power as in the view of imperial rules, the Northwest (Xinjiang, Tibet, and Mongolia) and Northeast China were of greater strategic importance. The northern part of Southeast Asia, like Vietnam, were

merely periphery states. Since the 1950s, China's attention on the South China Sea was security-oriented, to avoid being encircled by the influence of the Soviet Union and to protect itself from a sea-launched attack. Nowadays, Beijing has shifted the security focus away from land-based to maritime-based territorial issues. The claim for the Spratly Islands is motivated by a strong sense of territorial integrity, pragmatic economic interests, and maritime security.

From the territorial integrity perspective, the Chinese believe that the Spratlys have been part of their territory since ancient times, and other claimants simply occupy China's islands and reefs, taking advantage of China's turbulent domestic politics and the preoccupation with superpowers.

> 'An area of more than 800,000 square km within China's traditional maritime boundaries has been illegally delineated into the domain of other nations, with 410,000 square km taken by the Philippines, 270,000 by Malaysia, 70,000 by Vietnam, 50,000 by Indonesia, and the remainder by Brunei' (Yuan, 2006: 8, cited from Liu, 1994: 36-37).

Having been coerced by Western powers a century ago, if China were to lose this territory, not only national dignity but also the legitimacy of the Communist regime would be questioned.

From the resources perspective, since the 1990s, China has seen the end of domestic self-sufficiency in terms of oil. Faced with declining domestic production, China has turned to offshore areas and started a global energy pursuit, including in the East China and South China Seas, which may produce abundant resources which are easy to transport.

Furthermore, it was reported that 'other claimant states were already running 120 oil wells that were capable of extracting between 30 and 50 million tonnes of crude oil, which was almost one-third of China's annual extraction and surpassed China's South China Sea oil production by 40 times' (Yuan, 2006: 8). Taking Vietnam as an example, since 1991, its offshore oil production has increased annually. In 2002, oil exports amounted to more than 20 per cent of total exports, and the figure grew to 28 per cent in 2003. Oil revenue has become a key source of foreign currency for Vietnam (Yu and Zhu, 2006: 14). The economic losses are enormous, enhancing Chinese determination to compete for resources with other contenders.

From the security perspective, China's dependence on sea-lanes is a strategic vulnerability. Almost all the oil imports have to pass through the Strait of Malacca, which is patrolled by US naval forces. Chinese President Hu Jintao identifies the excessive and vulnerable dependence on this route as the 'Malacca Dilemma'. In addition, China faces the two island chains in the maritime periphery, which could be used by the United States as ocean barriers to contain China.[55] If the Chinese wish to break through the encirclement, a counter strategy is needed to build a defensive zone from Korea in the North, through the Senkaku Islands (Diaoyu islands), Taiwan, Hainan island, to the Paracels and the Spratly islands (Dutta, 2005: 281). This requires China to occupy Taiwan and the Spratlys.

In dealing with the dilemma, China has been using both hard and soft strategies. The hard approach involves:

- Insisting the claims by issuing national law.

[55] The first island chain begins in Japan, to the Liuqu Islands of Taiwan, and to the Philippines; the second starts in Jaoan's Ogasawa-gunto Islands, to the Io-retto Islands, and to the Mariana Islands.

- Steadily modernising military capability to secure the claim, and pursuing military occupation if necessary.

The soft approach involves:

- Diplomatically express the abandonment of military settlement and call for negotiation for a confidence-building framework.
- Call for joint exploration on maritime resources.
- Propose a free trade area between ASEAN and China.

In terms of hard strategy, China has repeatedly sustained its claims. In 1987, when congress of the Philippines passed a bill defining the maritime boundaries to include 60 islets in the Spratly archipelago, for the first time China conducted three public protests in threatening terms, such as 'this would obstruct Sino-Philippines relations'(Chen, 1994: 898). Also in 1987, for the first time China and Vietnam exchanged fire at Johnson Reef; in 1988, China took over several islets in Spratlys after a physical clash with Vietnam, for the first time realising its claim with military force; in 1992, the PRC's Law on the Territorial Sea and Contiguous Zone, which enabled China to exercise its sovereignty over the territorial sea and its control over the contiguous zone, was passed by the National People's Congress;[56] in 1995, China occupied Mischief Reef which was previously claimed by the Philippines and began construction on the reef; at the 1995 ASEAN Annual Meeting, the Chinese Foreign Minister insisted that China had indisputable sovereignty over the islands and the adjacent waters; in 1996, three Chinese naval ships engaged in a gun battle with the Philippines navy near Campones Islands;

[56] The Law claimed exclusive sovereignty over the Paracels and Spratlys, and authorised the PLA Navy to evict foreign naval vessels from its territorial waters.

and in 1999, China completed the construction at Mischief Reef, which was viewed as a symbol to establish a military facility in the area.

In addition, China's South China Sea policy was manifested in developing a strong navy.[57] According to China's National Defence in 2006:

> The Navy is working to build itself into a modern maritime force of operation consisting of combined arms with both nuclear and conventional means of operations…Efforts are being made to improve maritime battlefield capabilities (China's National Defence in 2006).

One of the Navy's goals is to improve capability to not only defend China's sovereignty within the South China Sea and its rich resources, but also to seek control over the Strait of Malacca. The Navy has been ordered to broaden the traditional mission of conducting coastal patrols for purposes of force projection into the South China Sea and beyond, safeguarding trade and the offshore resources' transportation.

In terms of soft strategy, as Beijing continued to assert its exclusive sovereignty in the South China Sea, it tried to adopt a low-profile diplomatic approach in order to minimise the negative effects. This was because of the technical weakness of the Chinese navy and the necessity to maintain a stable regional environment. In 1995, the Chinese Foreign Minister stated that China would be willing to use international law as a base for negotiations with ASEAN claimants. Between 1992 and 2000, seven rounds of negotiation took place between Beijing and Hanoi. In 1999, both sides signed a Land

[57]China spends almost one-third of the military budget on the navy, and they maintain the largest navy in Asia, including 69 submarines, 62 surface combatants, 56 amphibious ships and 368 coastal patrol craft (Spinetta, 2006:32).

Border Treaty, and in 2000, the Agreement on the Delimitation of the Territorial Seas, Exclusive Economic Zones, and Continental Shelves in the Gulf of Tonkin were passed. In 2002, Beijing signed a Joint Declaration on a Peaceful Settlement on the South China Sea Issue. In 2003, the Treaty of Amity and Cooperation with ASEAN, which called on all claimants to not take any action with potential to damage regional stability, was approved between ASEAN and China.

At the same time, China initiated joint exploration with other claimant states, shelving the sovereignty issue. In 1991, China set out a specific plan to regulate navigational channels and exchange meteorological data; in 1992, China offered a proposal to Malaysia on the development of oil and gas production in the disputed area; in 1993, the Philippines and China in principle agreed to conduct joint exploration; in 2000, the Agreement on Fishery Cooperation in the Beibu Gulf was passed alongside Vietnam; in 2003, China and the Philippines signed a Memorandum of Understanding; in 2005, an Agreement to Conduct Joint Exploration for Oil and Gas in the South China Sea was signed by national oil companies from China, the Philippines and Vietnam. Currently, the China National Offshore Oil Corporation and the Philippines National Oil Company are working on selective blocks.

In addition, the proposed Free Trade Agreement with ASEAN is another soft strategy. Beijing believes that 'if the economic gap between ASEAN and China widens, these countries will be more concerned about the outcome of the Spratly problem. On the contrary, if these countries can benefit from China's growing development, there will be more room for all parties to give emphasis to common consultation [on the Spratly issue]'(Kuik, 2003: 13, from Tang, 2002: 42).

Since the Tiananmen incident, China has focused on enhancing relations with developing countries, including the neighbouring ASEAN. On the one hand, they try to skip the risk of being further isolated and in turn to avoid jeopardising the barely-built relations with ASEAN. On the other hand, after the Hu-Wen administration took power, they attempt to convince the world that China's development is peaceful. Therefore, although China endeavours to upgrade its navy equipment, it is expected that China would try to avoid taking military approach. Instead, they incline to influence the decisions of other claimant states by soft strategy, including bilateral free trade agreement.

ASEAN's strategy

China's vast size, population, economy and growing military force make the nation a formidable regional power. The Southeast Asian states shared the consensus, to different extents, that the PLA's action, from military occupation of the Mischief Reef claimed by the Philippines in February 1995 to the publicised force exercises centring on the Taiwanese elections in November 1995, were more assertive than ever before. These anxieties caused concentration on the expansion of China's military budget and the improvement of China's military capability. Considering no single Southeast Asian state is able to curtail China's rise, ASEAN recognised the need to have a common position on moderating China's regional influence.

Although not all members have maritime claims and each has a different relationship with China, ASEAN decided to restrain China by facilitating the negotiations over the code of conduct. In 1992, ASEAN unveiled the ASEAN Declaration on the South China Sea. In 1995, ASEAN called for all parties to adhere to the 1992 Declaration, and for the first time, they placed the issue on the agenda of the annual ASEAN Regional Forum,

although China strongly opposed the multilateralism of the issue. Confronted with ASEAN pressure, China passed the Declaration on the Conduct of Parties in the South China Sea later in 2002. However, as a bilateral confidence-building measure, the declaration inhibits the use of force and rules out the possibility of any external influence, but it lacks specific provisions on how to settle the issue fundamentally. In the disputed area, the Philippines continues to expel Chinese fishing vessels, Vietnam is busy setting up administrative bodies, and Malaysia keeps constructing concrete facilities.

On the other hand, these claimant states look for military agreement with external states, such as Indonesia–Australia Military Cooperation Agreement and Philippines–Great Britain Military Cooperation Understanding. Being the most important stakeholder in East Asia region, the military alliance with the United States is prominent. Due to the Mischief Reef conflict in 1995, Manila tried to hedge with Washington after they denied a base treaty with the United States in 1991. In 1998, the Visiting Forces Agreement was signed. In 1999, the Philippines publicly welcomed the participation of the United States and the United Nations on the Spratlys disputes. A new Mutual Logistics Support Agreement of 2003 and a Joint Defence Assessment with the United States of 2005 allow the US forces to do regular exercise in Philippine water territory. In comparison to Manila, Hanoi practices limited and quiet security cooperation with the United States, which initiates with less sensitive activities such as counter-terrorism, anti-drug smuggling, search and rescue.[58] In addition, Malaysia has the tradition of relying on both Britain and the United States to safeguard national security, and it maintains defence and intelligence cooperation with the United States.

[58] In 2003, Vietnam began sending observers to the annual America-Thailand joint military exercise.

Through military engagement with external powers, these ASEAN states expect to limit Chinese ambition on the South China Sea. However, the United States claims that 'it takes no position on the legal merits of competing sovereignty claims and is willing to help in the peaceful resolution of the competing claims if requested by the parties' (Valencia, 1995: 25). At least on the diplomatic level, the US position over the territorial disputes is neutral so that the expectation to rely on the US military interference has to be discounted.

Conclusion

It has turned out that both ASEAN and China have taken hard and soft approaches on territorial disputes. While Beijing insists on the claim diplomatically and enhances its military capability, it simultaneously expresses willingness to negotiate with ASEAN on the possibility of economic engagement. To shelve the sovereignty issue is favourable to Chinese interests. The tendency towards greater ASEAN–US military cooperation only allows the United States to increase its military presence in this region, which poses more threat to China's security interests. In the current stage, at least China may dominate the issue and in the eyes of international society, China's behaviour, such as the adherence to international law and peaceful settlement, comply with the norms of international community, helping build an image of a responsible political state.

In principle, ASEAN's approach is rather similar, signing military treaty with outsiders while doing business with China. The difference is that, they have to resort to external powers given their restrained capability. Especially after the 1997 Financial Crisis, the countries have to limit budgets on arms modernisation. However, it should be noted that, the United States has informed the Philippines that the Mutual Defence Treaty does not

automatically cover the disputed area. Weapon sales, training and military exchanges should be seen as nothing but a reassurance that Washington has commitments to Southeast Asian regional security. From this perspective, external states are unlikely to operate direct military intervention except pressurising diplomatically on China.

Moreover, it appears that none of the claimants wishes to jeopardise bilateral political relations, given China's economic potential. For example, the second Mischief Reef dispute in 1998 between China and the Philippines did not trigger strong critique from the ASEAN side as happened in 1995, when ASEAN released denouncement immediately. Since 2008, the situation in the South China Sea has become more tense: Malaysia, the Philippines and Vietnam frequently show an uncompromising posture on the claims, and the US patrol vessels conduct activities in 'international water', which is claimed by China as its exclusive economic zones in the South China Sea. But when China send out the biggest fishery patrol vessels to protect its rights and dispatch the most modern patrol ship to the South China Sea, both ASEAN and the United States suggest working the conflict through diplomatic channels. I rather consider these unusual actions stem from the attempts to divert public attention from domestic economic failure, rather than these states intending to antagonise China.

Therefore, the study may conclude that Chinese economic incentives are effective complements to their hard strategies, which make ASEAN less radical on this issue. The proposal of the ACFTA is one of the soft strategies to avoid military escalation, indicating Chinese desire of keeping the territorial disputes under control and ASEAN's willingness in binding Chinese interests with that of ASEAN. This may explain why the Framework Agreement on Comprehensive Economic Cooperation between the two was signed only one year after China introduced the idea of trade agreement.

iii) Land transportation corridor through the Greater Mekong Project

The Mekong River has its origins high in the mountains of Southwest China, and winds through Yunnan Province before crossing Southeast Asia to complete in the South China Sea. The Mekong Basin includes around 70 million people in six counties (Cambodia, Laos, Myanmar, Thailand, Vietnam and the Yunnan province of China), and 80 per cent of the population depend on the river for a subsistence or semi-subsistence farming lifestyle. Taking Thailand, the most urbanised country in this area, as an example, its North and Northeast parts are mainly living in an agricultural economy in the Mekong Basin (Kao and Sisowath, 2005: 320).

Supported by the Asian Development Bank, the Greater Mekong Sub-region (GMS) was formed in 1992, including China, Burma, Laos, Thailand, Cambodia and Vietnam. Since then, a series of cooperative mechanisms have been founded, such as the GMS Cooperation, the ASEAN–Mekong Basin Development Cooperation, the Mekong Committee, and the Growth Quadrangle of China, Laos, Myanmar and Thailand. Other economic institutions such as the ASEAN Investment Area, the Initiative for ASEAN Integration, and the ASEAN Free Trade Agreement also endeavour to facilitate the freer trade flow within the sub-region.

China's interests in the GMS cooperation has two major considerations: one is to create an economic corridor, which may drive the economic development of China's less-developed Southwest provinces, Yunnan in particular; another is to build a transportation corridor. If Beijing opened alternative land transportation corridors,

linking the western provinces with the rest of the World through Thailand, Cambodia and Burma, this route could help China solve the Malacca Dilemma.

Economic corridor

Since the introduction of reform policy in 1978, Beijing's strategic design has been to develop the eastern coastal provinces as the first step, and then use the growth of the east to drive the economies in middle and western parts. After three decades' construction, the eastern provinces such as Guangdong, Zhejiang, and Jiangsu have become the growth centres, whereas the western provinces such as Yunnan, Guangxi, and Guizhou have significantly lagged behind (see Table 7.8). The economic disparity has not only led to a huge economic gap but also produced negative potentials, which may trigger social disability. This is not in accordance with the governmental slogan of building a 'harmonious society', and the national plan of becoming a middle-income country by the middle of the 21st century may not be achieved.

Table 7.8: Comparison of the Rich and Poor Provinces (in 2004, RMB Billion)

Province	*GDP*	*Trade volume*	*Fiscal revenue*
Yunnan	295.9	0.48	66.6
Guizhou	159.1	0.19	29.6
Guangxi	332	0.55	40.4
Guangdong	1604	45.8	354.8
Zhejiang	1124.3	10.93	142.4
Jiangsu	1551.2	21.9	221.6

Source: the Ministry of Commerce of PRC

In 2000, the central government initiated the 'Western Development' strategy, with the intent to provide direct fiscal supports, expand investment on infrastructure projects, education, and health care system, and offer a favourable policy on taxation to the western provinces. The target area includes 12 provinces, such as Yunnan, Guizhou, Guangxi, Xijiang and Xizang and so on. Among them, Yunnan Province is called the Southern Silk Road, which used to link China and Southeast Asia. ASEAN is Yunnan's largest trade partner, making up 70 per cent of the provincial foreign projects. In 2007, the foreign trade with ASEAN reached USD 2.67 billion, of which more than 70 per cent was with the GMS countries of Myanmar, Vietnam, Laos and Thailand. The cooperation can be found in agriculture, mining, tourism and science (see Table 7.9). Though these economies mainly rely on exporting natural resources, they actually complement one another since they possess different resources and develop different industries (see Table 7.10).

Table 7.9: Trade Volume of Yunnan Province with GMS in 2007 (USD Million)

State	*Trade volume*	*Weight (%)*	*Export*	*Import*	*Trade balance*
Total foreign trade	877975	100	473612	404363	69249
Trade with ASEAN	297880	33.9	217510	80370	137140
Vietnam	97167	11.1	7773	19394	58379
Burma	87357	9.9	64068	23289	40779
Laos	8339	0.9	3591	4748	-1157
Cambodia	990	0.1	990	0	990
Thailand	22021	2.5	15680	6341	9339

Source: Commercial Department of Yunnan Province, China

Table 7.10: Major Resources and Industries of Greater Mekong Countries/Province

Countries/ Province	*Major resources*	*Major Agriculture products*	*Major industries and minerals*
Myanmar	Forest, farmland, petroleum, tin, tungsten, gems, copper	Rice, wheat, sugarcane, peanut, beans	Rice grinding, timber process, non-ferrous metals
Thailand	Tropical fruits, aquatic products, tin, iron, lignite	Maize, cassava, natural rubber, cotton	Mineral melting, construction materials, petrochemical, textile, food processing, automobiles
Cambodia	Manganese, phosphorus, zinc, gold	Rice, maize, natural rubber	Food processing, light industry
Laos	Farmland, forest, tin, lead, coal	Rice, tobacco	Power generation, cement, cigarette, cotton spin
Vietnam	Coal, iron, chrome, tin	Aquatic products, banana, coconut, pineapple, rubber, coffee	Mineral melting, electric power, machinery, chemicals, construction materials, food process
Yunnan	Metal, minerals, coal, waterpower	Tobacco, tea, sugar, fruits and vegetables of temperate zone	Tobacco, non-ferrous metals, steel, phosphate chemicals. Electric power, machinery, hi-tech

Source: He and Sheng, 2005: 297.

In order to promote bilateral trade, in 2002 China along with other GMS economies planned to shape economic corridors not only connecting one another but also connecting them and other ASEAN states. Three North-South corridors, one East-West and two Southern corridors are included:

The North-South corridors:

- Kunming–Bangkok Highway
- Yunnan–Vietnam Highway (Kunming–Hekou–HaNoi–Hai Phong Highway)
- Kunming (China)-Nanning (China)–Hainoi (Vietnam) Highway

The East-West economic corridor:

- Danang City (Vietnam)-Laos-Thailand-Mawlamyine (Cambodia)

The South corridors:

- Bangkok (Thailand–Phnom Penh (Cambodia)–Ho Chi Minh City (Vietnam)–Vung Tau(Vietnam)
- Bangkok (Thailand)–Siem Reap (Cambodia)–Stung Treng (Cambodia)–Ratanakiri (Cambodia)–Pleiku (Vietnam)–QuyNhon (Vietnam)

According to this plan, the North–South corridors may go north through Yunan and Guangxi provinces of China towards other parts of China, go south through Thailand, Malaysia and Singapore towards other ASEAN states. It may interact with the East–West corridor in Thailand, and then towards the Andaman Sea (Indian Ocean) and the South China Sea (News Press on GMS Economic Corridors, 2008). At the second GMS Leader Conference in 2005, the parties agreed that the East–West corridor is to be completed by 2008, and the North–South as well as the Southern corridors are to be finalised by 2010.

The first North–South corridor is the most important linkage between Kunming and Bangkok, with the Kunming–Bangkok Highway and Lancang–Mekong Waterway as two connections. In 2000 the heads of China, Laos and Thailand agreed to make this highway further links with the land route in Malaysia and Singapore. The sections in China and Thailand have been done, and they each will finance one-third of the Laos section. The

chief of Yunnan Logistics Company estimates that the trade volume through the Kunming–Bangkok highway will reach USD 100 billion per year after the realisation of China–ASEAN Free Trade Agreement (Economic Corridor with GMS States, 2008). As well, another two North–South highways were completed in 2008.

On the promotion of GMS development, the Asian Development Bank has invested USD 775 million in infrastructure of the GMS countries, of which Yunnan obtained USD 400 million for highway construction. In 2002, the governments of six GMS countries announced 11 projects accounting for around USD 1 billion investments in the next ten years, including sophisticating the North–South and the East–West corridors (He and Sheng, 2005: 296). China, as the relatively developed economy among the GMS states, pays more efforts on financing these projects. By 2003, China had invested USD 260 million on the GMS states, and in 2004 alone the figure reached USD 40 million (Economic Relations between China and GMS, Yunnan new, 2008). Beside, China had provided USD 5 million to improve the waterways of the Mekong River (Kao and Sisowath, 2005: 325).

Transport corridor

Through the program of Greater Mekong Sub-region, China is creating a mutual beneficial market with Vietnam, Laos, Cambodia, Burma and Thailand. Of particular importance to Beijing in terms of this sub-regional cooperation is that, not only are countries, such as Burma, Thailand, Cambodia and Laos, bordered with China, but they may also provide open access to the Middle East oil-production area and African continent. China relies on the South China Sea to bring in natural resources and take out made-in-China products, which does not allow even a short-term disruption. But the

Malacca Dilemma and the overlapping claims over the South China Sea discount the reliability of the sea-lane. If China found alternative land transportation to the Indian Ocean, it would contribute to China's economic security, energy security in particular.

It is reported that the Beijing government has considered building a pipeline from Kunming (Yunnan Province) across either Myanmar or Cambodia to the sea, or from Jinghong (Yunnan Province) to the Laem Chabang port near Bangkok across Laos. This line is expected to reduce transportation costs and shorten the period by at least one week. The Yunnan–Myanmar Highway (Kunming–Mandalay–Rangoon Passageway) is under construction and the Yunnan section has been identified in the tenth five-year plan (2001–2005) and the eleventh five-year plan (2006–2010). Furthermore, there is another proposal of building a pipeline from Sittwe, or Bhamo on the Irrawaddy River, across Myanmar to Chongqing (China). China has negotiated with Myanmar to build port facilities there, and they have been constructing and upgrading the naval facilities at Hanggyi Island at the mouth of Bassein River, and Great Coco Island near India's Andaman Islands, trying to insert a strong presence in the Indian Ocean [59] (China's Foreign Policy and 'Soft Power' in South America, Asia, and Africa, 2008: 93-94; China Plans to Build China-Europe Corridor Through Burma, 2004; Ong, 2002: 4; Vaughn & Morrison, 2006: 23; Vaughn, 2005: 16).

As analysed above, the significance of GMS projects in Chinese eyes rests on the role of the GMS states in assisting economic as well as transportation corridors for China's

[59] The plan of accessing the Indian Ocean through Myanmar has attracted particular attention from the United States, which tries to overturn the pro-China regime in Myanmar. When the cyclone hit Myanmar in 2008, the French and American governments delivered the humanitarian aid through the US naval task force and French warship. After being refused to assess the port, France called for UN resolution to access Myanmar without the Junta government's permission, but they failed to move further.

development. However, there are two obstacles for Chinese projects. First of all, insufficient capital is a major difficulty. These countries, especially Vietnam, Laos, Myanmar and Cambodia, are less developed countries, not only having little foreign exchange reserves, but also suffering foreign debts with low capability of payment.[60] Nevertheless, the GMS development needs around USD 15–20 billion investments in infrastructure in the coming ten years, which certainly these countries could not afford. Second, Chinese activity in damming and channelling of the Mekong River may damage relations with other GMS states. In order to meet its energy needs, in the upstream Chinese section, two hydroelectric dams have been completed, with an additional two under construction while four more are planned. However, the projected dam construction in China will limit the ability of fish to spawn upriver, impacting the majority of the population who make a living on fisheries related to the river.[61] In the Mekong River Committee formed in 1995, the formal members include Cambodia, Laos, Thailand and Vietnam. China just takes part as a dialogue partner. Some suspect that China has not joined the commission as a member since it is reluctant to explain the decision of damming the upper Mekong to the downstream nations.

Beijing has been working on promoting the GMS cooperation and trying to dismiss the dissatisfaction on their dam construction in the upstream. In 2002, the Framework Agreement on Comprehensive Economic Cooperation between the ASEAN and China identified the GMS cooperation as one of the priority fields requiring implementation of medium and long-term cooperation programs. Also in the agenda of ASEAN–China Free

[60] By 2002, Cambodia owned USD 2 billion with a debt payment ratio of only one per cent; after debt reduction and exemption, Vietnam's foreign debt was USD 4 billion; and Myanmar suffered USD 6 billion debts that it even hardly paid interests (He and Sheng, 2005: 301).

[61] It was reported that the fish catch in Cambodia declined by 15 per cent in the fishing seasons in both the 2001/02 and 2002/03 year, and in 2003/2004, it declined further by 50 per cent (Vaughn, 2005: 23-24).

