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*Multidimensional and Multilateral Approach Towards
New Regionalism:
China's Regional Strategy of Cooperation in Northeast Asia*

Zhikai Zhang

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Membres du Jury

Présidente: Professeure Elena Aoun (UCLouvain)

Promoteur: Professeur. Tanguy Struye De Swielande (UCLouvain)

Co-Promoteur et Secrétaire: Professeur. Tanguy De Wilde d'Estmael (UCLouvain)

Autres Membres du Jury:

Professeur. Sven Bischof (UGhent)

Professeure. Dato' Dr Rashila Ramli (Universiti Kebangsaan Malaysia; UKM)

Professeur Pierre Vercauteren (UCL Mons), Jury Externe

To my country

Declaration

I hereby declare that the work in this dissertation is my own except for quotations and summaries which have been duly acknowledged.

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ZHANG Zhikai

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Abstract

At the end of the Cold War and under the influence of globalisation, China has adopted the strategy of new regionalism to maintain its peaceful development. It considers East Asia as priority of foreign relations and Northeast Asia as gravity of the region. It has been working to unify Northeast Asian countries, and to make the integration process in East Asia more effective. It believes that more unified Northeast Asia and East Asia will serve as platform to its peaceful development in the globalised world. The objective of this research is to study the relevance between new regionalism and China's peaceful development. This research is an empirical study. It uses the theory of new regionalism to analyse China's regional strategy of cooperation in Northeast Asia and East Asia. It adopted qualitative design, and uses both primary and secondary sources. It is a combination of historical, descriptive, comparative, and analytical methodologies, and the method of discourse analysis is used to comment China's new thinking on regionalism. The findings of the research are: China's strategy of new regionalism, which is a multilateral and multidimensional approach, helps significantly its peaceful development in the age of globalisation. It has also accelerated the building up of East Asia Community (EAC) and the formation of a new world order. Through this research, the author intends to encourage China to continue its 'Good Neighbour Policy' and to invite East Asian countries to cooperate more closely, widely, and deeply.

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List of Abbreviations

ABF	Asian Bond Fund
ABMI	Asian Bond Market Initiative
ACEGEC	ASEAN-China Expert Group on Economic Cooperation
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AFAS	ASEAN Framework Agreement on Services
AFC	Asian Financial Crisis
AFMM+3	ASEAN Plus Three Finance Ministers Meeting
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
AIIB	Asian Infrastructure Investment Bank
AMF	Asian Monetary Fund
APEC	Asia-Pacific Economic Cooperation
APSC	ASEAN Political-Security Community
APT or 10+3	ASEAN Plus Three (China, Japan, and South Korea)
ARF	ASEAN Regional Forum
	Association of Southeast Asia or
ASA	
	ASEAN Swap Arrangement
ASC	ASEAN Security Community
ASCC	ASEAN Socio-Cultural Community
ASEAN	Association of Southeast Asian Nations
ASEAN-ISIS	ASEAN Institute of Strategic and International Studies
ASEM	Asia-Europe Meeting
ASPAC	Asia and Pacific Council
AU	African Union
BBC	British Broadcaster
BFA	Boao Forum for Asia
BFTA	Bilateral Free Trade Agreement
BIS	Bank for International Settlements
BRF	Belt and Road Forum for International Cooperation
BSA	Bilateral Swap Arrangement
BTA	Bilateral Trade Agreement
CAFTA	China-ASEAN FTA
CASCF	China-Arab States Cooperation Forum
CASS	Chinese Academy of Social Sciences
	China Chamber of Commerce for Import & Export of Machinery
CCCME	& Electronic Products
CCP	Chinese Communist Party
CCTV	China Central Television
CDA	Critical Discourse Analysis

CEP	Closer Economic Partnership
CEPS	Centre for European Policy Studies
CEPT	Comprehensive Effective Preferential Tariff
CEPEA	Comprehensive Economic Partnership for East Asia
CER	Closer Economic Relations
China-CEECs or '16+1' cooperation	Cooperation between China and Countries in Central and Eastern Europe
CICA	Conference on Interaction and Confidence-Building Measures in Asia
CJK FTA	China-Japan-Korea Free Trade Area
CM	Common Market
CMEA	Council for Mutual Economic Assistance
CMI	Chiang Mai Initiative
CMIM	Chiang Mai Initiative Multilateralization
CNN	Cable News Network
CNPC	China National Petroleum Corporation
CPC	Communist Party of China
CSCAP	Council on Security Cooperation in the Asia Pacific
CSO	Civil Society Organisation
CTBT	Comprehensive Test Ban Treaty
CTBTO	Comprehensive Nuclear-Test-Ban Treaty Organization
CPSU	Communist Party of the Soviet Union
CU	Customs Union
CVID	Complete, Verifiable, Irreversible Disarming
CWC	Chemical Weapons Convention
DAA	Discourse Analytical Approach
DOC	Declaration on the Conduct of Parties in the South China Sea
DSB	Dispute Settlement Body
DMZ	Demilitarised Zone
DPRK	Democratic People's Republic of Korea
EA	Euro Area
EAC	East Asian Community
EADM	East Asian Development Model
EAEC	East Asian Economic Caucus
EAEG	East Asian Economic Group
EAFTA	East Asian Free Trade Agreement
EAS	East Asian Summit
EAVG	East Asian Vision Group
EC	European Communities
ECSC	European Coal and Steel Community
EEC	European Economic Community
EIAS	European Institute for Asian Studies
EU	European Union
EUN	Economic Union

EVSL	Early Voluntary Sectoral Liberalisation
EWS	Early Warning System
FDI	Foreign Direct Investment
FOCAC	Forum on China-Africa Cooperation
FTA	Free Trade Agreement or
	Free Trade Area
FTAAP	Free Trade Area of the Asia-Pacific
FY	Financial Year
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GMS	Greater Mekong Subregion
GVC	Global Value Chain
G7	Group of Seven
HEU	Highly Enriched Uranium
HLTF	High-Level Task Force
HST	Hegemonic Stability Theory
KCNA	Korean Central News Agency
KEDO	Korean Peninsula Energy Development Organization
IAEA	International Atomic Energy Agency
ICJ	International Court of Justice
IDFR	Institute of Diplomacy and Foreign Relations
IEA	International Energy Agency
IFI	International Financial Institution
IKMAS	Institute of Malaysian and International Studies
IMF	International Monetary Fund
INGO	International Non-governmental Organization
IPE	International Political Economy
IR	International Relations
ISIS	Institute of Strategic and International Studies
IT	Information Technology
IWEP	Institute of World Economics and Politics
JSP	Japan Socialist Party
LDC	Least Developed Country
LSE	London School of Economics and Political Science
LWR	Light-Water Reactor
MAPHILINDO	Malaya, the Philippines, and Indonesia
MDB	Multilateral Development Bank
MFA	Ministry of Foreign Affairs
MFN	Most Favoured Nation
MIT	Massachusetts Institute of Technology
MNC	Multi-National Corporation
MOFCOM	Ministry of Commerce
MOU	Memorandum of Understanding

MSR	Maritime Silk Road
MTCP	Malaysian Technical Cooperation Programme
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NDRC	National Development and Reform Commission
NEACD	Northeast Asia Cooperation Dialogue
NEAEF	Northeast Asia Economic Forum
NEA-NWFZ	Northeast Asia Nuclear Weapon-Free Zone
NEAT	Network of East Asia Think Tanks
NGO	Non-Governmental Organisation
NIC	Newly Industrialised Country
NIE	Newly Industrialised Economy
NPT	Non-Proliferation Treaty
NRA	New Regionalism Approach
NTB	Non-Tariff Barrier
NTS	Non-Traditional Security
NWS	Nuclear Weapons States
OAS	Organization of American States
OAU	Organization of African Unity
ODA	Official Development Assistance
ODI	Overseas Direct Investment
OECD	Organization for Economic Co-operation and Development
OFDI	Outwards Foreign Direct Investment
OSCA	Organisation for Security and Cooperation in Asia
OSCE	Organization for Security and Co-operation in Europe
PBoC	People's Bank of China
PFM	Prospective Founding Member
PLA	People's Liberation Army
PPP	Purchasing Power Parity
PRC	People's Republic of China
RCEP	Regional Comprehensive Economic Partnership
RMB	Renminbi, official currency of China
ROK	Republic of Korea
RTA	Regional Trade Agreement
RTIA	Regional Trade and Investment Area
R&D	Research and Development
SAARC	South Asian Association for Regional Cooperation
SCO	Shanghai Cooperation Organization
SCP	Singapore Cooperation Programme
SCS	South China Sea
SDF	Japan Self Defense Force
SDR	Special Drawing Rights
SEAMEO RELC	Southeast Asian Ministers of Education Organization

	Regional Language Centre
SEATO	Southeast Asia Treaty Organization
SIIS	Shanghai Institutes for International Studies
SOE	State-Owned Enterprise
SREB	Silk Road Economic Belt
TAC	Treaty of Amity and Cooperation in Southeast Asia
TEI	Total Economic Integration
THAAD	Terminal High Altitude Area Defence
TPP	Trans-Pacific Partnership
TRADP	Tumen River Area Development Programme
UCL	Université Catholique de Louvain
UDA	Université des Aînés
UEMOA	Union Economique et Monétaire Ouest-Africaine
UK	United Kingdom
UKM	Universiti Kebangsaan Malaysia
ULB	Université Libre de Bruxelles
UN	United Nations
UNSC	United Nations Security Council
UNU	United Nations University
UNU/WIDER	United Nations University/World Institute for Development Economics Research
US	United States
USSR or the Soviet Union	Union of Soviet Socialist Republics
WB	World Bank
WMD	Weapons of Mass Destruction
WTO	World Trade Organization
WWI	World War I
WWII	World War II
ZOPFAN	Zone of Peace, Freedom, and Neutrality Declaration
10+1	ASEAN Plus One

Chapter 1 Introduction

1.1 Background

As an ancient civilisation, China has a prominent status in world history. The 'Silk Road' proves the open-mind of Chinese people and the tightness of relations between China and foreign countries. However, China fell behind in the modern times because of the invasions of colonial powers and the persistent civil wars. China is weary of its backwards position and is willing to restore its former glory by peaceful means. After the foundation of the PRC in 1949, China has been striving to find out a way of achieving this goal. On 1st October of the year, Chairman Mao Zedong proclaimed the founding of the PRC in Tiananmen rostrum, and declared that the 'Chinese people stood up' (*News of the Communist Party of China* 2009). In 1953, China soon initiated the 'Five Principles of Peaceful Coexistence'¹ (*Ministry of Foreign Affairs of the People's Republic of China* 2000), and has started its process of peaceful development. Until 2011, China reaffirmed its pursuit of peaceful development by issuing the white paper of China's Peaceful Development:

Situated in the East, China, a country with an ancient civilization and a population of over 1.3 billion, is making big strides in its advance toward modernization. What path of development has China chosen? What will China's development bring to the rest of the world? These issues are the focus of the whole world. China has declared to the rest of the world on many occasions that it takes a path of peaceful development and is committed to upholding world peace and promoting common development and prosperity for all countries. At the beginning of the second decade of the 21st century and on the occasion of the 90th anniversary of the founding of the Communist Party of China (CPC), China declared solemnly again to the world that peaceful development is a strategic choice made by China to realize modernization, make itself strong and prosperous, and make more contribution to the progress of human civilization. China will unswervingly follow the path of peaceful development.

However, China's effort to realise its peaceful development was not a easy task during the Cold War. China was facing serious security environment and was involved in the ideological conflicts between communist countries and capitalist countries. As a result, China was contained by the United States (US) and its allies, especially by the US-Japan alliance in East Asia. In 1967, the Association of Southeast Asian Nations (ASEAN) was formed and one of its

¹ The 'Five Principles of Peaceful Coexistence' are: 1.Mutual respect for each other's territorial integrity and sovereignty. 2.Mutual non-aggression. 3.Mutual non-interference in each other's internal affairs. 4.Equality and cooperation for mutual benefit. 5.Peaceful co-existence.

main objectives was to contain China (Haftel 2006). China clashed with several neighbouring countries in order to protect its independence and sovereignty, and its bilateral relationship with those countries was harmed. From 1950 to 1953, China fought the Korean War which antagonised South Korea (Hickey 2011). In 1962, the China-India border war damaged the friendship between these two Asian giants (Calvin 2007). In 1969, the alliance between China and the Soviet Union split up because of the Sino-Soviet border conflict (William 2001). In 1979, the Sino-Vietnamese War increased the animosity between these two neighbouring countries (*On War* 2000). Finally after the Tiananmen Incident in 1989 and the collapse of communism in East Europe, China was unprecedentedly isolated in international society.

Early in the Cold War, China was worrying about its isolation, and tried hard to make breakthrough. Most of the first generation of Chinese leaders came from the army, and they naturally introduce military theories to international affairs. Mao has a famous saying when fighting against the Japanese invasion during the World War II (WWII): If you cannot resolve the problem as a whole, you can resolve it from part to part (*Marxists Internet Archive* 2004). Based on this theory, if China wants to breach the blockade in the whole world, it should make breakthrough from region to region. This theory became the early thought of China's regionalism. In the context of the Cold War, China's regionalism started in the security field. China realised that its development is uncertain if its security is not guaranteed. External frictions would impede its domestic construction, and make it difficult to win support from foreign countries.

As many other countries, China was involved in the bipolar politics during the Cold War. In order to balance its foreign relationships, China first joined the communist countries led by the Union of Soviet Socialist Republics (USSR, or the Soviet Union), competed together against the capitalist countries led by the US, and this is called 'lean to one side policy' (Shen and Li 2011). However, the relationship between China and the Soviet Union was soon broken because of the chauvinism of the latter (*Revolutionary Communist Group* 2006). In order to free itself from the control of the Soviet Union, China allied with the US and rebalanced its relationship with the two superpowers. In 1973, Mao pointed out during his meeting with Henry Kissinger, Secretary of State of the US that as long as we share the same goal, we will not do harm to you, nor will you do harm to us, and we should work together to counter Soviet hegemonism. We hope the United States would strengthen its cooperation with Europe and Japan and draw a parallel line linking the United States, Japan, China, Pakistan, Iran, Turkey and Europe. This is unity against the Soviet hegemonism or the 'Strategy of forming an alliance against an opponent' (*Ministry of Foreign Affairs of the People's Republic of China*, 2014).

In February 1974, Mao set forth his strategic thinking of the division of the three worlds. He observed, 'In my view, the United States and the Soviet Union belong to the first world. The in-between Japan, Europe and Canada belong to the second world. The third world is very populous. Except Japan, Asia belongs to the third world. So does the whole of Africa and Latin America' (Ibid.). Mao's strategic thinking shed light on the fact that the two superpowers were the main source of instability in the world, and China was firmly opposed to their policy of expansionism. Their acts of pursuing hegemonism, the big bullying the small, the strong

bullying the weak and the rich oppressing the poor gave rise to strong opposition by countries of the third world. As a member of the third world, China firmly supported the third world countries in their struggles against hegemonism and struggles waged by countries of the second world against interference and control by the superpowers.

China's security regionalism obtained success. China kept its independence, won the support of most developing countries, and normalised its relations with many Western countries. In 1955, China firstly participated in the Asian-African Conference held in Bandung, which is the first large-scale Asian-African Conference known as the Bandung Conference² (*China Daily* 2005). In 1971, China restored its seat in the United Nations (UN) and membership of the UN Security Council (UNSC), and turned over a new leaf in its foreign relations (Yan 2006). The security threat was reduced substantially around China, and China was able to focus on its economic development. China wanted to transfer from security regionalism to economic regionalism. In 1978, Chinese leader Deng Xiaoping set in train the transformation of China's economy, and announced a new 'Open Door Policy' (*BBC News*, 2014) in order to realise its 'Four Modernisations'.³ Since then, China has intensified its economic ties with countries from different regions.

The end of the Cold War further enhanced China's economic regionalism. The dissipation of ideological differences and the globalisation process have provided favourable environment for international cooperation. The barriers among different countries have been reduced, and the free flow of information, capital, technology and people has been accelerated. At the same time, the traditional and non-traditional threats are easier to spread around the world. Countries are facing more intense competitions, and try to cooperate closely in order to protect their common interests. In this context, regional cooperation has become one major choice of most of the countries. Regional cooperation mechanisms are established in most parts of the world, such as the EU, the North American Free Trade Agreement (NAFTA), the Union of South American Nations (UNASUR), and the African Union (AU). The economic regionalism of China seemed to have a promised future.

1.2. Problem Statement

Under the influence of regionalism, China's foreign policy gives top priority to its relations with neighbouring countries (*People's Daily* 2005). China is located in East Asia, and its peaceful development is influenced, and even decided by the situation in East Asia. As a result, China is committed to promoting regional integration process and believes that a more unified East Asia will create a favourable environment for its peaceful development. China will have a more stable supply of resources, capital and technology from its neighbouring countries, and be able

² The Bandung Conference was a meeting of Asian and African states, most of which were newly independent, which took place on 18-24 April 1955 in Bandung, Indonesia. The conference's stated aims were to promote Afro-Asian economic and cultural cooperation and to oppose colonialism or neocolonialism by any nation. The conference was an important step towards the Non-Aligned Movement.

³ The modernisations of industry, agriculture, science and technology (*Peopledaily* 1979).

to focus on its domestic construction due to the stability in the region. A more unified East Asia will further set the region's status higher in world geopolitics, and this is helpful to strengthen China's international influence.

However, the regional cooperation in East Asia is always insufficient in comparison with other regions. One of the major reasons is that there is lack of driving force in the regional cooperation process. The regionalisation process in East Asia is initiated by Southeast Asia or Association of Southeast Asian Nations (ASEAN), but the major regional powers (China, Japan, and South Korea) are all located in Northeast Asia. China, Japan, and South Korea together constitute around 90% of East Asia's GDP (Dent and Huang 2002, 7), and they are supposed to play leading role in the regional integration process. But the reality by the end of the Cold War was that these three major powers cannot cooperate effectively because of historical animosities and conflict of interests:

(1) Although the Cold War and superpower rivalry ended, the security issues obviously remain in Northeast Asia. To some extent, Northeast Asia is still distinguished by continuing Cold War alliances, and confrontational parties stay in ideological and territorial standoffs. Northeast Asia contains the world's largest concentration of divided politics: the competition between Russia and the US, the division of North Korea and South Korea, and the separation between Mainland China and Taiwan. The ambition of predominance and the reunification of Korea and China may cause the use of force.

(2) Northeast Asian countries are facing many territorial and maritime disputes: There are two cases in which sovereignty over islands is in dispute: one is the Diaoyutai (or in Japanese Senkaku) Islands in the East China Sea, which are claimed by both China and Japan. The other is the four islands off Hokkaido, which are occupied by Russia, but claimed also by Japan. Maritime disputes include the Japan-South Korea maritime dispute (Tokdo/Takeshima Islands) and the North Korea-South Korea maritime dispute (the Northern Limit Line on the Yellow/West Sea). These issues will be difficult to resolve, and could trigger armed conflict.

(3) The possibility of US withdrawal from its hegemonic role in Northeast Asia might create instability. If the US reduces its military presence in Northeast Asia, the endogenous challenges within the region would rise. The concept of 'relative gain'⁴ would aggravate the 'security dilemma'⁵. Regional countries would strengthen their own security, and accelerate the escalation of military build-up and arms race. For example, a more assertive role by Japan might revive the legacy of Japanese colonialism, and provoke its nationalist backlashes in the rest of Northeast Asia. The other countries might accuse Japan of its disgraceful historic record, and pursue military competition with Japan. The absence of a hegemon in the region would increase tension among Northeast Asian countries.

⁴ Relative gain is related to zero-sum game, which states that wealth cannot be expanded and the only way a state can become richer is to take wealth from another state. It is the actions of states only in respect to power balances and without regard to other factors, such as economics. In international relations, cooperation may be necessary to balance power, but concern for relative gains will limit that cooperation due to the low quality of information about other states' behaviour and interests.

⁵ An increase in one state's security decreases the security of others.

(4) More seriously, regional peace and stability are threatened by the North Korean Nuclear Issue. The growing dispute concerning North Korean nuclear programme has become the decisive factor of the future of Northeast Asia. With nuclear weapon, North Korea will be able to challenge the military status quo in the Korean Peninsula. There are fears that North Korea will risk a military adventure in a desperate attempt to escape its deteriorating and collapsing economic situation. The US and Japan consider the nuclear North Korea as a serious threat, and have been trying to force North Korea to give up its nuclear programme by threatening with the preemptive attack. The North Korean Nuclear Issue has become the core security issue in the region.

Under this circumstance, Northeast Asia might be the most unstable region in the world. Northeast Asian countries are disintegrated, the regional integration process has stagnated, not to mention the establishment of a comprehensive regional cooperation mechanism such as Southeast Asia with the ASEAN, and South Asia with the South Asian Association for Regional Cooperation (SAARC) in the greater region of East Asia. This status quo of Northeast Asia has become the major impediment to integrate East Asia, and to provide a general stable environment of the region. Why did this situation happen? The answer is that even though the Cold War ended in the world, its influence still remains in Northeast Asia. The thinking of old regionalism, such as sovereignty, national interest, and relative gains, persists in the region. Old regionalism lacks the sense of cooperation, thus regional countries were more conservative towards a more unified region. The practice of new regionalism, such as interdependence, collective security, and harmony of interests, was increasing but not predominant yet. The regional integration process was impeded by the thinking of old regionalism, and needed a new approach to make a change.

At the end of the Cold War, China tried to start its economic regionalism in East Asia. Considering the insufficiency of regional cooperation, China realised that its main task is to improve the unity in Northeast Asia. China has to remove the hostility, build up common interest and mutual trust among Northeast Asian countries, and this is not an easy task. China realised that the thinking of old regionalism must be removed, and adopted the approach of new regionalism. This decision did make sense in regional integration process, and has brought great changes in China's diplomatic behaviour.

1.3. Literature review

How can China resolve the problem? There are a number of books and research works that guide and facilitate this study. Most of the literature considered for this study will be grouped under four thematic areas: Firstly, theory of regionalism especially new regionalism; Secondly, regional cooperation in East Asia, both Southeast Asia and Northeast Asia; Thirdly, China's foreign policy, mainly its theory of peaceful development and strategy of regional cooperation. Fourthly, China's new regionalism practice, including China's engagement in Northeast Asia security cooperation and China's economic regionalism in East Asia. The main references of this study are mentioned below:

1.3.1 Theory of Regionalism

Hettne, André and Osvaldo (1999) suggest an approach to conform to the trend of the globalisation, counterbalance its negative effects, assure the regional security, and at the same time, realise the regional economic development. This approach is named 'new regionalism', and is presented in the book: *Globalism and the New Regionalism*. The book is one of the series which summarises the UNU/WIDER (United Nations University/World Institute for Development Economics Research) international research project on new regionalism. It deals with the conceptions and meanings of two processes which probably will have a crucial influence on the shape of the 'new world order' - globalisation and regionalisation. They relate to each other as challenge to response, globalisation being the challenge of economic and cultural homogenisation of the world and regionalisation being a social and political reaction. It compares new regionalism with old regionalism. It indicates that old regionalism is especially security regionalism or initial economic regionalism during the Cold War, and old regionalism is not very effective in promoting regional cooperation. Under the influence of globalisation, old regionalism gradually disappeared, and new regionalism has been arriving. New regionalism is a multilateral and multidimensional approach, and it not only includes security regionalism, but also economic and political regionalism. It is the political corrective to globalised market-driven disorder and turbulence, not only on the level of the world but also in regional systems. It is applicable to all regions in spite of all historical, economic and cultural differences, and the dynamics of new regionalism are supporting the regionalisation process and changing the recent world system. The theory of new regionalism of the book provides a solution for China's development dilemma, and the basic theoretical framework to analyse China's new regionalism approach.

If Hettne, André and Osvaldo provides a general explanation of new regionalism, Hao focuses on the motive of great powers to practise it. Her paper, *Great Powers' Strategy and Regional Integration: A New Regionalism Analytical Approach* (2009), offers a more precise approach to analyse the new regionalism of China as a emerging power. It adopts the new regionalism approach to analyse the synthetic motivations behind the participation of great powers in regionalism and their domination of the regionalisation process, the structural influence on the region of great powers' participation in regionalisation, and how competition among great powers affects the regionalisation response strategies of other states. It argues that the participation of great powers in the regionalisation process tends to be driven by non-traditional economic motives. The great powers expect to increase their international bargaining power for sequential negotiation by expanding their market scale in order to increase their influence on international political and economic rules. The enormous market scale of the great powers is also a critical mechanism of influence and exclusive resource endowment which allows them to dominate the regionalisation process. Once a great power participates in regional integration, it changes the influence mechanism and development of integration and also causes other states to change their response strategies and their interaction with each other.

Behr and Jokela (2011) analyse the relationship between regionalism and globalisation in their report: *Regionalism & Global Governance: The Emerging Agenda*. The report notices that the rapid growth and changing character of regional organisations, since the end of the Cold War, has been one of the defining characteristics of the international system. Throughout this period, regionalism has taken many forms and shapes, varying from loose single-issue associations, to comprehensive continental-wide unions. Far from being exclusively state-led undertakings, regional organisations have come to include a variety of actors from civil society, Non-Governmental Organisations (NGOs), private businesses and interest groups. Regionalism, in other words, has become a mainstay of the international system. The report draws together some findings in order to understand the potential contribution of regionalism to global governance as the world enters a new era of multipolarity. It finds that with the dawn of a more multipolar global order, regionalism can be expected to move into a new phase of its developments that is likely to differ in its shape from the 'new regionalism' of the previous two decades. While this new phase is likely to witness a turn towards à la carte multilateralism and a resurgence of great power politics at some level.

From this section of literature review, we see the naissance of new regionalism and the difference between old and new regionalism. New regionalism is born as a response to globalisation, it influences the regional structures, and it may change the world order. We can understand better why China, as a regional great power, has chosen its strategy of new regionalism as a response of the globalisation, how this strategy will serve its objective of peaceful development and how the strategy of new regionalism will influence the regionalisation process in East Asia and the transformation of global order. Now, let us see the situation of regional cooperation in East Asia, the region where China is located.

1.3.2 Regional Cooperation in East Asia

Pieterse and Kim (2012) argues in *Globalization and Development in East Asia* that actually throughout history, East Asia has always been in the forefront of trade and travels since 500BC. The rise of the Occidental power has only been prominent in the last 300 years. This century is the reemergence of Oriental globalisation with the rise of China and maybe ASEAN. East Asia is widely regarded as the main 'winner' in contemporary globalisation, unscathed by the economic crisis of 2008, with its leading new industrialising nations and emerging economies. While 20th-century globalisation was mainly led by the West, the 21st century is ushering in different dynamics. The reemergence of East Asia involves alternative visions of the world and different perspectives on globalisation.

Pempel (2005a) states in the *Remapping East Asia: The Construction of a Region* that East Asia has at least a century-long history of internal divisiveness, war, and conflict, and it remains the site of several nettlesome territorial disputes. However, a mixture of complex and often competing agents and processes has been knitting together various segments of East Asia. This collection is about the people, processes, and institutions behind that region-building. They show how nation-states, corporations, and problem-specific coalitions have furthered regional cohesion not only by establishing formal institutions, but also by

operating informally, semiformally, or even secretly. It suggests that the region is ripe for cooperation rather than rivalry.

Harvie and Lee (2002) observed in the *New Regionalism in East Asia: How Does It Relate to the East Asian Economic Development Model?* that in recent years a new regionalism has begun to emerge in East Asia that represents a clear break from the region's strong history of multilateralism. The countries of East Asia have been giving more attention to ways of expanding intra regional trade that include: the establishment of Regional Trade Agreements (RTAs) such as ASEAN+3; plans to establish a free trade area involving the economies of ASEAN and China; as well as moves towards Bilateral Trade Agreements (BTAs). Such a development is important given that an export led growth and development strategy provided the platform for the region's remarkable, and prolonged, period of high and sustained economic growth dating back to the 1960s, and that lies at the core of the East Asian Development Model (EADM). Export growth will remain a key ingredient for the recovery of the region after the financial and economic crisis of 1997-98. The trend towards this new regionalism, the reasons for it, its impact upon the region, its future evolution and prospects are, therefore, of profound regional, and indeed global, significance.

Harvie, Kimura, and Lee (2005) depict in the *New East Asian Regionalism: Causes, Progress and Country Perspectives* that in recent years, new regionalism has begun to emerge in East Asia. East Asian countries - the most dynamic region of the global economy - have recently pursued trade liberalisation through the adoption of various forms of bilateral and plurilateral Free Trade Agreements (FTAs). The East Asian countries have been giving more attention to ways of expanding intra-regional trade that conclude: the establishment of RTAs such as ASEAN+3; plans to establish a free trade area involving the economies of ASEAN and China; as well as moves towards BTAs. China has also been very active in pursuing FTA deals with countries in East Asia. It is now negotiating or studying FTAs with ASEAN and countries such as New Zealand, Australia, Japan and South Korea.

Curley and Thomas (2007) argue in the *Advancing East Asian Regionalism* that since the 1997-98 Asian Financial Crisis (AFC), the development in East Asian regionalism has progressed rapidly. The end of the Asian miracle called into question not only the capacity of regional states to meet the needs of their attendant peoples, but also challenged the viability of regional organisations, such as ASEAN, to adapt and respond to the changing circumstances. It looks at the ways in which ASEAN has expanded since the crisis, and evaluates the potential of East Asia to come together in a regional formation - one capable of representing the region as a whole - akin to the European Community. It shows that ASEAN and its three northern partners of China, Japan, and South Korea recognised the urgent need to accelerate cooperation in response to the crisis and other threats, as well as to maximise the opportunities arising from the growing interdependence of regional countries, and this is the most practical way to build an EAC.

Webber (2001) discusses in the '*Two funerals and a wedding? The ups and downs of regionalism in East Asia and Asia-Pacific after the Asian crisis*', the roots of the perceived decline of ASEAN and APEC and the origins of the rapid rise of ASEAN Plus Three (APT or

10+3)⁶. The AFC in particular has been instrumental both in undermining ASEAN and APEC and in fostering the rise of APT. The crisis has brutally exposed the structural weaknesses of ASEAN and APEC, both of which are handicapped by the political and economic diversity of their member states and the absence of a benevolent dominant state or coalition of states. It has simultaneously fuelled the development of APT because it has greatly strengthened perceptions of mutual economic interdependence and vulnerability in East Asia and resentment against the West and the US. As APT is likely to exhibit similar structural weaknesses to ASEAN and APEC, the odds, however, are against it developing into a strong regional organisation, notwithstanding the possibility that, in the near future, external forces and trends (stagnation of world trade liberalisation, closer European and American integration) will, if anything, encourage plans for closer East Asian integration.

Beeson (2007) examines in the *Regionalism and Globalization in East Asia: Politics, Security and Economic Development* the distinctive character and evolution of political systems, economic structures, and security relationships of East Asia, a dynamic region that will profoundly influence global developments in the twenty-first century. It places East Asian development in the unique historical circumstances that have underpinned its remarkable rise to prominence over the last few decades. This multi-dimensional analysis provides the basis for an assessment of efforts to develop a unified East Asian region. Beeson is surely correct to point us to the APT processes rather than ASEAN itself as the most likely centre of gravity for the East Asia of the future. He is optimistic when he notes (p. 98) that even in a region as diverse as East Asia, common ground may be found 'even in the contentious, seemingly non-negotiable security arena'. And if that optimism is well founded, and common ground can be found in the security arena, so too can it be found in almost any other area of common activity undertaken if the will is there. Overall, Beeson's judgment (p. 254) is that the East Asian regional project is important because 'for all the inefficiencies, excesses, infringements of national sovereignty and all the other costs of interdependence, if the ultimate pay-off of regional institutionalisation is a more peaceful, more cooperative and perhaps more prosperous region, it will be a remarkably small price to pay'.

Kumar (2004) in the *Towards an Asian Economic Community: Vision of a New Asia* makes a case for an Asian Economic Community that would be broader in coverage than the programmes for economic cooperation in the region. The analysis presented in the book shows that regional economic integration could act as a new engine of growth and generate hundreds of billions of additional output and assist Asia regain its place in the world economy that it had until the eighteenth century. This book helps us to look for a vision in making the 21st century an Asian Century. Also in the *East Asian Regionalism: An Unprecedented Window of Opportunity*, Miura (2011) argues that East Asia deserves much attention as the world shifts from a US-centric unipolar system to a new multipolar system in which China is emerging as a great power. Regional dynamics in East Asia will not only influence the future of Asian nations but also produce global consequences in areas ranging from finance and economic growth to security and environmental sustainability. She argues that regionalism is indeed a credible path for East Asia, where countries have an unprecedented window of

⁶ 10 ASEAN countries+China, Japan, and South Korea.

opportunity to develop a regional community. The strengthening of regionalism is a worthwhile project that could promote the peace and prosperity of East Asia and the world.

Much scholarly attention has been given to the broader geographical concept of 'East Asia'. Why then the significantly narrower Northeast Asian focus that is adopted here? We take this approach because the nations of Northeast Asia are by an overwhelming margin the largest economically and the most potent militarily and technologically in the entire East Asian region. Northeast Asia, instead of Southeast Asia is supposed to play the leading role in the process of regional integration in East Asia. Nevertheless, the organisation gap long persisted in Northeast Asia itself, where economic and social ties are most intimate, and the functional need for multilateral coordination correspondingly severe. Thus, the promotion of regional cooperation by means of new regionalism has important significance.

Dent and Huang (2002) recognises in the *Northeast Asian Regionalism: Learning from the European Experience* that Northeast Asia is a subregion lack of coherence in terms of regional economic, political and security linkages. On the other hand they pointed out that this subregion commands much attention given its economic, political and security significance within the international community. they also argues that Northeast Asia remains the main driving force behind East Asian regionalism, with China increasingly at its market and low cost production centre and Japan at its capital and technological centre. It concludes with a discussion of the prospects for increased regional cooperation and integration in the 21st century.

Calder and Ye (2010) highlights in the *Making of Northeast Asia*, that Northeast Asia, where the interests of three major nuclear powers and the world's two largest economies converge around the unstable pivot of the Korean Peninsula, is a region rife with political-economic paradox. It ranks among the most dangerous areas on earth, plagued by security problems of global importance, including nuclear and missile proliferation. Yet, despite its insecurity, the region has continued to be the most rapidly growing on earth for over five decades - and it is emerging as an identifiable economic, political, and strategic region in its own right, and cooperative trilateral mechanisms among China, Japan, and South Korea are deepening.

Bean (1990) traces in the *Cooperative security in northeast Asia: A China-Japan-South Korea coalition approach* the historical relations among Northeast Asian countries through to the present. It describes the relations among three major powers in Northeast Asia (China, Japan and South Korea). It points out cultural links between Chinese, Japanese, and Koreans. It finds out that despite long-term animosities, cultural links and historical bases are favourable for the economic and security interdependence of the three nations. Along with the cultural ties, these mutual interests could serve as the underpinning of a cooperative regime of regional security.

Kim (2004) offers in the *International Relations of Northeast Asia* a multidimensional and multidisciplinary analysis of the international relations of Northeast Asia. It discusses the new regionalism as a way of defining and depicting regional characteristics of Northeast Asia as an international region, and as a way of highlighting the possibilities and limitations of creating

Northeast Asia's regional multilateralism. It explores the local, regional, and global pressures that influence the choice of strategies of the Northeast Asian states, as well as the complex and evolving interplay of national, regional, and global forces shaping the region's security, economy, and identity. It focuses on the place of Northeast Asia in the international relations of the Big Four – China, Russia, Japan, and the US, and the impact of major power interaction bilaterally, regionally, and globally. It states that the Northeast Asian region is moving towards institutionalised regionalisation, it is also one of great and increasing importance in world affairs.