Trade Agreement, China promises a favourable treatment exclusively for the Mekong riparian states. Through the Asian Debt Reduction Plan of the Early Harvest Package, China has not only partially reduced or totally exempted Vietnam, Laos and Cambodia of the debts to China, but also offered the duty-free treatment for goods flowing from or to the three states. Furthermore, Beijing has granted Most Favoured Nation status benefited only by the WTO members to Vietnam, Laos and Cambodia, the three non-WTO members. In addition to the sphere of free trade area, China uses the means of foreign aid, and has become one of the largest sources of aid to Cambodia, Burma, Laos and Vietnam. According to related data:

> China has been the largest source of economic assistance to Burma, including USD 1.4 billion to 2 billion in weaponry to the ruling junta since 1988 and pledges of nearly USD 5 billion in loans, plants and equipment, and investment in mineral exploration, hydro power and oil and gas production, and agricultural projects….
>
> China may be one of the largest sources of aid to Cambodia, including loans and support for public works, infrastructure, and hydropower projects in the kingdom. In 2007, foreign donors reportedly pledged a total of USD 689 million in assistance to Cambodia, including USD 91.5 million from China…
>
> For the 2007-2009 periods, China pledged USD 236 million in unspecified aid compared to Japan's USD 337 million and the EU's USD 215 million. China, the second largest aid donor by some estimates, has provided Laos with critical grants, low-interest loans, high profile development projects, technical assistance, and foreign investment…

In 2006, Chinese President Hu Jintao visited Vientiane and offered USD 45 million in economic and technical cooperation and debt forgiveness (Lum, 2008: 85).

7.2.2 Potential obstacles on the China–ASEAN engagement

This section defines the US presence in the Southeast Asia, the regional role of Japan, and the nature of competitiveness of China and ASEAN economies as influencing factors on advancing bilateral engagement.

i) The US factor

The relationship between China and ASEAN has transformed from one of suspicion, driven initially by the communist revolution and then by territorial disputes, to one of cooperation on security and economy. Few major international relationships have changed as much or as quickly in recent years. While the harmonious relations contribute to regional stability and economic prosperity, the Southeast Asian states are expected to reduce the reliance on the protection or balance from the external power, which in turn minimise the possibility of external intervention. For the US, the development of China–ASEAN relations could produce effects on their long-term interests in the region, particularly if such a relationship evolves into an exclusive regional bloc under the shadow of a more influential China. This section will discuss the effects on the US from three aspects: the US intention in the region, China's challenge and the US response.

The US intention in the region

The US intention in the Southeast Asian region lies in two strategic considerations. Firstly, in this area, the South China Sea issue is viewed as the third most important point, after the Korean Peninsula and Taiwan Strait, and it is considered as another important challenge for the US to establish its security order in Asia Pacific region. The South China Sea and the Strait of Malacca transport around 90 per cent of oil destined for the US Northeast Asian allies – Japan and South Korea, and 80 per cent of energy to China. Also, the US trade with the region is larger than that with Europe (Wang, 2006: 110; Baviera, 2005: 344). If other states succeeded in gaining control of the Strait, then the cargo and oil supply would be required to look for alternative routes, which in turn would lead to massive economic losses. More than that, if the United States failed to secure the transportation, both Japan and South Korea would take their own defensive measures, which may weaken the role of the US military force in the area.

Secondly, the US global foreign policy is indeed an extension of Cold War thinking, sustaining its hegemony while preventing any state or coalition, mainly referring to EU, Russia and China, from emerging within the region. In Southeast Asia,

> From the US perspective, if it could establish its hegemony status in this region, it would then be able to go beyond Taiwan Strait to Japan Sea to the north east, thus strengthening the coastal defence of Japan Sea. To the south, the US would be able to cover the South Pacific Region and strengthen the South Pacific Region's alliance with Australia. To the west, it could reach past the Strait of Malacca to enhance the US interests in the Indian Ocean and Persian Gulf region. To the north, it would be able to directly contain China's expansion efforts toward the south. (The Worrisome Situation

of the South China Sea – China Facing the Stepped-up Military Infiltration by the US, Japan and India, 2004).

For this reason the ASEAN region is a very high priority for the overall geo-political interests and commitments of the United States, so that Washington must pay close attention to other actors' behaviour in the region. A key question here is how China's rise challenges the US leadership in Southeast Asia.

China's challenges to the US in the area

In the economic sector, driven by the ASEAN–China Economic Cooperation, the trade with ASEAN has increased not just in volume but also in share of ASEAN's total trade. In 2006, the trade volume with China accounted for around 10 per cent of total foreign trade in comparison to 11.5 per cent with USA (see Table 7.11). Differing from the US that focuses on the well-developed ASEAN economies such as Singapore, Malaysia, and the Philippines, China has outpaced US assistance to the less developed Southeast Asian countries.

Table 7.11: ASEAN Trade with America, Japan and China in 2006 (USD Million)

	Value			*Share to total ASEAN trade*		
	Exports	*Imports*	*Total trade*	*Exports*	*Imports*	*Total trade*
ASEAN	189,176.8	163,594.5	352,771.4	25.2	25	25.1
Japan	81,284.9	80,495.6	161,780.5	10.8	12.3	11.5
USA	96,943.5	64,252.5	161,196.0	12.9	9.8	11.5
China	65,010.3	74,950.9	139,961.2	8.7	11.5	10.0

Source: http://www.aseansec.org/Stat/Table19.pdf.

In the political and security sector, after ASEAN and China agreed to form a Strategic Partnership for Peace and Prosperity in 2003, a five-year (2005–2010) Plan of Action was adopted in 2004, which included bilateral defence and security cooperation, such as cooperation in the field of non-traditional security and military exchanges. In addition, at the 10th ASEAN Regional Forum in 2003, China circulated a concept of an ARF Security Policy Conference (ASPC), and the only security forum in Asia received endorsement from ASEAN in 2004.

- The first Asian Regional Forum Security Policy Conference was held in Beijing in 2004, in which both exchanged views on a package of issues such as Korean nuclear crisis, maritime security, and terrorist threats to the region.
- At the second policy conference held in 2005, China and the ASEAN members, especially those adjacent to Yunnan Province, agreed to cooperate in the area of non-traditional security, including money laundering and drug trafficking
- At the fifth policy conference in Singapore, 2008, parties exchanged opinion on regional defence and security outlook, and recognised that the region continued to face a range of traditional and non-traditional trans-national security challenges such as terrorism and energy security (Yuan, 2006: 16; Official Announcements).

So far China has successfully created at least 27 separate ASEAN–China mechanisms at different levels, and the leaders meet regularly, whereas 28 years after the US–ASEAN dialogue was formalised in 1977, there are currently only seven US–ASEAN bodies and they meet infrequently (Dillon and Tkacik, 2005).

The US response

In the economic field, the US is always the top trade partner of the ASEAN. In 2002 Washington announced the Enterprise for ASEAN Initiative (EAI) that sought to enhance trade and investment ties with ASEAN. In 2006, both signed a Trade and Investment Framework Arrangement (TIFA), which was expected to boost trade and market access in major areas such as agriculture and pharmaceuticals, and to pave the way for a full-fledged regional free trade agreement. In theory, the US–ASEAN TIFA reflected their commitment to shape an architecture which may facilitate more vigorous economic engagement. Under the TIFA, Washington pictures the prospects of bilateral free trade agreements with the ASEAN countries which are WTO members and have a TIFA with America. However, both sides are reluctant to reveal when the FTA negotiation could begin. It is estimated that talks could not start until 2010 when the ASEAN members fully implement trade liberalisation programs. A senior ASEAN official revealed that the TIFA was nothing but an outcome of political reaction to ASEAN–China relations: 'talks began in 2002 but US interest was not there. Now they realise the importance of ASEAN, they want to keep their influence in the region here, they are aware that trade between ASEAN and China is increasing' (Jegathesan, 2006).

In the security aspect, the Southeast Asian region has a tradition of relying on a variety of overlapping arrangements to ensure individual as well as regional security. The security equilibrium in Southeast Asia consists of a series of comprehensive and cooperative bilateral alliances with external players. The military ties with the United States have remained central to the regional security structure. Although Malaysia publicly criticises the US interference in their political and economic affairs, they consider the US military presence in the region as an approach to promote regional stability. Furthermore, both

Vietnam and the Philippines had the experiences of exchanging fire with China, with China winning the battles. Due to the fear that Chinese forces might target them again, they are much more reliant on the US balancing power. One may argue that on either human rights or democratic issues, ASEAN is likely to stand on the side of China, since the issues involve interference in domestic affairs which is controversial with the ASEAN norm. However, when it comes to the territorial issue or the possibility of Chinese use of force, ASEAN is more likely to see the continuous US presence as necessary.

Given the strategic importance of Southeast Asia for the US global interests, since the 1990s, the United States has stepped up to increase military presence in Southeast Asia, including a series of joint exercises with the Philippines, Thailand and Singapore, in the name of helping maintain regional peace. After 9/11, in the name of anti-terror cooperation, such as Cooperation Afloat Readiness and Training and Southeast Asia Cooperation against Terrorism, Washington has had more sufficient excuses to insert itself in the region. On the issue of the South China Sea which concerns ASEAN the most, the US is playing political manoeuvres. It used to hold a policy of neutrality when it comes to conflicting territorial claims. However, Washington is reluctant to behave like an outsider, and their policies towards the issue have moved away from diplomatically neutral to active intervention. It reminds all parties of their commitment to maritime security and regional stability, and it dispatches naval destroyers in the disputed water for 'routine patrol'. But its ambition in stationing troops in the Malacca Strait with the anti-terrorism purpose has met resistance from some ASEAN members such as Malaysia.

ii) The role of Japan in Southeast Asia

Like China, which has acknowledged the need for economic cooperation, stability and prosperity in Southeast Asia, Japan has intentions on this area. First, Southeast Asia is long considered as an important market, a source of supply, and a platform for Japanese regional leadership. Second, Japan itself has great interest in securing maritime security in Southeast Asia, as 90 per cent of Japanese imported crude oil passes through the Malacca Strait and the South China Sea. For the country reliant heavily on resources supplies, a safe navigation is essential. Third, the dispute of the East China Sea with China makes Japan particularly concerned with China's strategies on the South China Sea with the Southeast Asian states. In consideration of these factors, Japan has always put Southeast Asia as one of its diplomatic priorities. The continuing presence of the United States and the balance diplomacy played by the ASEAN countries in the relations with great powers reassure a political role of Japan in the area.

There are two perspectives on the role of Japan in Southeast Asia. One perspective considers Japan's position as a frontline partner of the United States, which hinders Japan from creating an image of truly reliable partner for Southeast Asia if the US interest is contradicted with that of ASEAN. The other position insists that Japan has succeeded in constructing good relationships with ASEAN through economic diplomacy. As a matter of fact, the two opposed positions should be combined to picture the entire role of Japan in Southeast Asia, and it is exactly Japan's two-sided policy that acts as an anti-model for China's foreign policy towards ASEAN.

Japan and China are both interested in promoting regional cooperation, but they are guided by different visions of foreign policy. Japan appears to have some advantages

over China in approaching ASEAN. When China had a hostile relationship with these states in the 1950s, Japan attentively reconstructed its ties with Southeast Asia.[62] At the current stage, the much more affluent Japanese economy ensures that it is a crucial economic partner for the Southeast Asian states. Japan is ASEAN's largest source of imports, FDI as well as Official Development Assistance (ODA), where China is unable to compete.[63] However, when Japan's foreign economic policy has succeeded in constructing a good economic relationship with ASEAN, its foreign policy is flawed in some aspects, where China could learn from them.

To begin with, the Japanese Prime Minister's annual visit to a war shrine, which is seen as a symbol of Japan's militarist past, provokes the diplomatic protests of the Southeast Asian states like Singapore, the Philippines, and Vietnam. To a lesser extent, Japan's reluctance to fully admit to its responsibilities of the war not only fuels lingering resentments amongst Southeast Asian elites, but also imposes constraints on Japan's endeavours to create close political relationships with ASEAN.

Furthermore, Japan's foreign relations are Western-oriented and underpinned by the Japan–US alliance. Though Japan's propagates developmental models and has aspirations for an enhanced role in the region, it has to prioritise the US–Japan bilateral relationship over its commitment to any form of regional multilateral cooperation. This factor has caused difficulties for Japan in taking the initiative to address regional

[62] By that time, the US considered Southeast Asia's assistance to Japan as necessity of constructing an economic recovery in Japan, which would act as a strong barrier against Communist infiltration into Asia.

[63] ASEAN has long been the major destination of Japanese foreign aid. Japan's Office Development Assistance to ASEAN countries amounted to USD 23 billion in the last ten years or about 30 per cent of Japan's total ODA. ASEAN is expected to continue gaining the lion's share of Japanese ODA for the foreseeable future (Pushpanathan, 2004).

problems. For example, in the financial crisis, the ASEAN members looked to Japan as an economic mentor for assistance, and the Japanese government was indeed generous in providing financial assistance.[64] However, there was a perception that Japan failed to grasp the moment to establish strong leadership credentials, primarily due to the failed proposal of Asian Monetary Fund.[65] Differing from Japan's crumbling in the face of US pressure, China's decision not to devalue its currency tried to deliver a message that Beijing could be a reliable partner in managing regional affairs. To some extent, China's foreign policy appears to be a combination of 'Looking West' and 'Looking East'. Beijing always addresses its role of being a developing state and portrays itself as one of the representatives of the developing world, which helps it ally with ASEAN and conversely grants it with more weight when dealing with the West.

Moreover, in addition to FDI and ODA, Japan is currently undertaking a 'two-track' economic approach to an FTA with ASEAN: bilateral FTAs with the relatively developed ASEAN members, and an Agreement on Comprehensive Economic Partnership with ASEAN as a unit.[66] However, these bilateral FTAs were made possible mainly through the ASEAN states' offer to exclude agricultural products from tariff elimination: Thailand agreed to exclude rice from its FTA with Japan; Malaysia excludes pineapples and milk products; and the Philippines conceded to resume negotiations for tariff

[64] In 1997 the Export-Import Bank of Japan joined a USD 17.2 billion rescue package to Thailand, led by the IMF, by contributing USD 4 billion to it. In 1998, Japan announced a USD 30 billion initiative to provide financial assistance to the East Asia region, known as the 'New Miyazawa Initiative'. A number of ASEAN states, including Thailand, Malaysia, Indonesia, the Philippines, got Japanese financial assistance under the plan (Hook, Gilson, Hughes and Dobson, 2002: 9-13).

[65] In 1997, ASEAN and Japan initiated talks on a plan to establish the AMF for the purpose of complementing the IMF. However, the project was opposed by the US and China mainly, since the US sought to maintain the IMF-centred financial order, while China suspected that Japan could bolster its leadership role.

[66] The ASEAN –Japan Comprehensive Economic Partnership Agreement was signed in 2008.

elimination on sugar in four years. Japan remains tied down by the politics of agricultural protection, which causes it to appear unable to make a full commitment to trading relations with ASEAN, considering most of the ASEAN economies are heavily agricultural. Some ASEAN members have expressed frustration over the slow progress in the opening of Japan's agricultural market. In comparison, China treats an FTA with ASEAN in a more significant way. China actively initiated an Early-Harvest Program with individual ASEAN members, and made compromises on the agricultural products, which effectively promotes bilateral trade.

In all, when the relations between Japan and ASEAN have achieved significant accomplishments in political and economic sectors, an economically rising China has emerged in the area. Beijing's increasing dialogue with ASEAN has triggered Tokyo's bid for a closer partnership with the Southeast Asian region. The Japan–ASEAN–China triangle has been coloured by both coordination and competition: the three parties share a similar concern on a stable regional environment; Japan and China are competing for regional leadership whereas ASEAN wants to have an independent identity and a voice in regional affairs; both Japan and ASEAN are reluctant to see a powerful Communist neighbour and some ASEAN states expect Japan to counterbalance China; ASEAN also expect to benefit from China's economic growth. Although Japan is still ASEAN's major trade partner and financial source, the mixed feeling of ASEAN grants China opportunities to enhance China–ASEAN engagements, if China could prioritise regional interests and make more ASEAN economies benefit from China's economic growth.

iii) Challenges on the ASEAN economies

It is undeniable that a rising China could offer more economic opportunities to the ASEAN states, but subsequent economic cooperation depends on how the economies could complement. Scholars are debating over the issue. The mainstream view favours that ASEAN's economic structure is more competitive with that of China in export sectors and in FDI flows. This study disagrees with the competition for FDI inflow, but agrees with their competitive industrial structures.

Taking a close look at the trade structures of China and ASEAN, despite the increase in bilateral trade volume and share, the two markets do not account for a significant proportion of each other's total export. Noting their major exports commodities, there are overlapped export products: machinery and electric products, mechanical appliances and so on (see Table 7.12). Furthermore, the United States, Japan, and EU are the three major export markets for both China and ASEAN. For example, 49.4 per cent of China's total exports and 46.3 per cent of ASEAN's total exports in 2006 were destined to these markets (see Table 7.13, 7.14). Similar exports commodities destined to the same markets lead to strong competition. According to the data from Zhang (2006), from 1996 to 1999, the share of ASEAN in these markets dropped from 5.6 per cent to 5.5 per cent, while it saw China's share climb from 4.2 per cent to 5.4 per cent (Zhang, 2006: 175).

Table 7.12: Major Exports of China and ASEAN by Categories in 2006

Rank	*China's top export commodity*	*ASEAN's top export commodity*
1	Machinery and electric products	Electric machinery, equipment and parts, sound equipment, television equipment
2	High and new technology products	Mineral fuels, mineral oils and products of their distillation, mineral wax
3	Accessories of garment and dress	Nuclear reactors, machinery and mechanical appliance, parts thereof
4	Automatic data processing equipment and component Yarn, fabric and products	Organic chemicals

Source: Ministry of Commerce of PRC; ASEAN Official website.

Table 7.13: China's Top Five Exports Markets in 2007 (USD Billion)

Rank	*Country or region*	*Value*	*Share*
1	United States	2,034.7	21
2	EU	1,819.8	18.8
3	Hong Kong	1,553.9	16
4	Japan	916.4	9.5
5	ASEAN	713.1	7.4

Source: Commercial Ministry of PRC

Table 7.14: ASEAN's Top Five Exports Markets in 2006 (USD Billion)

Rank	*Country/Region*	*Exports value*	*Share*
1	ASEAN	1,891.76	25.2
2	America	969.43	12.9
3	EU	944.72	12.6
4	Japan	812.85	10.8
5	China	650.10	8.7

Source: http://www.aseansec.org/Stat/Table20.pdf

In terms of FDI, in the early 1990s, three-fifths of FDI to Asia was channelled into Southeast Asian countries and less than one-fifth to China, but by 1999–2000, over two-fifths went to China while only one-fifth to Southeast Asia (Rajan, 2003: 5). However, the argument that investment to ASEAN is diverted to China is indeed flawed. First, their FDI come from different sources. The United States, Japan and the EU are the top three foreign direct investors of ASEAN. 59.8 per cent, 52 per cent and 53.5 per cent of investment flowing into ASEAN came from the three sources in 2004, 2005 and 2006 respectively (see Table 7.15). However, in China's case, the bulk of investment has been from overseas Chinese in Hong Kong and Taiwan. In 2001, capital from Hong Kong, Japan, Taiwan and South Korea contributed to more than 54 per cent of FDI to China (Wong and Chan, 2003: 518–519). According to the World Investment Report 2006, most FDI inflows to China were from the Great China Area: among China, Hong Kong (China), Taiwan Province of China and Macao (China) (World Investment Report 2006: 41–43).

Table 7.15: ASEAN Foreign Direct Investment Net Inflow

	Value (Million USD)				*Share (Per cent)*			
	2004	*2005*	*2006*	*2002-2006*	*2004*	*2005*	*2006*	*2002-2006*
ASEAN	2,803.7	3,765.1	6,242.1	19,377.7	8.0	9.2	11.9	11.3
USA	5,232.4	3,010.6	3,864.9	13,736.1	14.9	7.3	7.4	8.0
Japan	5,732.1	7,234.8	10,803.3	30,813.7	16.3	17.6	20.6	18.0
EU	10,046.1	11,139.6	13,361.9	44,955.6	28.6	27.1	25.5	26.3
China	731.5	502.1	936.9	2,302.9	2.1	1.2	1.8	1.3

Source: http://www.aseansec.org/Stat/Table26.pdf.

Second, there is no evidence to show that ASEAN's key investors have diverted investment to China: 1998 was the only year in which US data recorded FDI flows to China exceeding those to ASEAN. By 2002, the ASEAN countries were again receiving two-thirds of all US FDI into the combined area of ASEAN, China and Hong Kong (Ravenhill, 2006: 662). In 2006, the EU total FDI outflows were USD 426.25 billion, USD 9.3 billion to China (excluding Hong Kong), whereas USD 13.36 billion to the ASEAN economies. In 2007, EU invested only €1.8 billion of €420 billion on China (Data from Ministry of Commerce of PRC and ASEAN official website).

Therefore, the study argues that the real impediment for ASEAN–China economic prosperity does not lie in the competition for FDI, but rests on the competitiveness of their industrial structure. ASEAN is competing with China in the developed countries' markets in terms of exports of both traditional and non-traditional manufactured goods. In the area of traditional labour-intensive industries such as textiles, clothing and footwear, China's benefits come at the expense of ASEAN. For example, from 1990 to

2001, China-made textiles, clothing and footwear accounted for one-fifth of the US market, in comparison to only a one-tenth share by the ASEAN-4 states. Since China became a WTO member, it is expected that the removal of trade limitation on textile and apparel exports will enable it to increase its share of global apparel exports from 20 per cent to 47 per cent (Wong and Chan, 2003: 519, 521). Taking the US market as an example, the United States imported 27.2 per cent of textiles and apparel from China in 2005, in comparison to 3.4 per cent from Indonesia, 3 per cent from Vietnam, 2.7 per cent from Thailand, and 1.4 per cent from Malaysia. In the EU market, China supplied 24.2 per cent of total demands, whereas only 1.7 per cent for Indonesia, 1.3 per cent for Thailand, and 0.8 per cent for Vietnam (World Trade Report 2006: 14-15). In the non-traditional and more capital-intensive sectors, China's exports of office machinery, including computers, to the United States were less than one-fifth of the value of those from ASEAN in 1995, but it has surpassed that of ASEAN since 2003. In terms of electrical machinery like semiconductors, electrical switching machinery and household electrical equipment, ASEAN's exports exceed Chinese only in the Japanese market (Ravenhill, 2006: 665-666).

The lack of complementarities between Chinese and the ASEAN economies limits their capability of absorbing each other's products, and their competition in the same export markets results in direct confrontation. Indeed, despite the similarity in the industrial structures of China and ASEAN, there still exists a potential for trade expansion by specialising in what they make. As it is unlikely for ASEAN to replace the Chinese share in the export markets when China's industrialisation is fostering rapidly, a significant expansion of intra-industry trade, which suggests that components and raw materials from other economies may be shipped to China for assembly and then exported to industrialised countries' markets, may lead to complementarity of the two economies. The two-third of inputs for China's processing activities relies on the supplies in Hong

Kong, Japan, Korea and Taiwan. If the Southeast Asian economies could be integrated into the intra-industrial process, the trade volume between the two is expected to increase. Ravenhill's research find that the China–ASEAN trade triangle is shaping, exemplified in: ASEAN's share of China's imports of components increased from 0.9 per cent in 1992 to 19.3 per cent in 2004; and China run a sustained trade surplus with the Western economies and a deficit of about the same magnitude with ASEAN (Ravenhill, 2006: 699-672). If the situation could persist, China may become an engine of growth for ASEAN as an export transition market.

Apart from vertical specialisation in industrial integration, less-developed ASEAN states may benefit more if they could increase agricultural exports to China. In addition, as China continues to industrialise, there will be massive demands in the service sector, such as in finance, consulting, tourism and education system, which leave opportunities for more developed Southeast Asian countries such as Singapore and Malaysia, which have strengths in these fields. In the Framework Agreement on Comprehensive Economic Co-operation between ASEAN and the People's Republic of China, these considerations are reflected:

- Expansion in the depth and scope of liberalisation of trade in services beyond those undertaken by ASEAN Member States and China under the GATS;
- Enhanced co-operation in services between the Parties in order to improve efficiency and competitiveness, as well as to diversify the supply and distribution of services of the respective service suppliers of the Parties;
- All agriculture products covered under the Early Harvest Program (Live Animals, Meat and Edible Meat Offal, Fish, Dairy Produce, Other Animals Products, Live Trees, Edible Vegetables, and Edible Fruits and Nuts) shall be divided into 3 product categories for tariff reduction and elimination as defined. **(**Framework Agreement on

Comprehensive Economic Co-Operation between ASEAN and the People's Republic of China, Phnom Penh, 5 November 2002).

It is expected that trade creation between China and ASEAN would be greater if the industrial structures of China and ASEAN could be integrated, and if trade barriers could be removed on agriculture and service sectors under the China–ASEAN Free Trade Agreement.

7.3 Conclusions

After the Tiananmen turmoil, instead of isolating China as the West suggested, Beijing normalised diplomatic relations with all ASEAN members in 1991, which was widely seen as a significant breakthrough in Chinese diplomatic history. In 2002, the China–ASEAN Comprehensive Economic Cooperation Agreement was released and both agreed to form an ASEAN–China Free Trade Area by 2020. The study argues that China–ASEAN Free Trade Agreement is motivated by a group of political, economic and security considerations, although there is a difference in the weight given to each element. The free trade agreement is designed to meet these motivations along two tracks in terms of geography: one is the maritime track, between maritime ASEAN states and China's coastal provinces; the other is the land track, between continental ASEAN economies and China's Southwest provinces.

Beyond the purpose of creating economic mutual prosperity, the maritime track is more associated with security significance, as this line concerns the South China Sea issue. The issue of the South China Sea is seen as the struggle for resources and the fight for navigation power over the Malacca Strait, besides the sovereignty issue. From the

resources perspective, China has seen the end of the era of domestic self-sufficiency in oil, and it has turned to offshore areas. The South China Sea, which is expected to produce abundant resources, is certainly a target of Chinese global energy hunting. In terms of navigation power, the sea-lane along the Malacca Strait is a conduit for almost all the imports of the oil but is patrolled by the US Navy. Furthermore, there are two potential island chains in the maritime periphery which could be used by the US as ocean barriers to contain China. If China wants to break through the encirclement, it needs to control the Malacca Strait and the South China Sea. Therefore, the maritime track has significant meaning for China's energy security and surrounding security.

In contrast, the cooperation in the land track between continental ASEAN economies and China's Southwest provinces is more involved in the consideration of energy transportation, in addition to fostering economic growth of these less developed economies. Since the South China Sea is a complicated issue with the overlapping claims and the sea line involves the US presence, this route could not be considered as reliable given China's weak naval force. If Beijing could open land transportation corridors linking its western part, through either Myanmar, Laos, Thailand, Cambodia or Vietnam, with the energy-abundant Middle East and Africa, it may help China cut the transportation period and costs, and solve the Malacca Dilemma. Therefore, the significance of GMS projects for China rests on the role of the GMS states being not just economic but also transportation corridors for China's external trade.

For these reasons, the Southeast Asian countries are the key target of China's new security theory, in which regional security and economic security dominate. Notably, the new concept was initially enunciated at the 1997 ASEAN meeting. Furthermore, China's new security theory introduces the concepts of cooperation security, multilateral

dialogue, confidence-building structure and peaceful solution to international conflicts. Beijing government states that regional security can be reached only through neighbourly mutual efforts. The thinking of cooperation security with the exclusion of external interference does not contradict the ASEAN norm. On the contrary, the key ASEAN documents, including the Bangkok Declaration of 1967, the Zone of Peace, Freedom, and Neutrality Declaration of 1971, and the Treaty of Amity and Cooperation in Southeast Asia of 1976, are replete with the rejection of outside interference, the promotion of regional stability and the denunciation of use of force. In regard to this point, both China's new security theory and the ASEAN norm may form a common ground for bilateral coordination.

Indeed, China–ASEAN engagement will serve as a helpful trial and practice of China's new security concept. This study further deduces that the ASEAN–China Free Trade Agreement is another example that economic statecraft of regional economic mechanism comes into play for security objectives in the absence of an explicit security course. The intensified building of economic framework in ASEAN–China relations is expected to work as a security platform to produce stability in the South China Sea and promote the alternative transportation corridors towards the Indian Ocean.

For ASEAN, they respond to Chinese strategy by uniting with external powers while trading with China. This reflects a situation that few ASEAN states are ready to accommodate China, which grows so rapidly, and meanwhile, few are determined to isolate their neighbour by entirely leaning on the outsiders. The US is the most powerful stakeholder among the external actors. They have acknowledged that tense relations between China and its neighbours may create an opportunity for them to exert influences,

so that they are not reluctant to use the historical controversies between the Southeast Asian states and China to reap their own benefits.

Washington has created a stake in the Southeast Asian security. Thailand and the Philippines are their formal treaty allies; Singapore is a close security partner and an important host to military assets; the military-to-military links with Indonesia have been restored, and relations with Vietnam have also showed enormous potentials. However, Washington has been accused of employing unilateralism without respecting ASEAN's interests. Since the 2001 terrorist attack, the Bush administration has labelled Southeast Asia the 'second front' in the war on terror, and Washington persuades these countries to line up with them in the war on terrorism, in the ignorance that this may cause problems for these states whose majority population are Muslims. Balancing these negatives is the significance of the US military presence, which ASEAN expects to contain China's expansion in the area, and the remarkable trade and investment connections between the United States and the Southeast Asian states.

In contrast to the United States, China has made great efforts to create incentives to the Southeast Asian neighbours. The incentives rest on China's phenomenal economic growth and tailored diplomacy, by burgeoning trade networks and developing multilateral mechanisms, with the expectation to exclude external intervention and leave little space for the US ambition. However, Chinese leaders view their influences as growing but far from being able to dominate the region. Both external and internal factors limit their behaviours. First, China's development relies on the continuous economic growth, which in turn is based on the exports of abundant manufactured products. The US is a key export destination, meaning that much of China's position as a leading economy rests on American consumers unless China finds alternative markets.

Furthermore, taking into account that the United States invest many times more in ASEAN than China, and that the supplies of critical resources to Chinese market heavily depend on the sea-lanes of communication patrolled by the US navy, it is unlikely that Beijing are able to challenge the US position in Southeast Asia at this moment.

Second, since the Deng Xiaoping era, Chinese foreign policy has been associated with cautious efforts to build comprehensive national power at home while avoiding high profile abroad. His successors so far have been steadfastly following his rule, setting high priority on nurturing relations with potential allies, including the Southeast Asian states, and on dealing with the US power not through confrontational tactics, but through multilateral cooperation approach, in order to steer US policy in directions not adverse to Chinese interests. To this end, China calls for the promotion of regional trade to surpass the World Trade Organisation that is created and manipulated by the West. The establishment of ASEAN–China Free Trade Area and the Greater Mekong Sub-region are sound initiatives for regional economic cooperation. In addition, China proposes that the regional financial organisations such as the Asian Development Bank should play a bigger role so as to reduce the reliance on the World Bank and International Monetary Fund. The heads of ASEAN Plus Three have agreed to establish the 'Foreign Currency Reserves', in a joint effort to deal with the current global financial crisis, which is considered to be a significant step towards regional financial integration in the future. From this perspective, ASEAN and China, share the interests of promoting economic stability and growth through coordination. The China–ASEAN Free Trade Agreement is exactly a product of joint efforts to shape regional security through economic mutual prosperity, though this could not eliminate all concerns immediately.

Chapter Eight: Comparison with regard to China–Africa and China–ASEAN Engagements

The year 2006 witnessed two high-level diplomatic summits held in China: the China–ASEAN Summit of 30–31 October at Nanning and the China–Africa Summit of 4–5 November at Beijing. The China–Africa summit of 41 Heads of State coincided with 50 years of diplomatic relations with the first African partner, Egypt in 1956. Not only were giant photographs of spectacular African scenery shown all over Beijing, but the media also gave exceptional coverage to advertise the theme of the summit: friendship, peace, development and cooperation. The summit resulted in the Beijing Action Plan (2007–2009), enveloping massive economic exchange and assistance. At the China–ASEAN Summit, which marked the 15th Anniversary of China–ASEAN dialogue relations, leaders of China and ten members of ASEAN attended the conference and drew up a blueprint for future cooperation.

It seems that 2006 might be a significant year for an analysis of China's diplomacy, and the two summits in particular offer a channel for China's engagements with Africa and ASEAN in terms of international relations. As the previous chapters suggest, both are important research subjects in Beijing's diplomacy, demonstrating how China fosters the South–South cooperation to ensure its interests, and how China uses economic statecraft to support the pursuit of a new security concept. This thesis contributes to this trend of research and makes its own contribution from the direction of national security studies and the theory of economic statecraft, leading to the following conclusions.

8.1 Both Africa and ASEAN are important partners in China's South–South cooperation

South–South cooperation refers to cooperative activities between the newly industrialised southern countries and other lesser-developed nations of the southern hemisphere on the basis of similar historical experiences and mutual tasks after independence. Such activities include developing mutually beneficial technologies, services and trading relationships, which aims to promote self-sufficiency among southern nations and to strengthen economic ties among states whose market power is more equally matched than the asymmetric North–South relationships (South–South Cooperation Defies the North, 2006).

At the global level, the Group of 77, established in 2000, is considered one of the biggest international organisations of South–South cooperation, serving as the broadest mechanism for consultation and policy coordination among the developing countries. Also, the UN Development Program and participating countries decided to set up the South–South Cooperation Fund, which supplemented unilateral efforts by individual nations such as China, India, and Brazil to assist lesser-developed southern nations. At the regional level, the largest integration effort in terms of the number of countries is the 52-member African Union (AU). The highest legislative and representative organ of the African continent may envisage the eventual formation of a common market with shared political standing. In Asia, the 10-member Association of Southeast Asian Nations (ASEAN) continues to be a leader in South–South cooperation, pursuing increased readiness in the region. In South America, the 12 nations of the South American Community have been working on boosting economic integration and political cohesion in the region. In Latin America and the Caribbean, the four-member Andean Community

has taken effect. Individually, certain states, long considered as recipients of Western inputs, are now emerging as outwards donors to other southern nations.[67]

With these efforts, over the past 25 years, South–South cooperation in trade has been expanding faster than international trade. The average annual growth rate of exports within developing countries during 1995–2005 was no less than 11 per cent, in comparison to only 6.6 per cent for the whole world (Mehdi, 2008: 1). Other data showed that in 2005 over 40 per cent of the developing states' exports were themselves headed to other developing partners (South–South Cooperation Defies the North, 2006). Furthermore, the concept of South–South cooperation is no longer limited to a government driven model of economic collaboration. Instead, it has incorporated political coordination to improve the political status and the security environment. These areas of collaboration encompass intelligence sharing and the promotion of equality in the international community. If the South grows with less dependence upon the North for their economic well being, the deeper interdependence among the Southern states may help unite them further, and then amplify into a single voice on issues of importance to the developing states, such as reform of international institutions to create a more equitable world order. From this perspective, the strategy of South–South cooperation is more than just an option, but an imperative for the developing countries to meet their common concerns, which in turn may alter the global balance of power.

In China's case, it always considered its relations with other developing partners as the foundation of its foreign policies. China and these developing states share common historic experiences and are faced with the common tasks of preserving national

[67] Official figures showed that Chinese foreign investments rocketed from USD 2.5 billion in 2002 to around USD 20 billion in 2007, ranking them top among developing countries.

independence and achieving economic development. The principle of promoting economic cooperation with developing countries includes: equality and mutual benefits, stress on practical results, variety of forms, common development. As the biggest developing country, China not only pledges to help other developing countries promote economic development and improve people's livelihood, but also it calls for the international community to set up an effective oversight regime and ensure the fulfilment of the Millennium Development Goals. The assistance in five areas, including taxation, debt relief, concessional loans, public health, and human resources development, has been made.

In the post-Tiananmen era, South–South cooperation for China is not just the promotion of economic growth, but a solution to the West's dominance in international system. There are two steps: the first step is to break through the West's political isolation by allying with other developing countries which show understanding on China's policy on human rights; and second is to create a multi-polar world system to elevate the position in the dialogue with the West and then to skip the US-led West's encirclement. According to a policy paper Beijing government clearly stated that:

> The numerous developing countries should strengthen solidarity, closely cooperate in international affairs and coordinate with each other. They should take an active part in formulating the rules of game in international economic field, propel the reform of the international, financial and trade systems and strive to win over the right to equal development…only through uniting themselves, can the developing countries elevate their position in the South–North dialogue and preserve their own interests to the fullest possible extent in the process of globalisation (China's Stand on South–South Cooperation, 2004).

China's cooperative strategy in the South region appears to be proceeding as a long-term foreign strategy, and this strategy has been deeply reflected in China's bilateral relations and its regional cooperation. China has shown good-will initiatives and built multilateral networks in the regional sphere, with the Shanghai Cooperation Organisation, the Association of South East Asian Nations and the Greater Mekong Sub-region, and in the global areas with the far African continent and Latin America. Both Africa and ASEAN are included to be crucial counterparts.

8.2 ASEAN and Africa both embody the employment of economic diplomacy, but have differed in the means of economic statecraft

South–South cooperation has been assured its role as a viable feature in China's foreign policy, and the Chinese government has associated the application of its Southern engagement with pragmatic economic diplomacy. For China, strengthening unity and cooperation with other developing nations is the standpoint of China's independent foreign policy of peace, and economic diplomacy with developing nations has always been an important component of China's overall diplomacy.

China has been mobilising economic resources for both economic and non-economic purposes, with the assumption that a developmental South–South political forum with proper development assistance in place will be more than sufficient to access the developing world, mainly through the provision of foreign direct investment and financial aid. In terms of FDI, Chinese national and private firms have started investing abroad. The 'going-out' strategy in the 1990s and a subsequent official plan for the internalisation of private and public firms in 2002 have caused the spread of Chinese

companies overseas. Some have been exploring distribution networks for their own brands in the international market, while others have been in the process of acquiring or merging with multinational companies. The stock of China's outward FDI is more geographically concentrated. It is mostly acquisitions in neighbouring Asian countries and resource-rich parts of Latin America and Africa.[68]

Also, China has shifted its role from receiving to giving foreign aid. This transformation from a development aid recipient to an impressive donor is a recent development and a significant mark of its diplomacy towards the South. Since the 1990s, China has not only increased the amount of aid commitments but also expanded the coverage to include more recipient countries. It has provided material, technology and capital assistance to developing states and removed the debts of certain African, Asian, and Caribbean countries. A recent report shows that if loans and state-sponsored investment are included, up to 2007, China had pledged a total of USD 31 billion economic assistance to the Southeast Asian, African and Latin American states, a threefold increase compared to 2005 and 20 times greater than 2003 (Lum, 2008: 33).

This thesis reveals that Beijing has been trying to reinforce the dialogue with Africa through the means of FDI, and foreign aid in particular. There is a growing interest in Africa as an investment location, in part because of the complementary nature of economic development between Asian and African countries. Traditionally, FDI flows from developing Asia to Africa were mainly from the Asian newly industrialising economies (Hong Kong SAR, Republic of Korea, Singapore, and Taiwan Province of

[68] By the end of 2005, Asia, Latin America and Africa accounted for 71 per cent, 20 per cent, and 3 per cent of the FDI stock, respectively. It should be noted that, despite the media buzz, China's outward FDI is still relatively small—the stock accounts for only 0.6 per cent of the world total at the end of 2005 (Morck, Yeung and Zhao, 2007: 2, 4).

China). In recent years, however, China has become a significant source of FDI. Chinese-funded enterprises in Africa operate in many different areas ranging from trade, processing, manufacture, transportation and agriculture, to resources development. The main destinations of Chinese cooperation and investment flows are Angola, Nigeria, Sudan, Uganda and South Africa, all countries with large natural resources.[69]

In terms of foreign aid, China started economic assistance to Africa almost at the same time with the West. In the past China's aid was loaded with the core task of ideological-exportation, whereas there are now clear signs that China's assistance has replaced the ideological approach by an economic initiative. Meanwhile, with the rapid growth in its economic capability, China correspondingly increases the scale of its overseas aid and diversifies the forms to the inclusion of commercial loans and debt reduction. A difference from the traditional Western donors is China's approach to grant financial aid, which is channelled not through a development agency but through a national policy bank – the Export–Import Bank of China, which accounts for the majority of Chinese commercial projects in Africa. The policy bank provides three major financing tools in the African area:

- Concessional loan: mainly in sub-Sahara Africa region and focussing on infrastructure, agriculture and social development.
- Export credit: focussing on infrastructure and industrial projects, to try to promote trade relationship and provide efficient contracting services.
- Investment loan: focussing on energy, mining and industrial sectors.

[69] Sudan is the largest recipient (the 9th largest recipient of Chinese FDI worldwide), followed by Algeria (18th) and Zambia (19th) (Asian Foreign Direct Investment in Africa: United Nations Report Points to a New Era of Cooperation among Developing Countries, 2007).

In contrast to commercial loans, the media gives almost no attention to the significant assistance in public sectors such as medical and education, which indeed imply another difference in Beijing's approach from the Western donors. In 2006 there were claimed to be almost 1,000 doctors and nurses from China in no less than 36 African countries. The range of treatments includes training in traditional Chinese medicine, clinical medicine, disease prevention and management of rural medical services. In the sphere of educational exchanges, the African student is the recipient for about one-quarter of the total China Scholarship Council awards, and Beijing has decided to increase the number of African students on government scholarships to at least 4,000 by 2009, which will make Africa the recipient of no less than half of the total official scholarships (King, p. 8–9). In addition, China has cancelled nearly USD 1.3 billion in debts owed by 31 African countries, abolished tariffs on 190 kinds of goods from 29 least developed countries in Africa and promised to do so for more than 400 goods (Berger and Wissenbach, 2007: 2).

In the ASEAN case, although China has long endeavoured to push investment in the Southeast Asian region since the 1990s, and in 2006 it announced to provide USD 5 billion in preferential loans to Chinese companies starting business ventures in the ASEAN countries, still, EU, Japan and the United States are the major investors.[70] With regard to foreign aid, though China becomes a significant aid-provider to certain ASEAN states like Myanmar, Laos and Cambodia, for ASEAN as a whole, China still provides relatively little official development assistance in comparison to the United States and

[70]During 2002 to 2006 China's total FDI to ASEAN only accounted 1.3 per cent of total FDI to ASEAN, making China the tenth overall source of ASEAN. In a single year of 2006, the USD 937 million of Chinese investment only contributed to 1.8 per cent of ASEAN's FDI inflow (China's Foreign Policy and 'Soft Power' in South America, Asia, and Africa, 2008: 95–96). During the period of 2002–2006, EU, Japan and the US were the top three investors to ASEAN. In 2005 alone, the primary sources of investment into ASEAN were the United States, Britain, Japan, France and Finland.

Japan. However, the volume of bilateral trade has increased on a year-on-year basis. ASEAN is the fourth biggest trade partner for China, and China is the third biggest trade partner for ASEAN. Looking back over the past 15 years, bilateral trade has increased over 20 per cent annually. The China–ASEAN trade volume is now 15 times the 1991 figure, when China initiated diplomatic ties with all members of ASEAN. The increasing trade ties in the background of global economic downturn may result in a deeper integration, which in turn strengthens China's role to regional economy. Therefore, the study defines that economic resource of China on the substance of bilateral relations is mainly on the basis of a comprehensive economic network on trade, promoted through the Free Trade Agreement. China's role as a centre of economic gravity and a potential market with business opportunities is formulating in a multilateral framework of free trade agreement.

It has turned out that China has adopted an increasingly active and pragmatic economic diplomacy to the relations with Africa and ASEAN. Through trade, the Beijing government has maintained an economic connection with ASEAN. Through FDI and massive aid in the various African sectors, including infrastructure, energy and public sectors, China has rooted itself into African economy.

8.3 Both the ASEAN and African cases suggest that economic statecraft may serve national security, but they differ in primary drivers.

Economic diplomacy, defined as inter-state economic relations manifested through either firm-specific or government-conducted activities, carries certain distinctive elements of political and diplomatic overtures. The economic-diplomatic activities therefore cannot be conceptualised as pure market-based transactions; instead, they should be viewed as

institutionally mediated interactions between different nation-states that go beyond profit maximisation and economic efficiency (Yeung, 2004: 3). Both the engagements with Africa and ASEAN are useful illustrations that economic statecraft may serve national security interests. A combination of multiple motivations pushes the engagements and drives the establishments of such mechanisms as Forum on China–Africa Cooperation and China–ASEAN Free Trade Agreement. The differences lie in the approach which has been used and the nature of the primary driver.

In analysing the presence of China in Africa, it should be noted that for certain countries in the continent, China has cooperation credentials which may be traced back to the 1950s. While Premier Zhou Enlai recognised the positive role of the developing world in the anti-imperialist movements, after a debut in the Bandung Conference of 1955, China endeavoured to influence Africa through dispatching technicians, providing military training as well as economic and infrastructure aid. However, if some argue that Africa provides a showcase to demonstrate China's main foreign policy themes – anti-colonialism, People's war, and North-South economic injustice – in the current debate on China in Africa, commercial interests are ultimately to dominate China's emergence, taking note of Chinese national controlled companies in the construction and resource extraction sectors, as well as private firms in the light-industries like apparel.

This study further argues that the energy security is a primary driver. On the one hand, China's hunger for energy is a widely known global phenomenon. China contributed for half of the global energy consumption growth. On the other hand, compared to other oil-producing areas like the Middle East and Central Asia, where military conflict is experienced, the African energy sector has involved less power intervention and is open to foreign investment. Africa has become the second largest energy exporter to China.

The oil supplies from the African countries have increased to no less than one-third of China's total oil imports, growing from only 11 per cent in 1995. Angola, the second-largest oil-producing country in the continent, exceeded Saudi Arabia to become the top oil supplier in 2006, providing 17.46 per cent of China's oil imports. To this end, the foreign assistance in Africa is crucial in China's ability to ensure the resources supplies. Chinese oil companies have strong support from the Beijing government and the national policy banks. The former provides foreign aid to African public sectors to promote bilateral political relations, while the latter, such as the Export and Import Bank of China, offers soft loans to finance these commercial projects.

In addition to Africa, Southeast Asia is considered one of the most important Third World areas to China. When discussing China–ASEAN bilateral relations, the US factor cannot be ignored, since the United States have massive security interests in the area. Scobell and Wortzel (2006) put these interests in this way:

> These interests include freedom of navigation through the region and ensuring protection of the sea and air lines of communication, keeping the area open to free trade and investment, promoting the rule of law and values such as democratic institutions of government, human rights, and religious freedom, and supporting America's treaty allies and friends in the region (Scobell and Wortzel, 2006: 286).

In this study, the United States' core interests are defined as ensuring the manipulation of navigation across the Malacca Strait, and stretching China's development space. The Southeast Asian area therefore encompasses strategic significance for China's regional security, serving as a regional platform for China's participation in international politics and a foundation for China's economic rising. In addition, considering that the Malacca

Strait is the most important channel of Chinese materials circulation, this region matters to China's economic security.

However, the political relations with ASEAN might not be seen as positive. China used to finance the Communist insurgencies in the region, which led to antagonism between the two sides and resulted in concerns about China's ambitions. Thailand, Malaysia, Singapore, Indonesia and the Philippines formed ASEAN in order to contain Communist influence. In recent years, China's military seizure of Paracel Islands and Mischief Reef, exploration activity of natural resources in the South China Sea, and the growing military expenditures caused more anxieties. To improve the situation, China called for regular high-level meetings between governments within the mechanisms of ASEAN plus One, ASEAN plus Three or East Asia Summit. On the economic sector, China advocates the promotion of regional trade with an assumption that regional economic interdependence may come to political accommodation in the end. The establishment of ASEAN–China Free Trade Area is an initiative for regional integration, by which China may bind their economic interests with ASEAN's so as to contribute to its regional and economic security.

8.4 Conclusions

During the past decades, South–South cooperation maintains its momentum thanks to integrative movements in global and regional economic communities. Intra-regional bodies such as the African Union and ASEAN have emerged and played active roles in facilitating intra-regional exchanges. The new trends in South–South cooperation have risen as an illustration of the delivery of development assistance and foreign direct investment between the Southern states, weakening the traditional role of the Northern

states as financial sources. China's sense of South–South cooperation is not confined to conventional government ties, but seeks to promote a community of the Third World in international affairs, mainly through the promotion of economic interactions between developing states.

China has actively promoted interaction with the African Union, ASEAN, Arab Union, and the Latin American states at the contemporary stage. The engagements with ASEAN and Africa are rather impressive from the perspective of policy analysis, due to the features of the two cases: first, both cases see the establishments of a mechanism to push bilateral cooperation – Forum on China–Africa Cooperation and China–ASEAN Free Trade Agreement; second, since China's security situation at the current stage clarifies the priority of regional security and energy security, the energy-abundant Africa and the neighbouring ASEAN are target audience for China's security concept; and third, in both cases, the universal strategy is the growing employment of economic statecraft, with foreign aid in Africa and with free trade agreement in ASEAN. In the African case, we may see an aid-for-economic security approach, whereas in the ASEAN scenario Beijing aims to enhance regional security. From this perspective, the study entirely verifies the Hypothesis II that in the Africa and ASEAN scenarios, economic diplomacy has been used to support the achievement of a different security concern of China's security concept, but the means of economic diplomacy varies by region.

Chapter Nine: Conclusions

In the first section of this general concluding Chapter, the whole thesis will be summarised, and in the second section the findings for the three research questions will be systematised. At the end, recommendations to further researches on China's economic diplomacy towards Africa and ASEAN will be made.

9.1 Summary of the thesis

The aim of this thesis is to study the intertwined correlation between economic statecraft and national security, taking China as a research focus and considering the application of economic statecraft on the strategic partnerships with Africa and ASEAN at the contemporary stage. In Part I, the thesis establishes the theoretical frameworks of national security and economic statecraft in Chapter Two and Three respectively. The two conceptual chapters individually lead to two hypotheses that for a rising economy like China, the focus of government work on economic development influences China's security concept which highlights the role of economic security; and on the pursuit of security interests, China's foreign policy of a peaceful rising leads China to use soft economic diplomacy instead of hard power, though the role of economic diplomacy could vary by region.

Then Part II and Part III are employed to testify the hypotheses. Part II starts with China's security concept in Chapter Four and the role of economic statecraft in China's diplomatic history in Chapter Five. The analysis on China's security concept reveals that for China, economic security has indeed increased its weight given its significance to China's political security and social stability, but military security in the regional sphere

is still prominent, which validates Hypothesis I. Also, the argument on China's use of economic statecraft indicates that since its founding in 1949, economic diplomacy has been used as a political, rather than just an economic policy. The forms of economic diplomacy have expanded with the inclusion of foreign aid and trade agreement, and the objectives of economic diplomacy have evolved from the ideological ends of the past to the security interests of nowadays.

Part III further tests Hypothesis II through the studies on the strategic relations between China and Africa and between China and ASEAN, given the significance of these two counterparts to China's security thinking and practice. Chapter Six on China–Africa engagement identifies that the importance of African countries lies in their impressive role as resource suppliers to China's rapid-growing economy, in addition to the roles of commercial and diplomatic partners. A sustainable resources supply is a crucial condition for China's economic security. The creation of the Forum on China–Africa Cooperation is expected to increase political exchanges at the same time as fostering economic transactions in resources through the means of economic incentives, particularly by massive foreign aid. In comparison, Chapter Seven on China–ASEAN engagement argues that the current plan of a free trade agreement is an example of economic incentives employed to compensate the potential negative consequences of the South China Sea dispute with the maritime ASEAN members, and to promote the transportation corridors as an alternative to the sea line for cargo supplies through the continental ASEAN members. From this perspective, the engagement with ASEAN has remarkable relevance for China's economic security, and regional security in particular.