This section of literature review shows that since the end of the Cold War, new regionalism has emerged in East Asia. This trend has accelerated especially after the 1997-98 AFC. After the crisis, people know that ASEAN alone is not enough to lead the regional integration process, and the major powers in Northeast Asia (China, Japan, and South Korea) are supposed to be the driving force. There is a possibility for those three countries and ASEAN countries to cooperate more closely, e.g. through the 10+3, and this could promote the peace and prosperity of East Asia and the world. During this process, China is playing a special and important role as a great power.

1.3.3 China's Foreign Policy

The *Learning and the Reform of Chinese Foreign Policy* (Dittmer, 1999) is a paper prepared by the East Asian Institute, National University of Singapore, which promotes research on East Asian developments particularly the political, economic and social development of contemporary China. This volume looks at the transformation of China's foreign policy since China's reform in 1978 from the perspective of learning theory, an approach to foreign policy analysis based on social psychology. It divided this transformation into three different periods: the post-Mao cycle, the post-Cold War cycle and the post-Deng cycle. It exhibits certain apparent continuities throughout the post-Liberation era. It concludes that the logic of multipolar partnerships suggests China's strategy to play the role of 'balancer' in regional and international diplomacy.

Preston & Haacke (2003) point out in the *Contemporary China: the Dynamics of Change at the Start of the New Millennium* that China has been undergoing significant change since embracing reform in the post-Mao period. It analyses the domestic and international implications of change in contemporary China. It illuminates the core dynamics which are driving change within China. It also clarifies the key issues which are likely to concern scholars, policy analysts and political agents in the opening years of the new millennium. It concludes that with a large and growing economy and a leadership dedicated both to domestic reform and the further integration into international society and the world economy, China will face both significant opportunities and major challenges.

R. G. Sutter is one of America's foremost scholars on Chinese foreign policy. His *Chinese Foreign Relations: Power and Policy since the Cold War* (2008) is a comprehensive

introduction to Chinese foreign relations. This book explores the opportunities and limits China faces as it seeks growing international influence. By tracking the record of Chinese foreign relations since the end of the Cold War, Sutter provides a nuanced analysis that shows that despite popular perceptions of its growing power, China is hampered by both domestic and international constraints. Facing numerous contradictions and tradeoffs, China moves cautiously as it deals with a complex global environment.

Jiang (2010) notices in the *Changing Patterns of Chinese Policy-Making on Regionalism* that China is increasingly active in regional cooperation, known as regionalism. China's participation in regional cooperation is no longer an attempt to export communism as in the pre-reform era, but a pursuit of pragmatic economic benefits and the image of a responsible great power. This change has been catalysed by the AFC in 1997-98, supported by China's economic power and guided by national economic and political needs. As countries in Asia debate whether China's rise is a threat or an opportunity, Beijing has gradually taken centre stage in the development of regional economic cooperation, leaving its neighbours little choice but to cooperate.

Tian (2005) states in the *Chinese Model of Modern Development* that China's reform which was to achieve the 'four modernisations', and together with political reform, has become to build a highly civilised, highly democratised, modernised and powerful socialist nation. China's reforms have achieved amazing results. Deng and Wang (2005) notes in the *China Rising: Power and Motivation in Chinese Foreign Policy* that despite its increasingly secure place in the world, China remains dissatisfied with its global status. Its growing material power has simultaneously led to both greater influence and unsettling questions about its international intentions.

This section of literature reviews China's foreign policy. It shows that China has been developing rapidly since its reform in 1978. After the end of the Cold War, China has been looking forwards to further integration into international society and into the world economy, and it faces both significant opportunities and major challenges. China deals cautiously with the complex global environment and is increasingly active in regional cooperation. This change has been catalysed by the AFC in 1997-98. Since then and with the support of regional countries, China has achieved amazing results in both its domestic buildings and global influence.

1.3.4 China's New Regionalism Practice

Since the end of the Cold War, China's new regionalism is widely discussed by scholars. China's new regionalism practice focuses mainly in Northeast Asia and East Asia. This section of literature review will first observe China's new regionalism practice in Northeast Asia with emphasis on China's role as the host country of the Six-Party Talks and the expected Northeast Asian Security mechanism. In the second part, China's active participation in regional integration process in East Asia and its contribution to the building-up of the EAC will

be reviewed. This section of literature review will help us to better understand China's new regionalism thinking and practice under the influence of globalisation.

Yu (2005) states in the *China and Northeast Asian Regional Security Cooperation* that Northeast Asia is a particularly complex area in the world, especially in terms of security. China advocates a new concept of security based on equality, mutual benefits, consultation and cooperation. China is making great efforts to reduce hot regional issues and lower regional tensions under the conditions that a regional security framework has not been completely established. In recent years, China has actively participated in regional security cooperation and promoted the construction of a security institution. The Six-Party Talks is of great significance not only for resolving the nuclear issue on the Korean Peninsula, but also for forming a relatively formal framework of security organisation. Among the various East Asian security cooperative relationships, that of China-Japan-South Korea is critical with regard to East Asian stability.

Akiyama (2011) states in the *Nuclear Order in Northeast Asia: The Role of Nuclear Weapons in the Region, Nonproliferation, and the Tension between Disarmament and Deterrence* that the existence of nuclear weapons has provided ambivalent values to countries in Northeast Asia. Nuclear weapons have served as a stabilisation factor. As allies of the US, Japan and South Korea have been assured security under US extended deterrence vis-à-vis aggression by potential adversaries. For China, its minimum deterrent nuclear capability vis-à-vis other nuclear weapons states such as the US and Russia (or the Soviet Union) has guaranteed its sense of security. For the North Korea, its nuclear programme is considered indispensable to securing its regime survival and getting more concessions from the US, South Korea, and Japan in economic assistance negotiations. In the meantime, the persistent need for nuclear weapons as deterrents implies that the regional strategic environment remains unstable, and still cannot offer favourable conditions for nuclear disarmament. With the absence of confidence among states, East Asia remains in a security paradox. In such a security environment, nuclear weapons pose greater risks of catastrophe by accident, miscalculation, or misunderstanding. The paradoxical logic of nuclear deterrence - that the risk of nuclear catastrophe would serve the maintenance of peace by posing restraints on strategic challenges by states - has prevailed. Now Northeast Asia faces a serious challenge to address the agenda of nuclear disarmament, or a 'world free of nuclear weapons' set by President Obama's speech in Prague in April 2009 under such a security circumstance.

Ichiro (2010), President of the Peace Depot, writes in the *Strategy for a Northeast Asia Nuclear Weapon-Free Zone (NEA-NWFZ) as a step to 'Common Security'*, 'The formation of a NEA-NWFZ will be a significant initial step to establish a non-military security in Northeast Asia. Through the multilateral treaty talks, confidence among concerned nations will be built. It could also be an opportunity to pave the way to an agreement of no attack and renunciation of war. This is indeed a process towards a 'Common security' in the region.

Pan (2009) argues in the *Nuclear Weapons in a Changing Security Environment in North East Asia* that If the evolving nuclear relations among the major powers have set a new stage for the continuing role of nuclear weapons in Northeast Asia, nuclear proliferation is the most

daunting challenge to the security in the region. In this regard, the North Korea nuclear crisis has become not only the heart of the proliferation issue, but also has far-reaching implications for the security of the whole region. Seen in retrospect, the Six-Party Talks have offered the best venue for finding a solution to the nuclear crisis. The talks have achieved significant breakthroughs towards the goal of the denuclearisation of the Korean Peninsula. The impasse is only one of the setbacks in the long process of multilateral efforts. What is important is not losing sight of the continuing presence of a strong political basis for a peaceful solution. The international initiative for a nuclear-free world fits well with Beijing's long-sought objective of the complete prohibition and thorough destruction of nuclear weapons.

Choo (2005) depicts in the *Is Institutionalization of the Six-Party Talks Possible?* that after having successfully hosted several rounds of Six-Party Talks on the North Korean Nuclear issue, China has pushed to institutionalise the talks. Such an initiative coming from China was a shock to the world, since it has long maintained a passive and defensive posture towards multilateral cooperative security arrangement. This article declares that China's idea to utilise the Six-Party Talks as a steppingstone towards a multilateral cooperative security arrangement is premature. Park (2005) presents in the *Inside Multilateralism: the Six-Party Talks* different perceptions and common interests of six major countries (China, North Korea, the US, South Korea, Japan, and Russia) dealing with the North Korean Nuclear Issue. He describes the Herculean efforts of China to persuade the other five parties to join the multilateral process, and to negotiate a resolution. He believes that subsequent rounds of the Six-Party Talks hosted by China will eventually lead to real progress.

Calder and Fukiyama (2008) observes in the *East Asian Multilateralism: Prospects for Regional Stability* that while the Iraq war and Middle East conflicts command the attention of the US and most of the rest of the developed world, fundamental changes are occurring in East Asia. North Korea has tested nuclear weapons, even as it and South Korea have effectively entered a period of tepid détente; relations among China, Japan, and South Korea are a complex mixture of conflict and cooperation; and Japan is developing more forthright security policies, even as it deepens ties with the US. Together, these developments pose vital questions for world stability and security. Their thorough review and assessment charts the preconditions and prospects for deeper multilateralism, and carries a plea for more serious institution-building in the region, using the ongoing Six-Party Talks on North Korea as a point of departure.

We can see in the first part of this section of literature review that Northeast Asia is a particularly complex area in terms of security, and the North Korea Nuclear Issue is the most delicate. China is making great efforts to handle this issue by hosting the Six-Party Talks. The talks have achieved significant breakthroughs towards the goal of the denuclearisation of the Korean Peninsula. Seen in retrospect, the Six-Party Talks have offered the best venue for finding a solution to the nuclear crisis and may serve as a starting point of the establishment of a regional security mechanism. We will see then the broader picture of China's new regionalism in East Asia and its contribution in building up an EAC.

Zhang (2010) traces in the *China and Asian Regionalism* the development of East Asian

regionalism and analyses China's role and policy on East Asian cooperation and integration. The 16 papers in this volume directly involve all major policy researches and project designing in the process of the East Asia cooperation. They provide valuable information for knowing, understanding and studying the ongoing process of regional cooperation in East Asia. Fu-Kuo and Regnier (2003) argue in the *Regionalism in East Asia: Paradigm shifting?* that Regionalism has become a truly fashionable construct in East Asia. The most important single factor influencing East Asian regional development is China's internal development and attitude towards the region. The most updated move by regional countries has evolved in a new form of regional cooperation: 'ASEAN Plus Three'.

Pempel (2008) depicts in the *China and the Emerging Asian Regionalism* that the 'rise of China' has been a persistent theme for well over a decade, entrancing serious analysts as well as the global public. One area where China's rise has been underappreciated, but which will potentially have profound effects, is China's success in taking a leading role within the new Asian regionalism. In the years since the AFC, the countries of East Asia have become more formally and informally connected to one another through a mixed process of regionalism and regionalisation. China has been at the vortex of these complex processes leading to a substantial increase in its influence within the region. As a lengthening Chinese shadow is cast across the region, particularly within new regional institutions, China gains ever more leverage in shaping political, economic and strategic relations, particularly, but not exclusively within East Asia, well into the future.

Li and Zhang (2009) regard in the *China and Regional Integration in East Asia* China's role in regional integration in East Asia as a new engine in promoting economic and trade growth. On the one hand, China's closer integration with economies in the region, along with a trend towards more assertive political and diplomatic manner, has contributed to great optimism for the economic and political regionalisation in East Asia. On the other hand, China's rise has raised a leadership problem that may constitute an unknown factor on the process of increased regional integration in East Asia. Regional integration has reached such a historical stage in East Asia where more structure and leadership is needed. China's future role is vital but hard to define. However, one thing is sure that China will continue to act as a facilitator and enforcer of regional cooperation.

KANG (2010) observes in the *China Rising: Peace, Power, and Order in East Asia* that throughout the past three decades East Asia has seen more peace and stability than at any time since the Opium Wars of 1839-41. During this period China has rapidly emerged as a major regional power, averaging over nine percent economic growth per year since the introduction of its market reforms in 1978. Foreign businesses have flocked to invest in China, and Chinese exports have begun to flood the world. China is modernising its military, has joined numerous regional and international institutions, and plays an increasingly visible role in international politics. In response to this growth, other states in East Asia have moved to strengthen their military, economic, and diplomatic relations with China. But why have these countries accommodated rather than balanced China's rise? Kang believes certain preferences and beliefs are responsible for maintaining stability in East Asia. Kang's research shows how East Asian states have grown closer to China, with little evidence that the region is

rupturing. Rising powers present opportunities as well as threats, and the economic benefits and military threat China poses for its regional neighbours are both potentially huge; however, East Asian states see substantially more advantage than danger in China's rise, making the region more stable, not less. Furthermore, although East Asian states do not unequivocally welcome China in all areas, they are willing to defer judgment regarding what China wants and what its role in East Asia will become. They believe that a strong China stabilises East Asia, while a weak China tempts other states to try to control the region.

Lee and Son (2014) noted in *China's Rise and Regional Integration in East Asia: Hegemony or Community?* that featuring far-reaching diversities and disparities among the regional states in their political, economic and social systems and cultural and religious orientations, East Asia is a microcosm of international society at large. Never the less, there are unique dynamics unfolding in East Asia at the turn of the twenty-first century, namely the rise of China as a contender for regional and global hegemony, and a set of collective initiatives to integrate the region into a harmonious community. Given the East Asian context where the world's second and third largest economies coexist with much smaller states and with China's ascendancy likely to continue, this book challenges the pervasive dichotomy of hegemony and community. This allows for a fuller and more nuanced account of China's role and the shifting regional policies in East Asia in which hegemonic cooperation does not necessarily lead to a hegemonic form of regional order.

Pangestu and Gooptu (2004) conclude in the *New Regionalism: Options for China and East Asia* that broader liberalisation on a multilateral basis will lead to greater net benefits, but East Asia is likely to realise net gains if it pursues complementary regional approaches simultaneously with multilateralism. One further benefit from stronger regional cooperation could be a more effective stance at the World Trade Organization (WTO) on issues of common interest - for example, in achieving further discipline on antidumping. China plays a critical role in this regard, given its growing economic dominance in the East Asian region if not the world, and hence the type of regional cooperation arrangement it chooses to participate in will have a lasting impact on the course of events and pace of development in the region. Economic development in China can only strengthen the perception of East Asia as a 'good neighborhood' and place to be within the global community.

Campanella (2012) states in the *China and Asian regionalism in a multi-polar global economy* that 'Whether we are on the verge of an 'Asian Century' or not, one thing is clear: there has already been a dramatic shift in the geographic centre of the global economy. China is now front and centre, and its role as a leading dragon can be beneficial for growth prospects for the world economy. The world desperately needs engines of growth right now, and fortunately - with continued strong and pragmatic economic policy making - China can provide that impetus'. China is engaged in a co-evolutionary strategy as a regional leader and a power with true 'global scope', a strategy that Japan, at the height of its success story, failed to accomplish. China's recent commitment to Asian regional governance, and its siding with emerging and developing economies, is crucial to Beijing's strategic spatial strategy, which is to constrain rather than supplant the global powers.

The second part of this section of literature review shows that given its growing economic strength in the East Asian region, China is an active participant in the new regionalism process in East Asia, and plays a critical role in this regard. China has devoted itself in the building up of regional cooperation mechanism and an EAC. China's effort has obtained success. China is more influential in the region and the region is more unified and prosperous. There has already been a dramatic shift in the geographic centre of the global economy. China is now front and centre, and its role as a leading dragon can be beneficial for growth prospects for the world economy.

1.3.5 Synthesis of Literature Review – Finding Gap in the Literature

The above literature shows that there is a large consensus in international society that by the idea of new regionalism, China has overcome its strategic dilemma by the end of the Cold War, and continues its peaceful development. China's success is universally recognised and its weakness is pointed out as well. China's effort in building up an Northeast Asian cooperation mechanism and an EAC did contribute to China's peaceful development and to regional prosperity. More unified Northeast Asia and East Asia support China to play constructive role in regional and international affairs, and this is bringing a new world order. Since China is still a developing country, it has a long way to go before reaching its objective of a unified Northeast Asia and East Asia. Most of the standpoints of the related literature are useful to facilitate further research.

However, there is not a study using new regionalism as a tool to explaining thoroughly China's strategy of regional cooperation throughout the history and the significance of a stable and unified periphery for its peaceful development. Not many people know the evolution of China's strategy of regional cooperation. Many of them think that ASEAN is playing the leading role in the process of regional integration, and overlook the importance of Northeast Asia because of differences and animosities among Northeast Asian countries. This study shows that the strategy of regional cooperation or the approach of new regionalism is an important part of China's foreign policy. China's strategy of regional cooperation started with ASEAN, but focuses on Northeast Asia. China's effort, together with other regional countries, is creating the opportunity to build up a comprehensive Northeast Asian cooperation mechanism and an EAC.

1.4 Research Question and Objective of the Study

The purpose of this study lies in seeking to answer the central research question: how does new regionalism help China to overcome its strategic dilemma at the end of the Cold War, and to continue its peaceful development under the influence of globalisation? This central research question can be elaborated further with 3 subquestions as follows:

- Is multilateral more effective than bilateral in regional cooperation?
- Is multidimensional approach effective for forging a comprehensive regional cooperation?
- Is China growing up after adopting the strategy of multidimensional and multilateral regional cooperation (in the national level, regional level and global level) ?

By analysing China's strategy of new regionalism, the main objective of the research is to study the relevance between new regionalism and China's peaceful development by means of: (1) Reviewing China's old regionalism in Northeast Asia during the Cold War. (2) Assessing ASEAN's economic regionalism since the end of the Cold War in East Asia. (3) Analysing the Six-Party Talks as a multilateral diplomacy to resolve the North Korean Nuclear Issue. (4) Illustrating China's participation in establishing a EAC, such as 10+1,⁷ 10+3, RCEP⁸, and Ching Mai Initiative (CMI)⁹ after the AFC.

1.5. Assumption

As a consequence of initial observations, assumption that will be examined in this research is that: China's new regionalism (multilateral and multidimensional approach) helps significantly to resolve its strategic dilemma at the end of the Cold War, and to support its peaceful development under the influence of the globalisation. It is also beneficial to stability of Northeast Asia and the prosperity of East Asia, and to the formation of a comprehensive regional cooperation mechanism. In return, a more stable Northeast Asia and a more prosperous East Asia are providing a favorable external environment for China's peaceful development. The peaceful development of China and a more unified East Asia lead to the creation of a new world order. On the contrary, because China's new regionalism strategy is not yet entirely successful, China is still facing many challenges and remains a partial power, the regional cooperation in Northeast Asia and East Asia needs to be further developed, and the arrival of a new world order is still uncertain. While approaching the central argument, this study tries to clarify the process of China's policy making from old regionalism to new regionalism and the mutual promotion of China's peaceful development and the regional integration process.

1.6. Significance of the Research

⁷ 10 ASEAN countries+China.

⁸ Regional Comprehensive Economic Partnership (RCEP) is a proposed FTA between the ten member states of the ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) and the six states with which ASEAN has existing FTAs (Australia, China, India, Japan, South Korea and New Zealand).

⁹ The CMI was established by the ASEAN Plus Three Finance Ministers Meeting (AFMM+3) in 2000 as a network of bilateral currency swap arrangements to: (a) address short-term liquidity difficulties in the region and (b) supplement the existing international financial arrangements.

As an emerging power, China has increasing influence in regional and international arenas. The orientation of China's international strategy is closely observed by politicians and researchers. People are wondering: (1) Is China's development a peaceful development? (2) Even if China's development is peaceful, how can China gain the trust and support from foreign countries? (3) Is China's development an opportunity or a threat for regional countries and international society? And answers are different. Through the analysis of China's contribution in regional cooperation, this study shows that: (1) China needs to cooperate and not to compete with foreign countries in order to have a peaceful external environment. (2) China's strategy of regional cooperation is beneficial to regional and international peace and stability, and foreign countries are willing to cooperate with China in order to achieve a win-win situation. (3) A more prosperous China and a more unified East Asia will bring a fairer and more reasonable international order.

After several years' effort, the achievement of China's strategy of new regionalism is obvious. China has become the second largest economy of the world (*World Bank* 2014). Even though the North Korean Nuclear Issue remains unresolved, the peace in Northeast Asian region is kept since the end of the Cold War. East Asia has become the fastest growing in world (*Business Standard* 2014). China is more confident, and believes that we are in a more multipolar world (*China Daily* 2013). China started its Blue-Water project (*The National Interest* 2012), and China's nationalist sentiment is in expansion (*Council on Foreign Relations* 2008). At the same time, Japan is weakening its constitutional commitment to pacifism, and that caused conflict with regional countries especially with China and South Korea once occupied by the Japanese colonialists (*Vox* 2014). North Korea continues its nuclear tests and missile launches. US President Trump says that he will act alone if Chinese don't help (*International Business Times*, 4 February 2017). South Korea has decided to deploy a Terminal High Altitude Area Defence (THAAD) missile defence system from the US and this has sparked serious backlash and protests in the region (*East Asia Forum*, 9 September 2016). The relationship between China and some ASEAN countries are overshadowed by the South China Sea dispute (Heijmans 2014). The China-India border dispute has restarted again (*Global Security*, 9 August 2017). Under such a situation, the regional integration process is under threat, and China's efforts for several decades may be destroyed at once.

The author has witnessed the effort of China and its achievement. He hopes that with the effort of China, the people in East Asia can build up a comprehensive regional cooperation mechanism, and share a stable and prosperous future. But he also feels an undercurrent of tension which pervades East Asia. This situation is dangerous, because it can easily destroy China's effort of peaceful development and the hope of an EAC. Through this paper, he tries to persuade his Chinese compatriots not to be too proud, and to care about the feeling of neighbouring countries. China can realise its development only if this is a peaceful development. China should keep its strategy of new regionalism and its 'Good Neighbour Policy' in East Asia (Feffer 2006). He has been contacting officials, scholars, journalists, and businessmen from regional countries, telling them his weariness, and trying to win their understanding. By writing down his wish and concern, the author expects that the research can help the continuation of China's new regionalism approach and the unification of East Asia.

Academically, as mentioned in the literature review, this is a particular research using new regionalism as a tool to explaining thoroughly China's strategy of regional cooperation throughout the history. Instead of Southeast Asia, it emphasises the leading role of Northeast Asia in the integration process in East Asia. It demonstrates the importance of the regional integration process for China, East Asia, and beyond the region. In addition, when analyse China's strategy of new regionalism, the theoretical, methodological, and policy implications of this research also contribute to the new knowledge of new regionalism which will be further discussed in Chapter 7.

1.7. Methodology

This research design is based on qualitative approach to collect primary and secondary data. The primacy data come mainly from government documents, declaration/resolutions/outcome documents, regional cooperation agreements, speeches of leaders, and interviews with politicians, diplomats, scholars, journalists, entrepreneurs, military officials, and people from the civil society. The secondary data are from extensive library research such as books, journals and reports from National Library of China, Library and Archive of the MFA of the PRC, UCL, Université Libre de Bruxelles (ULB), IDFR, UKM, ISIS. Some primary data is in archival material that I have access to it, major documents that I have used are:

- China's Initiation of the Five Principles of Peaceful Co-Existence (2014)
- China's Peaceful Development (2011) (white paper)
- Report of the Third Plenary Session of the 11th Central Committee in December 1978 (To engage China in 'reform and opening')
- Six-Party Talks on North Korean Nuclear Issue (2007)
- Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China Kuala Lumpur, Malaysia (1997)
- ASEAN-China joint statement on DOC in South China Sea (2012)
- Joint Declaration on the Enhancement of Trilateral Comprehensive Cooperative Partnership (2012)
- 'Full Text of Jiang Zemin's Report at the 16th Party Congress' in November 2002 (Main document of the 'Go Global Strategy')

Besides, this research relies heavily on the information from the Internet such as *Xinhua*, *Ministry of Foreign Affairs of the People's Republic of China*, *Ministry of Commerce of the People's Republic of China*, *ASEAN*, *Asian Development Bank (ADB)*, *Asian Infrastructure Investment Bank (AIIB)*, *WTO*, *International Monetary Fund (IMF)*, *World Bank (WB)*,

Organization for Economic Co-operation and Development (OECD), International Energy Agency (IEA), Brookings, and Centre for European Policy Studies (CEPS); news report on TV such as China Central Television (CCTV), British Broadcaster (BBC), Cable News Network (CNN), Al Jazeera, and news items in newspapers such as People's Daily, China Daily, The Straits Times¹⁰, New Straits Times¹¹, Financial Times, The New York Times, The Times, Le Monde.

During this research time, the author has worked in the MFA of the PRC, and especially in the Department of African Affairs, Department of Policy Planning, and Department of European-Central Asian Affairs. In the Department of African Affairs, the author witnessed the regional integration process in Africa despite most Sub-Saharan African countries remain underdeveloped. In the Department of Policy Planning, the author worked in the Service of Situation Analysis and the Service of Economic Diplomacy and Cooperation, and participated in the policy design of Chinese strategy of regional cooperation and the 'Go Global' strategy. In the Department of European-Central Asian Affairs, the author has worked especially in the CICA¹² Task Force of Chinese Chairmanship (2014-18). All the working experience is helpful to the fulfillment of this research.

In order to have a better understanding of regional cooperation, the author traveled several times to Southeast Asia: In 2005, the author studied in Singapore; In 2007-08, he studied in Malaysia, and has got Master's degree of strategy and diplomacy in UKM. In 2016, he visited Indonesia, Cambodia and Laos to do interviews. These visits helped him to witness and think over the strategy of regional cooperation in East Asia. The author also spent some years to work in Africa and Europe, and witnessed different levels and models of regional cooperation in the world. During the 4 years (2000-04) in Africa, the author worked in the Embassy of China to Benin, and studied regional organisations such as the AU and the Union Economique et Monétaire Ouest-Africaine (UEMOA). During another 4 years (2010-14) in Europe, the author worked in the Mission of China to the EU in Brussels, headquarters of the EU. The experience of different models of regional cooperation helped him to better understand the process, difficulty, and perspective of regional cooperation in East Asia. During all the time, The author conducted numerous unstructured interviews given by those involved in the integration process of East Asia. Among them, there are some lead informants:

- Governments officials:

Name	Title
Mr. Wang Yi	Minister of Foreign Affairs, PRC
Mr. Sok Siphana	Advisor to the Royal Government of Cambodia, the Council for the Development of Cambodia (CDC) and the Supreme National Economic Council (SNEC) (Minister Rank), Ministry of Foreign Affairs and International Cooperation

¹⁰ The most read newspaper in Singapore.

¹¹ Malaysia's nationwide English-language broadsheet newspaper.

¹² The CICA refers to the Conference on Interaction and Confidence Building Measures in Asia, which is a multi-national forum for enhancing cooperation towards promoting peace, security and stability in Asia.

Mrs. Yang Yanyi	Ambassador Extraordinary and Plenipotentiary and Head of Mission of People's Republic of China to the European Union, and former Director-General of the Department of Asian Affairs, Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to Negara Brunei Darussalam
Mr. Wang Yajun	Director General of the Department of the Policy Planning, MFA, PRC and then Assistant Minister, International Liaison Department of the Central Committee of the CPC
Ambassador Huo Yuzhen	Special Representative for China-CEECs cooperation
Mrs. Xu Jinghu	Director General of the Department of African Affairs, MFA, PRC
Mr. Li Chenggang	Director General of the Department of Treaty and Law, Ministry of Commerce (MOFCOM), PRC
Mrs. JIANG Yan	Deputy Director-General of the Department of the European-Central Asian Affairs, MFA, PRC
Mr. Liu Bin	Deputy Director-General of the Department of European-Central Asian Affairs, MFA, PRC
Mr. Liu Jingsong	Deputy Director of the Department of International Economic Affairs, MFA, PRC
Mr. Jiang Zaidong	Political Counsellor, Department of Asian Affairs, MFA, PRC
Mr. Xie Feng	Ambassador in Indonesia and former Director-General of the Department of North American and Oceanian Affairs, MFA, PRC
Mr. Xiong bo	Ambassador in Cambodia, and former Deputy Director-General of the Department of Asian Affairs, MFA, PRC
Mr. Guan Huabing	Ambassador in Laos, and former Minister in North Korea and former Minister Counsellor in South Korea, PRC
Mr. Gu Ziping	Ambassador Extraordinary and Plenipotentiary of the PRC and Chairman of Chinese Chairmanship Working Group for CICA.
Mr. Xu Bu	Ambassador to ASEAN, and former Deputy Representative to Korean Peninsula Affairs, MFA, PRC
Mrs. Piao Yangfan	Counsellor, Department of European and Central Asian Affairs, MFA, PRC
Mr. Yang Jun	Counsellor, Department of Asian Affairs, MFA, PRC
Mr. Wang Sheng	Counsellor, Department of African Affairs, MFA, PRC
Mr. Zhu Lin	Chief Division of the Department of Boundary and Ocean Affairs, MFA, PRC
Mr. Qu Qingyuan	Second Secretary in the Department of European and Central Asian Affairs, MFA, PRC

- Research Fellows:

Name	Title
Mr. Zhang Yunling	Director of Asia-Pacific Studies of the Chinese Academy of Social Sciences (CASS); Professor of International Economics; Executive Vice-President of the Chinese Association of Asia-Pacific Studies
Dr. Branden Smith	Manager of Academic Programmes in East Asia of the London School of Economics and Political Science (LSE)
Mr. Feng Shuai	Researcher in the Shanghai Institutes for International Studies (SIIS)
Mr. Lu Jianren	Research Fellow on regional cooperation of the CASS
Mr. Huang Xiaomin	Professor, School of History, Philosophy, Political Science & International Relations, Victoria University of Wellington, New Zealand

- Entrepreneurs:

Name	Title
Mr. Zhou Jiping	Deputy General Manager of China National Petroleum Corporation (CNPC)
Mr. Zhang Yujing	President, China Chamber of Commerce for Import & Export of Machinery & Electronic Products (CCCME)
Mr. Liu Jie	Product Manager, Technical Sales Dept. In Div IV, ZTE Corporation

- Military officials:

Name	Title
Mr. Luo Yuan	Chinese author, social commentator, and military theorist at the Academy of Military Sciences. He holds the rank of Major General in the People's Liberation Army Navy.

In conducting this research, the method of transcription, data categorisation, and data reduction are used in order to manage data and especially interviews. The data transcription is used to record most of the interviews during the research; Data categorisation is used to classify interviews into different categories. Especially in Chapter 6, interviews and data are

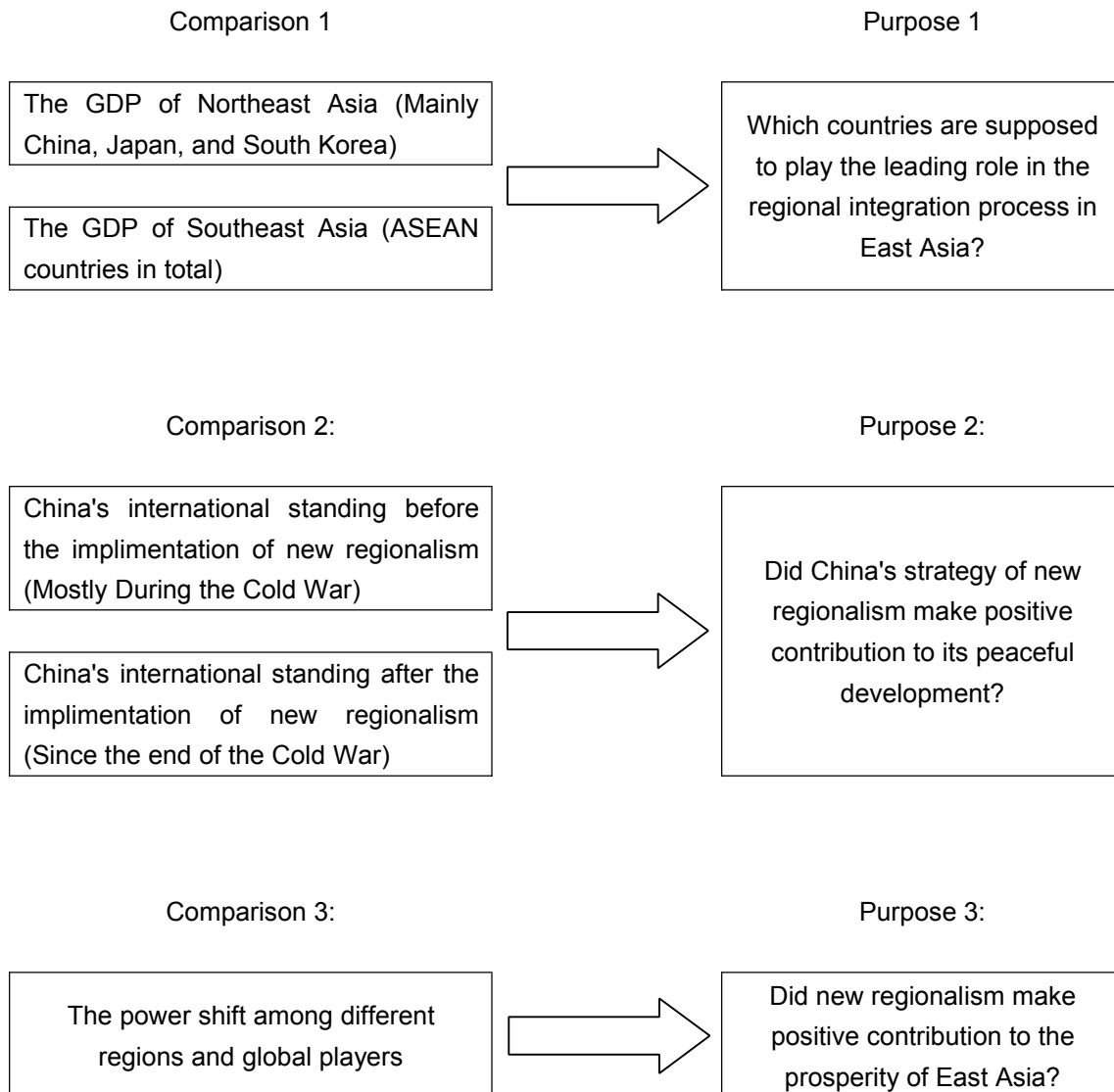
classified into 3 categories such as 'Good Neighbour Policy', 'New Security Concept', and 'Go Global Strategy'; Data reduction is used to simplify interviews by indirect quotation or summary. This research is also a combination of historical, descriptive, comparative and analytical research. All methods are essential to illustrate China's regional strategy of cooperation:

- Historic research involves finding, using, and correlating information within primary and secondary sources, in order to communicate an understanding of past events (Elena et al. 2010, 25-36). Historical research is the positivist and interpretivist paradigms and the critical approach. It is a collection of various techniques and approaches mostly qualitative in nature. It is a systematic collection and evaluation of data related to past occurrences in order to describe causes, events or trends that may help to explain present events and predict future events. Researcher does not simply say what happened but must explain why these events happened (*SlidePlayer* 2017). In this research, historical research is used to present the background of the emergence of China's strategy of regional cooperation and its shift from old to new regionalism. The historical experience shows that new regionalism is a inevitable choice for China's peaceful development.

- Descriptive research is used to describe characteristics of a phenomenon being studied. It is mainly done when a researcher wants to gain a better understanding of a topic. Three main purposes of research are to describe, explain, and validate findings. Qualitative research often has the aim of description and researchers may follow-up with examinations of why the observations exist and what the implications of the findings are. Descriptive studies are aimed at finding out 'what is', so observational and survey methods are frequently used to collect descriptive data (Gall and Borg, 1989). This type of research describes what exists and may help to uncover new facts and meaning (Polit and Hungler 1999). Description emerges following creative exploration, and serves to organise the findings in order to fit them with explanations, and then test or validate those explanations (Krathwohl, 1993). In this research, descriptive research is used especially to describe the practice of China's strategy of regional cooperation in Northeast Asia and East Asia. How does China cooperate, persuade, and motivate? The description of these activities helps us to better understand China's strategy of new regionalism.