It appears that both Africa and ASEAN are important counterparts to assist China's national security. The difference lies in the dominant means and the primary driver:

foreign aid for economic security in Africa, whereas trade agreement for regional security in Southeast Asia. As a result, the thesis entirely verifies the Hypothesis II that at least in the African and ASEAN scenarios, the strategy of economic diplomacy has been serving national security interests in the absence of specific security mechanisms, though the specific approach of economic diplomacy varies.

9.2 Systematising the findings for the research questions

The thesis is structured according to the three research questions and provides discoveries in the corresponding chapters.

Question One: how should we understand China's thinking on security in its contemporary stage; and what role does economic security play in China's national security thinking?

The thesis discusses China's concept of security from two perspectives: to picture the theory of national security in Chapter Two and to explore China's security situation at the contemporary stage in Chapter Four. The theory of International Security stems from the Second World War, and has gone through an evolution from a conventional conception to the new theories as a result of the changes in global security environment. The new security is defined as a multi-faceted notion, including military security, political security, economic security, societal security and environmental security, in contrast to the traditional security theory dominated by military security only.

In applying the new security framework on a specific scenario of China, this thesis indicates that in the post-Tiananmen era, military security in the neighbouring sphere,

along with economic security particularly with the inclusion of energy security are considered as the core of the Chinese security framework. Since the 1990s, Chinese diplomacy has shifted the focus from the superpowers, the Soviet Union and subsequently the United States, to the regional level, especially the surrounding area, not just because this area constitutes a crucial context for Chinese development nowadays and for its rising in the future, but because there are numerous security threats in this area. First is the territory issue. The reunification with Taiwan is remote, and the territorial and resources struggle over the Diaoyu Islands (the Senkaku Islands) and the East China Sea with Japan, and the South China Sea with certain Southeast Asian states remain unsolved. Since the financial crisis of 2008, these claimant states intensify the struggle and military escalation appears imminent. Second, the US containment policy towards China in the area embodies the first islands chain in the Asia Pacific Ocean, the military presence in Japan and South Korea, and the military influence in the Southeast and South Asian states, including Thailand, the Philippines, Singapore, Malaysia, India, Pakistan and Afghanistan. Given these factors, regional security with military predominating in the Chinese scenario must be taken seriously.

At the same time economic security has become prominent. From the Eleventh Committee Conference of the Chinese Communist Party in 1978 to the Seventeenth Representative Conference of the Chinese Communist Party in 2007, economic development has been identified as the core of government work. Whether to keep a sustainable development and state power is not just the matter of economic security, but involves the political security of the ruling of the remaining Communist party. With the existence of state failure like official corruption and institutional inefficiency, if the party failed to promote economic growth in the less developed provinces and to narrow the

economic disparity in the society, both legitimacy and capability of the ruling party is questioned.

Furthermore, this thesis acknowledges sufficient energy inputs are the key to ensure economic security. China's energy security lies in two aspects: supply and transportation. The Middle East area is the biggest oil source to Chinese market, contributing to around 45 per cent of its total imports in 2006. However, the US-led military attacks on Iraq compelled China to terminate the already-signed oil contracts with Iraq, and the US allied relations with Saudi Arabia as well as the antagonistic status with Iran forced China to diversify the supply channels, turning to Africa, which increased their share to around one-third of total imports in 2006. Furthermore, transportation is another issue. The US navy dominates the sea-lanes from Shanghai to the Straits of Hormuz through which half of China's oil supplies must pass, and around 80 per cent of Chinese oil imports are shipped through the Straits of Malacca, which is a natural target of terrorists and an interdiction point in the prospective conflict. The territorial disputes on the South China Sea further complicate the sea line, which is seen as the 'Malacca Dilemma'.

For these reasons, Chinese thinking on security at the contemporary stage emphasises military security on the surrounding area and economic security, energy security in particular. It is certain that economic security plays a key role in China's security concept, but the rising significance of economic security has not undermined the importance of military security.

Question Two: what is distinctive about the Chinese model of economic statecraft?

The thesis explores the Chinese mode of economic statecraft from two aspects: to introduce the theory of economic statecraft in Chapter Three and to present the Chinese mode of economic statecraft in Chapter Five. Chapter Three adopts Baldwin's definition of economic statecraft as a combination of economic incentives and economic sanctions, and indicates the preference of incentives to sanctions. For China, economy diplomacy is seen as the policy efforts to maximise the political interests or to advance the economic exchange. Both economic sanctions and economic incentives have not been used solely as an economic policy, but also as a policy instrument for China's strategic objectives. The thesis analyses the role of economic statecraft in Chinese diplomacy since the founding in 1949, by dividing the process into four stages: from 1949 to 1978, from 1978 to 1989, from 1989 to 2001, and from 2001 until now.

In the first stage, Beijing changed its political role from a steadfast ally of the Soviet-led bloc, an isolated state confronting with both superpowers, to a political partner of the United States in containing the Soviet Union in the East Asian region. The power calculation of the two superpowers determined the direction of China's foreign policy. In order to place itself in the international community, China offered diplomatic collaboration to Africa and provided massive foreign aid in order to sustain the relations. The assistance to Africa was considered as an initial attempt of China's economic diplomacy by the means of foreign aid.

In the second stage from 1978 to 1989, the reparation of China–US relations and the subsequent relief on China's global political environment enabled Beijing to pay more attention to economic work. Diplomatic efforts were designed to improve relations with

the West in order to attract the investments and technologies. Economic statecraft in this stage was mainly inwards, evidenced in FDI and foreign aid flowing from the West to China.

The Tiananmen incident of 1989 was widely known as a turning point in Chinese diplomatic history. Since then, in order to break the Western isolation, Beijing has actively coordinated with other Third World countries. South–South cooperation again dominated the Chinese diplomatic agenda. Furthermore, after the disintegration of the Soviet Union, the United States has been taking the engagement while containment policy towards China's growing: Washington engages with Beijing when China's rise is still modest, whereas it will take the containment strategy if it considers such a rise to be a potential threat for US interests. Good neighbouring relations appeared critical to deal with the US encirclement by forming a regional foundation. Regionalism therefore became another feature of China's diplomacy in the 1990s. Moreover, economic statecraft has been used to complement these diplomatic objectives. Massive commercial contracts were signed with the West, which was expected to dismiss the critique over Chinese human rights records, an increasing number of investments flowed into Africa and Latin America to strengthen the South–South cooperation, and a trade framework was proposed to the neighbouring Southeast Asian and central Asian states, which aimed to drive regional solidarity. From these perspectives, economic statecraft in this period was used to assist the political end.

In the fourth stage since 2001, several factors, including the WTO membership, the Iraqi War and the anti-terror war, caused new concerns on Chinese security. On the one hand, both the access to WTO and the Iraqi war imposed challenges on China's economic security, forcing China to diversify the strategy in three aspects: the energy hunt and

market expansion are initiated worldwide; the political privilege of being a permanent member of the United Nations is used to protect the resources-suppliers and trade partners; and economic incentives are taken to smooth these transactions. These lead to a conclusion that economic statecraft has served China's economic security. On the other hand, in the name of anti-terror battle, the US enhances its military presence in China's South and Southeast sides by stationing military force or holding military exercises with the neighbouring states, which imposed direct threats to China's surrounding security. To relieve the situation, China called for all-round cooperation with the Southeast Asian neighbours, and increased political contacts with the Southern states such as Afghanistan, Pakistan and India, by resorting to the platform of SCO. Moreover, China proposed the free trade agreements with ASEAN and SCO members, with the purpose of collaborating with the neighbouring states through economic incentives. From this perspective, economic statecraft has started to serve security interests at the regional level.

Through the four-stage analysis, two distinct styles of Chinese economic statecraft have been identified. First, the forms of economic statecraft have been diversified, noting present incentives of trade agreements with the ASEAN and SCO members and foreign aid to Africa. Second, it serves for national objectives. Chinese diplomatic efforts have put the focus on the surrounding stability and economic sustainability, going through the protection of national independence before the 1970s, the provision of conditions for economic development in the 1980s, and the breakthrough of the Western political isolation in the 1990s. In each stage, economic statecraft has always been a complementary leverage to assist the achievement of national strategic objectives.

Question Three: how does China merge its economic statecraft and security objectives in practice and how do these objectives vary by region when comparing its differing approach in diplomacy towards Africa and Southeast Asia?

The thesis demonstrates the coordination between economic statecraft and security interests through the approach of cases analysis on Africa and ASEAN in Chapter Six and Seven individually. The discussion on China–Africa indicates that at the contemporary stage, China's engagement with Africa is not just driven by oil and other resource needs, but also by the strategic importance of the African continent. Diplomatically, China has historically considered the African countries as political allies. Especially after the Tiananmen incident, China became more aware of the role of Africa as a very reliable source of diplomatic support in the international community. Furthermore, in the commercial sector, economic expansion in China has created significant opportunity for Chinese state and private enterprises, which have been actively seeking new markets for their goods and investments. The pattern of recent Chinese commercial involvements in Africa can be characterised by the participation in infrastructure projects, global production networks and small-scale entrepreneurial investments. Moreover, the pursuit for raw resources, energy in particular, is recognised as the primary motivation. As long as Chinese economy is growing, the interest in the African continent will not wane, as many African countries have become the major contributors to China's resource demands and thus to China's position as a centre of world manufacturing. From this perspective, the African continent has great significance to China's economic security.

Given these motivations, under the mechanism of the Forum on China–Africa Cooperation, a combination of the frequent high-level diplomatic exchanges, the political

privilege of being a permanent member of the UN Security Council and economic statecraft is utilised to smooth relations and promote transactions with African counterparts. Economic diplomacy is an impressive strategy. Taking note of three symbolic events in China–Africa diplomatic history – the 'Eight Principles' on Zhou Enlai's Africa tour in 1963, 'Four Principles' on Zhao Ziyang's visits in 1982, and the Forum on China–Africa Cooperation in 2006, in each scenario, either the provision of the initial small-scope of infrastructure development or present action plan involving large-scale aid indicates the universal tool of economic incentives.

It appears that, just like other Western powers, China has used aid strategically to advance their interventions in Africa. Aid has taken the forms of financial investments in key development projects, debt relief, technical assistance, and tariff exemptions for selected products from Africa. Since China's main interests in Africa at the current stage are to secure energy transactions and boost foreign trade, economic incentives have supported the Chinese companies in securing resources contracts, and the strategy has been used as part of a financial package to assist the Chinese business overseas.

Chapter Six argues current China–ASEAN cooperation in two lines: with the maritime ASEAN and with the continental ASAN countries respectively. The maritime track is more associated with security significance, as it concerns the South China Sea issue, which is seen as the struggle for resources and the fight for navigation power over the Malacca Strait, besides the sovereignty issue. From the resources perspective, China has seen the end of the era of domestic self-sufficiency in oil, and it has turned to offshore areas. The South China Sea, which is estimated to produce abundant resources, is certainly a target of Chinese global energy hunting. In terms of navigation power, the sea-lane along the Malacca Strait is a conduit for almost all the imports of the oil but is

patrolled by US naval forces. Furthermore, not only has the US regular military exercises with the maritime states like Malaysia, the Philippines and Singapore, but also there are two potential island chains in the maritime periphery which could be used as ocean barriers to contain China. If China wants to break through the potential encirclement, a counter strategy is needed to build a defensive zone from Korea in the North, through the Senkaku Islands (Diaoyudao), Taiwan, Hainan Island, to the Paracels and the Spratly Islands, which requires the control over the Malacca Strait and the South China Sea.

Therefore, the maritime track has significant meaning for China's energy security and regional security, and Beijing is taking the dual approaches to deal with it. When Beijing issued a national law to legalise their claim and assigns force to protect the claim, it also called for diplomatic negotiation and offered the ASEAN member states a free trade agreement, trying to compensate for the harsh military strategy by economic incentives. Considering the increasing economic interaction under the Free Trade Agreement, it is expected that none of the claimants wish to jeopardise bilateral political relations given China's economic potential. As a result, the proposal of ACFTA is expected to keep the territorial dispute under control and to bind ASEAN's economic interests with China's so as to avoid the military escalation.

In contrast, the cooperation in the land track between continental ASEAN economies and China's Southwest provinces is more involved in the consideration of energy security, in addition to fostering economic growth of these less developed economies. Since the South China Sea is a complicated issue with overlapping claims and the involvement of the United States, the sea lane could never be considered reliable given China's weak naval force. If Beijing could open land corridors linking its western part, through Myanmar, Laos, Thailand, Cambodia and Vietnam, with the energy-abundant Middle

East and Africa, it may help China secure the energy transportation and reduce the costs and periods.

In the agenda of ASEAN–China Free Trade Agreement, China promises certain treatment exclusively for the continental ASEAN states, which are also members of Great Mekong Sub-region. Through the Asian Debt Reduction Plan of the Early Harvest Package, China has not only partially reduced or totally exempted Vietnam, Laos and Cambodia of the debts to China, but also offered duty-free treatment for goods flowing from or to the three states. Also, China has granted Most Favoured Nation status normally accorded only to WTO members to Vietnam, Laos and Cambodia, three non-WTO members. Furthermore, China has steadily become one of the largest sources of foreign aid to Cambodia, Burma, Laos and Vietnam. These incentives are expected to increase economic reliance of the less developed ASEAN members on the Chinese economy, in an effort to assist the construction of transportation lines.

The case studies on the two important counterparts of China demonstrate that the Chinese government has merged the employment of economic diplomacy with national security interests. Economic statecraft is adopted to promote the security interests but the specific approach is varied by region: to advance regional security through China–ASEAN Free Trade Agreement and to support economic security by foreign aid towards Africa.

9.3 Recommendations for further research

Over the past decades, economic reforms have transformed the Chinese system from an isolated and backward economy into a rapidly expanding one. The process witnesses

that Beijing has opened the economy to foreign investors and increased the interaction with the rest of the world. However, both China's leaders and people are still naturally suspicious of foreign powers, and they believe that the West tend to be reluctant to welcome China's rise in world affairs and would prefer to delay or obstruct its progress. Recent examples cited by Chinese include the Western boycott of the 2008 Beijing Olympic Games and the European leaders' meeting with the exiled Tibetan spiritual leader, Dalai Lama. Thus, China insists that they must proceed on the South–South cooperation and view an advanced economy as essential to respond to the North's hostilities.

In practice, China has repeatedly compromised on strategic issues as necessary to maintain economic growth, while they have engaged with other developing countries to respond to the Western challenges. On the one side, when strategic issues threaten to interfere with the national objective of economic growth, the Beijing government would take policies which allow growth to continue. This strategy supports the Chinese leadership's domestic objectives of maintaining the rule of the Communist Party and retaining social stability by raising living standards. This may explain why the Chinese government keeps restraint in Tibet and afterwards Xinjiang chaos. On the other side, by engaging with the Southern states, Chinese leaders have been pursuing a long-term grand strategy of creating a peaceful environment, both internationally and regionally, which allows China to build an economic foundation necessary to become an advanced economy. For example, in the recent G-20 Summit, China along with other developing countries such as India and Brazil called for reform of the international system to increase the representation and voice of the vast number of developing countries. Furthermore, Beijing has growing anxiety about the spread of colour revolutions throughout East European and Central Asia and it sees Washington's increasingly

assertive democratisation agenda as an attempt to subvert the one-party regime. The ties with other Southern partners are expected to keep the US-led democratic cloud away from China. In the years to come, the two-way strategies will continue to play decisive roles in China's diplomacy.

These economic imperatives and strategic challenges are leading China to expand its activities into different regions. As the thesis argues, one key motivation of China's outwards involvement is the need to secure access to energy and other resources necessary for continued economic growth. Another major motivation is to produce a peaceful environment, breaking the US containment strategy in the East Asian region first while seeking to expand Chinese political influence in the world afterwards. At the current stage this is concerned mainly with the regional sphere, especially on the neighbouring countries which could provide a foothold for US military actions. These two motivations determine that China will continue its diplomatic activism on the resources-abundant region – Africa, and the neighbouring region – ASEAN. The increasingly multi-faceted engagements of China in these two areas should be seen as an important part of China's growing global reach.

Moreover, on the pursuit of diplomatic activism on Africa and ASEAN, it is expected that the Chinese government will continue the strategy of economic diplomacy. For China, its intentions lie in energy security and a stable environment for economic growth, and it will not subordinate the economic aims to other goals. To this end, it devises more sophisticated means and swears by Deng's 24-character strategy.[71] Thus it should come as little surprise that China tries to avoid taking tough actions against the pariah states

[71] The 24-character strategies are to observe calmly, secure our position, cope with affairs calmly, hide our capabilities and bide our time.

and prefers soft powers to build diplomatic ties. In the two cases, the realisation of China–ASEAN free trade agreement is on schedule and the economic promises to Africa under the Forum on China–Africa Cooperation are under construction.

Indeed, reconciling international economics and international politics is a constant objective of economic diplomacy, and the political objectives of avoiding disputes and promoting economic development stimulate the use of economic diplomacy. Both the developed and developing countries are practising economic diplomacy in service for national interests. However, while China is seen as having enough budgetary means to extend economic diplomacy, its mode of economic diplomacy appears to be flawed and needs to be revised.

First of all, China's economic diplomacy towards Africa is problematic in two main ways: Chinese national companies are criticised of pursuing self-interests, and the government's aid programs are accused of having no conditions attached. In the first scenario, when Chinese businesses and manufactured goods flow into Africa, conflict over differing labour practices and market strategies have arisen. Chinese firms rarely employ local workers, which contributes little to local employment, and Chinese goods, textile in particular, flood African markets, stifling the markets which Africa are attempting to develop and set up factories across the continent. Also, Chinese companies are accused of working longer hours, working during local holidays and working overtime on weekend. These Chinese firms have already run into difficulties in countries such as Nigeria and Zambia, where local labours have expressed resentment over Chinese work practices and the resentment has caused small-scale riots against the growing presence of the Chinese. This is the result of the conflicts between companies' short-term commercial interests and state's long-term strategic gains. Solving these

situations has been difficult but includes communication between the conflicting parties before escalating further. Actually, if China could export certain technologies to Africa, such as practical agricultural bio-technologies, information infrastructure building and general telecommunications services, it would help the African industries to raise the standard of production, which in turn contributes to local economies and employment.

Furthermore, the soft loans from China without any restraint, being a financial alternative to the West, are seen as assisting some African authoritarian regimes to oppress the people, which cause failure in building African civil society. These financial supports lend the African leaders legitimacy both at home and abroad, blunting pressure on human rights and political transparency. In this scenario, Japan's Official Development Assistance Charter (ODA Charter) could be considered as a mode. [72] Under the Charter, Tokyo government must adopt positive economic diplomacy with the aim of encouraging recipient countries to improve democratisation and restraint in military ambitions, and it must use negative economic diplomacy when the political situation in the recipient countries is questionable. The ODA Charter, to a great extent, restrains Tokyo's aid policy if the 'universal value' was contradicted with national commercial interests. However, the charter would not affect the pursuit of commercial interests. If the government had to take punitive measures to show their position, it could soften the policy as soon as the situation improves, in order to avoid damaging bilateral relations

[72] The ODA Charter was first approved by the Japanese cabinet in 1992 and revised in 2003. Principles of ODA implementation include: full attention should be paid to trends in recipient countries' military expenditures, their development and production of weapons of mass destruction and missiles, their export and import of arms, etc., so as to maintain and strengthen international peace and stability, including the prevention of terrorism and the proliferation of weapons of mass destruction; full attention should be paid to efforts for promoting democratisation and the introduction of a market-oriented economy, and the situation regarding the protection of basic human rights and freedoms in the recipient country.

and economic interests. For China, to establish a meaningful difference from the moral failure of the European and the US predecessors on Africa, and to expect its economic diplomacy to play larger role, it will have to abandon the 'non-interference policy', and instead apply self-restraint on its current aid policy.[73]

Second, Beijing must acknowledge that economic diplomacy towards ASEAN should not be an effective solution on the South China Sea issue. Multiple players involved are the main reason: the United States, Japan, ASEAN and China. The parties can briefly be separated as China confronting with the groups of the United States, Japan and ASEAN. Any behaviour from China on this issue will immediately cause reactions from the United States and Japan, not just the Southeast Asian states. Among the actors, ASEAN is the most fragile in terms of influence although they are the direct claimants. Plus both the United States and Japan never anticipant to see the ownership of the South China Sea to China, a unilateral economic incentive to ASEAN certainly is not able to solve or even undermine the disputes.

Therefore a transitional and provisional solution must be explored without affecting the overall situation of the bilateral relations. Meanwhile, the solution should be in accordance with the international laws and regulations including the United Nations Convention on the Law of the Sea concluded in 1982, which states that all claimant states must settle the issue through peaceful means. However, when international law recognises the ownership of certain disputed territory, mere discovery is not sufficient to vest in the discoverer a valid title of ownership. Instead, the claim must be perfected by

[73] After years of protecting the pariah states from international pressure, since 2006 China has shown an increasing willingness to engage with the international community and has applied pressure on these governments to change their behaviour. Beijing pressurised the Sudanese government to accept peacekeepers from the AU and the UN, and it refused to allow Zimbabwe's president to take part in the opening ceremony of the 2008 Olympic Games.

continuous and effective acts of permanent occupation and settlement. Under the situation, Beijing should prevent the issue from deteriorating while increasing the presence in the water field, in order to create conditions for permanent occupation and settlement.

There are two-way approaches. First, the South China Sea is an economic ground, so the government could make preferential policies to encourage fishing, exploration, and scientific research. Fishery patrols should be followed to protect these civilian behaviours. China has dispatched the most modern patrol ship to the South China Sea, conducting patrols of the exclusive maritime zones in the water surrounding the Paracel and Spratly Islands. Such fishery patrols must be intensified and executed regularly amid a recent rising tide of disputes with neighbouring countries. An increasing number of civilian activities in the area are certainly useful and necessary to insert a Chinese civilian presence. Second, surging piracy off the Somali coast has increasingly threatened international shipping, including the Chinese merchant ships passing through the Gulf of Aden. A coalition of warships from eight nations, as well as from NATO and the US Navy, has operated anti-piracy escorts. This January the Chinese naval fleet arrived in the waters off Somalia to carry out the escort mission against pirates, and to provide information and necessary rescue services for the merchant ships passing through this area. Notably, the patrolling route starts from the Hainan Island of China, goes through the Paracels Islands, the Spratlys Islands, the Singapore Strait, the Malacca Strait, the Indian Ocean, and heads to the Gulf of Aden. Therefore it is expected that the unveiled goal of the Chinese mission is to register the military presence of the Chinese navy in the South China Sea, the Malacca Strait and the Indian Ocean, apart from fighting pirates. Such navy operations, in accordance with international law and the UN Security Council's resolution, should be made into a long-term action plan to increase Chinese military presence in the area.

Appendix I: Summary of Economic Sanctions Mentioned in the Chapter Three

Initial Sender	Target	Duration	Objectives
UK and League of Nations	Italy	1935-36	Withdraw Italian Troops From Abyssinia
United States	Japan	1940-41	Withdraw from Southeast Asia
USSR	Yugoslavia	1948-55	Rejoin Soviet Camp; Destabilize Tito Government
United States	Dominican Republic	1960-62	Cease Subversion in Venezuela; Destabilize Trujillo Government
United States	Cuba	1960-Present	Destabilize Castro Government; Settle Expropriation Claims
United Nations	South Africa	1962-1994	End Apartheid; Grant Independence to Namibia
United Nations	Rhodesia	1865-79	Majority Rule by Black Africans
UK and US	Uganda	1972-79	Improve Human Rights Destabilize Amin Government
United States	South Africa	1973-77	Improve Human Rights
United States	South Korea	1975-82	Adhere to Nuclear Safeguard; Avert Explosion of Nuclear Device
United States	Kampuchea	1975-79	Improve Human Rights; Deter Vietnamese Expansionism
United States	Nicaragua	1977-79	Destabilize Somoza Government; Improve Human Rights
United States	India	1978-82	Adhere to Nuclear Safeguard
United States	USSR	1978-80	Liberalize Treatment of Dissident
United States	Libya	1978-1999	Terminate Supports of International Terrorism
United States	Iraq	1980-2003	Terminate Supports of International Terrorism; Renounce Chemical and Nuclear Weapons
United States	USSR	1981-82	Lift Martial Law in Poland; Cancel USSR-Europe Pipeline Project; Impair Soviet Economic and Military Potential
United States	USSR	1983	Retaliation for Downing of Korean Airliner
United States	Iran	1984-present	End War with Iraq; Halt Attacks on Golf Shipping
United States	South Africa	1985	End Apartheid
United States	Haiti	1987-90	Improve Human Rights
Initial Sender	Target	Duration	Objectives
United States, Japan, W	Burma	1988	Improve Human Rights

est Germany			
United States	Somalia	1988	Improve Human Rights
United States	China	1989-persent	Retaliation for Tiananmen Square
United States	Sudan	1989-present	Improve Human Rights
United States and Japan	India	1998	Preventing From Nuclear Tests

Source: Hufbauer, Schott & Elliot, 1990:16-27.

Appendix II: Results of questionnaires:

The Author interviewed three groups of professionals: related Chinese scholars, related Western scholars, and diplomats working on bilateral relations. They are: Chen Shaofeng from the East Asian Institute, National University of Singapore, Termsak Chalermpalanupap from ASEAN Secretariats, Jorn Dosch from Leeds University, John Weiss from the University of Bradford, John Ravenhill from Austrian National University, Liu Xuecheng from the China Institution of International Studies under the Ministry of Foreign Affairs of PRC, and ten officials from the General Staff Department of the Central Military Commission.

Part I: Six scholars and diplomats: Chen Shaofeng – CXF; Jorne Dosch – JD; John Weiss – JW; John Ravenhill – JR; Termsak Chalerpalanupap – TC; Liu Xuecheng – LXC.

		CXF	JD	JW	JR	TC	LXC
Q1	In your country's elite opinion, China's image is mainly?						
	Positive			x	x	x	x
	Negative						
	Neutrality	x	x				
	No opinion						
Q2	In your opinion should China's rise be considered?						
	An opportunity	x	x	x		x	x
	A threat						
	A challenge				x		
	No opinion						
Q3	Where does 'China Threat' theory seem to you to be evident in?						
	Economic sector		x	x			
	Military sector		x			x	x
	Cultural						
	None	x			x		
Q4	Do you think China's military modernization is motivated mainly by?						
	The Taiwan issue		x	x		x	
	The South China Sea		x				
	The target internal separatism	x	x				
	To deter American hegemony		x	x	x		x
	Reasonable self defence						
	Others (please specify)		Japan				

Q5	Confronted with China's rapid economic development, the dominating strategy for ASEAN economies should be?	CXF	JD	JW	JR	TC	LXC
	Engage with China economically			x	x		
	Cooperate with China entirely	x	x				x
	Encircle China						
	Isolation						
	Others (please specify)					Develop the ASEAN-China strategic partnership for mutual benefit	
Q6	Can you rank these countries as stakeholders for the Southeast Asian region?						
	America	4	1	4	4	5	X
	ASEAN	1	3	1	1	1	X
	China	2	2	2	2	2	X
	India	5	6	5	5	6	X
	Japan	3	4	3	3	3	X
	Russia	7	7	6	6	7	x
	Others(please specify)	6	5			4: EU 8: Australia	
Q7	Which partners do you think are reliable and capable to lend supports when ASEAN is in crisis?						
	America		x	x	2	3	X
	China	x	x		3	2	X
	India				5	6	X
	Japan	x	x	x	1	1	X
	Other ASEAN members		x		4	4	X
	Russia				6	7	X
	Others (please specify)		EU			5: EU	
Q8	Among these countries, which do you think is more likely to bring negative impacts on regional stability in Southeast Asian area?	CXF	JD	JW	JR	TC	LXC
	America	x		x		3	x
	ASEAN	x					

	China				x	4	
	India					2	
	Japan					5	
	Russia					1	
	None		x				
Q9	As far as you know, how is America's influence in Southeast Asia?						
	Rising						x
	Declining			x		x	
	No change	x	x		x		
	No opinion						
Q 10	In your view, how relevance does American military presence to the security in Southeast Asian region?						
	Positive relevance	x	x		x		x
	Negative relevance			x			x
	No relevance					x	
	No opinion						
Q11	In your view, to what extent does the future of China-US relations impact on the China-ASEAN engagement?						
	Positive impact	x	x		x	50%	x
	Negative impact						x
	No impact						
	No opinion			x			
Q12	What percentage of the China-ASEAN partnership has political, economic and security motivation?						
	Political motivation	60%	40%	30%	50%	50%	x
	Economic incentive	35%	40%	70%	40%	40%	x
	Security consideration	5%	30%		10%	5%	x
	Others (please specify)					Cultural: 5%	
Q13	In your view, what percentage of Chinese and ASEAN economies are competitive or complementary?	CXF	JD	JW	JR	TC	LXC
	Competitive	50%	x	30%	20%	60%	x
	Complementary	50%		70%	80%	40%	x
	No opinion						

Q14	In your view, to what extent China-ASEAN Free Trade Agreement may affect ASEAN economies?						
	Highly benefit	x					x
	Fairly benefit		x	x	x	x	
	Negative benefit						
	No opinion						
Q15	What are the main factors that may promote China-ASEAN relations in the coming years?						
	Border stability, including South China Sea						x
	Economic mutual growth			x	x	x	x
	Promotion of East Asian Community	x	x				x
	Others (please specify)						
Q16	In your view, what could be the biggest obstacles for China-ASEAN cooperation?						
	Economic competitiveness						
	Border disputes, including South China Sea	x	x		x		x
	Fear of 'China Threat'			x	x		
	American factor					x	
	Others (please specify)						
Q17	In your view, what is the likelihood of a conflict over the South China Sea between China and other claimant states in the coming years?						
	High likely						
	Fair likely		x				x
	High unlikely	x				x	
	Unlikely				x		
	No opinion			x			
Q18	In your view, what is the likelihood of a conflict over the struggle for the navigation power in the Malacca Strait between America and China in coming years?	CXF	JD	JW	JR	TC	LXC
	High likely						
	Fair likely						
	High unlikely	x				x	

	Unlikely		x		x		x
	No opinion			x			

If you have other comments, please specify blow:

TC: It can be pointed out that China has learned about regional cooperation and multilateralism from engaging ASEAN. China's engagement with ASEAN has formed part of the core of China's peaceful rise. This we in ASEAN believe is beneficial to all in this region. Economic competitiveness is a fact of life. And business people always know how to work with one another to cash in on new opportunities. Trade, investment, tourism and economic cooperation are not zero-sum game. Everyone can all benefit. Hence ASEAN tends to be optimistic and wants to intensify its engagement with China for mutual benefit.

Part II: Ten officials from the General Staff Department of the Central Military Commission

Q1	In your country's elite opinion, China's image is mainly?	A	B	C	D	E	F	G	H	I	J
	Positive	x	x	x	x		x		x	x	x
	Negative					x		x			
	Neutrality										
	No opinion										
Q2	In your opinion should China's rise be considered?										
	An opportunity	x	x	x		x	x		x	x	x
	A threat										
	A challenge	x			x			x			
	No opinion										
Q3	Where does 'China Threat' theory seem to you to be evident in?										
	Economic sector		x		x						x
	Military sector			x						x	
	Cultural	x				x	x	x	x		
	None										
Q4	Do you think China's military modernization is motivated mainly by?	A	B	C	D	E	F	G	H	I	J
	The Taiwan issue				x	x	x	x	x		
	The South China Sea				x	x	x				
	The target internal separatism				x	x	x				
	To deter American hegemony				x	x	x				
	Reasonable self defence	x	x	x	x	x	x			x	x
	Others (please specify)										

Q5	Confronted with China's rapid economic development, the dominating strategy for ASEAN economies should be?										
	Engage with China economically										
	Cooperate with China entirely	x	x	x	x	x	x	x	x	x	x
	Encircle China										
	Isolation										
	Others (please specify)										
Q6	Can you rank these countries as stakeholders for the Southeast Asian region?										
	America						x				
	ASEAN										
	China	x	x	x	x	x		x	x	x	x
	India										
	Japan										
	Russia										
	Others(please specify)										
Q7	Which partners do you think are reliable and capable to lend supports when ASEAN is in crisis?										
	America										
	China	x	x	x	x	x	x	x	x	x	x
	India										
	Japan										
	Other ASEAN members										
	Russia										
	Others (please specify)										
Q8	Among these countries, which do you think is more likely to bring negative impacts on regional stability in Southeast Asian area?	A	B	C	D	E	F	G	H	I	J
	America										
	ASEAN										
	China										
	India					x	x	x		x	x
	Japan	x	x	x	x				x		
	Russia										

	None										
Q9	As far as you know, how is America's influence in Southeast Asia?										
	Rising										
	Declining	x	x	x			x		x	x	
	No change				x	x		x			x
	No opinion										
Q 10	In your view, how relevance does American military presence to the security in Southeast Asian region?										
	Positive relevance	x	x	x	x		x		x	x	x
	Negative relevance							x			
	No relevance					x					
	No opinion										
Q11	In your view, to what extent does the future of China-US relations impact on the China-ASEAN engagement?										
	Positive impact	x	x	x	x	x	x	x	x	x	x
	Negative impact										
	No impact										
	No opinion										
Q12	What percentage of the China-ASEAN partnership has political, economic and security motivation?										
	Political motivation										x
	Economic incentive	x	x								
	Security consideration	x	x	x	x	x	x	x	x	x	x
	Others (please specify)										
Q13	In your view, what percentage of Chinese and ASEAN economies are competitive or complementary?	A	B	C	D	E	F	G	H	I	J
	Competitive	x						x	x		x
	Complementary		x	x	x	x	x			x	
	No opinion										
Q14	In your view, to what extent China-ASEAN Free Trade Agreement may affect ASEAN economies?										

	Highly benefit	x	x		x		x		x		
	Fairly benefit			x		x		x		x	x
	Negative benefit										
	No opinion										
Q15	What are the main factors that may promote China-ASEAN relations in the coming years?										
	Border stability, including South China Sea										
	Economic mutual growth	x	x	x		x	x	x	x		
	Promotion of East Asian Community	x	x		x					x	x
	Others (please specify)										
Q16	In your view, what could be the biggest obstacles for China-ASEAN cooperation?										
	Economic competitiveness										
	Border disputes, including South China Sea	x	x	x	x		x	x		x	x
	Fear of 'China Threat'										
	American factor					x			x		
	Others (please specify)										
Q17	In your view, what is the likelihood of a conflict over the South China Sea between China and other claimant states in the coming years?										
	High likely	x	x	x	x	x	x				
	Fair likely							x	x	x	x
	High unlikely										
	Unlikely										
	No opinion										
Q18	In your view, what is the likelihood of a conflict over the struggle for the navigation power in the Malacca Strait between America and China in coming years?	A	B	C	D	E	F	G	H	I	J
	High likely					x		x		x	
	Fair likely	x	x	x	x		x		x		x
	High unlikely										
	Unlikely										
	No opinion										

If you have other comments, please specify blow:

References:

'A Fruitful Journey of Friendship and Cooperation' (2009). Available at: http://www.fmprc.gov.cn/zflt/eng/zxxx/t540206.htm. (Accessed: 10th April 2009)

'A Serious Problem' (2006) *Petroleum Economist* (March 2006). Available at: http://www.petroleum-economist.com/default.asp?page=14&ISS=21457&SID=616363. (Accessed: 27th August 2008).

Acharya Amitav (2003) 'Seeking Security in the Dragon's Shadow: China and Southeast Asia in the Emerging Asian Order'. *The Working Paper for Institute of Defense and Strategic Studies*, Singapore.

'ACP-EU Joint Parliamentary Assembly' (2007). Available at: http://www.europarl.europa.eu/intcoop/acp/91_01/pdf/pr_investb_en.pdf. (Accessed: 5th April 2008)

'Africa-China: Beijing Summit' (2006). *African Research Bulletin*, 43(12), Oct 16th—Nov 15th, 2006.

'Africa-China: Hu's Tour' (2007). *African Research Bulletin*, 44(1), Jan 16th-Feb 15th 2007.

'African Oil: A Priority for U.S. National Security and African Development' (2001). Available at: http://www.globalpolicy.org/empire/economy/2002/0125africaoil.pdf. (Accessed: 20th September 2008)

'Africa—US, Oil and Arms' (2006). *African Research Bulletin*—16729, July 1st—31st 2006.

'AGOA Legislation—Summary of AGOA'. Available at: http://www.agoa.gov/agoa_legislation/agoa_legislation.html. (Accessed: 27th September 2008).

'Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area Singapore' (28 January 1992). Available at: http://www.asean.org/1164.htm. (Accessed: 3rd March 2009).

Alden Chris & Davies Martyn (2006) 'A Profile of the Operations of Chinese Multinationals in Africa'. *South African Journal of International Affairs*, 13(1), Summer/Autumn 2006, pp. 83-96.

Alnasrawi Abbas(2001) 'Iraq: Economic Sanctions and Consequences, 1990-2000'. *Third World Quarterly*, 22(2), pp.205-218.

Alves Ana (2006) 'Emerging Postcolonial Solidarities: China's New Economic Diplomacy towards Sub-Saharan Africa'. Available at: http://coombs.anu.edu.au/SpecialProj/ASAA/biennial-conference/2006/Alves-Ana-Cristina-ASAA2006.pdf. (Accessed: 10th July 2007).

Alves Philip (2008) 'China's Preferential Trade Policy as a Foreign Policy Tool'. In: Edinger Hannah, Herman Hayley & Jansson Johanna (2008) 'New Impulses from the South: China's Engagement of Africa'. Available at: http://www.ccs.org.za/downloads/CCS_-_New_Impulses_from_the_South_-_May_08.pdf

Alyson J. K, Dunay Pal, Guang Pan & Troitskiy Mikhail (2007) 'The Shanghai Cooperation Organization'. *SIPRI Policy Paper,* No.17. Available at: http://books.sipri.org/files/PP/SIPRIPP17.pdf. (Accessed: 10th September 2008).

Andreas Peter (2005) 'Criminalizing Consequences of Sanctions: Embargo Busting and Its Legacy'. *International Studies Quarterly*, 49, pp. 344-345.

Ash Robert (2002) *Does the Chinese Economy Matter*. pp.32-60. In: Brodsgarrd Kjeld Erik & Heurlin Bertel(2002) *China's Place in Global Geopolitics*. Published by RoutledgeCurzon.

'Asian Foreign Direct Investment in Africa: United Nations Report Points to A New Era of Cooperation among Developing Countries' (2007). Available at: http://www.unctad.org/Templates/webflyer.asp?docid=8172&intItemID=4431&lang=1.(Accessed: 8th March 2008).

'ASEAN Regional Forum'. Available at: http://www.aseanregionalforum.org/AboutUs/tabid/57/Default.aspx. (Accessed: 28th December 2008).

'ASEAN plus Three's Joint Defence' (in Chinese). *World Energy and Finance Net* (24th October 2008). Available at: http://www.wefweb.com/news/20081024/0827456275_0.shtml.(Accessed: 29th October 2008).

Askari Hossein, Forrer John, Teegen Hildy&Yang Jiawen(2001) 'U.S. Economic Sanctions: Lessons From the Iranian Experience'. *Business Economics* (July), 36(3), pp.7-19.

Askari Hossein, Forrer John, Teegen Hildy&Yang Jiawen(2003) 'Economic and Strategic Impacts of U.S. Economic Sanctions on Cuba'. *Occasional Paper Series* (24th February 2003). Available at: http://gstudynet.org/publications/OPS/papers/CSGOP-03-13.pdf. (Accessed: 26th February 2009).

'AU Rejects Bashir Darfur Charges'. *BBC News* (21th July 2008). Available at: http://news.bbc.co.uk/1/hi/world/africa/7517393.stm. (Accessed: 22th July 2008).

'AU Supports Sudan's Rejection of ICC Decision'. *Xinhua News* (10th March 2009). Available at: http://news.xinhuanet.com/english/2009-03/10/content_10979303.htm. (Accessed: 5th April 2009).

Azam Jean-Paul & Saadi-Sedik Tahsin(2004) 'Aids v. Sanctions for Oppressors: Theory and Case Study of the Iraqi Kurds'. Available at: http://idei.fr/doc/wp/2004/oppressors.pdf. (Accessed: 20th January 2007).

Ba Alice D. (2003) 'China and ASEAN: Re-navigating Relations for a 21st-Century Asia'. *Asian Survey*, 43(4), pp. 622-647.

Bach David, Newman Abreham L & Weber Steven (2006) 'The International Implications of China's Fledgling Regulatory States: From Product Maker to Rule Maker'. *New Political Economy* (December 2006), 11(4).

Bailes Alyson J. K & Dunay Pal (2007) 'The Shanghai Cooperation Organization as a Regional Security Institution'. pp. 1-30. In: Alyson J. K, Dunay Pal, Guang Pan & Troitskiy Mikhail (2007) 'The Shanghai Cooperation Organization'. *SIPRI Policy Paper,* No.17. Available at: http://books.sipri.org/files/PP/SIPRIPP17.pdf. (Accessed: 10th September 2008).

Baldwin David. A. (1971) 'The Power of Positive Sanctions'. *World Politics*, 24(1), pp.19-38.

Baldwin David. A. (1985), *Economic Statecraft.* Princeton University Press.
ISBN 0-691-10175-2

Baldwin David. A. (1996) 'Security Studies and the End of the Cold War'. *World Politics*, 48 (1), pp. 117-141.

Baldwin David. A. (1997) 'The Concept of Security'. *Review of International Studies*, 23(1), pp. 5-26.

'Bandung Conference (Asian-African Conference), 1955'. Available at: http://www.state.gov/r/pa/ho/time/lw/97935.htm. (Accessed: 4th August 2008).

'Bangkok Declaration' (1967). Available at: http://www.asean.org/1212.htm. (Accessed: 4th August 2008).

Barbieri Katherine & Schneider Gerald (1999) 'Globalization and Peace: Assessing New Directions in the Study of Trade and Conflict'. *Journal of Peace Research*, 36(4), Special Issues on Trade and Conflict (Jul 1999), pp. 387-404.

Barbieri Katherine (1996) 'Economic Interdependence: a Path to Peace or to a Source of International Conflict?'. *Journal of Peace Research,* 33 (1), pp. 29-49.

'Base Structure Report Fiscal Year 2007 Baseline, Department of Defense'. Available at: http://www.defenselink.mil/pubs/BSR_2007_Baseline.pdf. (Accessed: 20th August 2008).

Baviera S. P. Aileen(2005) *The South China Sea Disputes after the 2002 Declaration: Beyond Confidence-Building.* pp.344-355. In: Saw Swee-Hock, Sheng Lijun & Chin Kin Wah(2005) *ASEAN-China Relations: Realities and Prospects*. Published by Institute of Southeast Asian Studies.

Baylis John & Smith Steve (1997) *The Globalization of World Politics.* Published by Oxford University.
ISBN: 0-19-878108-3

Baylis John & Smith Steve (2001) *The Globalisation of World Politics: an Introduction to International Relations*. Published by Oxford University Press.
ISBN 0-19-878263-2

Beaton Leonard (1972) *The Reform of Power: A Proposal for an International Security System.* London: Chatto & Windus.

'Beijing Summit'. *Africa Research Bulletin, Economic: Financial and Technical Series*, 43(10), Oct16th—Nov 15th 2006. Available at: http://www.blackwellpublishing.com/ARBE/. (Accessed: 18th April 2007).

Benoit Emile (1973) *Defence and Economic Growth in Developing Countries*. Boston. D.C. Health.

Berger Bernt & Wissenbach Uwe (2007) 'EU-China-Africa Trilateral Development Cooperation: Common Challenges and New Directions'. Available at: http://www.ec-an.eu/files/bergerweissenbach_0.pdf. (Accessed: 20th September 2008).

Black Lloyd (1968) *The Strategy of Foreign Aid.* Published by D.Van Nostrand Company.

Bock P & Berkowitz Morton (1966) 'The Emerging Field of National Security'. *World Politics*, 19(1) (Oct, 1966), pp.122-136. Available at:http://www.jstor.org/stable/pdfplus/2009846.pdf. (Accessed: 13th September 2007).

Bonetti Shane (1997) 'The Analysis and Interpretation of Economic Sanctions'. *Journal of Economic Studies*, 24(5), pp. 324-348.

Bornstein Morris (1968) 'Economic Sanctions and Rewards in Supports of Arms Control Agreements'. *America Economic Review*, 5(2), pp. 417-427.

Bosshard Peter (2007) 'China's Role in Financing African Infrastructure'. Available at: http://www.tni.org/acts/peter_bosshar.pdf. (Accessed: 23th October 2008).

'BP Statistical Review of World Energy 2003'. Available at: www.bp.com.

'BP Statistical Review of World Energy 2006'. Available at: http://www.bp.com/liveassets/bp_internet/russia/bp_russia_english/STAGING/local_assets/downloads_pdfs/s/Stat_Rev_2006_eng.pdf. (Accessed:20th June 2008).

'BP Statistical Review of World Energy June 2007'. Available at: http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2008/STAGING/local_assets/downloads/pdf/statistical_review_of_world_energy_full_review_2008.pdf. (Accessed: 20th June 2008).

'BP Statistical Review of World Energy June 2008'. Available at: http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2008/STAGING/local_assets/downloads/pdf/statistical_review_of_world_energy_full_review_2008.pdf. (Accessed: 21th June 2008).

Brautigam Deborah (1998) *Chinese Aid and African Development.* Published in Great Britain.
Brautigam Deborah (2008) 'China's African Aid: Transatlantic Challenges'. *The GMF Paper Series*. Available at: http://www.gmfus.org/doc/Brautigam0410aFINAL.pdf. (Accessed: 20th December 2008).

Bretschger Lucas & Steger Thomas M (2004) 'The Dynamics of Economic Integration: Theory and Policy'. *International Economics and Economic Policy* (2004) 1, pp. 119-134.

'Bright Prospects for Economic Diplomacy with Developing Countries' (2004). Available at:http://english.peopledaily.com.cn/200409/03/eng20040903_155844.html. (Accessed: 23th October 2008).

Broadman Harry G. (2007) 'Connecting Africa and Asia'. *IMF report*. Available at: http://www.imf.org/external/pubs/ft/fandd/2007/06/broadman.htm. (Accessed: 20th November 2007).

Brodsgarrd Kjeld Erik (2002) *Introduction*. pp.1-15. In Brodsgarrd Kjeld Erik & Heurlin Bertel(2002) *China's Place in Global Geopolitics*. Published by RoutledgeCurzon.

Brookes Peter & Shin Ji Hye (2006) 'China's Influence in Africa: implications for the United States'. Available at: http://author.heritage.org/Research/AsiaandthePacific/bg1916.cfm. (Accessed at: 2nd September 2008).

Brookes Peter (2007) 'Into Africa: China's Grab for Influence and Oil'. *Heritage Lectures* No.1006. Available at: http://www.heritage.org/research/africa/upload/hl_1006.pdf. (Accessed: 20th July 2008).

Brown Lester (1977) 'Redefining National Security'. World Watch Paper 14. Available at: http://eric.ed.gov/ERICDocs/data/ericdocs2sql/content_storage_01/0000019b/80/35/7e/ca.pdf. (Accessed: 20th November 2008).

Buzan Barry (1991a) 'New Patterns of Global Security in the Twenty-First Century'. *International Affairs*, 67(3), pp.431-451. Available at: http://www.jstor.org/stable/pdfplus/2621945.pdf. (Accessed: 26th August 2007).

Buzan Barry (1991b) *People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era.* 2nd Edition. Lynne Rienner Publishers.

Buzan Barry, Waever Ole & de Wilde Jaap (1998) *Security: A New Framework for Analysis.* Lynne Rienner Publishers.

Burnell Peter (1997) *Foreign Aid in a Changing World*. Library of Congress Cataloguing-in-Publication Data.

Cain Geoffrey (2008) 'Chinese Aid Wins Hearts, Twists Arms in Southeast Asia'. *World Politics Review* (28th October 2008). Available at: http://www.worldpoliticsreview.com/article.aspx?id=2822. (Accessed at: 29th October 2008).

Calder Kent E (2006) 'Coping with Energy Insecurity: China's Response in Global Perspective'. *East Asia: an International Quarterly*, 23(3), pp. 49-66.

Cameron Angus, Nesvetailova Anastasia & Palan Ronen (2008) *International Political Economy.* British Library Cataloguing in Publication Data.

Campbell Kurt M. & Darsie Willow (2007) 'China's March on the 21st Century: a Report of the Aspen Strategy Group'. Available at: http://online.ceibs.edu/library/new/newresources/images/20070817/7060.pdf#page=104. (Accessed: 13th July 2008).

Caporaso James A. (1978) 'Dependence, Dependency, and Power in the Global System: a Structural and Behavioral Analysis'. *International Organization*, 32 (1), winter 1978, pp.13-43.

'Carrying Forward the Five Principles of Peaceful Coexistence in the Promotion of Peace and Development' (2004). Available at: http://www.fmprc.gov.cn/eng/topics/seminaronfiveprinciples/t140777.htm. (Accessed: 10th October 2007).

Caruso Raul (2003) 'The Impact of International Economic Sanctions on Trade: an Empirical Analysis'. *Paper prepared for the European Peace Science Conference*. Available at: http://129.3.20.41/eps/it/papers/0306/0306001.pdf. (Accessed: 22th July 2007).

Cha Victor D. (2000) 'Globalization and the Study of International Security'. *Journal of Peace Research*, 37(3), pp. 391-403.

'Challenges and Opportunities for ASEAN'. *Asian Economic Policy Review*, 1(1), June 2006, pp.102-128.

Chambers R. Michael (2005) 'China and Southeast Asia: Creating a 'Win-Win' Neighbourhood'. *Asia Program Special Report*, No.126, Jan 2005, pp. 16-22.

Chan Steve (2006) 'The Politics of Economic Exchange: Carrots and Sticks in Tai-wan-China-U.S. Relations'. *Issues and Studies,* 42(2), pp.1-22.

Chantal De Jonge Oudraat (2000) 'Making Economic Sanctions Work'. *Survival,* 42(3), pp.108-119.

Cheong Inkyo (2003) 'Regionalism and Free Trade Agreement in East Asia'. *Asian Economic Papers*, 2(2), pp.145-180.

Chen Jie (1994) 'China's Spratly Policy: With Special Reference to the Philippines and Malaysia'. *Asian Survey*, XXXIV (10), pp.893-903.

Chen Jiehua (2001) *China's Diplomatic Strategy in the 21st Century* (in Chinese). Published by Shi shi Chu ban she.

Chen Bo (2007) *Contrasting in the Security Concepts of China and the EU: The perspective of a PLA officer*. Chapter 9. In: Kerr, David & Liu Fei (2007) *The International Politics of EU-China Relations*. Oxford: Oxford University Press.

Cheng Ming (Hong Kong), (in Chinese), 10 October 1989. Cited in Foreign Broadcast Information Service-China (hereafter FBIS-CHI), 3 October 1989.

Chia Siow Yue & Sussangkarn Chalongphob (2006) 'The Economic Rise of China: Challenges and Opportunities for ASEAN'. *Asian Economic Policy Review*, 1(1), pp. 102-128.

'China, ASEAN to Conclude FTA Talk amid Wen's Trip'. *Xinhua News* (8th April 2009). Available at: http://www.chinadaily.com.cn/china/2009-04/08/content_7659771.htm. (Accessed: 15th April 2009).