- Comparative research is a research methodology in the social science that aims to make comparisons across different countries or cultures. It involves a systematised endeavour to compare two items, with an eye towards identifying points that the items hold in common, along with citing areas where the two items differ. It takes place in a number of different environments, and usually have a specific purpose in mind. This study uses comparative research to examine the efficiency of China's strategy of regionalism from old to new. The comparison between the different results of old regionalism and new regionalism especially in the economic field is a simple and direct way to confirm the efficiency of China's new regionalism. The author mainly used 3 samples of comparison:

Graph 1.1: 3 Samples of Comparative Research



The first comparison explains why Northeast Asia should play the leading role in the regional cooperation process. And if the results of comparison 2 and comparison 3 are positive, we can confirm the assumption that China's strategy of new regionalism is beneficial for its peaceful development and to the regional integration process in East Asia. The comparative research is also used to compare new regionalism with old regionalism, as well as new thinking of China's regional cooperation with the old one. With the comparative approach, China's rethinking of regionalism is reflected in Chapter 6.

- An analytical research is an in-depth exploration of a particular topic. It is used to analyse the motivation behind the cooperation and the conflicts among East Asian countries, the success and the weakness of China throughout its new regionalism practice, and introduce the conclusion of this research. In particular, discourse analysis is used to discuss new regionalism thinking of China in Chapter 6.

Discourse is defined by linguistic traditions as the units of written and spoken communication under study and focuses on the content of texts and conversations (Hajer, 1995). Critical Discourse Analysis (CDA) or simply 'discourse analysis' is a rapidly developing area of language study. It regards discourse as 'a form as social practice' (Fairclough and Wodak 1997, 258), and takes consideration of the context of language use to be crucial to discourse (Wodak, 2001). Discourse analysis was first developed by the Lancaster school of linguists of which Norman Fairclough¹³ was the most prominent figure. Ruth Wodak¹⁴ has also made a major contribution to this field of study.

Since the 1990s, the application of discourse analysis has boomed in International Relations. 'Discourse' is used across the social sciences in a variety of ways, often under the influence of Fairclough. According to his definition, discourse, used as an abstract noun, refers to the 'language use conceived as social practice' (Fairclough 1993, 138). Discourse Analysis is an interdisciplinary approach to the study of discourse that views language as a form of social practice (Fairclough 1995). Discourse Analysis not only focuses on language and language use, but also on the linguistic characteristics of social and cultural processes. According to Fowler et al. (1979, 185-189), discourse analysis, like sociolinguistics, asserts that, 'there are strong and pervasive connections between linguistic structure and social structure', and 'language is an integral part of social process'. For Chuliaraki and Fairclough (1999, 6), discourse analysis 'brings social science and linguistics ... together within a single theoretical and analytical framework, setting up a dialogue between them'.

Fairclough (1992) proposes a three-dimensional framework of discourse including the dimensions of text, discursive practice and social practice. The first dimension 'text' refers to the descriptive analysis of the formal linguistic features of the text. The second dimension 'discursive practice' involves interpretive analysis, which is related to the relationship between text and interaction - regarding the text as a product of the process and a resource in the interpretation. The third dimension 'social practice' is concerned with explanatory analysis, which is 'concerned with the relationship between interaction and social context - with social determination of the processes of production and interpretation and their social effects'. Accordingly, Fairclough's analysis is based on three components - description, interpretation and explanation. Linguistic properties of texts are described (text analysis), the relationship between the productive and interpretative processes of discursive practice and the texts is interpreted, and the relationship between discursive practice and social practice is explained (Fairclough, 1995). In doing this, Fairclough attempts to establish a systematic method for exploring the relationship between text and its social context.

Discourse analysis can be best explained through discussing a core concept in his approach: Intertextuality and intertextual analysis. Intertextuality is the presence of actual elements of other texts within a text - quotations. But there are various less obvious ways of incorporating elements of other texts. If we think, for instance, of reported speech, writing or thought, it is

¹³ Norman Fairclough (born 1941) is emeritus Professor of Linguistics at Lancaster University. He is one of the founders of CDA as applied to sociolinguistics.

¹⁴ Ruth Wodak (born 12 July 1950 in London) is an Austrian linguist, who is Emeritus Distinguished Professor and Chair in Discourse Studies at Lancaster University and Professor in Linguistics at the University of Vienna.

possible not only to quote what has been said or written elsewhere, it is possible to summarise it. This is the difference between what is conventionally called 'direct speech' (which may quote writing and purported thoughts as well as speech - e.g. 'She said, "I'll be late"') and forms of 'indirect speech' (e.g. 'She said she'd be late'). The former claims to reproduce the actual words used, the latter does not; a summary may reword what was actually said (Fairclough 2003, 39). It is argued that discourse analysis should proceed by recognising that all texts are produced intertextually in relation to other texts (Hannam and Knox 2005, 23). According to Fairclough (1995: 16), 'linguistic analysis is descriptive in nature, whereas intertextual analysis is more interpretative'. Intertextuality is an important concept in the analysis of discursive events (realised in the heterogeneity of texts, in meaning, form, and style) which is such a particularly salient feature in a period of intense sociocultural and discursive/linguistic change.

Kristeva (1986, 39) observes that intertextuality implies 'the insertion of history (society) into a text and of this text into history. - the insertion of history into a text, in the sense that the text absorbs and is built out of texts from the past (texts being the major artefacts that constitute history); the insertion of the text into history, in the sense that the text responds to, reaccentuates, reworks past texts, and in so doing helps to make history and contributes to wider processes of change (also anticipating and trying to shape subsequent texts). This inherent historicity of texts enables them to take on the major roles they have in contemporary society at the leading edge of social and cultural change (Fairclough 1992). The rapid transformation and restructuring of textual traditions and orders of discourse is a striking contemporary phenomenon, which suggests that intertextuality ought to be a major focus in discourse analysis.

Unfortunately, while focusing on the detailed structures of text and talk, many of these earlier approaches tended to neglect the relevant relationships with the historical, sociocultural, and political contexts of discourse. Discourse analysis does not limit its analysis to specific structures of text or talk, but systematically relates these to structures of the sociopolitical context. Discourse analysis studies text in context. It has been used to examine political speech acts, to highlight the rhetoric behind these, and any forms of speech that may be used to manipulate the impression given to the audience (Roffe 2016, 131-147). Dijk (1988, 61-63) believes that we need to examine the context of the discourse: historical, political or social background of a conflict and its main participants.

A contextual analysis is simply an analysis of a text that helps us to assess that text within the context of its historical and cultural setting, but also in terms of its textuality - or the qualities that characterise the text as a text. A contextual analysis combines features of formal analysis with features of 'cultural archeology', or the systematic study of social, political, economic, philosophical, religious, and aesthetic conditions that were (or can be assumed to have been) in place at the time and place when the text was created. It means 'situating' the text within the milieu of its times and assessing the roles of author, readers (intended and actual), and 'commentators' (critics, both professional and otherwise) in the reception of the text.

Another important principle is that discourse is history. The historical dimension in critical

discourse studies also plays an important role (Wodak and Meyer 2001). Thus discourses can only be understood with reference to their historical context. In accordance with this discourse analysis refers to extralinguistic factors such as culture, society and ideology in historical terms (Fairclough and Wodak 1997; Wodak 1996, 2001). Discourse is historical in the sense that texts acquire their meanings by being situated in specific social, cultural and ideological contexts, and time and space (Sheyholislami 2017, 13). Wodak's approach is a discourse-historical perspective, and the context is understood mainly historically. The general principles of the discourse-historical approach may be summarised as follows: First, setting and context should be recorded as accurately as possible, since discourse can only be described, understood and interpreted in its specific context. Second, the content of an utterance must be confronted with historical events and facts. Third, texts must be described as precisely as possible at all linguistic levels (Wodak 2001).

The Chapter 6 uses mainly discourse-historical approach to analyse China's thinking of regionalism from old to new. From 'Good Neighbour Policy', 'New security Concept', to 'Go Global Strategy', we can see clearly the historical transformation of China's strategy of regionalism in different periods. Throughout China's history, different epoch produces different regionalism thinking, and different regionalism thinking is the echo of different epoch. The comparative research and the intertextual analysis is also used in this chapter, in order to compare and summarise different thinking of regionalism in different epoch of China's foreign policy.

1.8. Scope of Research

This research studies China's peaceful development policy since the foundation of the People's Republic of China in 1949, and its old regionalism in Northeast Asia during the Cold War. However it mainly focuses on the implementation of China's new regionalism in Northeast Asia and East Asia after the Cold War with a special emphasis on China's contribution to the establishment of a comprehensive (multidimensional and multilateral) regional cooperation mechanism.

1.9. Limitations

This study is conducted from a Chinese perspective as the author himself is a Chinese diplomat. Although it helps to clarify China's strategy of regional cooperation and the author tried his best to be neutral, there is still a possibility of biasness. The author might access to factoids of dubious veracity. Many interviewees are Chinese or they care about of the author's feeling.

1.10. Organisation of Chapters

This Research consists of 7 chapters.

Chapter 1 is the introduction which provides an overview and framework of the research such as background, problem statement, literature review, objective of the study, assumption, significance of the research, methodology, scope of research, limitations, and organisation of Chapters.

Chapter 2 is the theoretical and conceptual framework which introduces the theory and concept of regionalism, compares the differences between old regionalism and new regionalism, and explains the efficiency of new regionalism approach as a response to the tide of globalisation. It highlights that new regionalism is a useful strategy for great powers to exert their regional, even global influence.

Chapter 3 reviews the bipolar politics in Northeast Asia during the Cold War. It presents the historical background of animosity among Northeast Asian countries, and explains the difficulty of a comprehensive regional cooperation. It depicts that China failed to unify regional countries by traditional security regionalism because of the confrontation between two camps. It introduces the initiative of ASEAN countries to promote economic regionalism in East Asia at the end of the Cold War, but also failed because of the AFC. It results that neither the security regionalism nor economic regionalism alone as a form of old regionalism, is sufficient for regional unification. It indicates that Northeast Asia is the center of East Asia, and there is a need for the Northeast Asian countries (especially China, Japan and South Korea) to cooperate and take the leadership of regional cooperation.

Chapter 4 observes China's strategy of new regionalism in security field. It introduces the North Korean Nuclear Issue which is a critical security problem in Northeast Asia, and which needs to be resolved even after the end of the Cold War. It illustrates the leading role of China in resolving the issue by holding rounds of the Six-Party Talks, and the contribution of the Six-Party Talks to regional stability. It explains that the Six-Party Talks may serve as the first step of a future Northeast Asian security mechanism, and this security mechanism can be further extended to a regional economic, political and cultural mechanism, and may finally reach the formation of a comprehensive Northeast Asian cooperation mechanism.

Chapter 5 observes China's new regionalism in economic field, and verifies its efficiency and contributions in the integration process of East Asia. Through the economic cooperation, including the '10+1', '10+3', and RCEP and the process of regional financial cooperation, It shows the efforts and achievements of China in the building up of an EAC. It also presents China's new regionalism effort beyond East Asia such as interregional cooperation organisations, 'One Belt and One Road' (OBOR), and Free Trade Area of the Asia-Pacific (FTAAP).

Chapter 6 is the discourse analysis of China's new thinking of regionalism. By using the discourse-historical approach, It presents the transformation of China's new regionalism

thinking in different periods, such as 'Good Neighbour Policy', 'New Security Concept', and 'Go Global Strategy', which provide a spiritual and theoretical support for its new regionalist practice.

Chapter 7 is the conclusion and discussion of the research. It confirms the contribution of new regionalism to China's peaceful development. It found the achievement of China's strategy of new regionalism in three levels: national level, regional level, and global level, and indicates problems with new regionalism as well. It highlights the theoretical, methodological, and policy implications of this research, and recommends to further study China's 'growing pains', which implies future discussion and research questions such as 'how to deal with "China threat"?', 'Is China powerful enough?' and 'What is the perspective of the EAC?'.

Chapter 2 Theoretical and Conceptual Framework

2.1 Introduction

This chapter describes the development of regionalism from 'old' to 'new', analyses its historical background as well as far-reaching implications, and in such a way will provide a theoretical support to explain China's new regionalism in Northeast Asia. New regionalism is the recent trend of regional cooperation process. New regionalism is new, because it differs from old regionalism before the rise of globalisation. New regionalism is a reflection and a modifier of the globalisation which is one of the most significant trends in the world. It is a comprehensive process which implies multidimensional and multilateral dimensions. The prevalence of new regionalism has unified regional countries to higher degree, and often has formed platforms for regional cooperation. More unified region provides regional powers larger room to exert their influence, and improve the status of the region as a whole in the world. The power change of regional countries and the competition among different regions will sooner or later impact the recent world order.

2.2 Overview of Regionalism

2.2.1 Definition of Regionalism

Regionalism is a political ideology based on the concept of region. Region is a vague concept which generally indicates a large area of a country or of the world, usually without exact limits. As a research of international relations, region here mainly refers to a large area of the world which is bigger than a country, and provides a platform for international cooperation and competition. The size of regionalism extends from mega-regions such as Asia-Pacific Economic Cooperation (APEC), macro-regions such as the EU or NAFTA, and to sub-regions (micro-regions) such as ASEAN. Hettne and Inotai defined region in different ways (1994, V): The geographical concept of a region is usually based on its physical characteristics, and region is a specific area of political cooperation or conflictive relationship. From an economic point of view, region is a zone within which there is more intensive cooperation between the countries than their relationship with the rest of the world. From an perspective of security, regional security complex is defined by Buzan (1991, 190) as 'a group of states whose primary security concerns link together sufficiently closely that their national security cannot realistically be considered apart from one another'. The cultural definition of a region may emphasise the similarity of historical development in factors as ethnicity, religion, lifestyle, language, and other characteristics of societies.

Björn, Inotai, and Osvaldo further advanced five degrees of 'regionness' (1999, 10-11): (1)

Region as a geographical unit, delimited by more or less natural physical barriers and marked by ecological characteristics such as 'Europe from the Atlantic to the Ural', 'Africa south of Sahara', or 'the Indian subcontinent'. This first degree can be referred to as a 'pre-regional zone'. (2) Region as social system, which implies translocal relations of varying nature between human groups. These relations constitute a security complex, in which the constituent units are dependent on each other. The region, just like the international system of which it forms part, is anarchic. The classic case is nineteenth-century Europe, and 'concert' is the sole security guarantee. This is a rather primitive security mechanism. (3) Region as organised cooperation in any of the cultural, economic, political or military fields. In this case, region is defined by the membership of the regional organisation. This could be called the 'formal' region. Regional cooperation through a formal organisation is sometimes rather superficial, but at least a framework of cooperation is created. This can be of great value, when an objective need for cooperation should arise. (4) Region as civil society, which takes shape when the organisational framework promotes social communication and convergence of values throughout region. The pre-existence of a shared cultural tradition throughout region is of crucial importance, but culture is not only a given, but continuously created and recreated. (5) Region as acting subject with a distinct identity, actor capability, legitimacy, and structure of decision-making. Crucial areas for regional intervention are conflict resolution (between and within former 'states') and welfare (in terms of social security and regional balance). The ultimate outcome of this could be a 'region-state', which in terms of scope can be compared to the classical empires, but in terms of political units into a supranational security community.

The evolution of region is mainly driven by regional actors, and the tendency or the outcome of regional efforts by varying regional actors, including state and non-state actors, is generally called regionalism. The United Nations University (UNU) commissioned a major research project in the 1980s on regionalism, and earlier research work in the framework of the UNU revealed that regionalism is a term that has been used to describe very different institutionalised preferences and trends in international political, military, or economic relations among sets of countries, and has been promoted by many of its advocates as an interconnecting, unifying process that is a natural outgrowth of bilateral relations (Hettne and Inotai 1994, V). Later on, considering the prevalence of globalisation, Baylis and Smith (2005, 774) redefined regionalism as development of institutionalised cooperation among states and other actors on the basis of regional contiguity as a feature of global politics, and the author has adopted this definition in this research.

Along with the concept of regionalism, there is the concept of regionalisation. Regionalism describes the will of state, market, and a wide range of civil society actors to cooperate in the region, and regionalisation is the corresponding empirical process of this will. Michael Shultz (2001, 5) defined the differences between regionalism and regionalisation as follows: Regionalism represents the body of ideas, values and concrete objectives that are aimed at creating, maintaining or modifying the provision of security and wealth, peace and development within a region: the urge by any set of actors to reorganise along a particular regional space. Regionalisation implies as activist element and denotes the empirical process, which can be defined as process of change from relative heterogeneity and lack of cooperation towards increased cooperation, integration, convergence, coherence and identity in a variety

of fields such as culture, security, economic development and politics, within given geographical space. In short, regionalism is an idea, and regionalisation is the practice to realise this idea. Both the idea and the practice paves the way of regional integration, which is the process by which two or more nation-states agree to cooperate and work closely together to achieve peace, stability and wealth (*Carleton University* 2012).

In order to better understand regionalism, we should know its main elements. Fu-Kuo and Philippe (2003, 6-7) spelled out four elements of regionalism: First, regionalism should occur around a group of geographically proximate countries. Second, the density of regional economic interactions among the regional countries should be considerably higher than that of external interactions. Third, through certain regional arrangements, the economic policy of an individual country will be coordinated at the regional level. Fourth, regional cooperation should commit to one or more issue areas such as economic, security and political issues. Hurrell (1995a, 331) also singled out five elements of regionalism: (1) regionalisation. (2) regional awareness and identity. (3) regional interstate cooperation. (4) state-promoted regional integration and (5) regional cohesion. If we accept these fundamental arguments, we understand better that regionalism is a mental and physical orientation towards forming a regional identity, and it leads to further integration through regional cooperation, which in turn would promote the peace and welfare for people living in the region.

Björn, Inotai, and Osvaldo (1999, 11-13) further argued that the regionalism implies a change from relative heterogeneity to increased homogeneity with regard to different dimensions, the most important being culture, security, economic policies, and political regime: (1) Culture. Regionalisation normally necessitates a certain degree of cultural homogeneity to start with, what we can call an inherent regional civil society. Cultural homogeneity is formed very slowly and in traditional integration theory with its economistic bias, this factor has been neglected. But if we think of regionalisation more in terms of political project, it becomes crucial. (2) Security. This is another crucial dimension. It has even been used for defining regional systems (Buzan, 1991). Security divisions imply economic divisions, and a fundamental change of the security order paves the way for a new pattern of regional economic cooperation, as shown in the pattern of regional economic cooperation in Europe during the Cold War (Hettne, 1991). The dismantling of the Cold-War system dramatically changes the preconditions for regional cooperation globally, and a reunification perspective of the two Koreas is a case in point. (3) Economic Policies. The compatibility of economic policies is of equal importance. The homogenisation of economic policies may pave the way for further regionalisation in a spontaneous way. As when the economic union of Europe was decided in Maastricht Treaty of 1992, it leads to a further harmonisation of economic policies in order to avoid two or more camps of 'different speed' within the EU. (4) Political Regime which is the highest level of regionalism which would lead to form a regional identity.

After considering different dimensions of regionalism, we can see that the regionalism is a comprehensive process and a more suitable term in order to view the regional transformation of the world, because regionalism represents a way of tackling problems which cannot be dealt with effectively at the national level. This research will study China's regionalism approach as a comprehensive process including all dimensions above-mentioned, but each period focuses

on a special domain according to the historical background: The historical and cultural similarities in East Asia serve as a basic factor for China to begin its regionalism with. During the Cold War, the security is the dominant issue under the bipolar politics, and China had to accept the security regionalism for self-defence. Under the influence of globalisation, economic regionalism has been rising, and China turned to be more open and sped its economic regionalism. During all these processes, China has been trying to find out the East Asia's identity with its neighbouring countries, and this effort is considered as a political regionalism. And then, the author wants to clarify the historical development of regionalism in which China's regionalism takes part.

2.2.2 Historical Background

The contemporary spread of new regionalism is not without historical precedent. Regionalism is not a new phenomenon, and the pursuit of regional cooperation has a long, varied and chequered history. For centuries, attempts have been made to create regions of peace and cooperation, thereby eliminating the causes of tensions and conflicts between nations, and many security and economic regional blocs are formed for these purposes. In the 'Globalization and Development in East Asia', Pieterse and Kim (2012) mention about the Oriental Globalisation and Occidental Globalisation, and argue that actually throughout history, East Asia has always been in the forefront of trade and travels since 500 BC. East Asia holds a special place in historical globalisation as well as in contemporary globalisation. In historical globalisation, East Asia's global role long preceded that of the West; oriental globalisation predates occidental globalisation and stretches over a much longer time. East Asia led world trade long before the West entered the picture. East and South Asia have been driving forces of the world economy from 1000 CE to 1800 (or from 1100 to 1850 by other assessments). China held world treasure before with the world's largest holds of silver, as it does now with the world's largest external account holdings. Against this backdrop the 20th century rise of East Asia is a comeback, a 'Resurgent East Asia' (Arrighi 2003). Given the deep history of East Asia in globalisation, its contemporary resurgence holds profound significance and should not be underestimated. The rise of the Occidental power has only been prominent in the last 300 years. This century is the reemergence of Oriental globalisation with the rise of China, India and maybe ASEAN.

In the 18th century, the establishment of the US on the American continent inspired political thinkers and statesmen to construct similar federal arrangements in other parts of the world. In the 19th century, Latin American revolutionaries like Simón Bolívar sought to create a federal structure to maintain, protect, or increase the autonomy of the new countries of Latin America against external powers. In this century, many African revolutionaries have thought in terms of a united federal Africa. The vision of a united Arab world has been promoted time and again, with pragmatic steps taken towards its realisation by such pan-Arabist politicians as President Gamal Abdel Nasser of Egypt. These examples of ambitions took initiatives of regional cooperation in the world.

The prosperity of regionalism happened after the WWII, since the world has been much more integrated. A number of regional organisations have been established in a wide range of areas (Hettne and Inotai 1994, VI), including military alliance, like the North Atlantic Treaty Organization (NATO) in 1949, essentially political groups like the Organization of American States (OAS) in 1948, the Organization of African Unity (OAU) in 1963, and the Arab League in 1945, and economic bodies like the European Economic Community (EEC) in 1957 and more than 30 other integration groups, Free Trade Areas (FTAs), regional development banks, and the regional economic commissions of the UN. Regional organisations have differed in their geographical breadth, in their specific mandates and political, economic, or military responsibilities, and in their relations to global cooperation structures. The EEC later developed and formed the EU has been the most successful and important in influencing both the countries and the global economy.

Due to the favourable environment after the WWII, regionalism seems to have occurred in two waves (Bhagwati 1993): The First is often called 'old regionalism'. It emerged in the 1950s in Western Europe with the European Coal and Steel Community (ECSC), and lasted until the 1970s. Old regionalism is impressed by the bipolar politics during the Cold War, and is more focused on the security issues. The second is considered as 'new regionalism'. It usually refers to the second wave of regional cooperation, which started in the 1980s after the decline of integration theory and praxis in the 1970s, but took off only after 1989 when the Cold War came to an end (Björn, Inotai and Osvaldo 1999, 8). New regionalism is mostly enhanced by the rise of globalisation after the end of the Cold War. It is triggered by the trend of globalisation, reflects the aspiration of regional countries under the influence of globalisation, and conversely affects the process of globalisation. New regionalism serves as platform for regional powers to cooperate in order to participate in the global competition, and the establishment of regional cooperation mechanisms has been changing the regional structure and the world order.

2.2.3 Old Regionalism

In order to realise the post-war recovery, the 'first wave' of regionalism or old regionalism was seen as an important strategy for achieving regional security, peace, development and welfare, especially in Europe and the third world. However, regionalism still has been influenced by a particular historical context, dominated by the bipolar structure during the Cold War, with nation-states as the uncontested main actors. Regional arrangements were initiated against the backdrop of the Cold War, the rash of decolonisation, and a multilateral commercial framework, all of which coloured their economic and political effects. Therefore, old regionalism tended to have two specific objectives: security alliances or FTA, and at that time, security alliance is even much more important than FTA which develops rapidly only during the period of new regionalism. Survival is the primary objective of all states in international relations, and especially during the Cold War, the security is the supreme national interest to which all political leaders must adhere. All other goals such as economic prosperity are secondary (or 'low politics') (Baylis and Smith 2005, 176).

During the Cold War, though many regional institutions were established with a distinctly economic orientation, many regional institutions have further developed a distinctive security component. The security dimension of regional institutions may be understood in two different, though related ways. First, it can be broadly interpreted as the attempt to promote peaceful and predictable relations among its members, to build security and community through cooperation (Adler and Barnett, 1998). This loose understanding of security could be said to apply to any regional organisation. Second, and more narrowly, a regional security institution can be understood as an organisation whose charter contains an explicit reference to security provision to meet a security threat, whether through the coordination of defence, security or foreign policy at some level. This distinction of the two ways may be understood by contrasting the early project of European Communities (EC) with that of the later EU, with the latter having a far more explicit security agenda.

There are a number of work programmes to replace the power-balance theory, among which the most important is security regionalism. Security regionalism is often considered as regional security arrangements in the light of security cooperation, and Dent (2002, 2) defined security regionalism as the growing commitment between a region's military powers to form common security arrangements that assure peace for the region as whole. This can entail non-aggression pacts, alliance partnerships and various cooperative activities in the security domain. And based on the observation of the integration of European countries, Kari Deutsch was the first to put forwards the concept of 'security community' (Pang 2004, 7). The so called 'security Community' refers to a group of countries to share mutual-dependant peaceful change and forever rule out the possibility of the solution of differences by force on the base of such relations. From 'security Community', the theory of security regionalism is gradually developed, and has become later one important tool to analyse regional change especially during the Cold War.

Security regionalism is an important part of regionalist theory and practice, because security is the precondition of development and prosperity, and one of the fundamental targets of regionalism. One country can draw up and implement its security policy from the security regionalism perspective, so can one region rebuild its complicated relations from the security regionalism perspective. The emerging regions can absorb tensions among regional countries. The regional actor can, with less risk of provoking bilateral hostilities, intervene in intra-state conflicts which threaten to become destructive to regional security (Dent 2002, 18). The most important function of security regionalism should be the regional dimensions of conflict management, both the tendency of domestic conflicts to be regionalised, and the need for conflict resolution to be embedded in regional security arrangements. Following Europe's experience, regionalism is a way to regional security, and one of the most convincing examples is that there is nearly no war among European countries after the WWII.

To resolve security problems, a distinction can be made between five different modes of external intervention: unilateral, bilateral, plurilateral, regional and multilateral (Hettne 1998, 216). The first can either be carried out by a concerned neighbour, or by a regional superpower. In the bilateral case, more or less voluntary, there is some kind of agreement between the intervener and the country in which the intervention is made. The plurilateral

variety can be an ad hoc group of countries or some more permanent form of alliance. The regional intervention is carried out by a regional organisation and thus has a territorial orientation. The multilateral, finally, usually means a UN-led or UN-sanctioned operation. The regional level opens up previously untapped possibilities for solving conflicts, and the larger region can more easily absorb tensions. If violence breaks out, the regional actor can intervene in intrastate conflicts with lesser risk of provoking bilateral hostilities.

Insecurity indeed has often been conceived of as a global problem requiring global solutions. It was certainly after World War I (WWI) and WWII, for example, that security was conceived of in this way and that 'global' or universal institutions, like the League of Nations or UN, would provide the best guarantee of peace following two destructive wars. However, in reality, a so called global approach to security has often overlain what are in fact a diverse collection of global, regional and local security issues. The region is regarded as firstly and secondly solution of many contemporary security problems. There are a number of contemporary threats that may be viewed as regional rather than global in nature, and a number of regional security issues is better to be resolved at regional level instead of global level. This phenomenon is visible since the end of the WWII, and security regionalism is also developed since that time.

In comparison with security regionalism, economic regionalisation is an arrangement based on inter-state networking to facilitate flows of goods, services, capital and technology across state boundaries (Fawcett and Hurrell 1995, 41). In the post-WWII era, the regional concentration of trade flows has generally increased, and has been marked with the stigma of the Cold War. In the early periods, the US and the EEC formed the dominant trading bloc, with the addition of a number of closely linked developing countries. Most of world trade was centred on these two blocs, who traded largely with one another. Similarly, the Council for Mutual Economic Assistance (CMEA) represented an attempt by the Soviet Union to promote economic integration among its political allies, foster the development of local industries, and limit economic dependence on the West. Ultimately, the CMEA did little to enhance the welfare of participants. In contrast, the regional arrangements concluded among developed countries - especially those in Western Europe - are widely viewed as trade-creating institutions that also contributed to political cooperation.

During this process, there has been an accelerating trend towards regional integration in every part of the world, and most of the early attempts are RTAs¹⁵ in the 1950s and 1960s. Old regionalism has been eclipsed by the exponential growth in the number of RTAs. Much of this overall tendency is attributable to rising trade within Western Europe and within East Asia. Old regionalism was also marked by the establishment of a plethora of regional trade blocs formed by developing countries. Least Developed Countries (LDCs) formed preferential arrangements

¹⁵ RTA is a general term that refers to a whole spectrum of levels of economic integration. The lowest level of regional integration is represented by trade preferences, or partial scope agreements, which liberalise trade in specific commodities or sectors. Reciprocal preferential trade agreements are very often the point of departure for formal regional integration. At the next level of integration, the most common type of RTA is FTA in which members liberalise internal trade but retain their independent external tariffs. Most of the RTAs that have been notified to the WTO are FTAs, and NAFTA is one typical example.

to reduce their economic and political dependence on advanced industrial countries. Based upon Viner's theories (1950), regionalism constitutes a change in trade flows, which can lead to the trade creation or trade diversion. Trade creation means that as a matter of preferential treatment, domestic production (country A) is supplemented by exports from RTA partner (country B), which produces the goods more effectively (at lower cost). As such, the trade creation leads towards increase in wealth of the regional integration without affecting third countries (country C). All in all, it is a positive effect both for RTA's members and non-members. Trade diversion, on the contrary, means that more effective (less expensive) goods exported from non-member country (C) so far, is supplemented by more expensive goods produced in RTA partner (B) as a result of the preferential treatment. Trade diversion builds upon an abolishment of administrative barriers to trade and not upon the overall economic effectiveness. As a result, non-member country is affected (by diversion of its exports) and also the overall wealth of the regional integration is spent ineffectively. Trade diversion then affects non-member countries and decreases overall wealth.

Since the appearance of the traditional theory of regionalism, it has been improved continuously. In 1961, economist Balassa (1961, 304) put forwards that the regional integration should be carried out in the following 5 stages: free trade region, tariff coalition, common market, financial and monetary coalition, and political union:

-Stage 1. FTA - An area where tariffs and quotas are abolished for imports from area members, which, however, retain national tariffs and quotas against third countries. Examples are ASEAN and NAFTA;

-Stage 2. Customs Union (CU) - A FTA setting up common tariffs and quotas (if any) for trade with non-members. An example is the EEC since 1968;

-Stage 3. Common Market (CM) - A CU abolishing non-tariff barriers to trade (i.e., promoting the integration of product and service markets) as well as restrictions on factor movement (i.e., promoting the integration of capital and labour markets). Examples are the Andean Community¹⁶ and the EC since 1993 (with the establishment of the European Single Market). The CM was already set up as an objective under the Treaty of Rome¹⁷;

-Stage 4. Economic Union (EUN) - A CM with a significant degree of coordination of national economic policies and/or harmonisation of relevant domestic laws. An example is the European Union nowadays; and

-Stage 5. Total Economic Integration (TEI) - An EUN with all relevant economic policies conducted at the supranational level, possibly in compliance with the principle of

¹⁶ The Andean Community comprises the South American countries of Bolivia, Colombia, Ecuador, and Peru. The trade bloc was called the Andean Pact until 1996 and came into existence when the Cartagena Agreement was signed in 1969. Its headquarters are in Lima, Peru.

¹⁷ The Treaty of Rome, officially the Treaty establishing the EEC, is an international agreement that led to the founding of the EEC on 1 January 1958. It was signed on 25 March 1957 by Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. The Treaty proposed the progressive reduction of customs duties and the establishment of a customs union. It proposed to create a common market of goods, workers, services and capital within the EEC's member states, so-called 'four freedoms'.

subsidiarity. To this aim, both supranational authorities and supranational laws need to be in place. An example is the euro area (comprising, from 2008 onwards, 15 out of 28 EU members), which can be classified somewhere between an EUN and a TEI. However, some supranational authorities and joint rule making were established already with the Treaty of Rome in 1957, and subsequently enhanced.

Table 2.1: Main components of regionalism based on trade integration

Level	Main Component	Main Disadvantage
Free Trade Area	Free trade within, but different external tariffs	Need for certificates of origin
Customs Union	Common external tariff	Need for the establishment of a common external tariff, which can be difficult between heterogeneous economies
Common Market	Free movement of capital, goods, and labour	Freedom of labour can cause problems between heterogeneous economies
Economic and Monetary Union	Common currency	Fixing of exchange rates limits ability to react to changing economic conditions in the different parts of the monetary union
Political Union	Creation of common political institutions	Loss of sovereignty to supranational body may prove difficult

Table 2.1 provides an overview of the main components of conventional regionalism. The '5-stage doctrine' put forwards by the theory concerning the regional integration has been regarded as insurmountable stages so far as any regional integration is considered. The most problematic aspect of Balassa's theory is that it does not provide any link of the monetary policies and the financial sectors of the participating economies on the first three levels of integration. In an era of growing capital flows, this constitutes a major deficiency. Furthermore, the introduction of an economic and monetary union is a complete change of tune from the previous three steps, where the emphasis lay on trade. One may argue that this theory was modified when implemented in Europe. The creation of the European Monetary System in

1979 added a strong element of monetary cooperation. Although Europe added this element to its own integration process, the need for intensive cooperation with regard to monetary and financial stability in an integration project is not yet reflected neither in the theory of regionalism nor in the projects implemented outside of Europe.

The 1950s and 1960s had likewise witnessed many 'old regionalism' initiatives. But except for Western Europe, these in the end amounted to little. History has shown that FTAs, in which unequal countries participate, regularly generate tensions which ultimately erode the regional arrangement. Rather than leading to development, they reproduced the global centre-periphery structure within the regions. This led to inter-state conflicts and, of course, disillusion as far as regional cooperation was concerned. The communist bloc was still communist and import substitution ruled the Third World, with most less developed countries highly suspicious of both trade and Foreign Direct Investment (FDI). In 1970s, old regionalism declined because of both the slow-down in West European integration, leading to the Euro-pessimism of the 1970s, and the almost universal failure of Third World FTAs. The efforts for preferential trade became quiescent at that time, and all this changed just as new regionalism appeared.

2.3 New Regionalism

Following its decline in theory and practice in the 1970s, regionalism both revived and changed dramatically in the 1980s, and has gained strength since the beginning of the 1990s. Once again, regionalism is afoot, and we call it 'new regionalism'. During the 1980's, trade has been altered by the internationalisation of production, distribution and marketing of goods and services, as well as the increasing flows of capital and investment which underpin trade. The late-1980s announcements, including the negotiations of the US and Canada for free-trade area, the formation of APEC, and the attempt of the EU to complete its internal market, ignited a conflagration of regional integration. According to De Lombarede (*Southern Affairs*, 2008), new regionalism began to gather speed in the late-1980s and is associated with changes in Eastern Europe and the end of Cold War. It has become a new and notable tendency in world politics. It represents the wave of regional integration, which has been characterised by substantial qualitative, quantitative and formal changes in regional integration, and it is emerging as a potent force in the global restructuring of power and production. Well over a hundred regional arrangements, involving most nations, now exist.

The 1990s witnessed clearly the new wave of regionalism. It was led by trade agreements with objectives of creating FTAs or CM. Since the early 1990s, there has been a veritable boom in the market for all sorts of trade agreements, from bilateral to plurilateral ones, and leading to deep or shallow integration. This boom might at least in part be explained by newcomers in the race. Certainly by the EU, which has been the precursor and has been expanding significantly its membership, while also undertaking complex set of agreements with almost all parts of the world; But what is important it has been joined by the US with NAFTA in 1994, and as of lately by Asian countries (including China), Latin American countries have been involved in a

growing number of trade agreements. But perhaps the most dramatic change in character during the 1990s was the gradual shift from the traditional intraregional focus for integration ('South-South') to growing interest in interregional ('North-South') agreement, which link up commercially with industrialised countries in reciprocal free trade (in contrast to the traditional non-reciprocal relationships), often in conjunction with ambitious functional cooperation programmes. This is something that would have been politically inconceivable before the new policy framework. This trend is seen in Mexico joining NAFTA, Canadian free trade areas with Costa Rica and Chile, Chilean negotiations for a free trade area with the US, the EU FTA agreements with Mexico and South Africa.

New regionalism has been differently defined by different scholars. The term 'new regionalism' had first been used in the urban studies literature to refer to subnational regional processes. The first person to use the term explicitly in the international relations literature was Hurrell (1995a, 332). The wide use of the term owes much to the publications emerging from the UNU/WIDER project on new regionalism. New regionalism is firstly and formally researched by in the series of five volumes reporting from this research project, and was further developed by its scholars. The operational definition of new regionalism used by this research is made by the UNU/WIDER approach as a comprehensive, multi-dimensional, political phenomenon including economics, security, environment and other issues which challenge the nation states. It is thus 'new' in a qualitative sense as it is an integral part of global transformation, often called globalisation, and it can only be understood in that context, and within an interdisciplinary framework. It represents a way of tackling problems which cannot be dealt with effectively at the national level (Hettne, Inotai, and Osvaldo 1999, Xiii).

Shultz summarises the dimensions of new regionalism below (Narihiro 2013): (1) the move from bipolarity towards a multipolar or perhaps tripolar structure, centred around the EU, NAFTA, and the Asia-Pacific, with a new division of power and new division of labour; (2) the relative decline of American hegemony in combination with more permissive attitude on the part of the US towards regionalism; (3) the restructuring of the nation-state and the growth of interdependence, transnationalisation and globalisation; (4) recurrent fears over the stability of the multilateral trading order, hand in hand with the growing importance of Non-Tariff Barriers (NTBs) to trade; and (5) the changed attitudes towards (neo-liberal) economic development and political system in the developing countries as well as in the post-communist countries. On the contrary to old regionalism, new regionalism is related to the transformation of the world, that is, new regionalism interacts with global (economic) system.

Hettne, Inotai, and Osvaldo (1999, 14-16) further defined the levels of new regionalism. New regionalism is a complex process of change taking place simultaneously at many levels: the structure of the world system as a whole, the level of interregional relations, as well as the internal pattern of the single region: the region, the nations, the subnational and transnational microregions.

(1) The Structure of the World System.

The structure of the world system must permit a room-for-manoevre for the regional actors, at

the same time as the increase in regionalism in itself constitutes global structural change towards multipolarity. Regionalisation was made possible through hegemonic decline. New regionalism was thus not consistent with the bipolar Cold War system, since the 'quasi-regions' in this system tended to reproduce the global division within their own respective regions. This pattern of hegemonic regionalism was evident in Europe, but it appeared in all world regions during the Cold War. The neoliberal regionalism practiced by the US (NAFTA, APEC, Atlanticism¹⁸) serves the purpose of restoring hegemony. This is hegemonic regionalism in a different form from the earlier compromise of 'embedded liberalism'.

(2) Interregional Relations.

On the level of interregional relations the behaviour of one region affects the behaviour of others. European regionalism is the trigger of global regionalisation, at least in two different ways: one positive (in promoting regionalism by providing a model), the other negative (in provoking regionalism by constituting a protectionist threat). NAFTA was partly a response to 'Fortress Europe'; and the idea of East Asian regionalism emerged as a defence against further fragmentation of the world economy, but would, of course, also contribute to its further fragmentation.

(3) The Region.

On the level of the region, or rather 'the region in the process of taking shape', the basic dimension is homogenisation, the elimination of extremes, in terms of culture, security, economic policies and political system, as was discussed above. With the level of 'regionness', it is hard to argue that a distinct regional interest is being articulated. Rather the regions constitute arenas for sometimes competing, sometimes converging national interests which increase their control over global forces. To the extent that the overall trend is convergence of national interests, one can speak of an emerging regional actor. More commonly, one must understand regional politics as an aggregation of and 'concertation' of national interests. For this reason the best approach to grasp the ongoing and still shady process of regionalisation is probably to identify, compare and analyse individual national options.

(4) The Subnational Level

The process of regionalisation is also triggered by different forms of disintegration arising from on the subnational level. Earlier examples of break-down of states are few, and tended rather to confirm the basic persistence of the interstate system. The situation is different, and the reason is that the structure of the world order is changing, thus lifting the 'overlay' of stabilising controls which formed part of the old order, the Cold War. The growth of ethnonational movements (of which some will result in microstates) will increase the role of the region. Regionalisation also reinforces the strengthening of microregions, as the geopolitical

¹⁸ Atlanticism is a belief in the importance of cooperation between Europe and the US and Canada regarding political, economic, and defense issues, with the purpose of maintaining the security and prosperity of the participating countries, and to protect the values that unite them.

environment becomes transformed and creates new possible alignments and a direct approach to the world economy for the subnational regions. Again it is the national level that suffers, albeit in a less destructive way than in the case of ethnonationalism. Ohmae (1994, 80) rightly sees the microregions as the natural economic zones in a borderless world, but gives them the rather misleading name of 'region-states', misleading since they rather express the logic of a post-Westphalian world. In Europe the microregions clearly relate to the macroregional process (providing them with a stable transnational framework), in East Asia they operate in a global space. We could therefore make a distinction between 'open microregionalism' with a global orientation and a more 'secluded microregionalism' responding to the macroregion.

From above, we can see that the new regionalism is a transformation as resulting from global, regional, national and local interactions, and various levels of liberalisation overlap each other. The search for the dynamics of new regionalism can be carried out at different levels of world society, and the inter-level dynamics of regionalisation.

2.3.1 Globalisation and Regionalism

The liberal forms of new regionalism in the post-Cold War era have many important security, economic, and political sources. Some of them are traditional, some are of relatively recent origin. But mostly, the dynamics of new regionalism must be understood in the context of globalisation and can be analysed as processes going on. 'Globalisation' is commonly used to describe the spread and connectedness of production, communication and technologies across the world. Globalisation in the sense of connectivity in economic and cultural life across the world, has been growing for centuries. However, many believe the situation is of a fundamentally different order to what has gone before. The speed of communication and exchange, the complexity and size of the networks involved, and the sheer volume of trade, interaction and risk give what we now label as 'globalisation' a peculiar force. Globalisation, thus, has powerful economic, political, cultural and social dimensions, and has become the key concept in order to envisage or explain the international system or the transformation of the world.

Since the end of the Cold War, national boundaries are blurred by advanced communication and global commerce. The subjective sense of geographical distance is dramatically changed, some even speak of 'the end of geography' (Tanaka and Inoguchi 1996, 4). Globalisation increased capital and service flows rapidly, resulting from changes in technology and policies. But at the same time, the political, economic, military, security, social, cultural, ethnic, religious conflicts and their disastrous aftermaths can easily spread everywhere in the world. Countries in the world have been seriously affected by traditional and non-traditional threats. That is the reason why Han Seung Soo, President of the 56th UN General Assembly compared the globalisation to a 'double-edged sword' (Seung-soo 2002).

Regions are created and recreated in the process of global transformation. Regionalism

remains an important phenomenon in the global transformation. Regional and inter-regional cooperation have deepened cooperation and have eased rivalries among countries. One reason why new regionalism has raised is the emergence of a multipolar world. The end of the Cold War represents a new era for international relations. The Soviet Union had disintegrated, the influence of the US has decreased, and the hegemonic stability no longer exists. The general level of politico-military security tensions in the world has decreased, the balance of power between the East and the West was broken, and the tendency of globalisation has become remarkable. After the bipolar politics during the Cold War, Russia is certain to be substantially less involved in remote regions of the world than was the Soviet Union; its major sphere of interest and influence will be the former territory of the Soviet Union. The US too seems likely to show less interest in many regions of the world than it did during the Cold War. In the absence of a globally pervasive bipolarity, many regional powers will have the opportunity to strengthen their international positions by forming regional structures within which they can enjoy great influence. New regionalism also offers many less powerful countries - especially those in the developing world - the chance to make arena by combining to form a formidable collective unit, and to improve their bargaining positions in the global policy.

From the point of view of the security, the failure of the global cooperation regions to create a credible structure of global security and peace and to respond to regional conflicts in an effective way is probably the most important source of new regionalism. In the post-Cold War era, there is widespread expectation that most international political disputes and military conflicts are likely to be confined to a given region. At least, in principle, the management and resolution of these conflicts should prove easier to accomplish if undertaken by entities with a more limited geographic and political scope than the UN Security Council. The regional security cooperation does not make much sense in a classical Westphalian system, where the actors are supposed to play purely from 'the national interest'. In the post-Westphalian era, what is conceived as 'national interest' does not disappear, but due to the imperative of global interdependence, the regional security cooperation becomes inseparable from various shared transnational interests and concerns.

The phenomenon of new regionalism is also caused by the systemic changes in the world economy in the context of globalisation and the increase in global competition. Liberalisation brought by the globalisation promotes regionalisation. Since the end of the Cold War, the world economy is more than ever influenced by globalisation and rapid global competition. Globalisation created a new pattern of growth and competition in the world economy by creating unprecedented growth opportunities (e.g. in East Asia), which challenge traditional leaders of the world economy - including the US, the EU and Japan. As a matter of the force of globalisation, regional integrations must act more flexibly and openly, and the regionalism thus changes qualitatively. New regionalism is an outgrowth of the process of globalisation based on the idea that one cannot isolate trade and economy from the rest of society.

Given the global nature and the rapid pace of new regionalism in the economic domain, Lloyd advances reasons behind it (2002, 6): (1) Gain from trade and factor flows and greater competition in markets. (2) Binding of market access for goods (binding of tariffs at zero under

duty-free entry provisions within the RTA and, in some cases, prevention of contingent protection actions by fellow members (anti-dumping, countervailing actions and safeguard action). (3) Ease of negotiations with fewer parties. (4) Benefits of deep integration resulting from the cross-border harmonisation of national economic policies and regulations. (5) Regional security. (6) Fear of exclusion from major markets.

If we study the interaction between globalism and new regionalism, we can assume that originally, regionalism, especially old regionalism, was often understood as protection against forces of globalisation and competition, and it represented efforts on national protectionism at a regional level. Regional cooperation potentially offers members advantages that equip them to respond more effectively to global pressures. Regions are emerging phenomena, ambiguously forming part of and driving, but also reacting against and modifying the process of globalisation. However, Regionalism, especially new regionalism as a liberal theory and practice, can also intentionally or unintentionally be road to globalisation. Regionalism, more than three decades ago, has been characterised as a 'halfway house at a time when single nations are no longer viable and the world is not ready to become one' (Hettne and Inotai 1994, VI). According to this definition, new regionalism as a bridge could be even beneficial for global cooperation. As Tanaka and Inoguchi (1996, 12) concluded, new regionalism is a worldwide process forming a part of global transformation.

2.3.2 Neorealism, Neoliberalism and New Regionalism

Besides the globalisation, China's strategy of new regionalism is also influenced by neorealism and neoliberalism. Neorealism or structural realism is a theory of international relations that says power is the most important factor in international relations. It was first outlined by Kenneth Waltz in his 1979 book *Theory of International Politics*. Neoliberalism refers to a school of thought which believes that states are, or at least should be, concerned first and foremost with absolute gains rather than relative gains to other states. Neorealism and neoliberalism are two of the principal approaches to new regionalism. Both are types of systemic theories, which emphasise 'the importance of the broader political and economic structures within which regionalist schemes are embedded and the impact of outside pressures working on the region' (Hurrell 1995a, 339). In terms of international cooperation, both neorealism and neoliberalism contend that international cooperation is possible but they differ in their assumptions and the possibility for international cooperation to occur. Neorealism 'stresses the constraints of the anarchical international system and the importance of power-political competition... [while neoliberalism emphasises] the changing character of the international system and the impact of economic and technological change' (Hurrell 1995a, 339).

(1) Neorealism and New Regionalism

Neorealism, sometimes referred as structural realism, shares with 'realism' the key assumptions that states are dominant and self-interested actors in the international system.

According to realism's premises, '(1) states (or city-state) are the key units of actions; (2) they seek power, either as an end in itself or as a means to other ends; and (3) they behave in ways that are, by and large, rational, and therefore comprehensible to outsiders in rational terms' (Keohane 1986, 7). States will naturally pursue their national interests which are defined in terms of power. Power is both an end in itself and a means for states to protect their survival. Consequently, states are always competing for their power with other competitors in order to maintain a balance of power. Because every state seeks power and 'because of the absence of any world government or universal arbiter', the international system is anarchical and conflictual in nature (Collard-Wexler 2006, 399). Complete international cooperation in the eyes of neorealists seems to be impossible because states are more concerned about relative gains than absolute gains in their cooperation. Waltz (1979, 105), a father of neorealism, gives a clear explanation for relative gains.

When faced with the possibility of cooperating for mutual gain, states that feel insecure must ask how the gain will be divided. They are compelled to ask not 'Will both of us gain?' but 'Who will gain more?' If an expected gain is to be divided, say, in the ratio of two to one, one state may use its disproportionate gain to implement a policy intended to damage or destroy the other. Even the prospect of large absolute gains for both parties does not elicit their cooperation so long as each fears how the other will use its increased capabilities... the condition of insecurity - at the least, the uncertainty of each about the other's future intentions and actions - works against their cooperation.

Waltz contends that 'in a condition of anarchy, relative gain is more important than absolute gain' (1954, 198). Moreover, one state may be worried about its dependence on others 'through cooperative endeavours and exchanges of goods and services' (Waltz 1979, 106). These neorealist arguments appear not to see inter-state cooperation as possible. However, given the anarchical and conflictual nature of the international system, neorealism can provide some important explanations for regional cooperation. These explanations focus on regional cooperation as a response to an external threat or challenge, small states' perceptions to regional cooperation and the role of both external hegemon and internal hegemon in regionalism.

By looking at the region from the outside-in and analysing its position in the broader international system, neorealists contend that regional cooperation can be formed as a response to external threats or challenges (Hurrell 1995b, 430; Collard-Wexler 2006, 401; and Snidal 1991, 722). When states are faced collectively with an external challenge or threat, but one state is unable to deal with the threat/challenge, they tend to cooperate with each other. In this case, states are willing to accept dependence on each other for their survival. There is considerable historical evidence for this argument of neorealism. For example, ASEAN was initially a response to Vietnam and the Gulf Cooperation Council was against Iran. Weber (1997, 325) points out that 'if the level of external threat is high, countries are likely to prefer an

arrangement that gives them greater assurance'. For small states in the international system, neorealists hold that 'smaller powers will seek regional-arrangements... because they hope that a regional institution will enable them to constrain the hegemon's freedom of action' (Ravenhill 2002, 69). Hurrell (1995b, 341) points out that regional arrangements are seen as responses of small states who are trapped in the world of the strong.

Another argument of neorealism provides an explanation for East Asian regionalism. This alternative argues that 'the presence of a hegemonic power is necessary if regionalism is to succeed - because a hegemon alone has both the means and the incentive to supply the collective goods that will induce small states to enter into collaboration in a regional arrangement with it' (Ravenhill 2002, 169). In contrast to China, which can be seen as a regional hegemon, the US is the outside-region hegemon of East Asia regionalism. The end of the Cold War had made the US an 'undisputable' superpower in the world. China and the US - two hegemons - are tested in the case of East Asian regionalism to illustrate the relevance of this neorealist argument pertaining to regional cooperation.

(2) Neoliberalism and New Regionalism

Neoliberalism is sometimes referred to as 'neoliberal institutionalism' and is seen as a response to neorealism. Despite their agreement with neorealists about the anarchy of the international system and about states as key actors, neoliberals contend that the importance and the effect of the anarchy of the international system have 'been exaggerated and moreover that realists/neorealists underestimated the varieties of cooperative behaviour possible within such a decentralised system' (Evans and Newnham 1998, 361). In international cooperation, neoliberals hold, 'states focus primarily on their individual absolute gains and are indifferent to the gains of others. Whether cooperation results in a relative gain or loss is not important to a state... as long as it brings an absolute gain' (Powell 1991, 1303). Absolute gain can be appreciated because of comparative advantages. Every state can get benefits from cooperation and benefits will include not only power but also economic and cultural gains.

Apart from states, neoliberalism recognises that there are many other actors in the international system such as international organisations, transnational enterprises and other non-state players. Keohane and Nye (1989, 24-25) show that the international system is becoming more and more interdependent because of multiple channels that connect societies including formal and informal ties among states, the 'absence of hierarchy among issues' such as energy, resources and environment, and the dismissed role of military power as a consequence of interdependence. Due to this 'complex interdependence', states will focus on international institution-building, regime creation and absolute gains as their policy strategies, which will all promote international cooperation. Institutions and regimes can advance inter-state cooperation by improving their communications, lessening suspicions and attaining mutual benefits and therefore, promoting their relationships. Consequently, the role of states is decreased. In spite of not denying the anarchic character of the international system and states as key actors, neoliberals contend that states are more concerned with absolute gains and how institutional arrangements or regimes can promote cooperation and that international

cooperation is more possible because there are also other actors in the international arena, other varieties of cooperative behaviour, and because of complex interdependence.

In terms of regional cooperation, Hurrell (1995b, 349-350) shows that neoliberalism 'has been the most influential theoretical approach to the recent study of international cooperation and represents a highly plausible and generalisable theory for understanding the resurgence of regionalism'. Among neoliberal explanations for regionalism, the following are important. First, the increasing interdependence, particularly economic interdependence, produces demands for inter-state cooperation and institutions are expected to call for collective actions to deal with various problems of common concern. Second, non-state actors in international systems, such as domestic interest groups and transnational firms, contribute to regionalism by pressing governments towards regional cooperation (Ravenhill 2002, 173). Governmental collaboration will help to reduce the transaction costs for transnational business operations.

Neoliberals have pointed out that states are inclined to cooperation because they are dependent upon each other. Regarding regional cooperation, neoliberals 'focus primarily on the responses of states to the perceived imperatives of managing the costs of growing economic interdependence' (Ravenhill 2002, 172). Therefore, the more economically interdependent states are, the more they are interested in cooperation. In general, this neoliberal explanation is appropriate to East Asian regionalism. In addition, the neoliberal approach to regionalism rests on assumptions regarding more or less explicit 'pressure from domestic groups to which governments respond' (Ravenhill 2002, 173). Interest groups such as domestic firms and transnational enterprises press governments to regional cooperation because it will help them to reduce transaction costs and to expand their markets. This argument seems appropriate to East Asia regionalism because Liu and Regnier (2003, xxi) observe that at the first stage, regional states showed little enthusiasm towards regional integration and momentum for East Asia regionalism came from 'the endeavours of the private sectors and the progressive economic development process'. There has been considerable literature showing that Japanese enterprises and overseas Chinese business groups contributed to stimulating regional economic cooperation. In general, in order to reduce transaction costs, many export oriented enterprises in East Asia use their own production networks instead of seeking governments' help (Borras et al, 2000).

This research has found that both neorealism and neoliberalism have found evidence in regional cooperation in Northeast Asia and East Asia. Neorealism has greatly contributed to understanding international cooperation at the regional level. The neorealist argument is that regionalism can be understood as a response to external threats or challenges. Regional small states participate in regional arrangements and institutions to constrain the freedom of action of the hegemon. The presence of the hegemon is considered necessary to the success of regionalism because the hegemon can provide collective goods to encourage small states into regional cooperation. In the case of East Asia regionalism, neorealists have found evidence to support their assumptions. For instance, China can be viewed as a provider of collective goods in economics. For neoliberals, economic interdependence among East Asian states in a long term is parallel with the development of regionalism supports the neoliberal viewpoint that interdependence produces cooperation.

2.3.3 Features of New Regionalism

Due to its tremendous influence in improving regional cooperation and in shaping the world order, new regionalism is widely researched and discussed. New regionalism is a recent trend of regionalism and it has all the characteristics of regionalism. Since it is new, it has many new features that differ from the old one. If we want to know the new features, it is enough to compare new regionalism with old regionalism. Hettne, Inotai, and Osvaldo (1999, 7-8) did the comparison and argued that new regionalism differs from old regionalism in the following respects:

(1) Whereas old regionalism was formed in and shaped by a bipolar cold-war context, new regionalism is taking shape in a multipolar world order. Regionalism and multipolarism are in fact two sides of the same coin. In spite of their military superiority and of course in varying degrees, the former superpowers are being downgraded to regional powers, competing with other emerging regional powers. The superpower organisation of the world can be seen as a premature globalisation.

(2) Whereas old regionalism was created 'from above' (by the superpowers), the new is more spontaneous process from within the region and also 'from below' in the sense that the constituent states themselves, but increasingly also other actors, are the main proponents for regional integration.

(3) Whereas old regionalism, as far as economic integration is concerned, was inwards-oriented and protectionist, the new is often described as 'open', and thus compatible with an interdependent world economy.

(4) Whereas old regionalism was specific with regard to objectives, some organisations being security-oriented and others being economically-oriented, the new is a more comprehensive, multidimensional process. This includes trade and economic integration, but also environment, social policy, security and democracy, including the whole issue of accountability and legitimacy.

(5) Whereas old regionalism only concerned relations between formally sovereign states, the new forms part of a global structural transformation in which non-state actors are active and manifest themselves at several levels of the global system. It can therefore not be understood only from the point of view of the single region. It should rather be defined as a world order concept, since any particular regionalisation process has systemic repercussions within and between single regions throughout the world, thus shaping the way in which the world is organised, most likely towards a power structure made up of core regions and peripheral regions. Even the core regions contain their own centre-periphery or North-South cleavages.

Hao (2013, 177) further presented the differences between the old and new regionalism approaches in table 2.2.

Table 2.2 Differences between Old and New Regionalism Approaches

	Old regionalism approach	New regionalism approach
Main characteristics of regionalism	(1) Introverted and exclusive regionalism	(1) extroverted and open regionalism ¹⁹
	(2) North/North or South/South regionalism	(2) North/South regionalism
	(3) hegemony regionalism under the Cold War binary system	(3) multiple regionalism
Perspectives of analysis	(1) traditional trade and economic interest analysis	(1) compound analysis with multiple levels, dimensions, and actors
	(2) static interest analysis	(2) emphasis on cross-regional comparison
	(3) representative analytical approach of framework: such as functionalism/new functionalism; new institutionalism; new realism	(3) analysis of international political economics
		(4) emphasis on analysis of non-economic factors
		(5) emphasis on different motivations due to differences in economic scale

A key difference between the two theories is who is considered a relevant actor. In classic regionalism, the nation-state is the preeminent actor, while new regionalism proponents hold that non-state actors like multinational corporations, non-governmental organisations, and other interested social groups, must be considered when analysing how and why regions

¹⁹ open regionalism is used to express the institutional philosophy: members were to negotiate the reduction and elimination of barriers amongst themselves and then extend these to other nations on a reciprocal basis.

choose to integrate. With this claim, new regionalists also challenge the traditional theories of realpolitik in international relations by recognising new, multidimensional actors, with varied and complex interests, on whom the threat of coercion has little effect.

In contrast, the new regionalism is more political than economic, and regional organisations which emerged after the WWII, whether economic or more security oriented implies a stronger emphasis on the political dimensions. The political regionalism is the highest level of regionalism which would lead to form a regional identity. The homogenisation of security and economic policies may pave the way for further regionalisation, and would lead to security or economic union and eventually to political union. There is a teleological view that believes that increased security and economic cooperation leads to increased political cooperation between nations and that states are less likely to go to war if they have high levels of security, economic and commercial interdependence. The efficiency of regional governance is another factor shaping the future of regionalism, its cost effectiveness, the timely and flexible response to the needs of the member countries, the sustain development and cooperation on a global level, corresponding to the new needs of the participants in the global system.

From the analyses above-mentioned, we can see that new regionalism is a much more comprehensive process than old regionalism. It involves nation-states as well as non-state, market, and society actors, but more than that, 'comprehensive' in this research means a multidimensional and multilateral cooperation process. If we see the old regionalism is a more one-dimensional phenomenon which focus only either on security cooperation or economic cooperation, we can see that new regionalism is a multidimensional process. New regionalism is not only security-oriented like during the Cold War, but is more related to economic factors under the influence of globalisation. It involves at the same time security and economic objectives, and it also has its special cultural background and political identity. If we see old regionalism as 'hub and spoke' system under the bipolar politics, we can realise that the new regionalism is processing with a more equal participation of regional countries in a multipolar world. To materialise the idea of new regionalism, we need to establish a regional cooperation mechanism.

New regionalism can be defined as a multidimensional process of regional integration which includes economic, political, social and cultural aspect. It is a package rather than a single policy and goes beyond the free trade market idea; that is the interlinkage of previously more or less secluded national markets into one functional economic unit (Hettne and Inotai 1994, 11). The dimensions of new regionalism are common to the dimensions of globalisation. For example, the economic approach of new regionalism is much broader than exchange of goods, and such interests include wider economic issues such as infrastructural development, industry policy, sustainable resource management and so on. As requested by WTO rules on RTAs, the regionalism is firstly more broad and complex in its approach to economic liberalisation, and the scale of RTAs has broadened into the most dynamic areas of international economic policy, intellectual property rights, and surveillance mechanism.

New regionalism belongs to a new global situation characterised by multipolarity. The multilateral liberalisation of trade in manufactured goods among the industrial countries is

much more complete now than it was then. With respect to globalisation, new regionalism is extroverted rather than introverted. Thus, the regionalism tends to be a more spontaneous process emerging from the outside and from inside the region itself. The regionalism cannot be always understood as a distinct alternative to the national interest and nationalism. But it is often better than explained as an instrument, enhance, or protector of the role of the state and power of the government in a multi-actor system and an interdependent world system.

The multidimensional new regionalism and the multilateral new regionalism interweave. De facto, regionalisation and multilateralisation have for a long time been first of all question of tariffs and of rules for trade in manufactured products, excluding energy and agricultural goods. Now they are much more than that, and include new areas such as intellectual property rights, services, public procurement, sanitary and phytosanitary regulations, as well as norms and laws regulating trade, taxes and subsidies to establish fair-trading rules and detect any attempt to use these tools to limit international competition. Some developed countries would also like to add environmental and social issues to multilateral negotiations. It is nevertheless much easier to include these areas and attain deep integration at the regional than at the multilateral level.

2.4 Efficiency of New Regionalism

The fundamental issue for the political future of new regionalism is its efficiency and extent of its specific role in facilitating peace, stability, and the protection of human rights over globalisation. The resolution of these issues is likely to help clarify whether the new wave of regionalism will be benign or malign. In order to examine the efficiency of new regionalism, the author would like to focus on 3 levels: the great power, the region and the structure of the world system.

2.4.1 Platform for Great Powers

In the practice of new regionalism, great powers play a key role based on their comprehensive strength. According to hegemonic stability theory, it is the enormous market scale of a hegemon that is the root of its great capacity and sphere of influence. Moreover, great powers also attempt to manipulate market forces to increase their influence over both adversaries and allies. Great powers may be hegemonic, which implies a general acceptance or at least tolerance of their leadership throughout the region, or simply dominant, which means that they are looked upon with suspicion and fear among the minor players, the policy-takers. Wilfred (1998) did some interesting study about the great power's choice of new regionalism. She found out the following 6 characteristics applied in varying degree to most of the more important regional arrangements with an active participation of great powers:

(1) The new regionalism typically involves one or more small countries linking up with a large

country.

In NAFTA, Mexico and Canada are economically small relative to the US; the new members of the EU are tiny relative to the EU itself; Brazil will likely dominate Mercosur²⁰, etc.

(2) Typically, the small countries have recently made, or are making, significant unilateral reforms.

This is dramatically true of the Europe Agreements' Central European participants, who had abandoned communism, of the members of Mercosur, and of Mexico in NAFTA. Canada had turned away from Trudeau-style economic nationalism before negotiating a FTA with the US, and the Scandinavian applicants to the EU (except Norway, which, significantly, declined to join) had made important reforms in some sectors (e.g. agriculture).

(3) Dramatic moves to free trade between members are not featured: the degree of liberalisation is typically modest.

For example, NAFTA actually provides only modest liberalisation: US tariffs were already low and NAFTA hedges sensitive sectors in all sorts of ways. Canada and Mexico have done somewhat more, but the most significant measures (largely Mexican) were unilateral and not part of NAFTA. The accession of new members to the EU is even more glaring: because of their membership in the Euro Area (EA), the trade relations of Austria, Finland and Sweden with the EU are virtually identical to what they would have been had they decided not to join! The Europe Agreements provide for little in the way of concrete liberalisation. Even with the admittedly more ambitious Mercosur the liberalisation involved is not large relative to the unilateral liberalisation of the members.

(4) The liberalisation achieved is primarily by the small countries, not by the large country: the agreements are one-sided.

The liberalisation in NAFTA is due much more to 'concession' by Mexico and Canada than by the US. In negotiations over enlargement, the EU has been flexible on financial responsibilities and periods of adjustment, but has always maintained a take-it-or-leave-it attitude regarding the nature and structure of the EU itself. The Europe Agreements involve virtually no 'concessions' by the EU: indeed the EU instituted antidumping measures against some of its new partners even as the initial agreements were coming into effect! In a sense this asymmetry is a direct reflection of how the world has changed since the days of the old regionalism: one reason the small countries get only small tariff advantages is simply that the large countries have small tariffs to begin with.

(5) Regional arrangements often involve 'deep' integration: the partners seldom confine themselves to reducing or eliminating trade barriers, but also harmonise or adjust diverse

²⁰ Mercosur (In English: Southern Common Market), is an economic and political agreement among Argentina, Brazil, Paraguay, Uruguay, and Venezuela; with Bolivia becoming an acceding member on 7 December 2012 to be ratified by member state legislatures.

assortments of other economic policies.

The EU is a clear and dramatic example of this, The US-Canada FTA and the subsequent NAFTA included a host of economic reform commitments by Canada and by Mexico, sometimes partners in regional arrangements exempt each other from acts of administered protection (such as antidumping duties), but often they do not (e.g. NAFTA). Sometimes partners are in effect granted rights of appeal denied to nonpartners (NAFTA again). The General Agreement on Tariffs and Trade (GATT) rounds of multilateral negotiations tried, with significant success, to broaden the scope of multilateral arrangements. But a major attraction of the new regionalism is that negotiations with a small number of partners broaden the range of instruments over which negotiation is feasible.

(6) Regional arrangements are regional geographically: the participants are neighbours.

Unlike the other five stylised facts, this characteristic was probably just as true of the old regionalism as it is of the new.

In summary, great powers play a key role in regional integration process. Regional integration now usually involves reform-minded small countries 'purchasing', with moderate trade concessions, links with a large, neighbouring country that involve 'deep' integration but that confer relatively minor trade advantages. But why did great powers choose new regionalism? Hao (2009, 176) tried to give some explanations about why great powers want to unify the region by the use of new regionalism and why the regional integration process cannot be explained by traditional regional integration theories:

(1) Different types of countries exhibit significantly different motives for participating in regional economic cooperation. Great powers exhibit essential strategic differences from other states in their participation in the regionalisation process due to differences in economic scale.

(2) Non-economic factors are more important for great powers, and their participation in regionalisation tends to involve a high degree of political strategic thinking. Great powers hope to expand their market scale through regional cooperation in order to increase their influence on the formulation of international political and economic rules.

(3) The major incentive for smaller states to participate in regional integration include: entering markets (particularly that of the great power), enhancing collective negotiation capacity, and increasing the institutional incentives for foreign capital. In the integration process, smaller states tend to make one-sided concession to the great powers.

In more details, the great powers' participation in the regionalisation process has tended to involve a high degree of political strategic thinking. The great powers usually attach considerable value to the political effects of regional economic cooperation. A country aspiring to be great power has usually sought to participate in regionalisation in order to provide itself with a strategic dependent area which could help it to become a regional hegemon. Since 1934, the US' good-neighbour policy and the free trade negotiation process in Latin America

have formed the basis of US global hegemony. Up to now, in addition to NAFTA, the FTAs signed by the US have mostly been based on political concerns and strategic interests, with economic interests taking a back seat. The US has tended to operate bilateral agreements in such a way as to benefit and strengthen its loyal allies.

It is simple to understand the strategy of new regionalism used by great powers: to be a world power, must firstly be a regional power. The great powers are divided in two categories: those whose influence goes beyond a particular region, the world powers, and those whose influence is confined to a particular region, the regional powers. World powers may not be able to achieve hegemony on the world level, which, since the range of their influence is undefined and changing, means that there will be a certain competition among them. In order to win the competition, great powers use new regionalism to combine neighbouring countries and to make themselves stronger.

2.4.2 Catalyst for Regional Cooperation

Fu-Kuo and Philippe (2003, 17-19) enumerated six main positive effects of new regionalism for a region, namely:

(1) Security assurance. Common security concerns render countries into a regional unified front. Most of the ensuring new regionalism came to address security concerns. Their basic assumption is well reflected in the thinking of enhancing regional security organisations implied that national security concerns of an individual state were not only closely tied with regional countries, but also outside powers. Once it was accepted that this imperative purpose of assuring security could be delivered, the formation of new regionalism would be able to endure. Regional cooperation, in this case led by states, has succeeded in making Western Europe one of the most peaceful and prosperous parts of the planet, and helps to explain the potential attraction of regional cooperation in other parts of the world.

(2) Benefit of regional economic development. In terms of the conceptual analysis of new regionalism, there have often been arguments based upon economic approaches. They focus on the fact that an increasing amount of intra-regional trade with geographic neighbours can result in the appearance of regionalisation, which is also a prerequisite for bringing about new regionalism.

(3) Conflict resolution. One of the most important functions of new regionalism is to serve as a peaceful settlement mechanism, especially since many interstate conflicts or disputes would normally have much regional derivation and implication.

(4) Management of the regional order. The process of regional cooperation among states is likely to take on common issues in the region and establish certain acceptable norms. Regionalism is moving towards establishing competence over the managing of regional issues. In the economic field, the arrangement of a customs union, a FTA and economic policy

integration tends to regulate regional development and thus places regional order within the terms of management. Presumably, regional arrangements could effectively ease away potential trade tensions among regional economics. On the security front, most regional organisations or regional regimes attempt to develop new structures and to introduce international norms from which new developments in certain regions would be shaped accordingly.

(5) Regional identity. This is to suggest that beyond practical motivation, regionalism concerns must build on some common shared values and create a certain kind of common feeling that the values are generally shared by the people in the same region and may help them find out what they really believe in and what they wish to be like.

(6) New world order. The world system permits and even enforces a process of regionalisation in different parts of the world. At the same time, the increase in regional activity constitutes structural change towards an emerging global structure.

New regionalism pay special attention to economic cooperation, thus Burfisher, Sherman, and Thierfelder (2003, 15) focused on positive economic effects of new regionalism: (1) technology and knowledge transfers, and technology diffusion, especially from developed countries to developing countries, that increase productivity. (2) dynamic comparative advantage and 'learning by doing' efficiency gains through increased demand from expanded trade. (3) elimination of wasteful rent seeking²¹ activities through trade liberalisation. (4) pro-competitive gains from increasing import competition in an environment of imperfect competition, allowing exploitation of potential, economies of scale in production. (5) increased geographical dispersion of production through trade that supports (1) exploitation of different factor proportions for parts of the production process (Ricardian efficiency gains) and/or (2) local economies of scale through finer specialisation and division of labour in production ('Smithian' efficiency gains). (6) increased FDI that carries with it advanced technologies and hence increases in productivity. (7) 'challenge-response' increases in efficiency through increased competition due to expanded involvement in world markets. (8) Schumpeterian innovation²² and 'creative destruction' induced by increased competition arising from expanded trade. (9) externalities and productivity.