'China-Africa Relations' (25 April 2002). Available at: http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18059.htm. (Accessed: 20th July 2008).

'China's National Defence in 2006'. Available at: http://www.fas.org/nuke/guide/china/doctrine/wp2006.html.(Accessed: 17th July 2007).

'China plans to support the highway construction in Vietnam' (2007). *Zhejiang News* (6th April 2007). Available at: http://www.zzzsh.com/html/20074695855-1.html. (Accessed: 10th November 2008).

'China plans to build China-Europe corridor through Burma, 2004'. *IRIB World Service*. Available at: http://chinese.irib.ir/news/04-09-25/04092523.htm. (Accessed: 19th November 2008).

'China's Foreign Policy and 'Soft Power' in South America, Asia, and Africa' (2008). *A Study Prepared for the Committee on Foreign Relations, United States Senate*. Available at: http://www.fas.org/irp/congress/2008_rpt/crs-china.pdf. (Accessed: 20th September 2008).

'China's African Policy' (Jan/2006). Available at: http://www.fmprc.gov.cn/eng/zxxx/t230615.htm. (Accessed: 23th August 2007).

'China-ASEAN Relations'. *Xinhua Net*. Available at: http://news.xinhuanet.com/ziliao/2006-07/20/content_4861242.htm. (Accessed: 20th September 2007).

'China-ASEAN Relations' (2008) (in Chinese). Available at: http://kh.china-embassy.org/chn/zt/zgdmgx/t404342.htm. (Accessed: 20th October 2008).

'China-Japan Relations' (2008) (in Chinese). Available at: http://www.fmprc.gov.cn/chn/wjb/zzjg/yzs/gjlb/1281/default.htm. (Accessed: 20th october 2008).

'China-South Korea Relations' (2006) (in Chinese). Available at: http://www.fmprc.gov.cn/chn/wjb/zzjg/yzs/gjlb/1236/default.htm. (Accessed: 20th October 2008).

'China-ASEAN Summit Opens, World 3rd Largest FTA Gaining Momentum'. *People's Daily Online* (31/Oct/2006). Available at: http://english.peopledaily.com.cn/200610/30/eng20061030_316522.html. (Accessed: 30th December 2008).

'China's Position Paper on the New Security Concept' (2002). Available at: http://www.mfa.gov.cn/eng/wjb/zzjg/gjs/gjzzyhy/2612/2614/t15319.htm. (Accessed: 10th January 2007).

'China's Stand on South-South Cooperation' (2004). Available at: http://www.china-un.ch/eng/ljzg/zgwjzc/t85891.htm. (Accessed: 10th January 2007).

'China Arms Sales 'Fuel Conflicts''. *BBC News* (12th June 2006). Available at: http://news.bbc.co.uk/1/hi/world/asia-pacific/5070220.stm. (Accessed: 11th August 2008).

'China Energy Data, Statistics and Analysis—Oil, Gas, Electricity, Coal' (2006). Available at:

http://www.eia.doe.gov/cabs/China/pdf.pdf. (Accessed: 20th February 2007).

'China's Interest and Activity in Africa's Construction and Infrastructure Sectors'. Available at: http://www.dfid.gov.uk/pubs/files/chinese-investment-africa-full.pdf. (Accessed: 15th March 2008).

Chipman John (1992) 'The Future of Strategic Studies: Beyond Grand Strategy'. *Survival*, 34(1), pp.109-131.

CIA World Factbook(2007). Available at: http://www.indexmundi.com/world/gdp_real_growth_rate.html (Accessed: 10th May 2008).

Cohn Theodore (2005) *Global Political Economy.* 3rd Edition. Published by Priscilla McGeehon.

Condliffe J. (1943) 'War and Economics: A Review Article'. *The Journal of Political Economy* (Apr 1943), 51(2), pp. 157-165.

Conley Tom (2007) *International Political Economy.* Chapter 12, pp.135-145. In: Griffiths Martin (2007) *International Relations Theory for the Twenty-First Century*. Published by Routledge.

Cooper Drury. A. (2001) 'Sanctions as Coercive Diplomacy: The U.S. President's Decision to Initiate Economic Sanctions'. *Political Research Quarterly*, 54(3), pp.485-508.

Cooper Drury A. & Li YiTan(2004) 'Threatening Sanctions When Engagement Would Be More Effective: Attaining Better Human Rights in China'. *International Studies Perspectives*, 5(4), pp.378-394.

Corkin, Lucy and Christopher Burke (2007) 'China's Interest and Activity in Africa's Construction and Infrastructure Sectors'. Available at: http://www.ccs.org.za/downloads/DFID%20Exec%20Summary.pdf. (Accessed: 20th May 2008).

Cossa A. Ralph (1998) 'Security Implications of Conflict in the South China Sea: Exploring Potential Triggers of Conflict'. *A Pacific Forum CSIS, Special Report*. Available at: http://www.southchinasea.org/docs/Cossa,%20Security%20Implications%20of%20%20Conflict%20in%20the%20S.ChinaSea.pdf. (Accessed: 10th November 2007).

Crawley Mike (2002) 'With Mideast Uncertainty, US Turns to Africa for Oil'. *The Christian Science Monitor* (23th May 2002). Available at: http://www.csmonitor.com/2002/0523/p07s01-woaf.html. (Accessed: 20th July 2008).

Crumm Eileen M (1995) 'The Value of Economic Incentives in International Politics'. *Journal of Peace Research*, 32(3), pp.313-330.

Cunha da Derek. 'Southeast Asian Perceptions of China's future Security Role in its 'Backyard'. Available at: http://www.rand.org/pubs/conf_proceedings/CF137/CF137.chap6.pdf. (Accessed: 20th November 2008).

Davies Martyn, Edinger Hannah & Tay Nastasys & Naidu Sanusha (2008) 'How China Delivers Development Assistance to Africa'. *Prepared for the Development for International Development, Beijing*. Available at: http://www.dfid.gov.uk/Pubs/files/china-dev-africa.pdf. (Accessed: 20th November 2008).

'Declaration on Fifth Anniversary of Shanghai Cooperation Organization' (2006). Available at: http://www.sectsco.org/html/01470.html. (Accessed: 17th January 2007).

Deger Saadet (1986) *Economic Development and Defence Expenditure*. The University of Chicago. ISBN: 0013-0079/87/3501-0054

Deese David. A (1979/1980) 'Energy: Economics, Politics, and Security'. *International Security*, 4(3), pp.140-153.

DeYoung Karen (2008) 'US Africa Command Trims its Aspirations'. *Washington Post (*1st June 2008). Available at: http://www.globalpolicy.org/empire/intervention/regionafrica/2008/0601africom.htm. (Accessed: 23th July 2008).

Di Dongsheng(2007) 'Continuity and Changes: a Comparative Study on China's New Grand Strategy'. *Historia Actual Online* (15th February 2007). Available at: http://www.historia-actual.com/HAO/Volumes/Volume1/Issue12/esp/v1i12c2.pdf. (Accessed: 23 March 2007).

Dillon Dana & Tkacik John (2005) 'China and ASEAN: Endangered American Primacy in Southeast Asia'. *Backgrounder*, No.1886, 19 Oct 2005. Published by The Heritage Foundation.

Dosch Jorn(2007) 'Managing Security in ASEAN-China Relations: Liberal Peace of hegemonic Stability'. *Asian Perspective*, 31(1), pp. 209-236.

Dorussen Han (2001) 'Mixing Carrots with Sticks: Evaluating the Effectiveness of Positive Incentives'. *Journal of Peace Research*, 38(2), pp.251-262.

Downs Erica. S. (2004) 'The Chinese Energy Security Debate'. *The China Quarterly,* 177, pp.21-41.

Downs Erica.S.(2007) 'The Fact and Fiction of Sino-African Energy Relations', *China Security*, 3(3), pp.42-68.

Dreher Axel, Nunnenkamp Peter & Thiele Rainer (2006) 'Does US Aid Buy UN General Assembly Votes? A Disaggregated Analysis'. *Kiel Working Paper* No. 1275.

Drezner Daniel W. (2000) 'Bargaining, Enforcement, and Multilateral Sanctions: When Is Cooperation Counterproductive?'. *International Organization* 54(1), Winter 2000.

Drezner Daniel W. (2003) 'How Smart are Smart Sanctions'. *International Studies Review* (2003) 5, pp.107-110.

Du Li (2006) 'Analyzing Non-Traditional Security in China'. *Journal of Chengdu College of Education*, 20 (5), May/2006.

Dumas Lloyd (1990) 'Economic Power, Military Power, and National Security'. *Journal of Economic Issues*, XXIV (2), pp. 653-661.

Dutta Sujit(2005) 'Securing the Sea Frontier: China's Pursuit of Sovereignty Claims in the South China Sea'. *Strategic Analysis*, 29(2), Apr-Jun 2005, pp. 269-294.

Echert Paul (2008) 'U.S. Report Links China Arms Sales to Darfur Carnage'. *International Herald Tribune* (14th March 2008). Available at: http://www.iht.com/articles/reuters/2008/03/14/asia/OUKWD-UK-DARFUR-CHINA-REPORT.php. (Accessed: 10th August 2008).

Economy Elizabeth (2005) 'China's Rise in Southeast Asia: Implications for the United States'. *Journal of Contemporary China*, 14(44), pp409-425.

'Economic Relations between China and GMS' (2008) (in Chinese). *Yunnan News* (3rd June 2008). Available at: http://www.newsyn.com/html/other2/20080603/59661.html. (Accessed: 10th November 2008).

'Economic Corridors with GMS States' (2008) (in Chinese). *Yunnan News* (3rd June 2008). Available at: http://www.newsyn.com/html/other2/20080603/59659.html. (Accessed: 10th November 2008).

'Economic Reform Brings a New West' (2008) (in Chinese). *Xinhua News* (13th October 2008). Available at: http://news.xinhuanet.com/newscenter/2008-10/13/content_10188429.htm. (Accessed: 11th November 2008).

Edinger Hannah, Herman Hayley & Jansson Johanna (2008) 'New Impulses from the South: China's Engagement of Africa'. Available at: http://www.ccs.org.za/downloads/CCS_-_New_Impulses_from_the_South_-_May_08.pdf.

Eisenman Joshua & Kurlantzick Joshua (2006) 'China's Africa Strategy'. *Current History,* 105 (22).

Eisenman Joshus(2005) 'Zimbabwe: China's African Ally'. *China Brief*, July 5, 2005, V(15).

Elliott K. A & Hufbauer G. C. (1993) 'Same Song, Same Refrain? Economic Sanctions in the 1990s'. *The American Economic Review,* 89(2), pp. 403-408.

Emmers Ralf (2005) 'Security Relations and Institutionalism in Southeast Asia'. *BASC Working Paper Series,* July/2006. Available at: http://basc.berkeley.edu/pdf/Emmers_SecurityInstitutionalismSEA.pdf. (Accessed: 20th December 2007).

'Enterprise for ASEAN Initiative'. Available at: http://www.ustr.gov/Trade_Agreements/Regional/Enterprise_for_ASEAN_Initiative/Section_Index.html. (Accessed: 9th October 2008).

Ernest H. Preeg (1999) *Feeling Good or Doing Good with Sanctions: Unilateral Economic Sanctions and the U.S. National Interest.* Published by Washington, DC: Centre for Strategic and International Studies. The CSIS, ISNB 0-89206-349-1,

Finkelstein David (2003) 'China's New Concept of Security'. Available at: http://www.globalsecurity.org/military/library/report/2003/pla-china_transition_14_ch10.htm. (Accessed: 18th July 2006).

Fitzgerald C.P. (1972) *The Southern Expansion of the Chinese People*. London: Barrie & Jenkins.

Fleck Robert & Kilby Christopher (2001) 'Foreign Aid and Domestic Politics: Voting in Congress and the Allocation of USAID Contracts Across Congressional Districts'. *Southern Economic Journal* 67, pp. 598-617.

Foot Rosemary (2006) 'Chinese Strategies in a US-Hegemonic Global Order: Accommodating and Hedging'. *International Affair*, 82(1), pp. 77-94.

'Forging closer ASEAN-China Economic Relations in the Twenty-First Century' (2001). Available at: http://www.aseansec.org/newdata/asean_chi.pdf. (Accessed: 4th July 2007).

'Forum on China-Africa Cooperation'. Available at: http://www.focac.org/eng/gylt/dejbzhy/default.htm. (Accessed: 20th March 2008).

'Forum on China-Africa Cooperation Beijing Action Plan 2007-2009'. Available at: http://appablog.wordpress.com/2007/09/30/beijing-action-plan-2007-2009. (Accessed: 9th August 2007).
Foster Vivien, Butterfield William, Chen Chuan & Pushak Nataliya (2008) 'China's Emerging Role in Africa: Part of the Changing Landscape of Infrastructure Finance'. Available at: http://www.ppiaf.org/documents/gridlines/42role_china_africa.pdf. (Accessed: 3rd December 2008).

'Framework Agreement on Comprehensive Economic Co-Operation between ASEAN and the People's Republic of China'. Available at: http://www.aseansec.org/13196.htm. (Accessed: 5th July 2007).

'France Angered by Burmese Delays'. *BBC News* (17th May 2008). Available at: http://news.bbc.co.uk/2/hi/asia-pacific/7405998.stm. (Accessed: 11th November 2008).

Friedberg Aaron (1991) 'The Changing Relationship between Economics and National Security'. *Political Science Quarterly*, 106(2), pp.265-276.

Fu Yong (2004) 'Non-traditional Security and China's New Security View' (in Chinese). *Shi Jie Jin Ji Yan Jiu*, No.7, 2004, pp.10-14.

Fumitaka Furuoka (2007) 'Japan's Foreign Aid Sanctions Policy toward African Countries'. Available at: http://mpra.ub.uni-muenchen.de/5947/1/MPRA_paper_5947.pdf. (Accessed: 7th July 2009).

Gahrana, G.K. (1984) *China, Asia and the World*. Published by New Delhi.

Galtung J. (1967) 'On the Effects of International Sanctions, with Examples from the Case of Rhodesia'. *World Politics* 19(3), pp. 378-416.

Gao Jinyuan(1984) 'China and Africa: The Development of Relations over Many Centuries'. *African Affairs*, April 1984, 83(331), pp.241-250.

Gao Zhiguo (2005) *South China Sea: Turning Suspicion into Mutual Understanding and Cooperation*. pp.329-343. In: Saw Swee-Hock, Sheng Lijun & Chin Kin Wah(2005) *ASEAN-China Relations: Realities and Prospects*. Published by Institute of Southeast Asian Studies.

Gartzke Erik, Li Quan & Boehmer Charles (2001) 'Investing in the Peace: Economic Interdependence and International Conflict'. *International Organization*, 55(2), pp.391-438.

Gasiorowski M J. (1986) 'Economic Interdependence and International Conflict: Some Cross-national Evidence'. *International Studies Quarterly* 30, pp. 23-38. Available at: http://www.jstor.org.ezphost.dur.ac.uk/stable/pdfplus/2600435.pdf. (Accessed: 7th July 2007).

Gasiorowski M. J. and Polachek S. W. (1982) 'Conflict and Interdependence: East-West Trade and Linkages in the Era of Détente'. *Journal of Conflict Resolution,* 26(4), pp.709-729.

Gavin III Joseph G. (1989) 'Economic Sanctions: Foreign Policy Levers or Signals?'. *Policy Analysis*, No. 124. Available at: http://www.cato.org/pub_display.php?pub_id=984&full=1. (Accessed: 23th August 2007).

Gershman John (2002) 'US Takes Anti-Terror War to the Philippines'. *Asia Times Online* (17th January 2002). Available at: http://www.atimes.com/se-asia/DA17Ae01.html. (Accessed: 17th December 2008).

Gill Bates, Huang Chin-hao & Morrison Stephen (2007) 'Assessing China's Growing Influence in Africa'. *China Security*, 3 (3), pp. 3-21.

Gilpin Robert (1981) *War and Change in World Politics.* Cambridge University Press.

Gilpin Robert (1996) *The Nature of Political Economy.* In Goddard C., Passe-Smith John & Conklin John (1996) *International Political Economy.* Published by Lynne Rienner.

Gilpin Robert (2008) *The Study of International Political Economy.* Chapter one. pp.3-25. In: Cameron Angus, Nesvetailova Anastasia & Palan Ronen (2008) *International Political Economy.* British Library Cataloguing in Publication Data.

Goodman Peter S. (2005) 'Big Shift in China's Oil Policy'. *Washington Post Foreign Service* (Wednesday, 13th July 2005).

Gountin V. Maurice. 'China's Assistance to Africa, a Stone Bridge of Sino-African Relations'. Available at: http://www.cctr.ust.hk/china-africa/papers/Gountin,Maurice.pdf. (Accessed: 9th September 2008).

Green Michael (2007), 'Meet the Neighbors: Regional Responses to China's Rise'. pp. 97-105. In: Campbell Kurt M. & Darsie Willow (2007) 'China's March on the 21st Century: a Report of the Aspen Strategy Group'. Available at: http://online.ceibs.edu/library/new/newresources/images/20070817/7060.pdf#page=104. (Accessed: 13th July 2008).

Gu Jing, Humphrey John & Messner Dirk (2008) 'Global Governance and Developing Countries: The Implications of the Rise of China'. *World Development*, 36(2), pp.274-292.

Haas.E.B. and Schmitter P. C. (1966) 'Economics and Differential Patterns of Political Integration: Projections about Unity in Latin America'. *International Political Communities*, pp. 259-299. Garden City, NY: Anchor Books.

Habid Adam (2008) 'Seeing the New African Scramble for What It Really is: Reflections on the United States and China'. In: Edinger Hannah, Herman Hayley & Jansson Johanna (2008) 'New Impulses from the South: China's Engagement of Africa'. Available at: http://www.ccs.org.za/downloads/CCS_-_New_Impulses_from_the_South_-_May_08.pdf

Haftendorn Helga (1991) 'The Security Puzzle: Theory-Building and Discipline-Building in International Security'. *International Studies Quarterly*, 35(3), pp.3-17.

Haider Khan (2008) 'China's New Development Strategy: Environment and Energy Security'. *MPRA Paper* No. 7639.

Hawtrey R G. (1952) *Economic Aspects of Sovereignty.* Published by London, New York, Longmans, Green.

He Shengda & Sheng Lijun(2005) *Yunnan's Greater Mekong Sub-Region Strategy*. pp. 294-315. In: Saw Swee-Hock, Sheng Lijun & Chin Kin Wah(2005) *ASEAN-China Relations: Realities and Prospects*. Published by Institute of Southeast Asian Studies.

He Fan& Guan Qinyou(2006) 'Cooperation or Conflict on the oil battle between China and America' (in Chinese). *Nan feng chuang*, No.17, 2006.

Henderson Simon (2006) 'Al-Qaeda Attack on Abqaiq: The Vulnerability of Saudi Oil'. *Policy Watch/Peace Watch* (28th February 2006). Available at: http://www.washingtoninstitute.org/templateC05.php?CID=2446. (Accessed 24th July 2008).

Hirshleifer Jack (2001) *The Dark Side of the Force: Economic Foundations of Conflict Theory.* Cambridge University Press.

Hirschman Albert O. (1977) *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph.* Princeton: Princeton University Press.

Ho Khai Leong and Samuel C.Y.Ku(2005) *China and Southeast Asia: Global Changes and Regional Challenges.* Published by Institute of Southeast Asian Studies in Singapore.

Holder Alison & Jackson Rebecca (2008) 'Mutual Benefit? The Impact of China's Investment in Africa on Children'. In: Edinger Hannah, Herman Hayley & Jansson Johanna (2008) 'New Impulses from the South: China's Engagement of Africa'. Available at: http://www.ccs.org.za/downloads/CCS_-_New_Impulses_from_the_South_-_May_08.pdf

Hook Glenn D, Gilson Julie, Hughes Christopher W & Dobson Hugo (2002) 'Japan and the East Asian Financial Crisis: Patterns, Motivations and Instrumentalisation of Japanese Regional Economic Diplomacy'. Available at: http://wrap.warwick.ac.uk/1058/1/WRAP_Hughes_9871481-080709-japan_and_the_east_asian_crisis_wrap.pdf (Accessed: 26th August 2009).

Howe Christoffer(2002) *Development and International Economic Integration*. pp.81-101. In: Brodsgarrd Kjeld Erik & Heurlin Bertel(2002) *China's Place in Global Geopolitics*. Published by RoutledgeCurzon.

Hsiao H. M. & Yang Alan (2008) 'Ins and Outs of a China Courtship'. *Asian Times Online* (4th December 2008). Available at: http://www.atimes.com/atimes/Southeast_Asia/JL04Ae02.html. (Accessed: 5th April 2009).

Hu Weixing (1995) 'China's Security Agenda after the Cold War'. *The Pacific Review*, 8(1), pp.117-135.

'Hu's speech at the opening ceremony of the Beijing Summit (2006)'. Available at: http://www.gov.cn/misc/2006-11/04/content_432652.htm. (Accessed: 20 December 2007).

'Hu Jintao's Speech at 17th Party Congress (2007)'. Available at: http://www.china-embassy.org/eng/zt/768675/t375502.htm. (Accessed: 20 December 2007).

Hufbauer G. C., Schott J. & Elliott K. A. (1990) *Economic Sanctions Reconsidered: History and Current Policy*. Library of Congress Cataloging in Publication Data.
ISBN paper (two-volume set): 0-88132-105-2.

Humphrey John (2007) 'China, Africa and the G8'. Available at: http://www.odi.org.uk/events/G8_07/opinions/humphrey.pdf. (Accessed: 18th July 2008).

Huntington Samuel (1993) 'Why International Primacy Matters'. *International Security*, 17(4), pp. 68-83.

Hurst Cindy (2006) 'China's Oil Rush in Africa'. Available at: http://libweb.uoregon.edu/ec/e-asia/read/chinainafrica.pdf. (Accessed: 27th October 2007).

Ianchovichina Elena & Walmsley Terrie (2005) 'Impact of China's WTO Accession on East Asia'. *Contemporary Economic Policy*, 23(2), pp. 261-277.

'International Energy Outlook 2007'. Available at: http://www.eia.doe.gov/oiaf/ieo/pdf/0484(2007).pdf. (Accessed: 23th September 2008)

'Investment in ASEAN Surges 48 Percent but China Remains Favorite' (2006). Available at: http://www.aseansec.org/afp/171.htm. (Accessed: 10th July 207)

Jaffe Amy Myers (2005) 'Energy Security: Implications for U.S.-China-Middle-East Relations'. Available at: http://www.rice.edu/energy/publications/docs/SIIS_AJAFFE_worldenergy071805.pdf. (Accessed: 25th July 2007)

Dashti-Gibson Jaleh, Davis Patricia & Radcliff Benjamin (1997) 'On the Determinants of the Success of

Economic Sanctions: An Empirical Analysis'. *American Journal of Political Science,* 42 (2), pp. 608-618.

Jegathesan M. (2006) 'US Signs Trade Pact with Southeast Asia'. Available at: http://www.aseansec.org/afp/182.htm. (Accessed: 20th November 2008).

Jervis Robert (1982) 'Security Regimes'. *International Organization*, 36(2), pp.357-378.

'Jiang Zeming's Trip to Six African States' (2000). Available at: http://www.mfa.gov.cn/chn/ziliao/wjs/2159/t8969.htm. (Accessed: 19th January 2007).

Jiang Zeming (1999) 'The Speech in Geneva Military-Reducing Negotiation Conference'. *People Daily* (27th March 1999).

Jin Xi (2002) *Guojia Anquan Lun* (National Security Theory) (in Chinese). Published by Youyi Company of China.

'Joint Statement of the Meetings of the Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China' (1997). Available at: http://www.aseansec.org/5476.htm. (Accessed: 20th June 2008).

Jordan Amos & Taylor William (1981) *American National Security: Policy and Process*. John Hopkins University Press.

Joyner C. Christopher (1999) 'The Spratly Islands Dispute in the South China Sea: Problems, Policies, and Prospects for Diplomatic Accommodation'. Available at: http://community.middlebury.edu/~scs/docs/Joyner,%20Spratly%20Islands%20Dispute.pdf. (Accessed: 20th October 2008).

Kaempfer William. H. & Lowenberg Anton (2000) 'Alternatives to Comprehensive Sanctions'. *Working Paper* No.00-17, pp.2-16. Available at: http://www.colorado.edu/Economics/CEA/papers00/wp00-17.pdf. (Accessed: 20th November 2006).

Kaempfer William H. & Lowenberg Anton (1988) 'The Theory of International Economic Sanctions: A Public Choice Approach'. *The American Economic Review,* 78(4), pp. 786-793.

Kaempeer William. H, Lowenberg Anton. D & Jing Chao (2003) 'Instrument Choice and the Effectiveness of International Sanctions: A Simultaneous Equations Approach'. *Journal of Peace Research,* 40 (5), pp. 519-352.

Kahler Miles & Kastner Scott (2004) 'Strategic Uses of Economic Interdependence: Engagement Policies in South Korea, Singapore and Taiwan'. Available at: http://www.bsos.umd.edu/gvpt/kastner/KahlerKastnerNov2004.pdf.

Kahler Miles & Kastner Scott (2006) 'Strategies Uses of Economic Interdependence: Engagement Policies on the Korean Peninsula and Across the Taiwan Strait'. *Journal of Peace Research*, 43 (5), pp. 523-541.

Kahn Joseph & Yardley Jim (2007) 'As China Roars, Pollution Reaches Deadly Extremes'. *New York Times* (26th August 2007). Available at: http://www.nytimes.com/2007/08/26/world/asia/26china.html?pagewanted=1&_r=1. (Accessed: 5th December 2008).

Kang Sheng(2006) 'America Factor and Chinese Petroleum Security and Diplomacy in Africa' (in Chinese). *Journal of Socialist Theory Guide*, 4, pp. 79-81.