2.4.3 Towards A New World Order

²¹ Rent-seeking is spending wealth on political lobbying to increase one's share of existing wealth without creating wealth. The effects of rent-seeking are reduced economic efficiency through poor allocation of resources, reduced wealth creation, lost government revenue, increased income inequality, and national decline.

²² Joseph Alois Schumpeter (1883 -1950) was an Austrian American economist and political scientist. He identified innovation as the critical dimension of economic change. He argued that economic change revolves around innovation, entrepreneurial activities, and market power. He sought to prove that innovation-originated market power could provide better results than the invisible hand and price competition. He argues that technological innovation often creates temporary monopolies, allowing abnormal profits that would soon be competed away by rivals and imitators. He said that these temporary monopolies were necessary to provide the incentive necessary for firms to develop new products and processes.

Regionalism also becomes 'new' to the extent that the process of internationalisation has acquired a qualitatively 'global' dimension. New regionalism is emerging in a post-Cold War context in a situation where 'national' economies are outgrowing their national politics, and it is furthermore a worldwide phenomenon. It can be defined as a world order concept, since any particular regionalisation process has systemic repercussions in individual regions throughout the world. The multiple regional agreements are de facto the engines of integration in the world, running in front of multilateral integration.

In international political economy theory, 'world order' is usually referred to as an arrangement which provides the necessary framework for transactions in the world economy (Hettne and Inotai 1994, 3). World order, defining the basic structural properties of the way the global system is organised, and regionalism, or more particularly 'new regionalism', suggesting one possible way in which the new world order may be organised. But it is of course not the only way. New regionalism has been dealing with the oft-discussed 'new world order' with particular focus on the regional factor, as against the more common assumption of globalisation which is the process of homogenisation of the world driven by market expansion. The dynamic regional integration phenomenon is triggered by new regionalism.

Regional regimes and agencies have often performed a valuable service in the past by enhancing cooperation. The strengthening of the regionalisation process has risen since the 1980s growing concerns about the adverse effects on the future of worldwide cooperation. It is a danger that the emergence of 'regional fortresses' and the functioning of comprehensive regional, political and economic cooperation structures within the global system may result in major changes in the post-Cold War order. Since the late 1980s, concern has been growing for example that the global trading system may disintegrate into a number of trading blocs, regional integration groups, or special cooperation zones which would usher in new forms of competition and conflict. There is a danger that the emergence of this new political and economic power centre may inspire other regions to form similar regional blocs and thereby undermine collective global cooperation and security efforts.

However, it is demonstrated that exporters preferred regional arrangements to multilateral ones. Modern analysis of new regionalism also suggests that regional integration de facto contributes to those economic forces that build globalisation and increase global competition. As a matter of this fact, new regionalism changes its character markedly. Especially due to the influence of globalisation, new regionalism is seen as a tool of open economic relations' liberalisation that should ensure both national and regional competitive position in the globalised world. Moreover, both theoretical and empirical analysis of new regionalism (i.e. namely comparative analysis of its different cases) leads to the same conclusions.

More intensive regional cooperation could complement and enhance global cooperation and networking. As it was suggested by Cleveland (1963, 614), new regionalism could serve as a bridge between countries and global processes by facilitating internationalisation within the more transparent regional structures which are more familiar for the countries where traditional, cultural and economic ties are present, where gains and losses resulting from trade and regimes, and other forms of cooperation could be more easily balanced. Furthermore, regional

structures could promote different forms of cooperation between countries in a wide variety of areas, ranging from the fight against poverty and the control of migration to the development of physical infrastructure and the establishment of regional information and telecommunications structures. New regionalism could also facilitate the coordination of policies and the elaboration of common attitudes on such issues as environmental protection and demilitarisation.

Falk and Mendlovitz (1973) believe that the question whether a regionalist world order is a positive or a negative development can only be answered in relation to alternative world orders and with reference to specific values. Hettne, Inotai, and Osvaldo (1999, 17-21) then focus on three 'world order values': peace, development, and ecological sustainability. The need to achieve these values by attacking the corresponding problems - war, starvation and environmental degradation - constitutes what we see as imperatives for new regionalism. Can new regionalism promote these values better than globalism?

(1) Security

In the case of intra-state security problems, the predominance of the nation-state and a Westphalian political rationality prevents rational solutions, whereas the regional level opens up previously untapped possibilities for solving conflicts built into the state formation. These conflicts are only further stimulated in a process of globalisation, implying marginalisation of peripheral regions and weak social and international context which is becoming ever more different from the world in which the UN was born. The world system permits and even enforces a process of regionalisation in different parts of the world, at the same time as the increase in regional activity in itself constitutes structural change towards a regionalised world order. The emerging regions can absorb tensions that have become institutionalised in the historical and now increasingly dysfunctional state formations. The regional actor can, with less risk of provoking bilateral hostilities, intervene in intra-state conflicts which threaten to become destructive and a threat to regional security.

(2) Development

Development we mean long-term development beyond macro-economic stabilisation. Globalism is undoubtedly a condition encouraging economic efficiency, but the game is confined to players on the market. What about those parts of the world for which 'the Market' shows no interest? New regionalism can counter problems of marginalisation under certain conditions. New regionalism is more political than economic, and the economic approach is much broader than exchange of goods. Its approach to free trade is cautious, far from autarkic but more selective in its external relations and careful to see to the interests of the region as a whole. Such interests include wider economic issues such as infrastructural development, industrial policy, sustainable resource management and so on.

(3) Ecological Sustainability

Sustainability links the issue of development to the larger issue of ecological management. In

the industrialised world, the 'national economies' were built with little regard to the pollution problem in the larger region, and the big players repeated this pattern in a 'global reach'. Regional management of the problem of pollution has now become a strong motive force in regional integration. Regional ecological problems are often related to water: coastal waters, rivers, and ground water. Examples are the South China Sea, Barents Sea, the South Asian river systems, the Mekong River system, the Nile, Euphrates-Tigris, and the uneven exploitation of ground water resources in the areas around Jordan. As is evident, these issues cannot be studied in separation from the issues of development and regional security.

But how can new regionalism approach be effective and successful? The regional identity or common outlook on key issues is an important determinant of the success of regional projects generally, and of what Hurrell describes as 'regional cohesion'. Hurrell (1995a, 337) suggests, two aspects of regional cohesion: first, when the region plays a defining role in relations between regional states and the rest of the world, and second, when the region forms the basis for policy coordination within the region itself. Although the EU has not always proved capable of playing the sort of coherent and significant role that its strategic, political and especially economic weight might suggest it could, it is clearly greater than the sum of its parts (Ash 2004). Put differently, none of the members of the EU acting alone could hope to exercise the degree of influence in international affairs that the EU can - in theory, at least - when acting on behalf of its member states. It is precisely the sort of potential leverage that political collaboration offers that makes regionalism an attractive prospect.

Since new regionalism involves more dimensions and countries to cooperate together, it is easier than old regionalism to realise regional objectives. But it still exist some conditions for its success. Rozman (2004, 6) lays great stress on globalisation as a precondition for successful regionalism and defines the appropriate standards for successful regionalism as: (1) rapidly increasing economic ties backed by a joint strategy of economic integration; (2) Growing political ties nurtured by summits and organisations that set goals for collective actions, regionally and globally, that have a good chance of implementation; (3) advancing social integration through labour migration, business networks, and a common agenda on outstanding problems; (4) shared culture in the face of globalisation; and (5) a widening security agenda to resolve tensions and ensure stability.

Rozman (Ibid., 16) goes on to argue that regionalism requires some combination of five conditions in order to succeed. The first is national strategies for modernisation that allow for openness, decentralisation, a division of labour, and a diminished role for borders. The second is national identities that accept neighbours as partners and cultivate trust. The third is acceptance of an evolving balance of regional power by the US. The fourth is progress in bilateral relations so that territorial and other disputes can be set aside while ties are expanded. The fifth is a vision of regionalism that elites and public opinion alike find persuasive.

Fawcett (2010, 61-85) further argued that the more practical manifestations of regionalism have given rise to sets of coordinated policies and projects, to formal and informal institutional frameworks in which collective action problems are addressed. Hence, a likely, though not necessary product of increased regionalisation is increased institutionalisation or regionalism,

understood as the growth and development of different forms and structures of regional governance. While regionalism is understood to have increased globally since WWII, different regions of the world differ sharply in their levels of institutionalisation: high in Europe, low in South Asia for example. However, most regions, with few exceptions, have seen sustained institutional growth.

One of the most widely noted features of the contemporary international system is the persistence and importance of regionally-based modes of cooperation and organisation. In this research, the author pays special attention to the formation of a regional cooperation mechanism for the success of new regionalism. The author believes that a binding rule will enforce the practice of new regionalism, and have more tangible results. He wants to argue that the problem of regional cooperation in Northeast Asia is a lack of such a kind of regional cooperation mechanism, and the Six-Party Talks provided an opportunity for regional countries to form a platform of cooperation and to be more unified.

2.5 Summary

This Chapter provides a theoretical and conceptual framework for the analysis of China's new regionalism. It introduces the historical background of regionalism, highlights the evolution of regionalism from old to new, and focuses on the characteristics and efficiency of new regionalism. New regionalism is born under the context of globalisation, it is considered as a barrier by some, but as a proponent by the others for the globalisation process. In this research, the author thinks that new regionalism is more contributing than impeding the globalisation process, and it has 3 positive effects: (1) New regionalism approaches are mostly initiated by great powers, and it often serves as a platform to them to exert more influence. (2) New regionalism enhance obviously regional cooperation and integration process, a more unified region will certainly have a better position in the international system. (3) Regional competitions and interregional cooperation is changing the recent international system, and will bring us a new world order.

This research will use old regionalism to analyse the security situation in Northeast Asia during the Cold War, and new regionalism to analyse the multidimensional and multilateral regional cooperation in Northeast Asia and East Asia after the Cold War, especially to explain the implementation of China's strategy of regional cooperation in the process of establishment of comprehensive regional cooperation mechanism. What is new in China's new regionalism? Is China's strategy of new regionalism successful? What is its influence in the regional and global level? All these issues will be further discussed in details in the following chapters.

3.1. Introduction

This Chapter is the introduction and background of China's practice of new regionalism. It reviews the inefficiency of old regionalism during the Cold War, and give reason to the practice of new regionalism in the era of globalisation. It retrospects security regionalism under the bipolar politics during the Cold War and the rise of economic regionalism at the end of the Cold War. It is important to study the historical background of Northeast Asian regionalism, especially security regionalism or old regionalism during the Cold War, because it provides an in-depth understanding for the necessity and difficulty of new regionalism or a comprehensive regional cooperation mechanism in Northeast Asia. Security regionalism among Northeast Asian countries during the Cold War is introduced to explain the animosity and the mistrust which remain major obstacles to regional cooperation, and to emphasise the necessity to build up a Northeast Asian security mechanism. Security regionalism is the beginning of the regionalism practice in Northeast Asia, and regional countries were trying to protect their national interest through alliance. China also started its regional cooperation by security regionalism, and has been trying to create a better external environment by this means.

Northeast Asia is a region that has ancient, continuous civilisations and histories. Geopolitically speaking, Northeast Asia encompasses China, North Korea, South Korea, and Japan as core states. It also includes the Far East of Russia, and the US as the extraterritorial but influential superpower (Kim 2004, 5). Northeast Asia commands special attention within the international community given its political, economic, and security significance and the world's heaviest concentration of economic and military capabilities. The location of relatively large national powers is one of the unique geopolitical features of Northeast Asia, and Northeast Asia is the convergence of four contemporary 'great powers' in the world: China, Japan, Russia, and the US. The world's three largest economies on a Purchasing Power Parity (PPP) basis (the US, China and Japan), three (the US, China, Japan) of the five largest trading countries (the US, China, Germany, Japan, France), and three largest economies in East Asia (China, Japan and South Korea) are in Northeast Asia. Northeast Asia has become one of the axes of the global economy. In 2006, China, Japan, and South Korea alone already accounted for 16.4% of the world's Gross Domestic Product (GDP) and 22.8% of its population (Zhang 2007). In terms of security, Northeast Asia is a particularly complex area in the world. It has been mired in territorial disputes and arms race, and always a centre of significant interests and conflicts among great powers. The world's three largest nuclear weapons states (the US, Russia, and China), one semi-nuclear state (North Korea), and two threshold nuclear weapons states (Japan, South Korea) are in Northeast Asia. The deterioration of Northeast Asian security situation could even affect the peace and stability of the world.

Regionalism such as regional integration and supranational organisation is not unfamiliar in the history of Northeast Asia. The traditional regional organisation in Northeast Asia can be expressed as 'China + various kingdoms' (Dent and Huang 2002, VII). Prior to the end of the

nineteenth century, the Korean Peninsula was firmly tied to China as part of a political order in which China's leadership exercised tremendous influence on the conduct of security and foreign affairs related to Korea, in return for Korean obeisance to China's leadership. This state of affairs was reflected in the regular tribute missions that Korea's king sent to the Chinese emperor, a form of obeisance that reflected China's dominant political, cultural, and socioeconomic role vis-à-vis the Korean Kingdom. By the late nineteenth century, this traditional China-centered order began to break down in the context of the weakening of Chinese Qing dynasty, the slow decline of the Korean Chosun dynasty, and the rise of Japanese influence on the Korean Peninsula in the context of the Meiji Restoration.

Despite its importance and regionalism in the history, the regional cooperation in Northeast Asia is still underdeveloped in comparison with other regions. Northeast Asia seems like one of the most decentralised and inharmonious regions in the world, and this is not only a limitation for Northeast Asian countries to improve their common security and economic interests, but also an impediment for them to exert influence in the international arena. The main reason of this loose relationship among regional countries is that the region's modern history was shaped by periods of hegemonic struggle among China, Japan and Russia. At the end of the nineteenth century, China, Japan, and Russia all sought a foothold on the Korean Peninsula as the vehicle for pursuing their broader regional security interests. As the smaller nation in Northeast Asia, Korea has historically been subjected to the imperialist rivalries between China, Japan and Russia. Since dynastic Korea was weak and vulnerable, the Korean Peninsula became a battleground among contending major powers during the Sino-Japanese War (1894-1895) and the Russo-Japanese War (1904-1905).

China was influential in Northeast Asia in the ancient time, however this influence was decuded in the modern history. Apart from rivalries among colonial powers such as United Kingdom (UK), Germany, France, etc., China, Japan and Russia themselves had fought each other over geopolitical and economic interests in China between the 1850s and 1950s. For example, Russia exploited China's weakness after the Opium Wars and acquired territory equivalent to at least one-third the size of the US during the years of 1858-1924 (Dent and Huang 2002, 244). Moreover, Russia pushed for the independence of Outer Mongolia from China in 1924. In addition to Russia-China animosity, territorial disputes between Russia and Japan complicated the situation in Northeast Asia. Russia's ambition was to safeguard its Far East interest through controlling Manchuria and the Liaodong peninsula of China, and Korea. Japan's imperialist aspiration and expansionary policies were in direct conflict with Russia. Thus in 1895, Russia allied with France and Germany through Triple Intervention to deny the military victory of Japan over China. The kindled resentment of Japan towards Russia, led to the Russo-Japanese War in 1904-05. Through Russo-Japanese War, the victorious Japan forced Russia to abandon its expansionist policy in the Far East, and became the first Asian power in modern times to defeat a European power.

Russia's ambition of expansion and 'double-headed eagle' policy makes it retains a special attention to Northeast Asia. The end of the 19th century witnessed the beginning of the modern Soviet threat to Northeast Asia. Being ambitious for Northeast Asian territory, the Soviet Union occupied the northern half of the Korean Peninsula at the close of the WWII. It

further attempted to gain a direct military foothold on the mainland of Japan, and proposed an occupation of the northern half of Hokkaido by its force. This intention was rebuffed by the US. However, during the Cairo Conference in 1943, the US President Franklin Delano Roosevelt believed that historical precedent favoured the Soviet Union, and agreed to cede the control of four islands off northern Hokkaido which Japan refers as 'Northern Territories', an area claimed by the Soviets and still contested by Japan (Bean 1990, 89). The 'four islands' issue remains a cause of conflict between Russia and Japan.

There was also a fear of the Japan's expansionism among Northeast Asian nations. As a part of its ambition of a 'Greater East Asian Co-prosperity Sphere', Japan colonised Northeast Asia from the late nineteenth century until the 1940s. It annexed Korea (1910-45), and its assimilation policy was leading to a 'cultural extinction' of the Koreans. It was a nightmare for the Korean people, and it is hard to Koreans to erase this bitter memory. As result, Korean nationalism is imbued with anti-Japanese sentiment. Similarly, Japan defeated China in the Sino-Japanese War in 1894, and then invaded Taiwan, Manchuria, and the Liaodong peninsula. This also brought unbearable humiliation to the Chinese people. In 1937, Japan further launched a full scale attack upon the rest of China. Its attempt to colonise China and the Kwangtung Army's atrocities towards the Chinese aggravated the animosity of Chinese towards Japan. Although Japanese imperialism relatively short-lived, it left an indelible, brutal imprint on generations. A legacy of mistrust persists to extent that any contemporary Japanese aspirations of regional hegemony are received with significant cynicism from countries in Northeast Asia.

The WWII witnessed the struggle for powers and peace among Northeast Asian countries. A war had begun in East Asia before WWII started in Europe. On 7 July 1937, Japan launched an attack against China near Beijing. In December of the year, the capital city Nanjing fell, and the Japanese forces committed brutal atrocities against civilians and prisoners of war, slaughtering as many as 300,000 civilians within a month. Later, the Chinese had successfully defended their land from oncoming Japanese on several occasions while strong resistance in areas occupied by the Japanese made a victory seem impossible to the Japanese. On 7 December 1941, a Japanese carrier fleet launched a surprise air attack on Pearl Harbor. The attack strongly united public opinion in the US against Japan. The following day, 8 December, the US declared war on Japan. On the same day, China officially declared war against Japan. In August 1945, the US fighters dropped two nuclear weapons separately on Hiroshima and Nagasaki. On 8 August, two days after the atomic bomb was dropped on Hiroshima, the Soviet Union attacked the Japanese in Manchuria, fulfilling its Yalta pledge to attack the Japanese within three months after the end of the war in Europe. The Red Army moved into North Korea on 18 August. Korea was subsequently divided at the 38th parallel into Soviet and US zones. The American use of atomic weapons against Japan prompted Emperor Hirohito to bypass the existing government and intervene to end the war. The entry of the Soviet Union to the war may have also played a part. The Japanese surrendered on 15 August 1945 (V-J day). The Japanese troops in China formally surrendered to the Chinese on 9 September 1945.

3.2 Bipolar politics

As indicated in Chapter 2, in order to realise the post-war recovery, the 'first wave' of regionalism or old regionalism was seen as an important strategy for achieving regional security, peace, development and welfare. However, regionalism still has been influenced by a particular historical context, dominated by the bipolar structure during the Cold War, with nation-states as the uncontested main actors. Regional arrangements were initiated against the backdrop of the Cold War, the rash of decolonisation, and a multilateral commercial framework, all of which coloured their economic and political effects. Therefore, old regionalism tended to have two specific objectives: security alliances or FTA, and at that time, security alliance is even much more important than FTA which develops rapidly only during the period of new regionalism. Survival is the primary objective of all states in international relations, and especially during the Cold War, the security is the supreme national interest to which all political leaders must adhere. All other goals such as economic prosperity are secondary (or 'low politics') (Baylis and Smith 2005, 176).

There are a number of work programmes to replace the power-balance theory, among which the most important is security regionalism. Security regionalism is often considered as regional security arrangements in the light of security cooperation, and Dent (2002, 2) defined security regionalism as the growing commitment between a region's military powers to form common security arrangements that assure peace for the region as whole. This can entail non-aggression pacts, alliance partnerships and various cooperative activities in the security domain. In Chapter 2, security is a crucial dimension of regionalism and regional security complex is defined by Buzan (1991, 190) as 'a group of states whose primary security concerns link together sufficiently closely that their national security cannot realistically be considered apart from one another'. The WWII ended, and the World is divided generally in two groups: the socialist group led by the Soviet Union and the Western group led by the US. During the Cold War, world politics was determined by the relationship between the Soviet Union and the US, and Northeast Asia was therefore locked into the logic of superpower rivalry.

The Cold War did nothing but aggravated the existing cleavages among Northeast Asian countries. The realist thinking was dominant among regional countries, and regionalism focused mostly on security. The historical confrontation and animosity among great powers in Northeast Asia impose formidable barriers to regional cooperation and integration, and Northeast Asia's own sense of regionalism and shared regional identity remains limited. Superpower rivalry in Northeast Asia further froze existing conflicts and postponed the necessary process of regional cooperation and integration. This largely explains the hatreds and suspicions that still persist among the regional powers, and the difficulties of formation of Northeast Asian regionalism. However, the historical rivalry among them highlights the importance of geopolitical, especially security dimensions of Northeast Asian regionalism. More developed regional cooperation is a persistent aspiration of Northeast Asian countries, and this is a favourable condition for Northeast Asian regionalism.

3.2.1 Korean War

While the Cold War in Europe was relatively peaceful, the Cold War in Northeast Asia was frequently violent and dangerous. The sense of East-West confrontation was extremely tangible, and it was in Northeast Asia where the Cold War turned into a hot war which is the Korean War (1950-53). The overview of Korean War is described by Hickey as follows (2011): In the short term after the defeat of Japan, Korea was to be occupied north of the 38th parallel by Soviet Russia, and the north is named Democratic People's Republic of Korea (DPRK or North Korea). To the south, a US military administration under the direction of General Douglas MacArthur would control the area from its headquarters in Tokyo, and the south is named the Republic of Korea (ROK or South Korea). In the North, the Soviets backed a Stalinist regime under their client Kim Il-sung and created the North Korean Peoples' Army, equipped with Russian tanks and artillery. In the South, the chaotic political situation resulted in an American-backed administration under the presidency of Syngman Rhee, whose openly declared aim was the imposition of national unity by force. The division of Korea in particular directly reflects an initial post-war superpower compromise that was consolidated by the Korean War.

After several years of increasingly bloody frontier incidents along the 38th parallel, South Korea was invaded by the North Korean Peoples' Army on 25 June 1950. As the North Koreans swept south, overwhelming all opposition, the US called on the Security Council to invoke the UN Charter and brand the North Koreans as aggressors. This was done and member states were called on to send in military assistance. When US/UN forces began to push North Korean forces back during the Korean War, General MacArthur kept pushing the North Koreans further and further back, even though his Commander-In-Chief, President Truman, told him not to. Many in the West, including General MacArthur, thought that spreading the war to China would be necessary and that since North Korean troops were being supplied by bases in China, those supply depots should be bombed. However, Truman and the other leaders disagreed, and MacArthur was ordered to be very cautious when approaching the Chinese border. As US/UN forces got closer to China, there were ominous signals from Beijing that communist China would intervene to defend its territory. The UN offensive greatly concerned the Chinese. The Chinese worried that the UN forces would not stop at the Yalu River, the border between North Korea and China, and might extend their rollback policy into China. The Chinese felt they had to react or there would be US forces directly on their border which was exactly what Truman was worried about. In November 1950, the Chinese unleashed their armies, so about a million Chinamen came swarming across the border to push US/UN forces back, which ended up protracting the war even longer.

The UN forces recoiled in disorder and by the new year, were defending a line well to the south of Seoul, the capital of South Korea. Morale was low but the new field commander, General Ridgway, revived his heterogeneous command and advanced slowly north in the spring of 1951. By mid-April, the allies were back in the area of the 38th parallel when the Chinese launched their spring offensive. The UN line held, then moved north again. This time, there was no reckless advance into the north. The line stabilised in the general area of the 38th parallel and the remaining two years of fighting consisted of near-static operations as both

sides fought from heavily fortified positions, using artillery, mines and wire to deny the enemy access to strategically important ground. In mid-1951, with the land battle in stalemate, both sides agreed to go to the conference table and armistice talks began. They dragged on for two years. In 27 July 1953, after three years of a bloody and frustrating war, the US, China, North Korea, and South Korea agree to an armistice, bringing the Korean War to an end. A Demilitarised Zone (DMZ) was established on the border. Both sides withdrew from their fighting positions, and a UN commission was set up to supervise the armistice.

The Korean War never ended, and they are still under an armistice to this day. In spite of the 1953 Armistice, a peace treaty was never written, and the inability of the two sides to resolve their differences has meant that the two Koreas have had to remain in a battle-ready state ever since. More than half a century after the Korean War ended with an armistice accord and the Cold War had ended, the DMZ of the divided Korean Peninsula remains the most heavily fortified and sensitive conflict zone in the post-Cold War World, where more than 1.8 million military personnel, including 37, 000 of the US, confront each other, armed with the latest weapons systems (Kim 2004, 6). After 1953, South Korea has transformed into a modern state and a major economic power. While North Korea remains a poverty-stricken nation with military rule. The economy is in ruins and famine stalks the land. The Stalinist regime created by Kim Il-sung is only now beginning to move out of its hermit state. In order to protect itself, North Korea has carried out a controversial nuclear test and several ballistic missile tests, keeping South Korea, Japan, USA (Hawaii) and China in their missile range. The nuclear purposes of North Korea have become the North Korean nuclear issue, a major concern of regional countries.

3.2.2 Two Camps

The Korean War has far-reaching influence. There were serious casualties on both sides. Due to the Korean War, Northeast Asia stood out as the world's most prominent regional killing field during the post-WWII period, with greater numbers of fatalities occurring than in any other region - 3 million (Ibid.). The most significant is that more than any other postwar international event, the Korean War had huge impact on the restructure of the national, regional, and global system. The Korean War brought the US and Russia further apart. The world was being divided between nations under the US and the Russian spheres. After the war, most of the world was divided between the Communist and Western controlled zones. Korea was no different, except the divide was North-South instead of East-West. The Soviets were able to administer the Northern sector while the West was made responsible for the South. The Korean Peninsula was divided into the communist North Korea and the US-backed South Korea along the 38th parallel. South Korea became an important US military base with thousands of American troops stationed there. The Korean Peninsula remains one of the last divided zones left over from WWII.

The end of the Korean War resulted in two containing camps: one is the communist alliance led by the Soviet Union, and another is the non-communist Northeast Asian countries backed

up by the US. The Soviet Union, China and North Korea stood together in a Communist group against the capitalist alliance of the US, Japan and South Korea. The Moscow-Beijing-Pyongyang triangle and the Washington-Tokyo-Seoul triangle were formed. Ideological demarcations among Northeast Asian countries created new barriers among the region's peoples. This war made the US truly aware of the 'falling domino' effect of communism, and the US would do anything to prevent the spread of communism. It also brought China into conflict with the US, bringing bad feelings between the two countries which would last for decades. The 38th parallel not only divided the Korean Peninsula, but also delineated the borders of international power politics in Northeast Asia. Since that, the Northeast Asian security situation was more characterised by bipolar politics. All powers in this region were involved in military and political conflict, led by the Soviet Union or the US. The superpower rivalry between the Soviet Union and the US generated multiple antagonisms such as that between North Korea and South Korea, between China and the Soviet Union.

In this background, bilateral security alliances, especially which led by the Soviet Union or the US, were the dominant security arrangement in Northeast Asia. This arrangement ensured the security of two parties, and was adopted to fend off third countries. For example, in 1950, China and the Soviet Union signed the '*Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance*' (Ministry of Foreign Affairs 2014), and agreed that 'The Two Contracting Parties undertake to carry out jointly all necessary measures within their power to prevent a repetition of aggression and breach of the peace by Japan or any other State which might directly or indirectly join with Japan in acts of aggression. Should either with Japan and thus find itself in a state of war, the other Contracting Party shall immediately extend military and other assistance with all the means at its disposal'. The other example is the '*US-Japan Security Treaty*' (Ministry of Foreign Affairs of Japan, 2014) was signed in 1960, Article VI of the treaty provided for the stationing of US force in Japan for the 'security of the Far East'. In the 1980s, the Japanese and US governments increasingly referred to a 'global partnership' - a definition of security cooperation that has no limit.

3.2.3 Hegemonic Stability

During the Cold War, superpower rivalry in Northeast Asia actually postponed the necessary process of regional cooperation and integration, and Northeast Asia lacked a distinctive regionalism. However under the influence of the Soviet Union and the US, two regional security cooperation groups formed. Because of this kind of security regionalism and the balance of power between the Soviet Union and the US, states in Northeast Asia enjoy hegemonic stability. The reason is that hegemonic powers can provide conditions for the establishment and maintenance of the stability and prosperity in a region, even it is for the sake of their own national interests (Dent and Huang 2002, 142). According to this argument, if we investigate the interactions of the Northeast Asian countries, we find that the Soviet Union and the US played hegemonic role in the economic, political and military fields, and provided respectively a security umbrella for two groups of Northeast Asian countries during the Cold War. These regional security cooperation groups and bilateral security alliances once provided

a loose Northeast Asian security regionalism which faded with the end of the Cold War.

One interesting phenomena is that during the Cold War, security and economic benefits flowed in the same direction within political blocs, and trade between adversaries was low. A theoretical literature developed during the Cold War around the premise that preferences in political relations and 'security externalities' are likely to shape and reinforce trade relationships among allies while dampening trade relationships with potential adversaries. Gowa and Mansfield (1993) argue that 'free trade is more likely within, rather than across, political-military alliances, and alliances are more likely to evolve into free-trade coalitions if they are embedded in bipolar systems than in multi-polar systems'. Northeast Asia is divided into two parts, but in each part, it appeared the willingness and practice of regional cooperation. To some extent, the bipolar politics also gave birth to the future regional integration in Northeast Asia.

3.3 Regional Security Cooperation of China

During the Cold War and for many years, China was deeply involved in the bipolar politics, and the triangular relationship of China, the US, and the Soviet Union is of critical importance. As soon as the PRC obtained its independence in 1949, China was involved in the Korean War and the ideological conflict between the regional communist countries and the US alliance in Northeast Asia. China helped North Korea to fight off the aggression of the US and its allies, and the relations between China and North Korea were described 'as close as lips and teeth' (Wilson Center 2014). China used to call the Soviet Union 'Big Brother' (Bernstein and Li 2010, 71), and chose the 'lean to one side policy' which simply means bound to the Soviet Union and communist countries (Shen and Li 2011). During the 1950s and 1960s, the Chinese had focused on the strategy of world communist revolution. China had advocated an aggressive revolutionary policy in the Third World and a bold confrontation with US and its allies. The relationship between China and the Soviet Union was once very close, however the Sino-Soviet alliance was short-lived because of the rivalry between these two big communist countries. China and the Soviet Union were in bitter contention, with each seeking to hold or gain allies within the socialist world. China scored its primary successes in Asia, with North Korea as well as the communist parties of most other Asian countries tilting in its direction. And when the Soviet threat reached the threshold of conflict in 1969, China jettisoned ideological restrictions to establish a positive relationship with the US and Japan, and formed the new 'Strategic Triangle' (Scalapino 1998). From 'leaning one side' to the new 'Strategic Triangle', we can observe China's effort of security regionalism during the Cold War.

3.3.1 Rise and Fall of the Sino-Soviet Alliance

After the founding of the PRC, the Chinese leadership was concerned above all with ensuring

national security, consolidating power, and developing the economy. The foreign policy course China chose in order to translate these goals into reality was to form an international united front with the Soviet Union and other socialist nations against the US and Japan. As Nathan and Ross (1997, 36) point out, the (relatively short-lived and tense) 'tilt' towards the Soviets was a direct consequence of the perceived 'need for security against the US'. This perception of vulnerability on the part of China's new communist leaders was perfectly understandable given the behaviour of the European imperial powers, and not to mention the US's implacable ideological hostility to communism which intensified during the Cold War. By mid-1949 Mao declared that China had no choice but to 'lean to one side'. Soon after the establishment of the PRC, Mao traveled to Moscow to negotiate the *1950 Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance*. Under this agreement, China gave the Soviet Union certain rights, such as the continued use of a naval base at Luda, Liaoning Province, in return for military support, weapons, and large amounts of economic and technological assistance, including technical advisers and machinery. China acceded, at least initially, to Soviet leadership of the world communist movement and took the Soviet Union as the model for development. China's participation in the Korean War (1950-53) seemed to strengthen Sino-Soviet relations, especially after the UN-sponsored trade embargo against China. The Sino-Soviet alliance appeared to unite Beijing and Moscow, and China became more closely associated with and dependent on the foreign power than ever before.

However, the discord between China and the Soviet Union gradually appeared. From modest beginnings in the 1950s, it has steadily broadened in scope and importance. From its earliest beginnings, the Sino-Soviet conflict revealed a mix of national interests and communist ideology. It became then a tense diplomatic and military confrontation, a major foreign policy concern of both countries, and the central concern for China. Initially affecting mainly the partners to the dispute, its influence soon extended to the world communist movement, to diplomatic relations of the two states in developing countries, and finally to global politics. It became a central issue in the confrontation to the superpowers in the 1970s and 1980s. Clearly there were important Sino-Soviet differences over policy in Northeast Asia. The Soviet Union refused to reduce the ties binding Mongolia to the Soviet Union, or to allow significant expansion of Chinese control in North Korea, and tried to isolate the Chinese within the communist community by means such as strengthening their ties with Mongolia, North Korea, and North Vietnam, and seeking to build a pro-soviet party to compete with the pro-Chinese communist party in Japan.

The main cause of Sino-Soviet confrontation was Mao's determination that China should eventually become a superpower and Krushchev's determination to prevent it. The Soviets believed that China was now weak and might at some point attain a superpower status. Thus the Soviets fear not the present but the future. The Soviet Union, therefore, attempts to prevent, or at least postpone, the process of China's acquiring such status. They do not overestimate China's strength and see quite clearly its enormous weaknesses, but they think that in historical perspective, now is the time to keep the Chinese down, to teach them 'lessons', to isolate them as much as possible, to delay as long as possible their emergence as a superpower. Another important reason is that the Soviet Union self-appointed itself as the leader of the international communist movement. It has tried to become the world's sole

superpower in three methods: first through an assumed superior ideology, second by economic performance, and finally, after the failure of the previous two methods, through resorting to the classic means of imperial territorial expansion, or using overwhelming military power. Soviet grand strategy has been transformed from one of protecting the base of ideological and economic supremacy to that of achieving military supremacy. The Soviet Union hoped to achieve the historic Russian dream of securing its Far Eastern land borders through domination of China in a fashion similar to their tight postwar control of most of Eastern European countries (Bean 1990, 89). However, China was not wishing to become a de facto part of the Soviet empire. The contrary aspirations of China led to the Sino-Soviet split in the late 1950s.

During the second half of the 1950s, strains in the Sino-Soviet alliance gradually began to emerge over questions of ideology, security, and economic development. Chinese leaders were disturbed by the Soviet Union's moves under Khrushchev towards destalinisation and peaceful coexistence with the West. In addition to ideological disagreements, Beijing was dissatisfied with several aspects of the Sino-Soviet security relationship: the insufficient degree of support Moscow showed for China's recovery of Taiwan, a Soviet proposal in 1958 for a joint naval arrangement that would have put China in a subordinate position, Soviet neutrality during the 1959 tension on the Sino-Indian border, and Soviet reluctance to honour its agreement to provide nuclear weapons technology to China (*U.S. Library of Congress* 2014). In an attempt to break away from the Soviet model of economic development, China launched the radical policies of the Great Leap Forward (1958-61) (*Chinese Posters* 2014), leading Moscow to withdraw all Soviet advisers from China in 1960 (Harding 1987, 22). In retrospect, the major ideological, military, and economic reasons behind the Sino-Soviet split were essentially the same: for the Chinese leadership, the strong desire to achieve self-reliance and independence of action outweighed the benefits Beijing received as Moscow's junior partner.

During the 1960s the Sino-Soviet ideological dispute deepened and spread to include territorial issues, culminating in 1969 in bloody armed clashes on their border (Gerson 2010). In 1963 the boundary dispute had come into the open when China explicitly raised the issue of territory lost through 'unequal treaties' with tsarist Russia (Cliff 1963, 3-24). After unsuccessful border consultations in 1964, Moscow began the process of a military buildup along the border with China and in Mongolia, which continued into the 1970s (Hersberg 1995/1996, 190). The Sino-Soviet dispute also was intensified by increasing competition between Beijing and Moscow for influence in the Third World and the international communist movement. China accused the Soviet Union of colluding with imperialism, for example by signing the *Partial Nuclear Test Ban Treaty* with the US in 1963 (*U.S. Department of state* 2014). Beijing's support for worldwide revolution became increasingly militant, although in most cases it lacked the resources to provide large amounts of economic or military aid. The Chinese Communist Party (CCP) broke off ties with the Communist Party of the Soviet Union (CPSU) in 1966, and these had not been restored by mid-1987 (Syed 2014).

During the late 1960s, the Sino-Soviet relationship became progressively more strained. During the Cultural Revolution, China's growing radicalism and xenophobia had severe

repercussions for Sino-Soviet relations. Soviet students and diplomatic personnel were expelled from China during 1966, and the Soviets expelled Chinese students in the same year (Steele 1983, 140). In 1967 Red Guards besieged the Soviet embassy in Beijing and harassed Soviet diplomats (Sutter 2011, 12). As the 1960s ended it was clear not only that the Soviets were taking variety of initiatives to contain the Chinese challenge but that some of these measures were further aggravating an already embittered relationship. The most threatening of the Soviet responses was the steady military buildup along the Chinese border during the late 1960s (Barnett 1977, 77). The presence of such forces, combined with stern military warnings to the Chinese, tended to strengthen the already forceful impression made on the Chinese by the Soviet invasion of Czechoslovakia in August 1968, an action they had vigorously denounced along with the Brezhnev Doctrine that justified it. The Brezhnev Doctrine clearly implying that it had the right to employ military force to discipline any communist state not following Moscow's dictates. Beijing viewed the Soviet invasion of Czechoslovakia as an ominous development and accused the Soviet Union of 'social imperialism' (Kuen 2014). China determined to show the Soviet Union that it would not be another Czechoslovakia. Thereafter, Sino-Soviet border clashes began in early 1969. The Sino-Soviet dispute reached its nadir in 1969 when serious armed clashes broke out at Zhenbao (or Damansky) Island on the northeast border. The seriousness of these conflicts and the deep division between the two states were evidenced by their resort to brinkmanship during the crisis, and both apparently willing to escalate to a full-scale war. The Soviet Union even intimated that they were prepared to use nuclear weapons if it is necessary.

3.3.2 New Strategic Triangle

The Sino-American relationship has come a long way. Sino-American relations are complex and multi-faceted. China and the US are sometimes allies but sometimes enemies. During the WWII, China was a close ally of the US. At the founding of the communist-ruled PRC in 1949, the US did not immediately recognise the newly established government of China (*Asia for Educators* 2014). During 1950-53, China fought the Korean War against the US, and the bilateral relations became worse. Considering the strategic value of Northeast Asia, the US has vital security interests in the region. Since the beginning of the Cold War, the US as the contender of the Soviet Union, soon became involved under the Truman Doctrine²³ in containing communist expansion throughout the world. For the US, the American-Japanese and the American-South Korean bilateral alliances were the main pillars of its Northeast Asian security strategy, and the US used them to contain the Soviet Union, Communist China and North Korea. The relationship between China and US remained tense, however their relationship was restored due to the Sino-Soviet conflict.

The deterioration of the relationship between China and the Soviet Union in the 1960s led to

²³ The Truman Doctrine was a US policy to stop Soviet expansion during the Cold War. US President Harry S. Truman (1884-1972) pledged to contain communism in Europe and elsewhere and impelled the US to support any nation with both military and economic aid if its stability was threatened by communism or the Soviet Union. The Truman Doctrine became the foundation of the president's foreign policy and placed the US. in the role of global policeman.

reconciliation in Sino-American relations in the 1970s. One of the top priorities in Chinese foreign policy during this period was to block Soviet expansion in this region. An effective measure to carry this out would be through the increased military presence of the US in the region. China softened its criticisms of US military presence in Northeast Asia because US presence played dual roles in checking Soviet expansion in the region and maintaining stability that was required for Chinese economic growth. China was no longer considering US as a threat, but a developed country that looks to China as a counterweight to the Soviet Union, a potentially significant source of stability in Northeast Asia, and a likely and attractive market. Hence the Chinese might seek to build a new diplomatic relationship with the US, Japan, and Europe, and restore severed or neglected ties with fellow communist parties and states. They must seek as well to repair the political, economic growth and technological modernisation. Equally, China is a nation that looks to Americans a source of strength in order to counterbalance the strength of the Soviets (Ellison 1992, VIII), their present principal adversary.

In the 1970s Beijing shifted to a more moderate course and began a rapprochement with Washington as a counterweight to the perceived threat from Moscow. People has seen the admission of China to the UN, President Nixon's visit and the Shanghai Communiqué, the establishment of liaison offices; the lifting of the ban on direct trade with China, cultural and scholarly exchanges, visits by government leaders, the normalisation of relations and exchange of ambassadors, and the coming into force of the US-China Trade Agreement providing for the extension of Most Favoured Nation (MFN) treatment and access to official credits. The most significant event happened in July 1971, the Chinese undertook a bold initiative: it was announced that Secretary of State Henry Kissinger had arrived secretly in Beijing and had arranged for President Richard Nixon visit China. It was clear that the bilateral relations were entering a new stage (*USC U.S.-China Institute* 2014). The PRC had been seated at the UN for the first time in the autumn of 1971 (*China Daily* 2009). Beijing quickly supported efforts to revoke the Security Council resolution legitimising the presence of US forces. The Sino-American normalisation was realised at the end of 1978 and was designed to be put into effect on 1 January 1979 (Xia 2008, 161-63). Full normalisation of relations is now a reality.

Japan's defense policy during this period was also based on resisting invasion from the Soviet Union. Because Japan was not facing the threat of an overland invasion, and was enjoying a unique security relationship with the US, Japan's view of the threat to its security has developed quite differently than that of China and North Korea. For most of the postwar era, Japan has felt quite secure under the US strategic 'nuclear umbrella' and commitment to Japan's defense, formally codified in the *Mutual Security Treaty of 1960* (*Ministry of Foreign Affairs of Japan* 2014). Japanese administrations have therefore been free to pursue the popular policies of limited defense preparedness and restrictive collective security expressed in Japan's 'peace constitution' derived primarily from Article 9.²⁴ However, recognising Japan

²⁴ Article 9 of the Constitution of Japan was added on its adoption in 1947 and concerns the military of Japan. Article 9 reads: 'Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. In order to accomplish the aim of the preceding paragraph, land,

could not meet the rapidly growing Soviet threat by itself, defense consciousness in Japan continued to grow. In 1978, the Japanese government took a major step forwards, establishing the 'Guidelines for Defense Cooperation' with the US (*Ministry of Foreign Affairs of Japan* 2014).

Along with Sino-American rapprochement, China also improved its relations with Japan by signing the *Sino-Japanese Treaty* which contained an 'anti-hegemony' clause in August 1978. In the same year, China signed *Peace and Friendship Treaty* with Japan, and formally abrogated the *1950 Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance* which identified Japan as a common enemy (*Ministry of Foreign Affairs of the People's Republic of China* 2014). *People's Daily* editorials declared that 'the treaty signalled the 'ignominious bankruptcy' of Soviet attempts to 'sabotage' Japanese Affairs' (*Trends in Communist Media* 1978, 7). In the treaty, China and Japan have expressed agreement with each other's defense policies. China not only endorsed the US-Japan Security Treaty, but also made public pronouncements strongly advocating a rapid Japanese military build-up to oppose the Soviet 'hegemonism'. For example, in 1981, Chinese Defense Minister Zhang Aiping told to his Japanese counterpart: 'a friendly and cooperative relationship between China and Japan will contribute not only to peace in Asia, but also to the whole world'. He also said that Japan 'needs a strong defense capability' and that the Japan-US security treaty is 'necessary to strengthen Japanese defense capability' (Zhang 1984, 1). Facing the growth of common threat from the Soviet Union, China further consistently supports Japan in its Northern Territories dispute with the Soviet Union, and Japan also increasingly appreciated the contribution of China to Japan's security with Chinese forces on the Soviet border.

With the reconciliation in Sino-American relations, the signature of Peace and Friendship Treaty between China and Japan, and the establishment of the 'Guidelines for Defense Cooperation' between the US and Japan, the China-Japan-US strategic triangle against the Soviet Union has formed in Northeast Asia. In addition to the changed views on the role of the US forces in South Korea, China began to signal its intention for better relations with South Korea. Mr. Huang Hua, former Chinese Vice-Premier Minister and Foreign Minister, at his speech titled, 'The Situation and Policies in Foreign Affairs in the 1980s and Future Tasks', officially stated Chinese policy towards South Korea as '*guanmen bushangsuo*' (the door is closed but not locked) (Chu 1986, 71). Since 1981, Chinese diplomats were allowed to have contact with South Korean diplomats and embark on indirect trade between China and South Korea through Hong Kong which by 1981 had already reached 218.8 million dollars (Kim 2011, 42). China and South Korea have endeavoured to boost their strategic and cooperative partnership, and in this context, the diplomatic relations between China and South Korea were formally established on 24 August 1992 (Kristof 1992).

3.3.3 Still Two Camps

sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized'.

Few developments have had greater impact on the international politics of our era than the Sino-Soviet conflict, but it doesn't change too much the geographic map in Northeast Asia. Before the Conflict, China was allied with the Soviet Bloc and the Northeast Asia was divided between the Soviet countries and Western countries. After the conflict, the Northeast Asia was divided between the Soviet Union and the new strategic triangle of China-US-Japan. There are always two camps in Northeast Asia, and the region was not able to be unified. The overall regional cooperation was far to be reached, and in the meantime, China was still facing serious threat from the Soviet Union. The shift of China's alliance and the new strategic triangle was always an anxiety of the Soviet Union. Already approximately 25 percent of Soviet military commitment was to the defence of the Chinese border (Davis 2003, 106), but what would be the cost of competing with a growing Chinese power, particularly one having close diplomatic ties with major capitalist states? The reaction from Moscow to the normalisation was expressed in harsh language. The title of an editorial in the main theoretical journal of the Soviet Communist Party neatly summarises the Soviet position: 'Beijing: Yesterday - Reserve of Imperialism, Today - its Ally' (*Kommunist* 1979, 71-84). Yuri Andropov, then a Soviet Politburo member, criticised the US attempt to use China as a political card against the Soviet Union. On 22 January 1979, he asserted that 'using China to put pressure' upon the Soviet Union and to support its 'hegemonic aspirations' did not accord with building 'trust' (*Trends in Communist Media* 1978, 11). Another Soviet Politburo member, Andrei Kirilenko, also charged the US with backing China's 'militarisation' and 'expansionist gambles' (Ibid.).

The Soviets continued their efforts to isolate China both within the communist movement and by conventional diplomatic initiatives. Concentrating their efforts on the states bordering China - Mongolia, North Korea, Vietnam, Laos, Burma, India, Pakistan, and Afghanistan - the Soviets found conventional diplomacy more rewarding. By 1980 the Soviet Union had encircled China to the south as well as to the north and east. The new Soviet bases in Vietnam lie athwart American sea and air communications from Yokosuka and Subic Bay to Diego Garcia and thence to the Arabian Sea and the Gulf. Vietnam must remain bound to Moscow as long as it is determined to dominate Indochina, which probably means a long time indeed. China thus has one more reason to remain hostile to the Soviet Union and cultivate the US. The US, along with such ASEAN states as Thailand and Singapore who fear Soviet and Vietnamese more than Chinese policy in Southeast Asia, is moving closer to China.

Facing the containment of the Soviet Union, China's reaction was obvious. Significantly, the shift of China's policies was undertaken before Mao's death and continued after. Officially, Chinese statements called for a struggle against the hegemony of both superpowers, but especially against the Soviet Union, which Beijing called 'the most dangerous source of war' (Haywood 1984). In the late 1970s, the increased Soviet military build-up in East Asia and Soviet treaties with Vietnam and Afghanistan heightened China's awareness of the threat of Soviet encirclement (*Country-data* 1987). In 1979 Beijing notified Moscow it would formally abrogate the long-dormant *Sino-Soviet Treaty of Friendship, Alliance, and Mutual Assistance*. China suspended the talks after only one round, however, following the Soviet invasion of Afghanistan in 1979 (Mackerras et al. 1998, 201). The situation has continued until the end of the Cold War, and the rapprochement between China and US, Japan, South Korea finally brought the collapse of the Soviet Union and the end of the Cold War.

3.4 Economic Regionalism at the End of the Cold War

As indicated in Chapter 2, in comparison with security regionalism, economic regionalisation is an arrangement based on inter-state networking to facilitate flows of goods, services, capital and technology across state boundaries (Fawcett and Hurrell 1995, 41). In the post-WWII era, the regional concentration of trade flows has generally increased, and has been marked with the stigma of the Cold War. During this process, there has been an accelerating trend towards regional integration in every part of the world, and most of the early attempts are RTAs²⁵ in the 1950s and 1960s. Old regionalism has been eclipsed by the exponential growth in the number of RTAs. Much of this overall tendency is attributable to rising trade within Western Europe and within East Asia. Old regionalism was also marked by the establishment of a plethora of regional trade blocs formed by developing countries. Least Developed Countries (LDCs) formed preferential arrangements to reduce their economic and political dependence on advanced industrial countries.

3.4.1 East Asia

The dismantling of the Cold War system dramatically changes the preconditions for regional cooperation globally. After the Cold War, East Asia has become a crucial and increasingly important part of the global economy. To better understand the economic regionalism of China in Northeast Asia, we need to consider the bigger map of East Asia. East Asia is very heterogeneous. East Asia encompasses a bewildering array of traditions and political practices that makes generalisation difficult. The region is exceptionally diverse culturally, linguistically, and religiously. It is a pastiche of Sinic, Japanese, Buddhist, Islamic, and Christian traditions. None provides a significantly unifying cultural-religious cohesiveness across the region, despite the efforts of many to claim the existence of certain overarching 'Asian values'. After the Cold War, the East Asian region was still divided by the ideological and strategic cleavages of the Cold War period, effectively precluding the possibility of regional cooperation between all the states of Northeast and Southeast Asia (Cumings 1997). Widely varied political systems can be found throughout East Asia, and they have also been crucial obstacles to regional integration.

Furthermore, the region has more than one century-long history of internal divisiveness war, and conflict, and it remains the site of several nettlesome territorial disputes. East Asia is home to many of the world's most persistently problematic areas of military friction (Emmerson 2001, 104) and an area with one of the world's highest levels of arms imports (Simon 2001, 49;

²⁵ RTA is a general term that refers to a whole spectrum of levels of economic integration. The lowest level of regional integration is represented by trade preferences, or partial scope agreements, which liberalise trade in specific commodities or sectors. Reciprocal preferential trade agreements are very often the point of departure for formal regional integration. At the next level of integration, the most common type of RTA is FTA in which members liberalise internal trade but retain their independent external tariffs. Most of the RTAs that have been notified to the WTO are FTAs, and NAFTA is one typical example.

Alagappa 1998, 631-33). Lingering uncertainties on the Korea peninsula, in the Taiwan Straits, of the Sino-Japanese relationships and the sovereign control over the South China Sea still hold the potential to cause widespread region insecurity. Even worse, many would readily endorse Friedberg's contention that the region is 'ripe for rivalry', a place likely to emerge as the 'cockpit of great-power conflict' (1993, 7).

Security divisions imply economic divisions. Given such wide-ranging diversities, that East Asia has not become as integrated a region as Western Europe should occasion little surprise. One of the most frequently noted features of East Asia, and one of the principal reasons that the prospects for EU-style regional cooperation generates such scepticism, is the sheer diversity of the countries of the region. In East Asia, the degree of 'regionness' is thus low in spite of the fact that economic integration is now taking place. Regional integration thus takes place without much formal institutionalisation (Palmer 1991, 5). Cooperation schemes in East Asia differ in terms of their geographical coverage as well as the relative strength of participants' commitment.

Despite the diversity of East Asia, the attempts of regional cooperation can be found throughout historical evolution. In East Asia, it is possible to identify persistent broadly-based historical pattern of political organisation in which 'strong' states (such as China and Japan) have played an important role, authoritarianism has been commonplace, civil society has been underdeveloped, and democracy of any sort has been the exception rather than the norm. In this condition, the regional cooperation had its early embryonic form. During the ancient time of East Asia, Sea lanes also simultaneously created trading regimes that linked most of great port cities through trade, migration, technology, and finance (Hamashita 1997). This situation was before the mid-nineteenth century, and a sinocentric world order revolving around cultural exchange and the tributary system wove many parts of East Asia into a more cohesive whole (Fairbank 1968; Kang 2003b).

By the middle of the nineteenth century, East Asia, like the rest of the world more generally, had fallen under the preponderant global and regional influences of the Western powers, colonialism, and military conquest. Collectively, these forces fractured most of East Asia's previous cross-border linkages. For the next 150 years, East Asia was pockmarked by a fragmented collection of disparate Western colonies. The colonial time has such a big influence that residual social, ethnic, and religious differences aggressively aggravated by colonial powers stood as formidable barriers against any collective national identity or national governmental purpose by regional countries. We can feel the influence of the former colonial countries in the region, which can both improve or impede regional cooperation of East Asia.

Among regional countries, it was Japan who after China, played the role of regional leader for a period of time. In the years leading up to WWII, the only meaningful East Asian challenge to Western predominance across the region, and the only real bid for East Asian integration, came from Japan's unsuccessful efforts to mobilise military force and anti-Westernism in the service of forging its Greater East Asia Co-Prosperity Sphere (Petri 1993). A perverse, hegemonic form of regional architecture existed from 1895 to 1945 in the form of the Japanese Empire. But since the collapse of the wartime Japanese Empire in 1945, no serious regionwide

organisation to speak of has existed, and Japan's image has been tarnished. Any attempt of Japan to play the leading role in East Asia will meet more or less opposition of regional countries.

In the years immediately following WWII, fragmentation prevailed. Two processes perpetuated this division: decolonisation and the Cold War. As decolonisation proceeded, the Cold War kept the region fragmented. The distinctive condition that prevailed during the Cold War and the challenges of nation-building and development help to explain some of the common features of the region's evolution. As the others, East Asian countries were influenced and divided by the bipolar politics. Two antagonised groups (the capitalist group and the socialist groups) were formed as showed in the earlier part of this chapter. And with attention concentrated inwards, few countries made serious efforts to advance projects aimed at closer integration.

East Asia's postwar attempts to establish a formal regional architecture appear to have begun with the Pacific Pact discussions of 1949-51. The concept of such a pact was first broached in January 1949 by Philippine Foreign Secretary Carlos Romulo in New Delhi as a means of achieving diffuse pan-East Asian political-economic agreement (Mabon 1988, 147-77). In March 1949, just after the release of the text of the new NATO agreement in Europe, in an effort to gain US support, Philippine President Elpidio Quirino gave the pact concept a more explicitly military dimension, stressing the need for a Pacific defence agreement to fight communism in the Far East. India's Jawaharlal Nehru also favoured the general concept of East Asian collective action, although he preferred an economically oriented Marshall Plan for Asia to Quirino's NATO-like conception. There were also initiatives by Northeast Asia to add to a regional architecture that met with mixed success. In 1965, the ADB, originally a Japanese initiative, was founded, but with its headquarters in Manila (*Asian Development Bank* 2014). In 1966, Korean President Park Chung-hee initiated the Asia and Pacific Council (ASPAC) to unify East Asia against the Chinese, but US President Richard Nixon's visit to China fundamentally undermined its rationale, and ASPAC collapsed in 1974 (*Cambridge Journals Online* 2014).

During the Cold War, in juxtaposition to the American alliance structure in East Asia stood the Soviet Union, China, North Korea, and North Vietnam. Neither the Soviet Union nor China succeeded in establishing any East Asian equivalent to the integrative Warsaw Pact that linked, however tentatively and repressively, the Soviet satellites in Eastern Europe. Thus, the two competing military alliance in East Asia provided at best elements of partial integration among each alliance's members, and both were far more tentative than such links in Europe. Despite the effort of regional countries, virtually no links spanned the ideological chasm that separated the two hostile blocs (Ikenberry and Mastanduno 2003).

In the 1980s, while far from the integration already taking place in Europe, the economic integration in the region was so dynamic that it gave birth to the phenomena that would be termed the 'Asian Miracle'. By the early 1980s, the remarkable success of Japan had been followed by that of the 'four small dragons' (South Korea, Taiwan, Hong Kong, and Singapore) in pursuing export-oriented industrialisation. The success of that development strategy created

huge export surpluses, which in turn created irresistible upwards pressure on the currencies of Japan and some of the dragons. Thus, currency realignments were simultaneously consequences of existing development outcomes and causes of further changes in the economic strategy of other East Asian actors.

The year 1985 marks a convenient starting point for the acceleration of integration in East Asia. The Plaza Accord of that year and the currency realignments that followed in its wake were key short-term drivers of change. The success of the Japanese economy, combined with the appreciation of the Japanese currency, meant that Japanese capital and technology were available to the rest of Asia. In the short run, currency realignments made production in Japan, South Korea, and Taiwan much more costly and encouraged firms in those countries to relocate production to less developed parts of East Asia. Countries such as China and Indonesia saw the success of Japan, South Korea and Taiwan firsthand and observed the development gap open up between them. With the demonstration effect, they followed the similar development model, and we use the familiar 'flying goose' label to describe this period.

3.4.2 Initiative of ASEAN

As discussed in Chapter 2, it is smaller countries in East Asia (Southeast Asian countries) which took the initiative of regionalism, and have been the most active in forming regional cooperation organisations. Despite the widely noted heterogeneity of the Southeast Asian region, it makes sense to consider the countries of the region collectively as there are sufficient commonalities in their respective historical experiences to make some degree of generalisation about this sub-region possible. The Association of Southeast Asia (ASA) was the first of a new type of regional intergovernmental organisations aimed at promoting cohesiveness during the Cold War (*ABC-CLIO* 2014). The ASA was established by the foreign ministers of the Federation of Malaya, the Philippines, and Thailand on 31 July 1961. However, it was derailed by the conflict between the Philippines and Malaysia over the disputed territory of Sabah. Similarly, the MAPHILINDO initiative between Malaysia, the Philippines and Indonesia was established in 1963, but it is short-lived and collapsed amid the '*konfrontasi*'²⁶ (confrontation) between Indonesia and Malaysia. Despite the failure of this initiative, it did pave the way for the development of ASEAN which drew on some of these earlier organisations' principles, especially ASA's 'institutional formlessness and lack of binding obligations' (Weatherbee 2005, 69). This sort of structure and institutional logic has been the hallmark of ASEAN; it has also been both a key to its longevity and a source of its ineffectiveness.

As an even more ambitious organisation, ASEAN superseded ASA and MAPHILINDO on 8 August 1967. ASEAN was begun in attempt at peaceful dispute resolution and cooperation among five Southeast Asian countries including Singapore, Thailand and the MAPHILINDO nations. The establishment was an attempt by like-minded states to stabilise the region,

²⁶ The Indonesia-Malaysia confrontation (also known as 'Konfrontasi' in Indonesian and Malay) was an undeclared war over the future of the island of Borneo, fought between the British-backed Malaysians and the Indonesians from 1962 to 1966.

economically as well as in terms of national and regional security. The original Bangkok Declaration is a remarkably bland document that suggests that ASEAN's purpose will be to 'accelerate economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South-East Asian Nations' (ASEAN 1967).

ASEAN's 'real' motivation was originally geopolitical and strategic rather than economic. ASEAN is very much a product of the geopolitical circumstances, and its inauguration in 1967 occurred in the midst of the Cold War stand-off between the communist and capitalist powers. Based on the argument of neorealism, when states are faced collectively with an external challenge or threat, but one state is unable to deal with the threat/challenge, they tend to cooperate with each other. States are willing to accept dependence on each other for their survival. ASEAN served as a nonprovocative display of solidarity against communist expansion in Vietnam and against insurgency within the borders of its member nations. Tacitly supported by the US but not including that nation, other Western powers, or controversial governments of Indochina, ASEAN had a relative neutrality that would sustain it across the turbulent decades that were to follow, reinforced by its cardinal principal of nonintervention in the internal affairs of members (Acharya 1997, 319-30). As Malaysia's then Deputy Prime Minister Tun Abdul Razak stated, 'we are all conscious of our responsibility to shape our common destiny to prevent external intervention and interference' (Irvine 1982, 16).

Despite all the talk about economic and technical cooperation, ASEAN's principal attraction in the eyes of its original members lay in its potential to enhance domestic and regional security, while simultaneously providing a forum within which to manage potentially fractious intra-regional relations. With the memories of Konfrontasi between Indonesia and Malaysia still fresh, and Singapore feeling vulnerable following its expulsion from the Malaysian Federation in 1965, ASEAN members were understandably preoccupied with managing their inter-relationships and domestic security. The salience of strategic issues was given further weight following the enunciation of the Nixon Doctrine²⁷ in 1969 and the possible winding back of America's strategic commitment to the region (Yahuda 2004). At the very least, the ASEAN grouping had the potential to give its members a greater collective presence and an enhanced capacity to respond to common threats.

ASEAN was no more than a declaration after its creation in 1967. In 1971 its foreign ministers signed a *Zone of Peace, Freedom, and Neutrality Declaration* (ZOPFAN) to develop collective strength, solidarity, and 'security from external interference' (Abad 2000, 1-2). The organisation assumed importance as a regional organisation only after 1975, when there were increasing political uncertainties in the region. The economic integration that has taken place so far is rather modest, and the figure for intraregional trade is only about 20 per cent (Tanaka and Inoguchi, 1996). It was no more than an annual foreign ministers' meeting until the secretariat was set up in Jakarta in 1976. In that year, the first summit meeting of heads of

²⁷ The Nixon Doctrine (also known as the Guam Doctrine) was put forth in a press conference in Guam on 25 July 1969 by US President Richard Nixon. He stated that the US henceforth expected its allies to take care of their own military defense, but that the US would aid in defense as requested. The Doctrine argued for the pursuit of peace through a partnership with American allies.

state was convened, and adopted two key documents: the *Declaration of ASEAN Concord* and the *Treaty of Amity and Cooperation* (TAC).

The Declaration of ASEAN Concord emphasised exclusive reliance on peaceful processes in settlement of intraregional differences and reaffirmed ZOPFAN. The TAC stipulated, among other things, noninterference in the internal affairs of member countries, settlement of differences and disputes by peaceful means, and renunciation of the threat of use of force (Yamakage 1991, 204-05; Acharya 2001, 47). ASEAN called for a peaceful engagement policy among its members as well as towards its members' neighbours. Thus, ASEAN has not relied on formal dispute-resolution mechanisms and is not a collective security arrangement. After that, ASEAN has always adhered to a regionally inclusive ideology. Its membership steadily expanded from the original five nations with the inclusion of Brunei (1984), Vietnam (1995), Laos and Myanmar (1997), and Cambodia (1999).

The end of the Cold War opened up new possibilities for inter-subregional contacts, widening the potential regional cooperation. The impact of globalisation and regionalisation changed attitudes towards economic and political development in most parts of the world. The previous tight relationship between security and economic partnerships has broken down as global economic integration has developed without special regard for security partnerships, and with little thought for the possibility that trading partner could be tomorrow's enemy. States began to adjust their alliance for the enhancement of economic partnership, rather than the complementation of military self-insufficiency. The traditional security concept in international relations has been broadened, and has become a multidimensional and multilateral concept. The economic regionalism has become more and more popular. Trade and investment patterns since have developed with few political constraints, enabling broadened economic opportunities for doing business with former enemies. As result, Old regionalism faded, and the time of new regionalism arrived.

As Baviera illustrates (2003, 339-52), the end of the Cold War ushered in new political realities in East Asia. The breakdown of ideological tensions and their divisive power in the region was greatly diminished, and a new trend of regional cooperation started. But this time, it is in the economic arena, not security, where East Asia's pan-regional linkages have become the thickest. Significant changes happened under the influence of globalisation and regionalisation after the Cold War such as the acceleration of European integration. Fears of growing integration in Europe starting in the late 1980s led many East Asian business and government leaders to consider closer and more formalised cooperation with one another. Adoption of the Single European Act in 1987 and speedy progress towards 'Europe 1992' deepened fears that a 'Fortress Europe', might wall off East Asian imports. Concerns grew with the enlargement of the EU and the ratification of the Maastricht Treaty on European Monetary and Political Union and became more worrisome still when NAFTA linked the US, Canada, and Mexico in a second huge regional trade arrangement (Mattli 1999, 166). They have triggered a nervous flurry of other proposed bilateral and subregional FTAs, as countries scramble for fear of being left out. All of this points to tangled and competing trade arrangements around the region (Findlay, Pei, and Pangestu 2003).

The end of the Cold War brought the period of economic regionalism in East Asia. East Asia has focused mostly on economic matter. Economic ties were long the most visible and interlaced fibres crisscrossing East Asia. We can see clearly the changing dynamics of the East Asian regional economy and the implications for attempts by national governments to build regional economic cooperation. Economic integration started to proceed through piecemeal coordination among East Asian governments, and has become more and more extensive and intensive. The most fundamental future determinant of patterns of East Asian regional organisation is likely to be economic change. Throughout the economic cooperation process in East Asia, at least three analytically separate components were vital in weaving East Asia's more complex regional economic webs: investment, production networks, and trade. For example, FDI plays an unintentional bottom-up role in integrating East Asia. Through FDI, many multinational corporations (MNCs) now extend their global reach to numerous parts of the region in an effort to exploit their competitive advantages (Dunning 1992). East Asian governments, on the other hand, sometimes cooperate with neighbouring countries in attracting FDI in an effort to promote their own economic development (Woods 1993; Ravenhill 2001).

When East Asian countries started their economic regionalisation, they met the strong influence of the US in the region. For most of the period since 1945, East Asian countries stood alongside the US as the principal champions of economic multilateralism. During the 1950s, the driving force for actually creating a Pacific regional architecture was clearly the US. Following a series of bilateral hub-and-spokes security arrangements between the US and Australia, Japan, New Zealand, the Philippines, South Korea, South Vietnam, and Taiwan across the early and mid-1950s, the next concrete step in the formulation of a regional security architecture was the establishment of the Southeast Asia Treaty Organization (SEATO) in 1955. Since then and during the whole Cold War, the US enjoyed an irreplaceable influence in East Asia.

At the end of the Cold War, the US has been playing the leading role in the globalisation process, since it possesses the dominance that affords a hegemon both the greatest incentive and the greatest capacity to advance globalisation. As the most productive economy, it was the most likely to benefit from open goods markets. As the largest source of both supply and demand for capital, it was also the most likely to exploit open capital markets. Its power could be used to persuade or co-opt a majority of nations, compel most of the remainder, and isolate the few dissenters. Most nations can only react to globalisation, but the US, as the system's dominant economic and political actor, is also able to affect the speed and character of the globalisation process itself.

The powerful influence of the US adversely affects regional integration in East Asia, especially in the issue areas of military security and trade regime. The US government almost always prefers unilateral or bilateral approaches in the region and therefore is not enthusiastic about regional schemes in general. It is particularly hostile to any regional schemes that exclude the US. American unilateralism has been a major determinant of regionalist profiles in the past, and the US opposition to East Asian multilateralism in the early 1990s was a central reason for the failure of Malaysian Prime Minister Mohamad Mahathir's East Asian Economic Caucus

(EAEC) concept (Calder and Fukuyama 2008, 262). As a result, the US has rarely been in the forefront of postwar multilateralist ventures in East Asia.

Instead of promoting economic cooperation in East Asia, the US was keen to support the economic relations in Asia-Pacific to which it was an important part. 'Pacific' was originally used to indicate the group of high-income countries such as Japan, the US, Canada, Australia, and New Zealand. So when Kiyoshi Kojima, a Japanese economist, proposed a Pacific free trade area in 1965, those five countries were the presumed members, although 'Asian and Latin American developing countries would gather around this nucleus, just like many African countries associated themselves with the contemporary European Economic Community' (Korhonen 1998, 27). Thus, the Asia-Pacific region was designed as a combination of developed Pacific countries with developing Asian and Latin American countries.

Under the influence of the globalisation led by the US, a major breakthrough for regional multilateralism happened with the creation of the Asia-Pacific Economic Cooperation (APEC) group in January 1989. With the arrival of APEC, Asian and Pacific countries had for the first time, an official, multilateral institution with a very inclusive membership structure. As its name indicated, it was conceived of as a multilateral framework for economic cooperation. Although APEC began without a predefined agenda, the creation of an Asian-Pacific community - where free trade and investment between market economies with close economic links could flourish - was a common goal among the foundation members. In other words, the basic motives behind the creation of APEC as well as its substantive measures were economically and commercially focused. Furthermore, the group would provide opportunities to facilitate trade and investment links.

The creators of APEC conceived of it as a potential countermeasure against a 'Fortress Europe', which Asians as well as Americans had concerns about as they saw Europe moving towards a single European market. To the non-North-American members, it was also a hedge against a possible rise of protectionism in North America (Funabashi 1995). To prevent a self-fulfilling prophecy of reinforcing protectionist trends in Europe and North America, APEC did not attempt to develop any measures that might, in turn, be viewed as discriminatory. Hence, APEC's broad economic goal was to move towards 'open regionalism' (Lincoln 2004, 114-39). The motivations for this open APEC were as much global as regional, and APEC therefore had a transregional agenda as well as a regional one.

The APEC was established amid the uncertainties of the end of the Cold War. When the APEC forum was inaugurated in 1989, it looked like an idea whose time had come. With the Cold War at an end and economic issues increasingly central parts of foreign policy agendas throughout the world, the establishment of an organisation that was intended to facilitate trade relations between the eastern and western sides of the Pacific seemed relatively bright, and its inauguration in 1989 was accompanied by much hyperbole and optimism. Only APEC brings together the leaders of all the key regional economies, including China, Japan, and the US. However, APEC was heavily influenced by the economic agenda of the US. Both bilateral and regional cooperation have occurred within the 'Asia-Pacific' framework led by the US. Bilateral cooperation usually involves the US and a single East Asian country; regional cooperation

occurs among several East Asian countries and the US (and possibly some other 'Pacific' countries). Certainly the US goals were not shared evenly across the organisation, and East Asian countries are not happy to be considered as periphery countries. In order to be more independent, East Asian countries needed to have their own agenda of regional cooperation and to pursue their own structure of economic cooperation.

When East Asian countries were looking for their own economic regionalism, ASEAN again took the initiative of regional cooperation. In the aftermath of the Cold War, the transition from the geostrategic context of Cold War politics that spawned the creation of ASEAN to a geoeconomic context means that ASEAN has in many ways outlived its use - or its original use at least. When economic issues increasingly displaced strategic ones on the agendas of policy-makers everywhere (Luttwak 1990), ASEAN was forced to give much greater attention to facilitating economic development and cooperation. With the incorporation of former enemies into ASEAN and a move towards economic cooperation with China (as well as South Korea and Japan), much of the original *raison d'être* for the organisation has gone to be replaced by new economic/development rationales.