Kao Kim Hourn & Sisowath Doung Chanto (2005) *ASEAN-China Cooperation for Greater Mekong Sub-Region Development*. pp. 316-328. In: Saw Swee-Hock, Sheng Lijun & Chin Kin Wah(2005) *ASEAN-China Relations: Realities and Prospects*. Published by Institute of Southeast Asian Studies.
Kaplan Morton (1952) 'An Introduction to the Strategy of Statecraft'. *World Politics*, July 1952, 4(4), pp.548-576.

Kaplinsky Raphael, McCormick Dorothy & Morris Mike (2006) 'The Impact of China in Sub-Saharan Africa'. Available at: http://www.uneca.org/eca_programmes/acgd/Overview_Report.pdf. (Accessed: 20th February 2007).

Kapstein, Ethan. B. (2002) 'Two Dismal Science are Better Than One – Economics and the Study of National Security: a Review Essay'. *International Security,* 27(3), pp. 158-187.

Katada Saori. N (2001) 'Why Did Japan Suspend Foreign Aid to China? Japan's Foreign Aid Decision-making and Sources of Aid Sanctions'. *Social Science Japan Journal*, 4 (1), pp. 39-58.

Keohane R. O. & J. S. Nye (1977) *Power and Interdependence: World Politics in Transition.* Boston: Little Brown.

Keohane R. O. & J. S. Nye (1989) *Power and Interdependence.* 2nd Edition. Library of Congress Cataloging-in-Publication Data.

Keohane R. O. & J. S. Nye (1991) Interdependence in World Politics. pp.122-132. In: Crane George & Amawi Abla (1991) The Theoretical Evolution of International Political Economy. Oxford University Press.

Kerr William & Gaisford James D. (1994) 'A Note on Increasing the Effectiveness of Sanctions'. *Journal of World Trade,* 28(6), pp.169-177.

Kerr, David & Liu Fei (2007) *The International Politics of EU-China Relations.* Oxford: Oxford University Press.

Kerry Robert & Manning Robert (2001) 'The United States and Southeast Asia: A Policy Agenda for the New Administration'. Available at: http://www.ciaonet.org/conf/cfr25/cfr25.pdf. (Accessed: 15th August 2008).

Khoman Thanat(1992) 'ASEAN Conception and Evolution'. Available at: http://www.aseansec.org/thanat.htm. (Accessed: 10th August 2008).

Kilby Christopher & Fleck Robert K. (2001) 'Foreign Aid and Domestic Politics: Voting in Congress and the Allocation of USAID Contracts Across Congressional Districts'. *Southern Economic Journal,* 67(3), pp. 598-617.

King Kenneth. 'Aid within the Wider China-Africa Partnership: A View from the Beijing Summit'. Available at: http://www.cctr.ust.hk/china-africa/papers/King,Kenneth.pdf. (Accessed: 25th September 2008).

Kirshner Jonathan (1998) 'Political Economy in Security Studies after the Cold War'. *Review of International Political Economy* (spring 1998), 5(1), pp. 64-91.

Kleine-Ahlbandt Stephanie & Small Andrew (2008) 'China's New Dictatorship Diplomacy'. *Foreign Affairs* (Jan/Feb2008), 87(1), pp.38-56.

Klare Michael & Volman Daniel (2006) 'The African 'Oil Rush' and US National Security'. *Third World Quarterly,* 27 (4), pp. 609-628.

Kornegay A. Francis (2008) 'Africa's Strategic Diplomatic Engagement with China'. In: Edinger Hannah, Herman Hayley & Jansson Johanna (2008) 'New Impulses from the South: China's Engagement of Africa'. Available at: http://www.ccs.org.za/downloads/CCS_-_New_Impulses_from_the_South_-_May_08.pdf

Krause Paul & Williams Michael.C. (1996) 'Broadening the Agenda of Security Studies: Politics and Methods'. *Mershon International Studies Quarterly,* 40(2), pp.229-54.

Krasner Stephen (1996) *The Accomplishment of International Political Economy.* In: Smith Steve, Booth Ken & Zalewski Marysia (1996) *International Theory: Positivism and Beyond.* Published by Cambridge University Press.

Knorr Klaus (1975) *The Power of Nations: the Political Economy of International Relations.* Published by New York: Basic.

Knorr Klaus (1977) 'Economic Interdependence and National Security'. *Economic Issues and National Security*, pp.1-18. Lawrence, KS: Allen Press.

Ku Samuel (2006) 'China's Changing Political Economy with Southeast Asia: Starting A New Page of Accord'. *Asian Perspective*, 30(4), pp. 113-140.

Kuang Yang (1997) 'Environment security and international security'. *Europe,* No.3, 1997.

Kuik Cheng-Chwee (2003) 'Multilateralism in China's ASEAN Policy'. *SAIS Working Paper Series.*

Lafargue Francois (2005) 'China's Presence in Africa'. *China Perspectives* (September-October 2005). Available at: http://chinaperspectives.revues.org/document519.html. (Accessed: 15th December 2007).

Lai Hongyi(2007) 'China's Oil Diplomacy: Is It a Global Security Threat'. *Third World Quarterly*, 28(3), pp.519-537.

Landau Daniel (1993) 'The Economic Impact of Military Expenditures'. *Working Papers*, Public Economics, the World Bank.

Large Dan & Chien Shiuh-Shen (2008) 'China Rising in Africa: Whither Taiwan?'. *Paper Presented at the Fifth Conference of the European Association of Taiwan Studies, Charles University, Prague.*

Lasswell Harold D. (1945) *World Politics Faces Economics*. New York: MaGraw-Hill.

'Law on the Territorial Sea and the Contiguous Zone' (1992). Available at: http://www.un.org/Depts/los/LEGISLATIONANDTREATIES/PDFFILES/CHN_1992_Law.pdf. (Accessed: 17th August 2008).

Leidy Michae P. (1989) 'The Theory of International Economic Sanctions-A Public Choice Approach: Comment'. T*he American Economic Review*, 79 (5), pp.1300-1303.

Leogrande. William M. (1996) 'Making the economy screen: US economic sanctions against Sandinista Nicaragua'. *Third World Quarterly*, 17(2), pp.307-327.

Leong Ho Khai(2005) *ASEAN + 1 or China + 1? Regionalism and Regime Interests in ASEAN-China Relations.* In: Ho Khai Leong and Samuel C.Y.Ku(2005) *China and Southeast Asia: Global Changes and Regional Challenges.* Published by Institute of Southeast Asian Studies in Singapore.

Lenway Stefanie Ann (1988) 'Between War and Commerce: Economic Sanctions as a Tool of Statecraft'. *International Organization,* 42(2), pp. 387-426.

Levy Philip. I (1999) 'Sanctions On South Africa: What Did They Do?'. *The America Economic Review*, 89(2), pp.415-420.

Li Anshan (2007) 'China and Africa: Policy and Challenges'. *China Security*, 3(3), pp.69-93.

Li Changjiu(2000) 'Jing Ji Wai Jiao—Zhong Guo Zong Ti Wai Jiao De Zhong Yao Zu Cheng Bu Fen(in Chinse). *He Ping Yu Fa Zhan*, 2000, No.1.

Li Xiaoyun. 'China's Foreign Aid and Aid to Africa: Overview'. Available at: http://www.oecd.org/dataoecd/27/7/40378067.pdf. (Accessed: 22th June 2008).

Li Ying (2003) 'The Changing of Contemporary National Security View' (in Chinese). *Law Studies* 2, pp. 56-57.

Li Shaojun(2007) *Key Elements of China's Foreign Strategy*. Chapter 2. In Kerr, David & Liu Fei (2007) *The International Politics of EU-China Relations.* Oxford: Oxford University Press.

'Liu Guijin's Speech on the relationship between China and Africa as well as the Darfur Issue' (in Chinese). Available at: http://www.gov.cn/jrzg/2008-02/23/content_898277.htm. (Accessed: 5th March 2008).

Liu Mu (1994) 'The Aviation Dream of the Chinese People'(in Chinese). *Shi Dian* (8th July 1994), No.7, pp.21-28. In *Foreign Broadcast Information Service-China* (24 August 1994), pp.36-37.
Liu Shucheng(2005) 'Zhong guo jing ji de zhou qi bo dong yu hong guan tiao kong' (in Chinese). Available at: http://www.china.com.cn/chinese/zhuanti/fxyc/782199.htm. (Accessed: 23th May 2007).

Liu Shengxiang(2004) 'The End of National Security?—on the New Security View'. *Chinese Journal of European Studies*, 22(1), pp.2-16.

Liu Shun (2007) 'Mei Jun Jian Li Fei Zhou Si Ling Bu, Fan Kong Qi Xia Tu Mou Fei Zhou Neng Yuan' (in Chinese). *Xinhua Net (*22th March 2007). Available at: http://news.xinhuanet.com/world/2007-03/22/content_5879820.htm. (Accessed: 25th July 2008).

Liu T. (1996) 'Beijing's Foreign Policy in the 1990s: Continuity and Changes'. *Issues and Studies*, 32 (1), pp. 32-56.

Liu Tao (2007) *Zhongguo Jueqi Ce* (in Chinese). Published at Xinhua Agency of China.

Liu Xiaoqiang(2004) 'Jing Ji Wai Jiao: Fan Chou, Bei jing ji Zhong Guo De Ying Dui' (in Chinese). *Guo Jia Xing Zheng Xue Yuan Xue Bao*, No.4, pp. 34-37.

Lindsay James. M. (1986) 'Trade Sanctions as Policy Instruments: A Re-examination'. *International Studies Quarterly* (30), pp.153-168.

Looy Judith (2006) 'Africa and China: A Strategic Partnership?'. *ASC working paper* (67/2006). African Studies Center. The Netherlands.

Lowenberg Anton David & kaempfer William H. (1992) *International Economic Sanctions: a Public Choice Perspective*. Published by Westview.
ISBN: 0813380456 9780813380452.

Lum Thomas (2008) 'Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World'. *CRS Report for Congress*. Available at: http://fas.org/sgp/crs/row/RL34620.pdf. (Accessed: 20th September 2008).

Lum Thomas, Morrison M Wayne & Vaughn Bruce (2008) 'China's "Soft Power" in Southeast Asia'. *CRS Report for Congress*. Available at: http://fpc.state.gov/documents/organization/99461.pdf. (Accessed: 20th September 2008).

Lum Thomas, Fischer Hannah, Gomez-Granger Julissa & Leland Anne(2009) 'China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia'. Available at: http://www.fas.org/sgp/crs/row/R40361.pdf. (Accessed: 7th July 2009).

Lyman. P. (2005) 'China's Rising Role in Africa'. *Presentation to the US-China Commission July 21 2005*. Available at: http://www.cfr.org/publication/8436/. (Accessed: 14th October 2007).

Ma Jingqiong(2000) *Dang dai Dong nan ya Guo ji Guo xi*(in Chinese). Published by Shijie Zhishi Chubanshe.

Ma Weiye(2001) 'National Security, National Interests, and New National Security Studies' (in Chinese). *Contemporary World and Socialism*, No.6, 2001.

Majone Giandomenico (1997) 'From the Positive to the Regulatory State: Cause and Consequences of Changes in the Mode of Governance'. *Journal of Public Policy*, 17(2), pp.39-167.

Mathews Jessica Tuchaman(1989) 'Redefining Security'. *Foreign Affairs*, 68(2), pp.162-177.

Mangold Peter (1990) *National Security and International Relations*. Published by London: New York: Routledge.

Mansfield Edward D. (1998) 'The Proliferation of Preferential Trading Arrangements'. *The Journal of Conflict Resolution*, 42(5), pp. 523-543.

Mansfield Edward D. (2004) 'Interdependence and Conflict: A Conceptual and Empirical Overview'. Available at: http://psweb.sbs.ohio-state.edu/faculty/bpollins/book/Mansfield_and_Pollins.pdf. (Accessed: 20th may 2007).

Mansfield Edward D. & Pollins Brian M. (2003) 'Interdependence and Conflict: An introduction'. Available at: http://www.press.umich.edu/pdf/0472098276-intro.pdf. (Accessed: 20th may 2007).

Mangold Peter (1990) *National Security and International Relations*. Published by London: New York: Routledge.

Martin Lisa L. (1992) *Coercive Cooperation: Explaining Multinational Economic Sanctions*. Published by Princeton University Press
ISBN: 0691086249 : 9780691086248

Martin Lisa. L. (1993) 'Credibility, Costs, and Institutions: Cooperation on Economic Sanctions'. *World Politics*, 45(3), pp. 419-422.

Martinez Melissa & Thompson Jim Fisher (2007) 'U.S. Aid to Africa Triples during Bush Administration' (23th February 2007). Available at: http://www.america.gov/st/washfile-english/2007/February/200702231136161EJrehsiF0.311886.html. (Accessed: 25th July 2008).

Mastanduno Michael (1998) 'Economics and Security in Statecraft and Scholarship'. *International Organization*, 52(4), pp. 825-854.

Mawdsley Emma (2007) 'China and Africa: Emerging Challenges to the Geographies of Power'. *Geography Compass* 1(3), pp.405-421.

McGillivray Flona & Stam Allan (2004) 'Political Institutions, Coercive Diplomacy, and the Duration of Economic Sanctions'. *Journal of Conflict Resolution*, 48(2), pp.154-172.

McGuire Martin (1990) 'The Revolution in International Security'. *Challenge* (March-April 1990), pp.4-10.

Medeiros Evan S. (2006) 'The African Dimension in China's Foreign Policy'. Available at: http://www.ipri.pt/publicacoes/working_paper/pdf/10-Medeiros.pdf. (Accessed: 23th August 2008).

Meidan Michal (2006) 'China's Africa policy: Business Now, Politics Later'. *Asian Perspective*, 30(4), pp. 69-93.

Mehdi Shafaeddin(2008) 'South-South Regionalism and Trade Cooperation in the Asia-Pacific Region'. *Munich Personal RePEc Archive Paper* No.10886.

Melville Chris & Owen Olly(2005) 'China and Africa: A New Era of South-South Cooperation'. *Open Democracy: Free Thinking for the World.* Available at: http://www.opendemocracy.net/content/articles/PDF/2658.pdf. (Accessed: 20th October 2007).

Meng Yan(2002) 'China Values ASEAN Relations'. *China Daily* (1st November 2002).

Mikesell Raymond (1968). *The Economics of Foreign Aid*. Published by Weidenfeld and Nicolson/London.

Mondejar Reuben & Wai Lung Chu(2005) *ASEAN-China Relations: Legacies and Future Directions.* In: Ho Khai Leong and Samuel C.Y.Ku(2005) *China and Southeast Asia: Global Changes and Regional Challenges.* Published by Institute of Southeast Asian Studies in Singapore.

Morck Randall, Yeung Bernard & Zhao Minyuan(2007) 'Perspectives on China's Outward Foreign Direct Investment'.

Morrison Wayne M. (2008) 'China's Economic Conditions'. *CRS Report for Congress.*

Morse Edward L. (1972) 'Crisis Diplomacy, Interdependence, and the Politics of International Economic Relations'. *World Politics* 24, pp.123-150.

Morgenthar Hans (1960). *The New Statecraft: Foreign Aid in American Foreign Policy.* Published by the University of Chicago.

Muni S.D. (2002) *China's Strategic Engagement with the New ASEAN.* Published by Institute of Defence and Strategic Studies.

Naidu Sanusha & Mbazima Daisy (2008) 'China-African Relations: A New Impulse in a Changing Continental Landscape'. *Future* 40, pp. 748-761.

Naidu Sanusha & Davies Martyn(2006) 'China Fuels Its Future With Africa's Riches'. Available at: http://www.ccs.org.za/downloads/Naidu%20and%20Davies%20-%20SAIIA%20-%20Vol%2013.2.pdf. (Accessed: 24th September 2008).

Nathan Laurie (2000) 'The Absent Sentry: Sanctions and the Problem of Weak Border Control'. In: Brzoska Michael(ed.): Smart Sanctions, The Next Step: Arms Embargoes and Travel Sanctions. Emerald Group Publishing Limited.

National Bureau of Statistics Plan Report (2007). Available at: http://www.chinability.com/GDP.htm. (Accessed: 10th May 2008).

'National Defense Strategy' (2008). Available at: http://www.defenselink.mil/pubs/2008NationalDefenseStrategy.pdf. (Accessed: 2nd September 2008).

'National Energy Policy' (2001). Available at: http://www.pppl.gov/common_pics/national_energy_policy/national_energy_policy.pdf. (Accessed: 2nd September 2008).

'National Security Consequences of U.S. Oil Dependency' (2006). *Independent Task Force Report* No.58. Available at: http://www.cfr.org/content/publications/attachments/EnergyTFR.pdf. (Accessed: 2nd September 2008).

Narine Shaun (2008) 'Forty Years of ASEAN: A Historical Review'. *The Pacific Review*. 21(4), pp. 411-429.

Nesadurai Helen (2004) 'Introduction: Economic Security, Globalization and Governance'. *The Pacific Review*, 17(4), pp. 459-484.

'News Press on GMS Economic Corridors' (in Chinese) (04/June/2008). Available at: http://www.gov.cn/gzdt/2008-06/04/content_1005629.htm. (Accessed: 10th July 2008).

'Nixon's Visit and Sino-US Joint Communiqué'. Available at: http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18006.htm. (Accessed: 16th November 2006).

Nunor Garoupa & Joaoe Gata(2002) 'A Theory of International Conflict Management and Sanctioning'. *Public Choice*, 110(1-2), pp. 41-65.

Nye Joseph S. (1971) *Peace in Parts*. Boston: Little Brown.

Nye Joseph S. & Lynn-Jones Sean (1988) 'International Security Studies: A Report of a Conference on the State of the Field'. *International Security* 12(4), pp. 5-27.

Ogunsanwo, A.(1971), China's Policy in Africa, 1958-1971. Cambridge: Cambridge University Press.

'Oil Market Report July 2008'. Available at: http://www.opec.org/home/Monthly%20Oil%20Market%20Reports/2008/pdf/MR072008.pdf. (Accessed: 10th October 2008).

Ong Russell (2002) *China's Security Interests in the Post-Cold War Era.* British Library Cataloguing in Publication Data.

Onderco Michal (2007) 'Changing Nature of Sino-African Relations after the Second World War'. Available at: http://blog.sme.sk/blog/2953/97594/onderco-china_and_africa.pdf (Accessed: 28th October 2008).

Oudraat Chantal de Jonge(2000) 'Making Economic Sanctions Work'. *Survival*, 42(3), pp.105-128.

'Overview ASEAN'. Available at: http://www.aseansec.org/92.htm. (Accessed: 24th July 2007).

Pangestu Mari & Gooptu Sudarshan(2002) 'New Regionalism: Options for China and East Asia'. Available at: http://siteresources.worldbank.org/INTEAPREGTOPINTECOTRA/Resources/chapter+3.pdf. (Accessed: 18th July 2007).

Pape R.A. (1997) 'Why Economic Sanctions Do Not Work'. *International Security*, 22(2), pp. 90-136.

Pere Garth (2008) 'Prospects for a Coherent African Policy Response: Engaging China'. In Edinger Hannah, Herman Hayley & Jansson Johanna (2008) 'New Impulses from the South: China's Engagement of Africa'. Available at: http://www.ccs.org.za/downloads/CCS_-_New_Impulses_from_the_South_-_May_08.pdf

Pasadilla Gloria (2004) 'East Asian Cooperation: The ASEAN View'. *Discussion Paper Series* No.2004-27. Philippine Institute for Development Studies.

Payne Richard & Veney Cassandra (1998) 'China's Post-Cold War African Policy'. *Asian Survey*, 38(9), pp. 867-879.

Pevehouse Jon C. (2004) 'Interdependence Theory and the Measurement of International Conflict'. *The Journal of Politics*, 66(1), pp. 247-266.

Phillips Nicola (2006) 'The Dynamics of 'Linkage: The Economy-Security Nexus in US Trade Policy'. Available at: http://interamericanos.itam.mx/englishversion/docs/03NICOLA.pdf. (Accessed: 19th August 2007).

'Plan of Action to Implement the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity' (2004). Available at: http://www.aseansec.org/16805.htm. (Accessed: 20th March 2007).

Ploch Lauren (2009) 'Africa Command: U.S. Strategic Interests and the Role of the U.S. Military in Africa'. *CRS Report for Congress*. Available at: http://www.fas.org/sgp/crs/natsec/RL34003.pdf. (Accessed: 20th February 2009).

Pollack Jonathan (2008) 'Energy Insecurity with Chinese and American Characteristics: Implications for Sino-American relations'. *Journal of Contemporary China*, 17(55), pp. 229-245.

Polachek S. W. (1978) 'Dyadic Disputes: An Economic Perspective'. *Papers of the Peace Science Society* 28, pp.67-80.

'Post-Cold War Security Strategy' (1995) (in Chinese). *Xian dai guo ji guan xi*, NO.8, August 1995, pp.23-28.

'Premier Zhou Enlai's Three Tours of Asian and African Countries' (17 December 2000). Available at: http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18001.htm. (Accessed: 5th August 2008).

'Promote Universal Development to Achieve Common Prosperity' (2005). *Statement by President Hu Jintao of China at the Meeting on Financing for Development of the United Nations Summit.* Available at: http://www.un.org/webcast/summit2005/statements/china050914eng.pdf. (Accessed: 24th November 2007).

Purba Mandala (2006) 'Towards Regionalism through the ASEAN-China Free Trade Area: Prospects and Challenges'. Available at: http://etd.uwc.ac.za/usrfiles/modules/etd/docs/etd_gen8Srv25Nme4_9213_1183461348.pdf. (Accessed: 12th November 2007).

Pushpanathan S(2004) 'Scaling New Heights in ASEAN-Japan Ties'. Available at: http://www.aseansec.org/15510.htm. (Accessed: 26th August 2009).

Radelet Steven (2003) 'Bush and Foreign Aid'. *Foreign Affairs*, 82(5), pp.104-117.

Rajan Ramkishen(2003) 'Emergence of China as an Economic Power: What Does It Imply for Southeast Asia?'. Available at: http://www.ips.org.sg/pub/kishen/pa_kishen_Emergence%20Of%20China%20As%20An%20Economic%20Power.pdf. (Accessed: 15th December 2007).

Ravenhill John (2006) 'Is China an Economic Threat to Southeast Asia?'. *Asian Survey*, 46(5), pp. 653-674.

Ravenhill John & Jiang Yang (2007) China's Move to Preferential Trading: an Extension of Chinese Network Power?. *Paper Presented at a Conference 'Made in China vs. Made by Chinese', Durham University, UK, 2007.*

'Regional Trade Agreements'. *WTO Homepage*. Available at: http://www.wto.org/english/tratop_e/region_e/region_e.htm. (Accessed: 17th February 2009).

Reisen Helmut & Ndoye Sokhna (2008) 'Prudent Versus Imprudent Lending to Africa: From Debt Relief to Emerging Lenders'. *Working Paper* No. 268. Available at: http://www.oecd.org/dataoecd/62/12/40152567.pdf. (Accessed: 7th May 2007).

Rocha John (2008) 'China and African Natural Resources: Developmental Opportunity or Deepening of the Resource Curse'. In: Edinger Hannah, Herman Hayley & Jansson Johanna (2008) 'New Impulses

from the South: China's Engagement of Africa'. Available at: http://www.ccs.org.za/downloads/CCS_-_New_Impulses_from_the_South_-_May_08.pdf

Romm Joseph (1993) *Defining National Security: the Non-military Aspects*. Council on Foreign Relations Press.

Rosen Daniel. H & Houser Trevor (2007) 'China Energy: a Guide for the Perplexed'. Available at: http://www.petersoninstitute.org/publications/papers/rosen0507.pdf. (Accessed: 19th September 2008).

Rosseel Peter, De Corte Erik, Blommaert Jan, & Verniers Elke. 'Approaches to North-South, South-South and North-South-South Collaboration: a Policy Document'. Available at: http://iuc.vliruos.be/downloads/POLICY_PAPER_VLIR_UWC__NSS.pdf. (Accessed: 10th January 2009).

Rothschild Emma (1995) 'What is Security?'. *Daedalus*, 124(3), The Quest for World Order (summer, 1995), pp.53-98.

Roy Denny (2005) 'Southeast Asia and China: Balancing or Bandwagoning?'. *Contemporary Southeast Asia* 27(2), pp.305-322.

Saunders Philip (2006) 'China's Global Activism: Strategy, Drivers and Tools'. *Institute for National Strategic Studies Occasional Paper* 4. Available at: http://www.ndu.edu/inss/symposia/pacific2006/saunders.pdf. (Accessed: 18th May 2008)

Saw Swee-Hock, Sheng Lijun & Chin Kin Wah(2005) *ASEAN-China Relations: Realities and Prospects*. Published by Institute of Southeast Asian Studies.

'SCO Plans to Set Trade Area (in Chinese)'. *BBC News* (29th May 2002). Available at: http://news.bbc.co.uk/chinese/simp/hi/newsid_2010000/newsid_2013900/2013999.stm. (Accessed: 15th December 2008).

Scobell Andrew & Wortzel Larry (2006). 'Shaping China's Security Environment: the Role of the People's Liberation Army'. Available at: http://www.strategicstudiesinstitute.army.mil/pdffiles/pub709.pdf. (Accessed: 18th March 2007).

Scott-Meuser Philippa(2007) 'Fuelling Development: China and Africa'. *Honors Thesis in International Development Studies*. Dalhousie University.

Sek Lenore (2001) 'U.S.-Sub-Saharan Africa Trade and Investment: Programs and Policy Direction'. *CRS Report for Congress*. Available at: http://fpc.state.gov/documents/organization/6571.pdf. (Accessed: 26th July 2008).