Since the 1990s, ASEAN has played a catalysing role in the emergence of East Asian economic regionalism. After its formation, ASEAN needed an external push to take the issue of integration seriously. It was not until the aggressive moves towards regionalism in the North (the formation of the EU, consolidation of the NAFTA), and their inroads to the region via APEC did ASEAN leaders see the need for a more economically integrated ASEAN. For this purpose, the development of the ASEAN Free Trade Area (AFTA) was 'as much about building post-Cold War cohesion and increasing ASEAN's credibility as it was an attempt to boost the region's gross domestic product' (Henderson 1999, 22). On 28 January 1992 in Singapore, ASEAN member countries signed the AFTA, a trade bloc agreement supporting local manufacturing in all ASEAN countries (ASEAN 2014). The primary goals of AFTA seek to: increase ASEAN's competitive edge as a production base in the world market through the elimination, within ASEAN, of tariffs and non-tariff barriers; and attract more FDI to ASEAN. The primary mechanism for achieving such goals is the Common Effective Preferential Tariff scheme, which established a phased schedule in 1992 with the goal to increase the region's competitive advantage as a production base geared for the world market (Ibid.).

AFTA was created to promote intra-ASEAN trade. Indeed it was only following the establishment of AFTA that there was an ASEAN policy of promoting the free movement of capital for enhancing economic cooperation (Thanadsillapakul 2000, 9-10). The original target was for AFTA to be realised in 15 years or by 2008. In fifteen years, ASEAN members would mutually reduce import duties to a Common Effective Preferential Tariff (0-5 percent). The ultimate goal of AFTA is the complete abolition of tariffs for the ASEAN-Six by 2010, and 2015 for the newer members, with flexibility on some sensitive products until 2018. When examining the trade patterns of AFTA members it can be seen that intra-ASEAN trade has steadily increased since AFTA's inception. In part that can be attributed to improved economic performance in the member countries, coupled with readily accessible markets in close geographic proximity, most notably China. Moreover, the regulatory aspects of AFTA provide an overarching framework that encourages trade with other Southeast Asian states.

Since 1990, the struggle to develop a regional architecture has been dominated by the effort, long spearheaded by former Malaysian Prime Minister Mohamed Mahathir, to establish a discrete intra-East Asian organisation not involving the US. Mahathir is one of the most important, prominent and outspoken advocates of the 'Asianisation of Asia' and the promotion of Asian values. As a tangible expression of this impulse (Funabashi 1993). Mahathir promoted the idea of an exclusively 'Asian' trading bloc from the early 1990s onwards. In 1990, Mahathir first advocated an East Asian Economic Group (EAEG) that would exclude 'non-East Asian' States. Although the proposal met heavy resistance across the Pacific in North America, Australia and in several parts of East Asia, it echoed in regional discussions throughout the 1990s, becoming, in the words of Lee Kuan Yew, 'an idea that would not go away' (Ba 2009, 193). At the ASEAN Economic Ministers Meeting held at Kuala Lumpur in October 1991, Mahathir 'stressed the need to work together with the East Asian economies through the formation of the EAEG which will be GATT-consistent, compatible with APEC and not detrimental to ASEAN's cohesiveness' (ASEAN 1991).

The ultimate goal of the idea of the EAEG would be to create an exclusive East Asian FTA. Among the suggested members (China, Japan, Hongkong, South Korea, and Taiwan) outside of the ASEAN, South Korea and Japan were particularly cool to the idea. They had strong political as well as economic ties with the US. As a result of clear opposition from the US, Mahathir's EAEG was incorporated into APEC in 1993 in the modified form of an East Asian Economic Caucus (EAEC). The EAEC retained the principle of open regionalism, and would be a sort of response to the European and North American 'fortresses' (*Intellectual Network for the South* 2014). The EAEC proposal was slowly gaining support among other ASEAN countries, whereas the East Asian countries, particularly Japan and South Korea, had taken a more sceptical attitude. So had the US and the World Bank. Criticism, however, did not subside with a simple change in name. Then US secretary of State, James Baker, when he visited Japan in November 1991, told Japanese Foreign Minister Michio Watanabe that the EAEC would draw a line in the Pacific, dividing Japan and the US, and that the US would not accept it (Baker 1995, 610-11). The proposed EAEC was never actually realised, it paved the way for ASEAN+3 and included all of the countries that would eventually constitute the new grouping: that is, the ASEAN countries, plus China, Japan and South Korea.

ASEAN has improved the trade among regional countries. AFTA was introduced in 1992 with the objective to develop a regional competitive advantage including the economic efficiency and productivity of its member nations. AFTA removed tariff and non-tariff barriers within the region. As a result, exports among ASEAN countries increased from USD 43.26 billion in 1993 to almost USD 80 billion in 1996. The average yearly growth was 28.3%. ASEAN intra-regional trade increased from 20% to almost 25% of total regional trade (ASEAN Secretariat, 2009). Besides AFTA, ASEAN members have developed some FTAs outside the subregion of Southeast Asia, and have promoted the regional trade in East Asia (Salim and Kabir 2013).

Besides the effort to build up a FTA, ASEAN has enlarged the areas of cooperation to service and investment. During the Fifth Summit in Bangkok on 15 December 1995, the Framework Agreement on Services (AFAS), which seeks the free flow of services in the region by 2020, was established, and entered into force on 19 September 1998 (ASEAN 2014).

Complementing ASEAN's trade and service liberalisation scheme is the ASEAN Investment Area (AIA). The AIA, an outcome of the 1998 Hanoi Summit, is designed to 'attract greater and sustainable levels of FDI into the region and to realise substantially increasing flows of FDI from both ASEAN and non-ASEAN sources' (*ASEAN* 1998). As Lawan suggested:

The AIA thus indicates a new direction for ASEAN to balance deeper regional integration and 'open regionalism'. While it enhances intra-ASEAN economic integration, it also opens the door to non-ASEAN investors. Moreover, individual ASEAN countries have also unilaterally liberalised their trade and investment regime, by keeping their margin of preference as low as they can so that market access is more available for non-ASEAN enterprises. (*University of Dundee*, 2014)

ASEAN has done more to promote prosperity and stability than any organisation of developing nations (*The Christian Science Monitor* 2014). ASEAN is not yet a common market, but it has made significant progress in developing intra-regional economic relationships. It has been successful in reducing the level of tariffs operating in the region and, as part of the 2020 ASEAN Vision (*ASEAN* 2014), the countries of the organisation committed themselves to creating an ASEAN Economic Community (AEC), which will by the year 2020 be a single, economic market in which free movement of goods and services will take place, easier movement of capital and promotion of investment. In some key sectors, economic integration will be accelerated, including air travel, e-commerce, automotives, textiles and clothing among others.

More than the economic cooperation, ASEAN also initiated platform of political and security dialogue among regional countries even though security regionalism is much less important than the economic regionalism in its agenda. On 23-25 July 1993, the Twenty-Sixth ASEAN Ministerial Meeting and Post Ministerial Conference, which were held in Singapore, agreed to establish the ASEAN Regional Forum (ARF). The inaugural meeting of the ARF was held in Bangkok on 25 July 1994. The objectives of the ARF are outlined in the First ARF Chairman's Statement (1994), namely: to foster constructive dialogue and consultation on political and security issues of common interest and concern; and to make significant contributions to efforts towards confidence-building and preventive diplomacy in the Asia-Pacific region. The 27th ASEAN Ministerial Meeting (1994) stated that 'The ARF could become an effective consultative Asia-Pacific Forum for promoting open dialogue on political and security cooperation in the region. In this context, ASEAN should work with its ARF partners to bring about a more predictable and constructive pattern of relations in the Asia Pacific' (*ASEAN Regional Forum* 2014). Later, the ARF has become a key forum for security dialogue in East Asia (*Australian Government: Department of Foreign Affairs and Trade* 2014). Even though the record of achievement of ARF is modest and its future uncertain, the reality is that there has not been a conflict between member states since ASEAN's inauguration (Kivimaki 2001). While it is impossible to know whether intra-regional conflict might have occurred in the

absence of ASEAN, it seems reasonable to assume that its existence and the institutionalisation and regularisation of intra-regional relations and interactions has contributed to stability in Southeast Asia and in the bigger East Asia.

Until 1999, East Asia attracted almost half of the total capital inflow into developing countries (Chowdhury, 1999). The economies of Southeast Asia in particular maintained high interest rates attractive to foreign investors looking for a high rate of return. As a result the region's economies received a large inflow of money and experienced a dramatic run-up in asset prices. At the same time, the regional economies of Thailand, Malaysia, Indonesia, Singapore, and South Korea experienced high growth rates, 8-12% GDP, in the late 1980s and early 1990s. This achievement was widely acclaimed by financial institutions including IMF and World Bank, and was known as part of the 'Asian economic miracle' (Royfaizal et al. 2009, 45). The vision of ASEAN leaders reflects the aspiration for greater regional cooperation. Establishment of powerful regional cooperation is attainable through strong economic harmonisation among the members. EU is considered as the example of most successful regional economic integration, while ASEAN is considered to have high prospect for future successful regional cooperation. East Asia's existing institutions, including the ASEAN and the ARF, must be given some of the credit for this, and their example should be a source of encouragement for advocates of further regional integration.

3.4.3 1997-98 Asian Financial Crisis (AFC)

When ASEAN was developing steadily, its practice of economic regionalism was interrupted by the 1997-98 AFC (Nanto 1998). It was a period of financial crisis that gripped much of East Asia beginning in July 1997, and raised fears of a worldwide economic meltdown due to financial contagion. The AFC began in Thailand in May 1997, and through the summer and fall swept through some of the most important and stable economies of Southeast Asia - Malaysia, Indonesia, the Philippines, and Singapore. By the fall of 1997, the contagion extended its reach to South Korea, Hong Kong and China. In late October, the crisis reached Brazil and Russia. A global financial meltdown had been ignited. In 1998, Russia and Brazil saw their economies enter a free-fall, and international stock markets, from New York to Tokyo, hit record lows as investors' confidence was shaken by the volatility and unpredictability in the world's financial markets (Frontline 2014). The biggest financial news story of 1997-98 was the series of crises that hit the stock, currency and banking markets in 'emerging economies' (Ilene 2014). Even two years after it ended, anxiety still loomed over global financial markets.

The AFC was a shocker. It had significant macroeconomic-level effects, including sharp reductions in values of currencies, stock markets, and other asset prices of several East Asian countries. The nominal US dollar GDP of ASEAN fell by USD 9.2 billion in 1997 and USD 218.2 billion (31.7%) in 1998. In South Korea, the USD 170.9 billion fall in 1998 was equal to 33.1% of the 1997 GDP (*Asian Development Bank* 2014). Many businesses collapsed, and as a consequence, millions of people fell below the poverty line in 1997-98. Indonesia, South Korea and Thailand were the countries most affected by the crisis. More long-term

consequences included reversal of the relative gains made in the boom years just preceding the crisis. Nominal USD GDP per capital fell 42.3% in Indonesia in 1997, 21.2% in Thailand, 19% in Malaysia, 18.5% in South Korea and 12.5% in the Philippines (Ibid.). For Thailand, Malaysia and Indonesia, real gross domestic product growth of 5.9 %, 10 % and 8 % respectively in 1996 plummeted to -10.8 %, -7.6 % and -13.2 % in 1998 (*World Bank* 2001). Foreign debt-to-GDP ratios rose from 100% to 167% in the four large ASEAN economies in 1993-96, then shot up beyond 180% during the worst of the crisis (*Asian Development Bank* 2014).

Both ASEAN and APEC proved powerless in face of the monetary and financial crisis of 1997-98. Although the failure of ASEAN and APEC to find effective or acceptable solutions to the AFC had much to do with political will and their institutional frameworks, there is also an extent to which they were the wrong size. In short, ASEAN was too small and APEC was too big. Neither APEC, whose leaders, meeting in Vancouver at the height of the crisis in late November 1997, merely restated the desirability of further liberalisation and endorsed the central role of the IMF in combating financial crisis, nor ASEAN proved capable of putting forwards a creative package in response to the crisis. In the immediate aftermath of the AFC, ASEAN and APEC were both subjected to severe criticism for their lax responses in addressing the needs of their constituent states, economies, and peoples. When US pressure stymied Japanese proposals to establish an Asian Monetary Fund in 1997, regional states were left with no regional solutions and instead had no option but to accept the type of solutions imposed by Western-dominated financial institutions (Lipsky 2003, 93-104).

Having contributed in important ways to the development of the crisis, the IMF proceeded to make it worse (*Essential Action* 2014). The IMF treated the AFC like other situations where countries could not meet their balance of payment obligations. The Fund made loan arrangements to enable countries to meet foreign debt payments (largely to private banks in these cases) on the condition that the recipient countries adopt structural adjustment policies. But the Asian crisis differed from the normal situation of countries with difficulties paying off foreign loans. For example, the Asian governments were generally not running budget deficits. Yet the Fund instructed them to cut spending - a recessionary policy that deepened the economic slowdown. In retrospect, even the IMF would admit that it made things worse in Asia. In light of the experiences of 1997-98, many East Asian leaders also began to reexamine the global financial architecture with renewed scepticism. East Asia's regionalism immediately after the financial crisis was linked to a desire to limit the influence of the US and international financial institutions controlled by the US (Bowles 2002, 244-70). This also reflected a realisation that the region had been underrepresented in global institutions.

In practice, optimism concerning the East Asian approach to regional cooperation turned to pessimism towards the end of the 1990s. The ineffective response of existing regional institutions opened the way for the AFC to prompt a search for new collaborative mechanisms. The crisis highlighted the region's vulnerability to external economic and political forces, and many in the region wanted to develop indigenous mechanisms to manage future crises and make East Asia more autonomous (Bowles 2002; Pempel 2005a). Interest in East Asian regionalism was given added momentum as a consequence of the crisis. A key motivating

factor here was the possibility that regionally-based institutions might have the potential to provide collective regional responses to external challenges. It is widely accepted that the AFC played an important role in the evolution of the idea of an EAC. Although the idea had been mooted in the early 1990s in the form of the EAEC, the events and aftermath of the crisis helped identity formation in the region by cementing a sense of common goals and mutual interests. The crisis shaped the emergence of a regional awareness by highlighting the commonalities across Northeast and Southeast Asian states.

ASEAN's search for a role as a mechanism of regional economic governance has borne some fruits but, as Webber argues, the failure of ASEAN as an organisation to act in any meaningful manner to the 1997-98 financial crisis exposed many of its institutional and political flaws (2001, 339-72). The in-depth analysis of ASEAN's flaws will demonstrate the real needs for regional cooperation and set the direction for the future of East Asian regionalism. In fact, there are many reasons to explain ASEAN's ineffectiveness during the financial crisis, and different discussions about ASEAN's flaws to assume responsibility for regional cooperation. However, after study and comparison, the author concludes that the following three causes are the most important to give a highlight of the ASEAN's flaws.

(1) 'ASEAN Way'

ASEAN's most distinctive institutional and ideational contribution has been central to its longevity, but also the principal reason for its ineffectiveness: the so-called 'ASEAN Way'. Regional ties in Southeast Asia were unquestionably bolstered by the creation of ASEAN, but as a body, ASEAN was deeply deferential to national sovereignty. Most governments pursued regional linkages gingerly while jealously guarding national sovereignty. This was certainly apparent in the creation and early actions of ASEAN. Even as the countries of ASEAN increased their mutual cooperation, most remained jealous of their national prerogatives. Rather than surrendering sovereignty to some regional organisation, the ASEAN governments have more often proceeded through ad hoc issue-specific coalitions. ASEAN remains relatively free of binding and precise legal obligations. Neither unanimity nor agreement on an overarching agenda has been required for ASEAN actions. ASEAN eschewed formal rules and relied heavily on informality and 'coalitions of the willing' rather than on collectively enforcing compliance.

Over the years, the ASEAN decision-making process has come to be known as the 'ASEAN Way', for the manner in which the organisation dances around sticky political issues, preserves consensus and protects individual member country's sovereignty within the organisation. Although it is not clear where the term came from and precisely what it means, the ASEAN Way is, according to Acharya (2001, 63), 'a term favoured by the ASEAN leaders themselves to describe the process of intra-mural interaction and to distinguish it from other, especially Western, multi-lateral setting'. As Acharya (2001, 64) further points out, it is indicative of a 'process of regional interactions and cooperation based on discreteness, informality, consensus building and non-confrontational bargaining styles'. Not only is there very little chance of regional elites losing 'face' in such circumstances, but it is a modus operandi that is contrasted favourably with what is seen as an adversarial and excessively

legalistic Western model. 'ASEAN way' emphasises consultation, accommodation, reciprocity, and informal diplomacy. At the centre of the 'ASEAN Way' is the principle of non-interference in the domestic affairs of other member countries. However, it is precisely ASEAN's apparent inability to address contentious issues that makes it ineffective according to some critics (Narine 1999; Smith and Jones 1997). Many observers attribute the 'ASEAN way' to much of the slowness, and failure, of ASEAN efforts at integration. According to Narine, 'ASEAN is dedicated to protecting and enhancing the sovereignty of its member states...because most of its member states are - or perceive themselves to be - institutionally weak' (Narine 1999b, 193-209).

Economic cooperation in East Asia generates dilemmas that only regional institutions can resolve. Regional institutions offer ways of managing and stabilising relations among regional countries. To overcome its weakness, ASEAN needs a regional mechanism with binding rules. The possible limitations of the 'ASEAN Way' have been highlighted by some of ASEAN's more liberal members, such as Thailand, which have advocated developing a more 'flexible approach to intra-regional relations that would allow comment on the domestic affairs of other members (Haacke 1999). There also appears to be an increased willingness on the part of some members to overcome ASEAN's institutional limitations by employing more legalistic strategies and involving international institutions in the resolution of economic and territorial disputes within the Southeast Asian region (Kahler 2000), in a tacit acknowledgement of ASEAN's limitations.

The consolidation and increasingly sophisticated organisation of multi-national corporations has been one of the most important developments of the post-war period (Dicken 1998). Links across East Asia are being forged by multiple actors and on multiple levels. There is less a clear-cut and well-defined East Asian bloc than a series of East Asian nodes and networks that frequently, but not always, overlap, reinforce, and spin out from one another. As transboundary flows of goods, money, people, pollution, arms, and harmful drugs expand in East Asia as in other parts of the world, the ability of individual nations to solve economic, social, political, and environmental problems has declined. According to a World Bank report (Sustaining Rapid Development), East Asia can strengthen regional integration through trade liberalisation and promotion of foreign direct investment within the framework of the multilateral trading system (Tanaka and Inoguchi 1996). East Asia regionalisation needs to overcome the weakness of 'ASEAN Way', and to have a mechanism of multilateral cooperation with binding rules.

(2) 'Small Horse Drawn Carriage'

There are many reasons to explain why the regional integration process in East Asia is not successful, but one of the most important reasons is that there is a need of a leadership strong enough to guide this process. There is a problem of lack of leadership during the integration process in East Asia, which is described as 'Small Horse Drawn Carriage'. Even though ASEAN has taken initiatives of regionalisation process in East Asia, but it is too small to play the leading role in the region. It is noteworthy that ASEAN as a whole has never really shaken off somewhat dependent, even subordinate, position in East Asian affairs. In fact, Northeast

Asia is the centre of gravity in East Asia. The real regional powers remain in Northeast Asia, especially China, Japan, and South Korea. These three countries are the 'Troika in East Asia' and should serve as the driving force in the regional integration process.

Northeast Asia contains two major powers - China and Japan - which have exerted a long-term influence on both Northeast Asia in particular and East Asia more generally. These two countries are regional economic giants and have acted as important sources of growth and dynamism. Their individual historical roles and their mutual economic interaction are central parts of the story of East Asia's internal integration, but also of the region's relationship with the outside world. Japan's corporate networks and the development of 'greater China'²⁸ as a centre of production have, at different periods, profoundly influenced the course of region-wide development. In China's case this influence, primarily indirect and cultural, has stretched back over thousands of years. Japan's highly successful industrialisation process not only demonstrated that Asian powers were capable of becoming major economic and strategic forces in international affairs, but it initiated a process of more generalised economic development in Northeast Asia as Taiwan and South Korea followed in its wake (Cumings 1984). It is clear that the rise of, first Japan and, more recently, China is giving East Asia an economic weight and internal dynamic that is making it less dependent on, and a more powerful force in, the rest of the world. Another major power that recently appeared is South Korea, which was sandwiched between China and Japan. Despite the lingering Japanese colonial legacy, the devastating Korean War, social and political upheavals, and the protracted military confrontation with North Korea, South Korea has fundamentally reshaped its political and economic landscape on the world stage.

Japan's importance is showed by both a historical role model for other aspiring industrial economies in the region (Amsden 1995, 796) and the principal motor of regional economic integration (Hatch and Yamamura 1996). Even more fundamentally, Japan's own successful industrialisation before the WWII demonstrated that East Asia could be a major centre of economic development and an important player in the inter-imperial geopolitical contests that were such a feature of the period. Japanese elites were preoccupied with Japan's place in an emerging regional order, and many were actively promoting a vision of 'pan-Asianism' (Beeson 2007, 46).

Indeed, Japanese regional leadership was seen in some quarters as a way of ridding the region as a whole of a pernicious European and American presence. The Greater East Asia Co-prosperity Sphere (Castro 2011) was intended to be a mechanism for unifying East Asia under Japanese leadership, with the Japanese economy acting as its principal engine of growth. Strategically and economically, then, the Greater East Asia Co-prosperity Sphere was ill-conceived and unsuccessful. Misguided as it was, though, it is important for a number of reasons that merit spelling out. At one level, it represents the first attempt to think explicitly of 'East Asia' as a distinct region in its own right. Although the underlying rationale and motives might have been dubious and self-serving, it did have the effect of drawing attention to putative notions of 'Asianness' in opposition to a 'Western' other. At another level, and despite the

²⁸ Greater China, or Greater China Region, is a term used to refer to Mainland China, Hong Kong, Macau and Taiwan.

appalling impact Japanese occupation had on much of Southeast Asia and its people, it had the effect of demolishing the idea of European superiority and the invincibility of the white races. As we shall see, prior to Japan's violent intrusion into the region, the European powers had generally enjoyed an untroubled ability to exploit ruthlessly their colonial possessions. After the WWII and the crushing defeats the Japanese – crucially, an Asian power – inflicted on Britain in particular, the days of European colonisation were definitively over.

More attention is given to Japan, partly because it is one of East Asia's unambiguous major powers, but also because it has played such a central role in shaping the overall region's post-war development (An equal amount of attention is given to China later for similar reasons). Japan's post-war development occurred at a hitherto unprecedented pace and achieved a global prominence. Japan emerged as the principal regional engine of economic development and integration after the WWII. Despite the long economic slump of the 1990s, Japan has followed a dramatic postwar trajectory of economic growth, becoming in the 1980s the second largest economy in the world and enjoying one of the most advanced standards of living. Japan also found a way to shield itself from the suspicions of its neighbours and the burdens of history.

During the postwar period, the Japanese government took the first initiatives to establish closer economic relationships in East Asia. Japan has been a regional leader because of Official Development Assistance (ODA), FDI, and trade. It is well known that the Japanese government used reparation payments and ODA money to promote Japanese exports to the rest of East Asia (Arase 1995, 28-51; Orr and Koppel 1993, 2). Japan entered into a series of official agreements with many of its East Asian neighbours to pay WWII reparations and to establish regular links through official aid. The reparations and ODA money would be used to induce cooperation. Both sowed the seeds for greater economic ties between Japan and many of the other countries in noncommunist East Asia, and these then catalysed embryonic growth of the region as a whole. Japanese investment had a substantial impact. Japanese capital has played a pivotal role in underpinning the wide-spread process of economic development that has occurred across much of the region in the post-war period. There is no doubt that much of this investment has been welcomed by the recipient countries and played an important part in accelerating the course of development across the region.

Japan is especially important as an exemplar of a highly successful East Asian state, and a capitalist one at that: it pioneered a very distinctive way of accelerating the developmental process. The Japanese in particular have made great effort to promote a more positive view of their own developmental experience and its potential utility for its neighbours (Terry 2002; Wade 1996). Significant aspects of the Japanese economic policy were seen to be not only successful but also replicable. Japanese-style rapid development became more widespread across the region (*World Bank* 1993). The emerging regional division of labour is complex, but one in which Japan generally remains in an ascendant position, especially as a provider of technology-intensive capital goods (Hart-Landsberg and Burkett 1998). The preferred way of describing Japan's economic relationship with the rest of East Asia - at least as far as many of Japan's economic and political elites are concerned - is the 'flying geese' metaphor, in which Japan plays the role of lead goose, pulling along the other industrialising nations or the region

in its wake. East Asia's development has been described as following the flying geese model, which entails the relocation of production from a lead economy in search of lower costs to the follower economies that will take up the lower value chain of the production process.²⁹

The impact of the flying geese phenomenon on regional integration, particularly trade-investment integration, is significant. Japan was the primary goose that helped boost the productive and investing capacities of the secondary geese, Asia's Newly Industrialised Economies (NIEs) of South Korea, Taiwan, Singapore and Hong Kong. Japan and the NIEs then replicated the process by extending it to the ASEAN-four (Malaysia, Thailand, Indonesia, and the Philippines). There was perceived to be a clear hierarchy of economic development in East Asia at this time. Japan was unambiguously the economic leader, in all respects. South Korea and Taiwan were unambiguously second, with Singapore and Hong Kong close behind technologically and bringing superior commercial resources. Malaysia and Thailand came next, and China and Indonesia followed. Potential entrants waited outside the door, Vietnam most importantly. It is important to remember at the outset that both Japan's rapid industrialisation and that of the other 'Newly Industrialising Countries' (NICs) that followed in its wake was remarkable, unparalleled and unexpected.

The general points to make about Japan's economic role in the region are that it has played a crucially important historical role in acting as an engine of regional growth and source of capital. Japan was seen to be the key source of both capital and technology. Japanese investment came both through FDI and through bank lending. Japanese technology made its FDI especially attractive. Japanese corporate networks would integrate firms in other East Asian economies, providing rapid institutional and managerial learning, in addition to 'hard' technology transfer. As MacIntyre and Naughton (2002) analyse this situation, Japan dominated the East Asian region until the early 1990s, its economic success giving the country a quiet but unmistakable leadership role at the head of a flock of East Asian 'flying geese'. Although the conventional wisdom has it that Japan has been mired in crisis for more than 10 years, it is important to remember that, even in the midst of Japan's 'lost decade' in the 1990s, unemployment was generally less than 5 per cent, and frequently significantly lower than comparable Organisation for Economic Co-operation and Development (OECD) countries. Compared to Japan's own, earlier break-neck economic development, growth rates in the 1990s looked anaemic. But, for all the concern about deflation that took hold at this time, this was no Great Depression. Now, the Japanese economy appears to have rebounded.

While the Japanese economy stumbled, the Chinese economy gained strength. China was not able to challenge Japan or South Korea as sources of technology and investment. It quickly posed a challenge, though, to those recipients of FDI that had been 'ranked' ahead of China in the early years of the flying goose model, the ASEAN nations. China's share of the total FDI

²⁹ The phrase 'flying geese' was originally used by Kaname Akamatsu in his writings in Japanese in the 1930s. In 1962, his work 'A Historical Pattern of Economic Growth in Developing Countries' was published in *The Developing Economies*, Preliminary Issue No. 1, pp.3-25. Comprehensive discussions of the model can be found in Pekka Korhonen, 'The theory of the flying geese pattern of development and its interpretations', *Journal of Peace Research* 31, no. 1, (1994): 93-108, and Kiyoshi Kojima, 'The "flying geese" model of Asian economic development: origin, theoretical extensions and regional policy implications', *Journal of Asian Economics* 11, no. 4, (2000): 375-401.

inflow into ASEAN+China increased dramatically. The proximate cause was the enormous surge FDI into China beginning in 1992. With the opening of China to foreign investment following the Dengist reforms, China Mainland itself became a vast new recipient of investment funds from Taiwan, Hong Kong, and Singapore (Pempel 2005a, 317). Of the FDI that flows to East Asia, China has been absorbing ever greater quantities (*UNCTAD* 2005, 4). The 1997 currency crisis and resulting economic setbacks in Southeast Asia, which China almost wholly escaped, has further encouraged this redirection of resources.

China's increased importance was not simply as an attractor and competitor for incoming foreign investment. As a trading partner as well, China began to play an increasingly important role in both intra-Asian trade and exports outside the region. By the mid-1990s, production and trade networks among China Mainland, Taiwan, and Hong Kong had developed real regional weight. Total external trade of these three, after netting out trade among them, amounted to USD 810 billion in 1999, surpassing Japan's total of USD 731 billion (MacIntyre and Naughton 2002, 13). More crucially, in some sectors, these networks began to seize technological and competitive superiority from Japan. These changes are most important in the electronics industry and are especially evident in computer and telecommunications equipment. In some industries - including notebook computers and hard disk drives - the combination of American research and 'greater China' production networks has displaced Japanese corporations from their preeminent position (Mckendrick, Doner, and Haggard 2000). Virtually all the economies of East Asia have taken advantage of the rapidly growing electronics sector. But the 'greater China' economies have reaped the greatest relative advantage, and Japan has seen an erosion in its relative position. Japan remains the most important source of high-technology component, but China is now second. At the same time, the rapid economic growth of China has made that country an increasingly important market for exports from much of the rest of East Asia. China Mainland has surpassed Japan as the most important Asian Market for exporters from South Korea, Taiwan, and Singapore and has gained ground among other exporters (Ng and Yeats 2003, 56-58). And more and more Chinese exports are now destined for East Asia as well as the US. Foreign firms have also increased China Mainland's integration with other East Asian countries by importing two-thirds of their components from South Korea, Malaysia, Taiwan, and other East Asian economies in order to produce goods for reexport to Europe and North America.

China enjoyed an emerging role in the region. The shift in the relative position of Japan and greater China is by far the most important change in overall trade patterns in East Asia during the 1990s, which have otherwise been fairly stable. Despite China's 'late-late' start, the sheer scale of its development arguably constitutes a new wave which, if sustained, will amount to a one-nation tsunami. Concretely, the recent 'rise of China' looks set to cement this historical divergence and reinforce the economic, political and strategic dominance of Northeast Asia. The rising economic importance of China, along with its deepening reorientation towards neighbouring areas, especially South Korea and ASEAN, and its relative distancing from the US, could give fresh incentive to regionalism in East Asia. This is not only important for the course of regional economic integration, but it also has implications for China's political status if it becomes clear that it is a positive force as far as the rest of the region is concerned.

South Korea was able to follow a broadly similar path to Japan, developing one of the world's largest ship-building industries, becoming a major steel producer, and – following the growth of the *Chaebols* – establishing global brand names (such as Sumsung, LG, Hyundai and Daewoo) and a corporate presence in the process. In fact, the foreign sector was doing quite well. During the early 1990s, South Korean companies expanded their operations abroad and some industrial conglomerates managed to become true multinational corporations. South Korean direct investment was soaring in China, Southeast Asia, Eastern and Western Europe, the US and even in Latin America. South Korea has achieved an extraordinary level of economic growth and wellbeing over the last thirty years. Likewise, international development institutions such as the World Bank praised South Korea as a successful and exemplary student (*World Bank* 1993). Countries in Latin America and East Asia were told to look at South Koreans and try to imitate their successful economic model. South Korea was even rewarded for its extraordinary economic effort and growth with a seat in the selective OECD in December 1996. Most economists still praised until 1997 the incredible rates of growth achieved by South Korea and admired the surging level of economic well-being of its citizens. In fact, the South Korean economy grew at an average rate of 7.1% between 1992 and 1996 while the GDP per capita surpassed USD 10,000 at the end of that period (Pont et al. 1998). Employment remained low under 3% and so was inflation. Meanwhile, domestic workers were enjoying ever fattening payrolls.

In order to better understand the weight of Northeast Asia (Mainly Japan, China Mainland and South Korea) in East Asia, we can simply compare the GDP of each country of Japan, China Mainland and South Korea, and the 10 ASEAN member countries in 1999 (the year just after the AFC), and compare the combination of the GDP of Northeast Asian countries (Mainly Japan, China Mainland, and South Korea) and the combination of the GDP of the 10 ASEAN countries. See table 3.1, graphes 3.2 and 3.3:

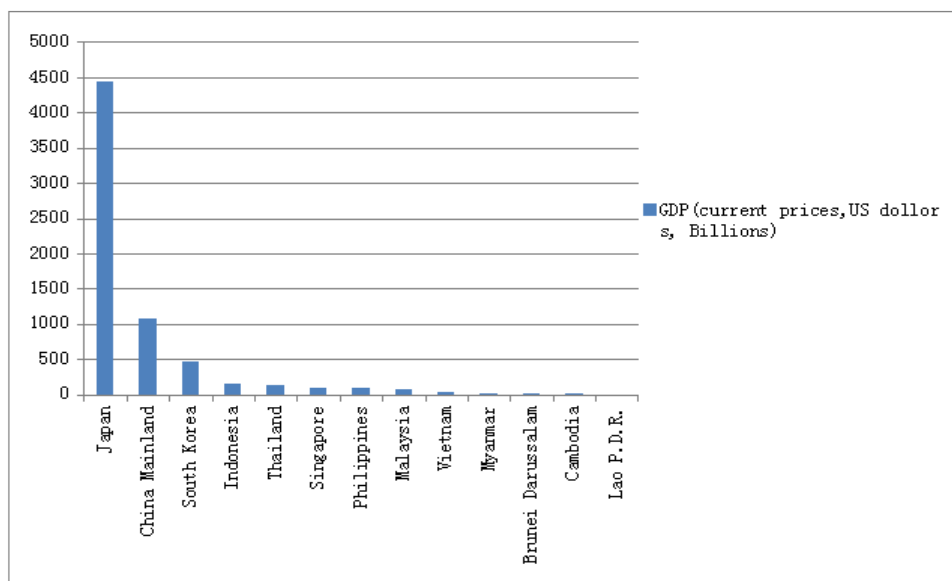
Table 3.1: Comparison of GDP between Countries of Northeast Asia and Southeast Asia in year 1999

	GDP(current prices,USD, Billions)
Japan	4433
China Mainland	1083
South Korea	462
Indonesia	140
Thailand	123
Singapore	85
Philippines	83
Malaysia	79
Vietnam	29
Myanmar	10
Brunei Darussalam	5

Cambodia	4
Lao P.D.R.	1
10 ASEAN member countries	559
Japan+China Mainland+South Korea	5978

Source: World Economic Outlook Database, April 2014

**Graph 3.2: Comparison of GDP between Countries
of Northeast Asia and Southeast Asia in year 1999**



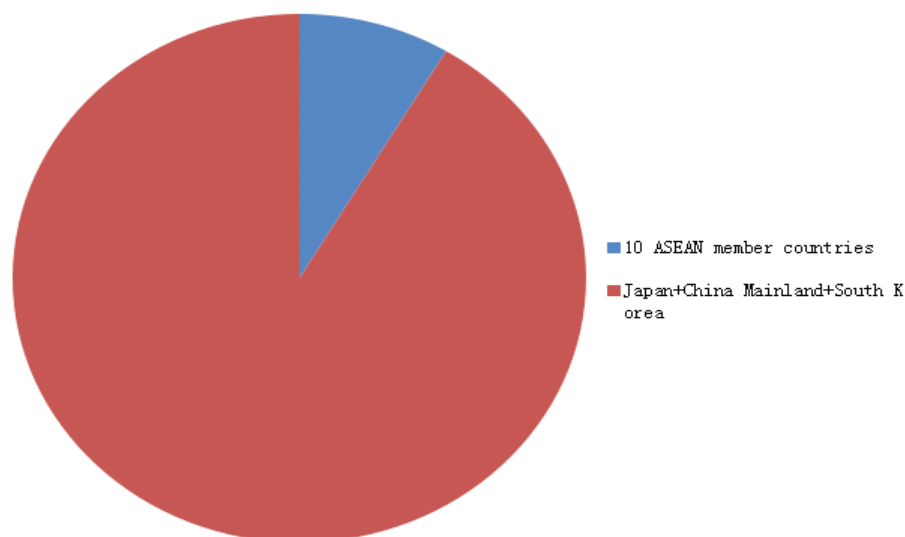
Source: World Economic Outlook Database, April 2014

From the table 3.1 and graphes 3.2, we can clearly see that the GDP of Japan, China Mainland, and South Korea are the top three, much bigger than the GDP of each of the 10 ASEAN countries (the GDP of China Mainland did not pass the GDP of Japan at that time). Economically, the strength of Japan, China Mainland, and South Korea is without doubt. But their influence in regional cooperation did not match their economic strength and needed to be further improved. But how about the combined force of ASEAN countries, since they are more unified than countries in Northeast Asia?