Severino Rodolfo C (2004) 'Towards an ASEAN Security Community'. *Trends in Southeast Asia Series*: 8(2004). Available at: http://web.iseas.edu.sg/82004.pdf. (Accessed: 17th November 2008).

Shambaugh David (2005a) 'China's New Diplomacy in Asia'. *Foreign Service Journal* (May 2005), pp. 30-38.

Shambaugh David (2005b) 'China Engages Asia: Reshaping the Regional Order'. *International Security*, 29(3), pp. 64-99.

Shelun: Wei Quan Mian Kai Chuang She Hui Zhu Yi Xian Dai Hua Jian She De Xin Ju Mian Er Fen Dou(in Chinese). Available at: http://cpc.people.com.cn/GB/64162/64168/64565/65376/4429535.html. (Accessed: 4th August 2008).

Sheng Lijun(2003) 'China-ASEAN Free Trade Area: Origins, Development and Strategic Motivations'. *ISEAS Working Paper: International Politics & Security Issues Series* No. 1(2003), pp.1-34. Institute of Southeast Asian Studies, ISSN 0218-8953.

Shi Guangshen's Speech at the China-Africa Forum 2000 (in Chinese)(7th November 2000). Available at: http://test.fmprc.gov.cn/chn/ziliao/wzzt/2354/2355/2388/t11233.htm. (Accessed: 11th August 2008).

Shi YingHong(2006) 'Zhong guo de bian qian yue zhong guo wai jiao zhan lv fen xi' (in Chinese). *Guo Ji Zheng Zhi Yan Jou*, No.1, 2006, pp.31-44.

Shinn David & Eiseman Joshua (2005) 'Dueling Priorities for Beijing in the Horn of Africa'. *Association for Asian Research*. Available at: http://www.asianresearch.org/articles/2753.html. (Accessed: 19th July 2008).

'Sino-Malaysian Forum Held on Economic Recovery'. *Xinhua News* (21th August 1999).

Slavov Slavi. T (2004) 'Innocent or Not-So-Innocent Bystanders: Evidence from the Gravity Model of International Trade about the Effects of UN Sanctions on Neighbour Countries'. Available at: http://129.3.20.41/eps/it/papers/0501/0501007.pdf. (Accessed: 27th February 2007).

Smith Steve, Booth Ken & Zalewski Marysia(1996) *International Theory: Positivism and Beyond*. Published by Cambridge University Press.

Song Yanhui(2008) 'Jin qi nan hai qing shi fa zhan zhi guanca yu fen xi' (in Chinese). *Dong nan ya yan jiu,* No.1, pp. 37-44.

Song Shaosong(2004) 'Wei wei hu hai yang quan yi, zhong mei jiao li dao lian de bei hou' (in Chinese). *Guo fang Zhi shi Bao*. Available at: http://army.news.tom.com/1019/1081/2004/12/28-40516.html. (Accessed at: 12th November 2006).

Sorensen Camilla & Ostergaard Clemens (2005) *China's Foreign and Security policy*. pp.43-61. In Kivimaki Timo & Delman Jorgen (2005) *The Security Situation in Asia: Changing Regional Security Structure?*. Available at: http://www.um.dk/NR/rdonlyres/7A8AB54B-9068-4C0F-BBCC-B7B269E66ECF/0/Asiansecurityreport.pdf#page=69. (Accessed: 12th November 2006).

'South American Nations Forge Union' (2008) *News Americas* (24th May 2008). Available at: http://english.aljazeera.net/news/americas/2008/05/2008614233654190181.html.(Accessed: 8th March 2008).

'South-South Cooperation' (2006)(in Chinese). Available at: http://www.fmprc.gov.cn/chn/wjdt/wjzc/t24777.htm. (Accessed: 5th December 2008).

'South-South Cooperation Defies the North' (2006). *Global Envision*. Available at: http://www.globalenvision.org/library/3/1371. (Accessed: 5th December 2008).

'Southeast Asia Cooperation against Terrorism' (2008). Available at: http://esinirinsea.wordpress.com/2008/08/21/southeast-asia-cooperation-against-terrorism-seacat-2008/. (Accessed: 20th October 2008).

'Speech on High-Level Conference of South-South Cooperation' (2003) (in Chinese). Available at: http://www.mfa.gov.cn/chn/gjwt/gjrdwt/t56396.htm. (Accessed: 5th December 2008).

'Speech on the Head Conference of the South' (2005). Available at: http://www.chinanews.com.cn/news/2005/2005-06-16/26/587465.shtml. (Accessed: 5th December 2008).

Spinetta Lawrence (2006) 'The Malacca Dilemma---countering China's 'String of Pearls' with Land-Based Airpower'. *A thesis presented to the faculty of the school of advanced air and space studies for completion of graduation requirements.*

'State of South-South Cooperation' (2004). *Background Paper* No.5. Available at: http://www.g77.org/doha/Doha-BP05%20-State_of_South-South_Cooperation.pdf. (Accessed: 6th December 2008).

Stewart Devin (2009) 'Damming Public Opinion-the Risks of China's Economic Diplomacy in Cambodia'. *Ernasia Project.* Available at: http://www.ernasia.net/index2.php?option=com_content&do_pdf=1&id=444. (Accessed: 5th April 2009).

Storey Ian (2006) 'China-ASEAN Summit: Beijing's Charm Offensive Continues'. Available at: http://www.asianresearch.org/articles/2976.html. (Accessed: 16th November 2008).

Storey Iran (2007) 'The United States and ASEAN-China Relations: All Quiet on the Southeast Asian Front'. Available at: http://www.strategicstudiesinstitute.army.mil/pdffiles/PUB812.pdf. (Accessed: 16th November 2008).

Stokke Olav (1996) *Foreign Aid towards the Year 2000: Experiences and Challenges*. British Library Cataloguing in Publication Data

Strange Susan (1994) *States and Markets*. 2nd Edition. British Library Cataloguing in Publication Data. ISBN: 1 85567 244 8

Sutter Robert (2006) 'China's Rise: Implication for U.S. Leadership in Asia'. Available at: http://www.eastwestcenter.org/fileadmin/stored/pdfs/PS021.pdf. (Accessed: 25th October 2008).

Talbott Strobe (1997) 'Globalization and Diplomacy: a Practitioner's Perspective'. *Foreign Policy*, No.108 (autumn, 1997), pp.68-83.

Tang Jiaxuan(2000) 'Xin Zhong guo wai jiao de guanghui li cheng' (in Chinese). Available at: http://www.fmprc.gov.cn/chn/ziliao/wjs/t8737.htm. (Accessed: 9th June 2008).

Tang Shiping(2002) '2001 zhi 2005 Nian de Zhong guo Zhou bian An quan Huang jing (in Chinese). *Zhan lue yu Guan li*, No.5, 2002, pp.42.

Taylor Ian (2004) 'The 'All-Whether Friend'? Sino-African Interaction in the Twenty First Century', in: Iran Taylor & Paul Williams (2004) *Africa in International Politics: External Involvement on Africa.* Published by Rouledge, London. Available at: http://books.google.co.uk/books?id=VIUaecaPMKAC&dq=Africa+in+International+Politics:+External+Involvement+on+Africa,&pg=PP1&ots=dzbE19v8xm&sig=HnfQdCfRXkEZknEv6v3fAmzSE68&hl=en&sa=X&oi=book_result&resnum=1&ct=result#PPA89,M1. (Accessed: 18th October 2007).

Taylor Ian (2006a) China and Africa: engagement and compromise. Published by Routledge.

Taylor Ian (2006b) 'China's Oil Diplomacy in Africa'. *International Affairs* 82(5), pp.937-959.

Taylor Darren (2007a) 'Chinese Aid Flows into Africa'. *Voice of America* (8th May 2007). Available at: http://www.voanews.com/english/archive/2007-05/Chinese-Aid-Flows-into-Africa.cfm?CFID=21332971&CFTOKEN=19191804. (Accessed: 4th August 2008).

Taylor Darren (2007b) 'Analysts Explain Significance of Evolving Relationship Between China and Africa'. *Voice of America* (3rd May 2007). Available at: http://www.voanews.com/english/archive/2007-05/Analysts-Explain-Significance-of-Evolving-Relationship-Between-China-and-Africa.cfm?CFID=21213549&CFTOKEN=34608908. (Accessed: 5th August 2008)

Taylor Darren (2007c) 'Concerns Mount about Chinese Oil Interests in Africa'. *Voice of America* (3rd May 2007). Available at: http://www.voanews.com/english/archive/2007-05/Concerns-Mount-about-Chinese-Oil-Interests-in-Africa.cfm?CFID=21610968&CFTOKEN=81737936. (Accessed: 5th August 2008).

'The 16th Party Congress Report' (2002)(in Chinese). Available at: http://xibu.tjfsu.edu.cn/elearning/lk/16c.htm. (Accessed: 26th December 2008).

'The Brandt Proposals: A Report Card'. Available at:http://www.brandt21forum.info/Report_Armaments.htm, (17th March 2007).

'The Facts: China's Arms Sales to Sudan'. Available at: http://www.stoparmstosudan.org/pages.asp?id=22. (Accessed: 16th October 2008).

'The Growth of 'South-South' Trade' (2008). *UNCTAD Report*. Available at: http://www.unctad.org/Templates/webflyer.asp?docid=10093&intItemID=4697&lang=1. (Accessed: 18th June 2008).

'The Highway linking ASEAN with Yunnan is completed'. *Xinhua News* (26th February 2008). Available at: http://www.yn.xinhuanet.com/newscenter/2008-02/26/content_12547634.htm.(Accessed: 10th November 2008).

'The National Security Strategy of the United States of America' (2006). Available at: http://www.whitehouse.gov/nsc/nss/2006/nss2006.pdf. (Accessed: 7th May 2008).

'The US-Saudi Relationship: Oil Supply at the Expense of US Security and Moral Values, Atlantic Review: A Press Digest for Transatlantic Affairs' (28th October 2005). Available at: http://atlanticreview.org/archives/153-The-US-Saudi-relationship-Oil-supply-at-the-expense-of-US-security-and-moral-values.html. (Accessed: 22th July 2008).

The Worrisome Situation of the South China Sea – China Facing the Stepped-up Military Infiltration by the US, Japan and India' (2004). Available at: http://www.uscc.gov/researchpapers/2004/southchinaseamilitary.htm. (Accessed: 18th October 2008).

Thompson Fisher Jim (2006) 'Former U.S. Diplomat to Heat China-Africa Relations Research Project'. Available at: http://www.america.gov/st/washfile-english/2006/December/20061229165115abretnuh5.341738e-02.html. (Accessed: 17th April 2008).

Thompson Fisher Jim (2007) 'Former Envoy Says U.S. Policy on Africa Aid Has Been Consistent' (18 January 2007). Available at: http://www.america.gov/st/washfile-english/2007/January/200701181154541EJrehsiF0.9770471.html. (Accessed: 25th July 2008).

Thompson Drew (2004) 'Economic Growth and Soft Power: China's Africa Strategy'. *China Brief*, 4(24). Available at: http://www.jamestown.org/print_friendly.php?volume_id=395&issue_id=3170&article_id=2368982. (Accessed: 13th November 2007).

Tostensen Arne& Bull Beate(2002) 'Are Smart Sanctions Feasible?'. *World Politics* 54(April), pp.380-394.

Traub James (2006) 'China's African Adventure'. *The New York Times* (19th November 2006). Available at: http://www.nytimes.com/2006/11/19/magazine/19china.html?pagewanted=1. (Accessed: 8th September 2008).

Tull Denis M. (2006) 'China's Engagement in Africa: Scope, Significance, and Consequences'. *Modern African Studies*, 44(3), pp.459-479.

Ullman Richard (1983) 'Redefine Security'. *International Security*, 8(1), pp.129-153.

'U.S. Trade and Investment Relations with Sub-Saharan Africa: the African Growth and Opportunity Act and Beyond' (2008). Available at: http://fas.org/sgp/crs/row/RL31772.pdf. (Accessed: 24th November 2008).

'U.S.—African Trade Profile, International Trade Administration'. Available at: http://www.agoa.gov/resources/US-African%20Trade%20Profile%202007%20-%20Final.pdf. (Accessed: 24th November 2008).

'US, ASEAN Trade Ministers to Discuss Market Opening Efforts'. *BKPM*. Available at: http://www.bkpm.go.id/id/node/2014. (Accessed: 29th October 2008).

'U.S, ASEAN Sign Trade and Investment Framework Agreement' (2006). Available at: http://www.america.gov/st/washfile-english/2006/August/20060825175510ASesuarK0.8261988.html. (Accessed: 29th October 2008).

'U.S. Trade Representative Susan C. Schwab Meets with ASEAN Economic Ministers and Signs TIFA' (2006). Available at:http://www.sice.oas.org/TPD/USA_ASEAN/TIFA082006_e.pdf. (Accessed: 29th October 2008).

Usborne David (2007) 'Aid to Africa Triples during Bush Presidency, But Strings Attached'. *The Independent* (2nd January 2007). Available at: http://www.independent.co.uk/news/world/americas/aid-to-africa-triples-during-bush-presidency-but-strings-attached-430480.html. (Accessed: 24th July 2008).

Valencia J. Mark (1995) 'China and the South China Sea Disputes: Conflicting Claims and Potential Solutions in the South China Sea'. *The Adelphi Paper Series* 298.

Van Bergeijk P.A.G. (1989) 'Success and Failure of Economic Sanctions'. *KYKLOS*, 42 (3), pp. 385-404.

Van Bergeijk P.A.G. (1994) *Economic Diplomacy, Trade, and Commercial Policy: Positive and Negative sanctions in a New World Order*. Published by Aldershot, England.
ISBN: 1852788933 9781852788933

Van Bergeijk P.A.G. (1995) *The Impact of Economic Sanctions in the 1990s.* pp.392-452. Blackwell Publishers Ltd.

Vaughn Bruce (2005) 'China-Southeast Asia Relations: Trends, Issues, and Implications for the United States'. Available at: http://digital.library.unt.edu/govdocs/crs/permalink/meta-crs-6247:1. (Accessed: 16th July 2008).

Vaughn Bruce & Morrison Wayne (2006) 'China-Southeast Asia Relations: Trends, Issues, and Implications for the United States'. Available at: http://www.fas.org/sgp/crs/row/RL32688.pdf. (Accessed: 16th July 2008).

Volman Daniel (2006), 'U.S. Military Programs in Sub-Saharan Africa, 2005-2007', from http://allafrica.com/resources/view/00010822.pdf. (Accessed: 15th April 2008).

Wang Yiwen(2006) 'Rethinking the South China Sea Issue: A Perspective of Sino-U.S. Relations'. *Pacific Focus*, XXI (1), pp. 105-135.

Walt Stephen (1991) 'The Renaissance of Security Studies'. *International Studies Quarterly*, 35(2), pp.211-239.

Walter Lippmann (1943) U.S. Foreign Policy. Published by Boston.

Wallensteen Peter (2000) 'A Century of Economic Sanctions: A field Revisited'. *Uppsala Peace Research Paper* No.1. Available at: http://www.pcr.uu.se/pcr_doc/uprp/UPRP_No_1.pdf. (Accessed: 18th January 2007).

Wang Yizhou. 'Defining Non-Traditional Security and Its Implications for China'. Available at: http://www.irchina.org/en/pdf/wyz07a.pdf. (Accessed: 14th September 2007).

Wang T.Y. (1999) 'U.S. Foreign Aid and UN Voting: An Analysis of Important Issues'. *International Studies Quarterly* 43, pp.199-210.

Wang Mark, Webber Michael & Ying Zhu (2002) *Managed Openness: Opening China's Door.* pp. 14-30. In: Webber Michael, Wang Mark & Ying Zhu (2002) *China's Transition to a Global Economy* Published by Palgrave Macmillan.

Wang Zhengyi(2004) 'Conceptualizing Economic Security and Governance: China Confronts Globalization'. *The Pacific Review*, 17(4), pp. 523-545.

Wang Jiangyu(2004) 'China's Regional Trade Agreements: The Law, Geopolitics, and Impact on the Multilateral Trading System'. *Singapore Year Book of International Law.* (2004) 8 SYBIL, pp.119-147.

Wang Jiangyu(2005) *Legal and Policy Considerations of China-ASEAN FTA.* In: Ho Khai Leong and Samuel C.Y.Ku(2005) *China and Southeast Asia: Global Changes and Regional Challenges.* Published by Institute of Southeast Asian Studies in Singapore.

Wassermann Ursula (1981) 'Apartheid and Economic Sanctions'. *Journal of World Trade Law*, 15(4), pp.367-368.

Webber Michael, Wang Mark & Ying Zhu (2002) *China's Transition to a Global Economy* Published by Palgrave Macmillan.

Whittington James (2004) 'China Facing Environment Crisis'. *BBC News* (23th September 2004). Available at: http://news.bbc.co.uk/1/hi/world/asia-pacific/3683574.stm. (Accessed: 6th December 2008).

Whiting S Allen (1997) 'ASEAN Eyes China: the Security Dimension'. *Asian Survey*, XXXVII(4), pp.299-322.

Wilson III Ernest J. (2005) 'China's Influence in Africa: Implications for U.S. Policy, Testimony before the Sub-Committee on Africa'. *Human Rights and International Operations.* Available at: http://frankhaugwitz.info/doks/security/2005_02_China_Energy_Africa_Focus_Implications_for_US.pdf. (Accessed: 22th August 2008).

Wolfers Arnold (1952) 'National Security as an Ambiguous Symbol'. *Political Science Quarterly*, 67(4), pp. 481-502.

Wolfers Arnold (1962) *National Security as an Ambiguous Symbol, Discord and Collaboration 7.* Baltimore: Johns Hopkins University Press.

Wong John & Chan Sarah (2003) 'China-ASEAN Free Trade Agreement: Shaping Future Economic Relations'. *Asian Survey,* 43(3), pp.507-526.

Wong Seanon S. (2005) 'Economic Statecraft across the Strait: Business Influence in Taiwan's Mainland Policy'. *Asian Perspective*, 29(2), pp. 41-72.

Woo Wing Thye(2004) 'The Economic Impact of China's Emergence as a Major Trading Nation'. *Prepared for the 2004 Forum on WTO, China and Asian Economies organized by the Research Centre for International Economics at the University of Washington.*

Worden Harris (1986) *China and the Third World: Champion or Challenger?.* Library of Congress Cataloging in Publication Data.

'World Investment Report 2006'. Available at: http://www.unctad.org/en/docs/wir2006_en.pdf. (Accessed: 27th June 2008).

'World Investment Report 2007'. Available at: http://www.conapri.org/download/wir2007_en.pdf. (Accessed: 27th June 2008).

'World Energy Outlook 2007 Executive Summary: China and India Insights'. Available at: http://www.iea.org/textbase/npsum/WEO2007SUM.pdf. (Accessed: 27th June 2008).

'Worldwide Look at Reserves and Production'. *Oil & Gas Journal*(18th December 2006), 104(47), pp.22-2.

'World Trade Report 2006'. Available at: http://www.wto.int/english/res_e/booksp_e/anrep_e/world_trade_report06_e.pdf. (Accessed: 25th June 2008).

'World Investment Report 2006'. Available at: http://www.unctad.org/en/docs/wir2006_en.pdf. (Accessed: 25th June 2008).

Wu Baiyi(2001) 'The Chinese Security Concept and Its historical Evolution'. *Journal of Contemporary China*, 10(27), pp.275-283.

Wu Baiyi(2007) *Diplomacy For Integration: The Economic Aspect of Chinese Foreign Policy.* Chapter 4. In: Kerr David & Liu Fei (2007) *The International Politics of EU-China Relations.* Oxford: Oxford University Press.

Wu Friedrich (2005) 'Corporate China goes global'. Available at: http://www.cctr.ust.hk/articles/200509_corporate.pdf. (Accessed: 18th March 2008).

Wu ZhongGang (2006) 'The Changes and Developments of Chinese National Security Views after Its Establishment' (in Chinese). *Journal of Shanghai University* (Social Science), 13(2), pp.1-6.

Xing Guangcheng(2003) 'The New Development of Shanghai Cooperation Organization' (in Chinese). Available at: http://euroasia.cass.cn/Chinese/news/Subject/Shanghai/20030716363.htm. (Accessed: 10th December 2007).

Yahuda Michael (2002) *China and Regional Co-cooperation.* pp. 102-113. In: Brodsgarrd Kjeld Erik & Heurlin Bertel(2002) *China's Place in Global Geopolitics*. Published by RoutledgeCurzon.

Yang Yongzheng & Huang Yiping(1999) 'How important is APEC to China?'. *Australian Economic Papers*, 38(3), pp.328-342.

Yang Zerui(2004) 'China's FTA Developments'. *Paper Presented at APEC Study Centre/PECC Trade Forum Conference "The Challenges of APEC: Trade, Security and Capacity Building"*. Available at: http://www.pecc.org/trade/papers/valparaiso-2004/yang.pdf. (Accessed: 17th October 2008).

Yeung Henry (2004) 'Strategic Governance and Economic Diplomacy in China: the Political Economy of Government-linked Companies from Singapore'. Available at: http://www.enterprise-architecture.info/Images/Documents/Strategic%20Governance%20China.pdf. (Accessed: 17th October 2008).

Yergin Daniel (2006) 'Ensuring Energy Security'. *Foreign Affairs*, 85(2), pp.69-82.

Yin Lijun(2008) 'The Status Quo of China Petroleum Security in the 21st Century and Its Countermeasures' (in Chinese). *Reformation & Strategy*, 24(179), No.7.

Ying Zhu, Webber Michael & Wang Mark (2002) *Reconfiguring the Micro geography of China: Special Economic Zones*. pp.143-168. In: Webber Michael, Wang Mark & Ying Zhu (2002) *China's Transition to a Global Economy* Published by Palgrave Macmillan.

Yu George T. (1988) 'Africa in Chinese Foreign Policy'. *Asian Survey*, 28(8), pp.849-862.

Yu Wenjin & Zhu Dakui (2006) 'China's Energy Security and the Exploration on South China Sea' (in Chinese). *Shi jie di li yan jiu*, 15(4), pp. 11-16.

Yuan Jing-dong (2006) 'China-ASEAN Relations: Perspectives, Prospects and Implications for U.S. Interests'. Available at:http://libweb.uoregon.edu/ec/e-asia/read/PUB735.pdf. (Accessed: 9th December 2007).

Zan Jifang (2004) 'Peaceful Rise'. *Beijing Review.* Available at: Http://www.bireview.com.cn/200416/BoaoSpecial-200416(B).htm.

Zeng Ka (2004) *Trade Threats, Trade Wars: Bargaining, Retaliation, and American Coercive Diplomacy.* The University of Michigan Press.

Zha Daojiong(2005) 'China's Energy Security and Its International Relations'. Available at: http://www.silkroadstudies.org/new/docs/CEF/Quarterly/November_2005/Zha_Daojiong.pdf. (Accessed: 10th September 2008).

Zha Daojiong(2006) 'China's Oil Interests in Africa: International Political Problems'. *Journal of International Political Studies*, No.4.

Zha Daojiong(2007) 'China's Energy Security: Domestic and International Issues'. *Survival,* 48(1), pp.179-190.

Zhang Yunling (2006) 'China and East Asian Economic Integration and Cooperation'. *Journal of Economic Development*, 31(2), pp.169-184.

Zhang Linhong (2007) *The Multilateral Security Regime in the Asia-pacific Region and China's Choice.* Chapter 10. In: Kerr David & Liu Fei (2007) *The International Politics of EU-China Relations.* Oxford: Oxford University Press.

Zhao Hong (2007a) 'China-US Oil Rivalry in Africa'. pp1-43. *Paper Presented at the International Conference 'China in the World, the World in China' on 5-6 August 2007 at University of Malaya.* Available at: Available at: http://ir.lib.cbs.dk/download/ISBN/x65655544x.pdf. (Accessed: 10th September 2008).

Zhao Hong (2007b) 'China's oil Venture in African', *East Asia: an International Quarterly*, 24(4), pp.399-416.

Zhao Hong (2008) 'China-US Oil Rivalry in Africa'. *The Copenhagen Journal of Asian Studies* 26 (2), pp.97-119.

Zhao Suisheng(2004) *Beijing's perception of the International System and Foreign Policy Adjustment after the Tiananmen Incident.* pp.140-150. In: Zhao Suisheng (2004) *Chinese Foreign Policy: Pragmatism and Strategic Behavior.* Library of Congress Cataloging-in-Publisher Data.

Zhao Suisheng(2004) *The Making of China's Periphery Policy.* pp.256-275. In: Zhao Suisheng (2004) *Chinese Foreign Policy: Pragmatism and Strategic Behavior.* Library of Congress Cataloging-in-Publisher Data.

Zhao Suisheng(2008) 'China's Global Search for Energy Security: Cooperation and Competition in Asia-Pacific'. *Journal of Contemporary China*, 17(55), pp.207-227.

Zhen Gao (2007) 'Infrastructure Development in Africa Supported by the Export-Import Bank of China'. Available at: http://www.icafrica.org/fileadmin/documents/berlin_2007/China_Eximbank_for_ICA_meeting_Berlin_1.pdf. (Accessed: 20th September 2008).

Zweig David & Bi Tianbai(2005) 'China's Global Hunt for Energy'. *Foreign Affairs*, 84(5), pp25-38.

'1989: Massacre in Tiananmen Square'. *BBC News* (4th June 1989). Available at: http://news.bbc.co.uk/onthisday/hi/dates/stories/june/4/newsid_2496000/2496277.stm. (Accessed: 15th December 2008).

'2006 Annual Report of the Export-Import Bank of China'. Available at: http://english.eximbank.gov.cn/annual/2006.pdf. (Accessed: 19th April 2008)

'2008 National Defense Strategy'. Available at: http://www.defenselink.mil/news/2008%20national%20defense%20strategy.pdf. (Accessed: 9th August 2008).