From the table 3.1, we know the combination of the GDP of ASEAN countries was only 559 billions USD, slightly more than the South Korea (462 billions USD), but much less than Japan (4433 billions USD) and China Mainland (1083 billions USD). From the graph 3.3, We can clearly note that the GDP of Japan, China Mainland and South Korea together counts more than 10 times than the GDP of the whole 10 ASEAN member countries, and occupied more

than 90% of GDP of the 13 East Asian countries. It explains clearly why ASEAN is too small to lead the regional integration process in East Asia, and why Northeast Asian countries should assume the responsibility instead.

**Graph 3.3: Comparison of Shares of GDP between Countries
of Northeast Asia and Southeast Asia in year 1999**



Source: World Economic Outlook Database, April 2014

The locus of the interaction, especially in the early days, was centered on China, Japan, and South Korea. Northeast Asia has a long tradition of shared civilisation, centering on China in the premodern era and on Japan in more modern times. Reischauer and Fairbanks half a century ago maintained that China, Japan, and Korea were clearly identifiable as the core of a distinct region - by geography, race, and, in particular, their relationship to Sinic culture (1960, 3). China, Japan, and South Korea constitute around 90% of East Asia's GDP (Dent and Huang 2002, 7). It can be anticipated that they will perform the central role in strengthening regional cooperation, and any regional arrangement of Northeast Asia must also be founded on Sino-Japanese-South Korean axis. China, Japan, and South Korea have shown common interest in establishment of multilateral economic mechanism in Northeast Asia, and they started to cooperate more closely and effectively.

(3) Limited Scope of Cooperation

ASEAN took initiative of regional cooperation firstly for security reasons. After the Cold War, ASEAN turned to economic cooperation under the influence of globalisation. Even though ASEAN has established security forum as ARF, it focuses mainly on economic cooperation, especially on trade and investment. However, East Asian cooperation is so complex that apart of economic issues, there are also security, political and many other issues to face. Even only talking about the economic issue, there is also financial cooperation which is as important as trade and investment. Especially through the experience of the AFC, East Asian people can feel the need of a more comprehensive mechanism of regional cooperation. That is why later on, ASEAN has tried to expand its areas of cooperation as a response.

Because of its historical and political characteristics, the integration process of East Asia is designed and led mostly by regional governments (or leaders of regional governments), and regional governments have tried hard to promote cross-national economic transactions. Notwithstanding the importance of regional governments, other actors such as private agents are also important in promoting regional cooperation. Until the late 1980s, and arguably even since, the principal impetus towards closer integration in East Asia came less through explicit and formal organisations such as ASEAN, ARF, or APEC and more from bottom-up processes tied to economic and problem-solving regionalisation. Indeed, few of East Asia's formal institutions have been central to the organisation or functioning of the region's economy; instead, economic links have been driven primarily by private corporate actions (Gilpin 2000, 266). Private firms were even more active regionalisers than were governments, and they were particularly active in expanding their investments across national borders.

The result was an ever thicker network of bottom-up webs of production, trade, and cross-border services. The network-like relationships that support transnational economic activity in the region tend to be informal and private, even when they include public-sector players. Trade and investment has been characterised by much more extensive and intensive participation of private players such as enterprises and individual business people. The material forces of firm-driven trade, investment, and production are deepening economic integration in proximate parts of continental and maritime East Asia. It is frequently argued that such players contributed to de facto regional integration in East Asia through market transaction, despite their lack of help from formal regional institutions such as the EU and NAFTA (Hatch and Yamamura 1996). In addition to individual enterprises, several NGOs or track II forum also function as 'private' players in trade and investment field. They have contributed to strengthening the general atmosphere for closer economic cooperation among regional countries. The Processes of private sector-led economic integration suggest that regionalisation in East Asia continues to be facilitated by various forms of intercorporate and business-government collaboration.

Even more vigorously, in seeking to differentiate the region from the US and Europe, several East Asian leaders have put forwards strong public arguments that East Asians are joined

together in support of certain values, typically those associated with Confucian ideals. Lee Kuan Yew of Singapore, Mohamad Mahathir of Malaysia, and Ishihara Shintaro of Japan, for example, have been persistent spokesmen for such allegedly distinctive 'Asian values' (Pempel 2005a, 259). These, they contend, provide common social glue within individual countries and across the region's borders. Among the most important things stressed are widespread acceptance of communal needs over individuality, deference to authority over citizens' rights, devotion to hard work over leisure, and worker-manager cooperation over conflict. Such values, it is argued, differ sharply from those prevalent in the West, and promote a constructivist counterweight to potentially challenging 'Western' values such as pluralism, individualism, human rights, and laissez-faire economics (Thompson 2001). Such contentions resonate with the arguments of Huntington (1996) about the values and norms that underlie competing 'civilizations'.

In view of the above, the focus of ASEAN's regional cooperation is either in the field of security or in the field of economy. However, the regionalisation of East Asia should be a multidimensional process which includes not only security or economy, but also political dimension which will finally realise an 'Asian Value'. It involves not only formal cooperation led by regional governments, but also private sectors which means private enterprises, NGOs and track II forum. On 9th ASEAN Summit, a meeting on 7 October 2003 on Bali, Indonesia, the leaders of the member countries of ASEAN signed a declaration known as the Bali Concord II (*Essential Action* 2014). According to the declaration, 'an ASEAN Community' would be set upon three pillars, 'namely political and security cooperation, economic cooperation, and socio-cultural cooperation; For the purpose of ensuring durable peace, stability and shared prosperity in the region'. ASEAN's leaders also discussed setting up a security community alongside the economic one, though without any formal military alliance. Later on, the three pillars of the ASEAN Community, namely the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC) and the ASEAN Socio-Cultural Community (ASCC), are the most crucial areas deemed necessary for the progress and evolution of ASEAN and its peoples. And these notions did influence the concept of the EAC, which should be a comprehensive unity as well.

3.5 Summary

This chapter introduces mainly the background of old regionalism in Northeast Asia. This is a typical hegemony regionalism under the Cold War binary system. Northeast Asia is a region which has special importance and strategic value in international politics. The security situation in Northeast Asia is crucial for the survival and development of regional countries, as well as for the peace and stability of the world. Northeast Asia is also a region where regional and external powers compete each other, and the regional security is under threat of many security issues. Regional countries are plunged into mistrust among each other because of historical animosities, and these animosities were aggravated by the bipolar struggles during the Cold War. With the fighting of Korean War, Northeast Asia became the place where the Cold War broke out as a hot war. After the war, Northeast Asia was divided into two camps, one is the

Soviet group, especially with the strategic triangle of the Soviet Union, China and North Korea, the other is the Western Countries led by another strategic triangle (the US, followed by Japan and South Korea). The regional security was under threat of the serious confrontation between the two camps. Indeed the involvement of the US was dangerous, but the expansion of the Soviet Union was not less.

In ancient history, China played a leading role in Northeast Asia, and was assuring the security of its neighbouring countries. In the modern history, China was involved in the imperialist struggles with Japan and Russia in Northeast Asia, and then with other external colonial powers. During the Cold War, China was influenced by the bipolar politics led by the Soviet Union and the US. As many regional countries, the survival and the security are the key concept for the newborn China after the foundation of the PRC in 1949. China has tried to defend its national security and to have a more stable external environment through security regionalism. China first practiced the 'lean to one side' policy and joined the Soviet camp. China payed high by fighting Korean War against Western Countries for its own security concern and its obligation to North Korea and to the Soviet allies. However, China's relations with the Soviet Union soured to a large extent because of the Soviet expansion and the unwillingness of China to become a 'younger brother' of the Soviet Union. Considering the strength of the Soviet Union, China had no choice but to ally with the US, since 'enemy's enemy is my friend'. China normalised its relations with the US and Japan (and later on with the South Korea), and formed a new strategic triangle (China-US-Japan). But from 'lean to one side' to the new strategic triangle, Northeast Asia was still divided as two camps, and the security situation was not improved. It proved that China's security regionalism during the Cold War is not very effective. China has realised the importance of peaceful environment and regional security cooperation in this process, and started to play a constructive role in building up a comprehensive Northeast Asian security mechanism. The opportunity to improve regional security situation must wait until the Cold War ended.

During the Cold War, the regional cooperation in Northeast Asia can be explained by the theory of old regionalism. The regional cooperation proceeded in the background of bipolar politics, and this process was led by two superpowers: the Soviet Union and the US. The regional cooperation focused on security issues, and sovereign states are the only actors. The bilateral security alliance with hegemons is the main form of security cooperation. During this period, China was willing to exert its influence by the practice of security regionalism. From strategic triangle of China, the Soviet Union and North Korea to the new strategic triangle of China, the US and Japan, the Northeast Asia was always divided into two camps. China's external environment could not be improved because of the confrontation between the two camps of regional countries. Obviously, China's security regionalism was not successful. China realised that the security regionalism is not enough. China started to consider one perhaps more useful tool: the economic regionalism or the blend of security regionalism and economic regionalism - the new regionalism. Without the economic cooperation, regional countries would not be unified by common interest. Security regionalism remain a key concept of both old regionalism and new regionalism, because often, it can be served as a foundation to be extended into economic and political regionalism, and finally to establish a comprehensive regional cooperation mechanism.

Many scholars are trying to elaborate the evolvement from old regionalism to new regionalism through the transformation of security regionalism to economic regionalism. At the end of the Cold War, national barriers are more or less destroyed by the rise of globalisation. As a method in response of the globalisation, economic regionalism thrives in many parts of the World. The US is playing a leading role in the process of globalisation, and as a part of the greater Asia-Pacific region, East Asia is more seriously under the influence of the globalisation and of the US. In order to protect itself and to be more independent, East Asia accelerated its economic regionalisation and tried to establish its own cooperation mechanism. It is ASEAN who took the initiative during this process, and started the period of economic regionalism in East Asia. ASEAN's effort obtained a certain success in creating an AEC and in promoting trade and investment among East Asian Countries. As a form of old economic regionalism, ASEAN's effort focuses on traditional trade and economic interest.

However, the leading role of ASEAN in economic regionalisation of East Asia has its birth defects, and as a result, ASEAN failed to lead East Asia to overcome the difficult time of the 1997-98 AFC. In this research, the author highlighted three main defects of ASEAN: First, is 'ASEAN way', which is a informal regional cooperation method and cannot have substantive results; Second, is 'small horse drawn carriage', that means the small size of ASEAN is not able to play the leading role of regional cooperation in the whole East Asia; Third, is 'limited scope of cooperation', ASEAN focused too much on economic cooperation, and the single dimension which is more like old regionalist practice, is not enough to combine regional countries together. The defects of ASEAN were not insurmountable bulwarks against the tentative expansion of ties across the region: To overcome the first defect, East Asia needs a mechanism of multilateral cooperation with binding rules; To overcome the second defect, there is a need for Northeast Asian countries (especially China, Japan and South Korea) to take over the leading role, since the axis of China-Japan-Korea is critical in East Asian regional cooperation; To overcome the third defect, East Asian cooperation needs to include more comprehensive dimensions such as security, economic, and political cooperation. Through the multidimensional cooperation, East Asian countries could finally reach a common 'Asian Value'. That means East Asia needs to adopt a new regionalist approach.

Harris rightly (2000, 495-516) pointed out that regional cooperation in East Asia is crisis driven. The AFC that wracked East Asia in 1997-98 were, in Calder and Ye's (2004) terminology, a 'critical juncture' that caused East Asian elites to reconsider the merits of regional economic cooperation. The end of the Asian miracle called into question not only the capacity of regional states to meet the needs of their peoples, but also challenged the viability of regional organisations, such as ASEAN, to adapt and respond to the changing circumstances. In the eyes of many East Asian economists, the mistakes that produced and, to some, amplified the crisis should never again be allowed to reoccur. Recognising the limitations of existing organisations is quite a different thing from establishing an effective new replacement that is the right size and contains the necessary political will and institutions to act. ASEAN's own efforts to accelerate the pace of East Asian integration in the wake of the crisis were of limited effectiveness. Given the relative weakness of ASEAN member Countries, ASEAN could at best be a moderately significant player in a broader region rather than an EU-like core whose membership could be expanded to embrace the whole region.

The responsibility of regional cooperation remains in Northeast Asia. Northeast Asia will clearly be the driver of East Asia's future for four basic reasons. First, that quadrant is decidedly the economic and political and military heart of the continent as a whole. Roughly 90 percent of total East Asian regional GDP, and more than 70 percent of military manpower, are concentrated in the three Northeast Asian nations: Japan, China, and South Korea. Secondly, that political-economic heart is gaining more cohesion, as historic tensions among Japan, China, and their neighbours, as well as differences across the Taiwan Straits, continue to fade. Thirdly, foreign investment - by all the major global powers - has shifted from the southeast to the northeast quadrant of East Asia since the 1997-98 AFC, and appears likely to concentrate predominantly there in future. And finally, levels of capital formation and technological progress are much higher in Northeast Asia than elsewhere on the continent (Calder and Ye 2010, 252-53).

A Northeast Asian group with its own subregional agenda to promote closer security, economic, and political ties through a multilateral regional cooperation mechanism could make a significant contribution to advancing wider regional agendas. As ASEAN has shown in Southeast and East Asia, and other regional groupings elsewhere, subregional concentric arrangements within a broader pan-regional whole are feasible and often mutually reinforcing. Closer regional integration will help Northeast Asian countries to play more influential role in building up an emerging EAC. The cooperation of the three major countries, i.e. China, Japan, and South Korea is essential in leading the region towards becoming a community. After the Cold War, many regional cooperation mechanisms, including security mechanism and economic mechanism, emerged in Northeast Asia. However, despite decades effort by Northeast Asian countries to build a comprehensive regional cooperation mechanism, there is not such an overarching mechanism specific to Northeast Asia, which includes security, economic and political issues, and includes all the regional countries.

Since the crisis, developments in East Asian regionalism have progressed rapidly. ASEAN and its three Northeast Asian partners (China, Japan and South Korea) recognised the urgent need to accelerate cooperation in response to the crisis and a host of other threats, as well as to maximise the opportunities arising from the growing interdependence of regional countries. ASEAN's fortunes were revived only when the ASEAN+3 proposals gave it a new centrality in negotiating broader East Asian regionalism. There is much more promise in the regional integration process with the participation of China, Japan and South Korea.

China is one of the major powers in Northeast Asia, and more than ever involved into regional and international affairs. In order to guarantee its peaceful development, China needs more regional cooperation as a tool to counterbalance the negative influence of the globalisation. China tried security regionalism during the Cold War in Northeast Asia and watched the economic regionalism of ASEAN after the Cold War in Southeast Asia. China realised that either single security regionalism or economic regionalism (both are old regionalism) cannot be successful. In order to succeed regional cooperation in East Asia, China needs to use the theory of new regionalism, which means to combine security regionalism and economic regionalism together, and to have a multilateral and multidimensional mechanism of regional cooperation in order to finally realise the politically integrated East Asia. After this realisation,

China reset its mind of new regionalism, and accelerated its regional cooperation through two practices: one is the 'Six-Party Talks' in Northeast Asia and another is the '10+3' approach in East Asia.

Chapter 4 Security Regionalism and the Six-Party Talks

4.1. Introduction

In the previous chapter, old regionalism especially security regionalism of Northeast Asian countries during the Cold War was reviewed. By contrast, this chapter will study China's new security regionalism which is a typical multilateral approach. In the practice of multilateral new regionalism, great powers play a key role based on their comprehensive strength. As a great power in the region, China has become increasingly involved in Northeast Asian multilateral cooperation by right of its increasing economic strength and regional influence. China has taken an active part in building up a multilateral security mechanism in the subregion in order to create a peaceful regional environment and speed up its economic development. Particular attention will be paid to the case study of China's leading role in the Six-Party Talks, which successfully results in the agreement of Northeast Asian countries to establish a Northeast Asian security mechanism.

The end of the Cold War has great impact on Northeast Asia. People see the relative decline of American hegemony in combination with more permissive attitude on the part of the US towards regionalism, and the restructuring of the nation-state and the growth of interdependence, transnationalisation and globalisation. New regionalism has become an important phenomenon in the globalisation process. Regional and inter-regional cooperation have deepened cooperation and have eased rivalries among countries. One reason why new regionalism has raised is the emergence of a multipolar world. The end of the Cold War represents a new era for international relations. The Soviet Union had disintegrated, the influence of the US has decreased, and the hegemonic stability no longer exists. The general level of politico-military security tensions in the world has decreased, the balance of power between the East and the West was broken, and the tendency of globalisation has become remarkable. In the absence of a globally pervasive bipolarity, many regional powers will have the opportunity to strengthen their international positions by forming regional structures within which they can enjoy great influence. New regionalism also offers many less powerful countries - especially those in the developing world - the chance to make arena by combining to form a formidable collective unit, and to improve their bargaining positions in the global policy.

From the point of view of the security, the failure of the global cooperation regions to create a credible structure of global security and peace and to respond to regional conflicts in an effective way is probably the most important source of new regionalism. The regional level opens up previously untapped possibilities for solving conflicts, and the larger region can more easily absorb tensions. There is widespread expectation that most international political disputes and military conflicts are likely to be confined to a given region. At least, in principle, the management and resolution of these conflicts should prove easier to accomplish if undertaken by entities with a more limited geographic and political scope than the UN Security Council. The regional security cooperation does not make much sense in a classical

Westphalian system, where the actors are supposed to play purely from 'the national interest'. In the post-Westphalian era, what is conceived as 'national interest' does not disappear, but due to the imperative of global interdependence, the regional security cooperation becomes inseparable from various shared transnational interests and concerns.

Beginning in the early 1990s, Northeast Asia has started to grow steadily, and has become more interdependent, connected, and cohesive in socioeconomic terms. Northeast Asia has emerged as a new strategic and economic centre of gravity in the international system. During the post-Cold War period, the ideological delimitations of Northeast Asian countries have been becoming less clear, and subregional economic and political cooperation is also motivated by a concern with alleviating potential military conflicts in the Korean Peninsula. The challenge of globalisation, the developments in the global political economy, the emergence of consolidating regionalism elsewhere in the world, along with other internal and external factors have compelled Northeast Asian countries to practice new regionalism. With comparison to the Cold War period when Northeast Asia was characterised by competition and conflict, the region is now witnessing growing economic cooperation and political dialogue among countries. As part of normalising international relations in the region, Northeast Asian states have examined the potential of regional economic cooperation and integration to foster mutual stability and prosperity.

However, Northeast Asia has been an arena of conflict throughout its modern history, and the competitiveness among great powers makes regional integration next to impossible. Although the demise of Cold War tensions gave imperatives to Northeast Asian new regionalism, regional countries are still facing many difficulties in advancing regional cooperation. There is a comparatively low level of indigenous regionalisation especially with respect to security concerns. The removal of East-West confrontation might portend instability in Northeast Asia. It is even argued that the increase in instability factors since the end of the Cold War has escalated conflict in Northeast Asia, which could possibly lead to a military showdown.

security is the precondition of development and prosperity, and one of the fundamental targets of regionalism. And the region is regarded as firstly and secondly solution of many contemporary security problems. There are a number of contemporary threats that may be viewed as regional rather than global in nature, and a number of regional security issues is better to be resolved at regional level instead of global level. Facing the uncertainties of regional security, Northeast Asian countries decided to improve regional security cooperation and create regional security mechanism to prevent and manage any emerging regional conflict. The concept of security regionalism was not decreased, but increased among Northeast Asian countries at the end of the Cold War. However, Northeast Asia is burdened by vast disparities in levels of economic and political development, and by divergent preferences on the formation of a regional cooperation regime. The regional countries have little experience in collective problem solving, and they prefer bilateral arrangements to multilateral cooperation when dealing with security issues.

The limitations of old security regionalism based on bilateral alliances is obvious. Bilateral alliances are based on deterrence against a third party, and aims to pursue 'absolute security'.

The 'absolute security' is a 'zero-sum game', in which one country's security is achieved at the expense of others. In this sense, the 'absolute security' will create security dilemma and tensions instead of peace and stability in Northeast Asia. The most typical example is the vigilance of Northeast Asian countries for the redefinition of US-Japan security relations. New security issues are essentially cross-national, and cannot be settled through traditional bilateral alliances. In comparison to the bilateral mechanism based on military alliance, multilateral security mechanism has shaken off the vestiges of Cold War ideology, and has the ability to improve regional relations, promote confidence, and foster trust, and thus ameliorate the security dilemma and the chances for accidental miscalculations. If violence breaks out, the regional actor can intervene in intrastate conflicts with lesser risk of provoking bilateral hostilities.

One country can draw up and implement its security policy from the security regionalism perspective, so can one region rebuild its complicated relations from the security regionalism perspective. Since security issues remain the core concern of regional cooperation, Northeast Asian countries decided to establish firstly a multilateral security cooperation mechanism which is necessary to ensure strategic stability and economic development in the region. As clarified in Chapter 2, The emerging regions can absorb tensions among regional countries. The regional actor can, with less risk of provoking bilateral hostilities, intervene in intra-state conflicts which threaten to become destructive to regional security. The most important function of security regionalism should be the regional dimensions of conflict management, both the tendency of domestic conflicts to be regionalised, and the need for conflict resolution to be embedded in regional security arrangements. Particularly, the security dimension of regional institutions can promote peaceful and predictable relations among its members, and a regional security institution can be understood as an organisation whose charter contains an explicit reference to security provision to meet security threat. The multilateral security cooperation mechanism could further facilitate regional communication and confidence-building, thus promote regional strategic, economic, and political cooperation.

In this way, Northeast Asian countries could accomplish their objective of new regionalism. They realised that the advantage of the development of new regionalism is much more significant than the disadvantage in that process, and determined to overcome the difficulties by common efforts. Thus there is a greater need for multilateral security mechanism with an associated attention to fostering 'cooperative security' in Northeast Asia. The 'cooperative security' is not achieved by strengthening one's military force, and neither is it achieved by bullying others. With more tolerant and diverse attitudes, countries establish mutual trust through multilateral dialogues and cooperation. The 'cooperative security' is a forwards-looking security mechanism, and intends to develop multilateral mechanism in a more progressive and flexible manner. It is more conducive for the long-term peace and stability of Northeast Asia, and a formal multilateral security mechanism will be formed in the region at an appropriate time.

In order to realise cooperative security and mutual-interests, Northeast Asian countries have been trying in many ways to establish multilateral security mechanism. A number of multilateral security mechanisms related to Northeast Asia have been initiated in the early

1990s, though the level of cooperation still remains primitive. These mechanisms seek overall security for all the regional countries through dialogue and cooperation. They have proved an effective new medium for increasing communication and enhancing trust and coordination among Northeast Asian countries (Dent and Huang 2002, 192-93):

(1) Northeast Asia Cooperation Dialogue (NEACD): set up in 1993, involving diplomats and officers from the defense departments of China, Japan, South Korea, Russia and the US in 'track two' security dialogues. Its participants also included some scholars from research institutes, who attended as individuals. The NEACD has reached unanimity on the guiding principles for cooperative dialogues, e.g. peaceful consultations and proceedings, step by step and in an orderly manner.

(2) Korean Peninsula Energy Development Organization (KEDO)³⁰: established in 1994 based on the 'framework of negotiations', it plays an active role in promoting multilateral energy cooperation in the Korean Peninsula, particularly with respect to replacing North Korea's nuclear reactors with more proliferation-resistant reactors.

(3) ASEAN Regional Forum (ARF): formed in 1994 and hosted by the ten ASEAN countries. This forum is an official-level security forum for the Asia Pacific, and it also incorporates China, Japan, South Korea, Russia, and the US as 'dialogue partners' into another multilateral dialogue mechanism on region-wide security issues. The ARF's confidence-building activities do spill over into Northeast Asian relationships.

(4) Council on Security Cooperation in the Asia Pacific (CSCAP): established in 1994 as a NGO in which its participants come as individuals. It is a Committee on Security Cooperation in the Asia Pacific, and it is a 'track two' mechanism designed to supplement the ARF by feeding new ideas into its negotiating and cooperative processes. CSCAP was created from a network of research institutes from around the region, and most of these institutes have direct links to their respective governments. The North Pacific Working Group of CSCAP is a 'track two' subregional security dialogue. It has been held annually since 1997, and it is attended by all the North Pacific countries, including the 'ASEAN Plus Three', and North Korea.

These regional security mechanisms are the initiatives of multilateral regionalism since the end of the Cold War, and they have gained prominent positions of influence. They not only offer a place for rival parties to exchange opinions and foster trust, but also provide valuable and feasible policy advice for decision-maker. They enhance the possibility of adopting norms of non-targeting, non-confrontational, and non-military approaches to conflict resolution, and these have served as basis to establish a more comprehensive regional security mechanism. With a comprehensive regional security mechanism, Northeast Asian countries may be able to build up a 'security community', a group of regional countries to share mutual-dependant peaceful change and forever rule out the possibility of the solution of differences by force. As

³⁰ The Executive Board of KEDO decided on 31 May 2006 to terminate the Light-Water Reactor (LWR) project. This decision was taken based on the continued and extended failure of North Korea to perform the steps that were required in the KEDO-DPRK Supply Agreement for the provision of the LWR project. See the website of KEDO: <http://www.kedo.org/>.

an major participant in the regional security cooperation, China has been taking an increasing active part in these mechanisms.

The end of the Cold War has had a great impact on China's security. Chinese security concept transformed from a traditional security to a comprehensive security and a cooperative security, which include more than just the military aspect and the concept of self-defense. No war involving China took place after the end of the Cold War, reflecting its peaceful settlement of territorial disputes with neighbouring countries and the demise of the concept of use of force. That is considered as the beginning of China's new regionalism. For China, the military threat has somewhat diminished, and more important is to cope with new challenges that may emerge in Northeast Asia. China has made efforts to reduce regional hot issues and to lower regional tensions, and has been searching for a peaceful solution. China realised the importance of multilateral security mechanisms for regional security, and supports them to exchange views and promote mutual understanding. When China was trying to unite Northeast Asian countries in a security community, the opportunity came with the North Korean Nuclear Issue.

4.2 North Korean Nuclear Issue

The North Korean Nuclear Issue constitutes one major factor in regional security and non-proliferation policy. Over the past years, this issue has repeatedly appeared to verge on major crisis, interspersed by protracted, fitful negotiations or deliberations. Because of the complexity and delicacy of this issue, regional countries reached a consensus that the issue can be handled only by combined effort and multilateral approach. They are willing to build up a multilateral security mechanism in Northeast Asia, and the multilateral regional security mechanism will serve as a springboard for a comprehensive regional cooperation mechanism.

The North Korean Nuclear Issue involved all the Northeast Asian countries (North Korea, China, the US, South Korea, Japan and Russia) which constitute the six parties. Among the top five trading partners of Northeast Asia, four of them are members of the six major powers (China, Japan, South Korea, and Russia), and they are able to exert influence on North Korea (Choo 2005, 47). Once the six parties united to establish the multilateral regional security mechanism, it will be the first comprehensive security cooperation mechanism in Northeast Asia and a breakthrough in the history of Northeast Asian regional cooperation. It will also effectively prevent the escalation of North Korean Nuclear Issue, and bring peace, stability and prosperity in the region.

4.2.1. Background

Northeast Asia is the place where the first nuclear attack was used by the US against Japan on Hiroshima and Nagasaki in August 1945 (*History* 2014). After that, the nuclear issue or the

nuclear proliferation is always one core issue in the region. The nuclear weapon is so powerful that it can end the WWII, and can be used during the Cold War by regional countries as the best weapon to protect themselves or to deter the others. The biggest changes in the post-war world are the shift from multipolarity to bipolarity and the introduction of nuclear weapons (Waltz 1981). Most people believe that the world will become a more dangerous one as nuclear weapons spread. Under the bipolar politics, the competition between the two camps was fierce. In order to survive and to be independent, the nuclear weapon was an ideal choice for security guarantee besides the regional security cooperation.

The nuclear arms race between the US and the Soviet Union began at the end of the WWII. In 16 July 1945, the creation of the first atomic bomb came to fruition in the US (*CTBTO Preparatory Commission* 2014). The atomic bomb had two objectives: a quick end of WWII and possession by the US and not USSR, would allow control of foreign policy. On 29 August 1949, the Soviet Union detonated its first atomic bomb (*Ibid.*). This event ends America's monopoly of atomic weaponry and launches the Cold War. Since then the US and the Soviet Union launched the nuclear arms race for supremacy in nuclear warfare. The nuclear arms race between the two superpowers became the focus of the Cold War, and deeply influenced the security situation in Northeast Asia.

Nuclear weapons have been part of the Northeast Asian security environment since 1945. The US deployed nuclear weapons to the region during the Cold War as part of its global security strategy and to deter the North Korea. The increasingly favourable strategic nuclear position also allows the Soviet Union to pursue probes abroad, directly or by proxies, to expand its influence and power. The US and the Soviet Union wanted to privilege their nuclear superiority, and were not willing to see any country else to join the nuclear club. However, China and other regional countries also started their nuclear programme for their own security purposes. The US implicitly and explicitly threatened to use nuclear weapons to end the Korean War, and this motivated China to pursue its own nuclear deterrent (Gerson and Feffer 2007). China made remarkable progress in the 1960s in developing nuclear weapons. The first Chinese nuclear test was conducted in 1964 (*CTBTO Preparatory Commission* 2014). After 3 years, China detonated its first hydrogen bomb in 1967 (*Atomicarchive* 2014). China has become one of the five Nuclear Weapons States (NWS) recognised by the Nuclear Non-Proliferation Treaty (NPT), and continued to build up its nuclear capability until 1996 while China signed the *Comprehensive Test Ban Treaty* (*CTBTO Preparatory Commission* 2014).

The nuclear effort of other regional actors was in parallel with China. Japan was particularly concerned when China joined the nuclear club, and after a serious internal debate, Japan decided against the nuclear option. However, Japan has a large nuclear power industry and full fuel cycle capabilities, and certainly has the advanced technical capabilities to produce nuclear weapons and would have to develop a delivery system (Pinkston 2014). South Korea had an active nuclear weapons programme in the early 1970s, but abandoned that programme under extreme US pressure (*Ibid.*). US extended deterrence has kept Japan and South Korea non-nuclear, but one of the most serious threats to regional security is the North Korean Nuclear Issue. North Korea appears to have achieved a nuclear breakout that will be very difficult to reverse and will have serious implications for regional security, non-proliferation,

deterrence and disarmament. North Korea's interest in a nuclear weapons programme reaches as far back in time as the end of WWII. There are many factors of the regional security situation which triggered the North Korean nuclear programme:

Firstly, search for 'security guarantee'. Survivalism has long dominated the thinking of leaders in North Korea, who characterise North Korea as a small, vulnerable system surrounded by far more powerful states unprepared to accord it requisite autonomy and international standing (*New Evidence on Inter-Korean Relations*, 1971-72). It is not difficult to find historical legacy rooted in North Korea's view of the world and diplomatic behaviour. North Korea has experience under influences of Confucian norms and Japanese colonial rule. After the WWII, The possible use of nuclear weapons in the Korean War was highly sobering (Dingman 1988/1989, 50-91). North Korea's pursuit of nuclear weapons also reflects anxieties triggered by the end of the Cold War and its loss of explicit security guarantees from Russia and China (Sigal 1998). North Korea's nuclear diplomacy started, which has so far provided the Pyongyang regime with essential elements required for Kim Jong-il³¹'s political survival as well as North Korea's survival as the state. The nuclear weapon would protect North Korea from supposed existential threats from the US and its insistence on treatment on an equal footing with other nuclear weapons states.

Secondly, North Korea's unconventional interpretation of threat is framed by the Juche ideology³² and pursued in the name of the military-first politics. Kim Il-sung³³ indicated that three goals are established in accordance with the Juche ideology, that of military self-defence, economic self-sufficiency, and political self-determination (Han 2002). For the military self-defence, Kim Il-sung maintains that it needs a deterrent to possible South Korean, Japanese and American military aggression against North Korea. A nuclear programme would advance the autonomy and security of the North Korean system. For the economic self-sufficiency, Kim Il-sung viewed nuclear power as a talisman that would affirm the country's standing as an advanced scientific and industrial power. North Korean officials asserted regularly that development of a nuclear-power industry was imperative to address unmet energy requirements. North Korea almost certainly perceived connections between civilian and military nuclear development, and any-scale technology transfer or major reactor project would serve both objectives. For the political self-determination, the parallel pursuit of civilian and military development advanced North Korea's quest for an independent strategic identity.

Thirdly, the nuclear programme was Pyongyang's signal to draw attention of its allies and get support from them. North Korea may make economic gains by selling nuclear technology or parts of nuclear arms, or use it as a bargaining chip, and some observers call it 'diplomacy by extortion'. The communist north is building atomic weapons in order to secure economic aid

³¹ Kim Jong-il (16 February 1941/1942 - 17 December 2011) was the supreme leader of North Korea, from 1994 to 2011.

³² The Juche ideology, usually translated as 'self-reliance', sometimes referred to as Kimilsungism, is a political thesis formed by the former North Korean leader Kim Il-sung which states that the Korean masses are the masters of the country's development. From the 1950s to the 1970s, Kim and other party theorists such as Hwang Jang-yop elaborated the Juche Idea into a set of principles that the North Korean government uses to justify its policy decisions.

³³ Kim Il-sung (15 April 1912 - 8 July 1994) was the supreme leader of North Korea, for 46 years, from its establishment in 1948 until his death in 1994.

and special trade agreements with its neighbours and the West in exchange for curtailing its nuclear weapons programme. It seems that North Korea is engaged in one of two things. Either they are building weapons to give them up for a new relationship with the US. Or the down side and very dangerous side is that they are trying to build-up a nuclear arsenal for deterrence.

Considering the nuclear development of the region, North Korea chose the nuclear programme as a powerful weapon to realise its security goals, and has tried hard to develop it. Since the 1950s, based on realist thinking, North Korea started to develop its nuclear capability with the help of the Soviet Union. In the early 1960s, North Korea was beginning to reveal a nuclear agenda of its own. In the mid-1960s and under the cooperation agreement concluded between the Soviet Union and North Korea, North Korea established a large-scale atomic energy research complex in Yongbyon and trained specialists from students who had studied in the Soviet Union (*Federation of American Scientists* 2006). In September 1974, North Korea joined the International Atomic Energy Agency (IAEA) (*CNN* 2014).

The real practice of the nuclear weapons programme of North Korea dates back to the 1980s, and the evidence of a military-oriented programme continued to grow. In 1980s, North Korea was focusing on practical uses of nuclear energy and the completion of a nuclear weapon development system. It began to operate facilities for uranium fabrication and conversion, and has successfully constructed some nuclear reactors. It started construction of a 200 MWe nuclear reactor and nuclear reprocessing facilities in Taechon and Yongbyon respectively, and conducted high-explosive detonation tests (*Federation of American Scientists* 2006). North Korea joined the NPT in 1985 but had until 1992 refused to sign an IAEA safeguards agreement as it was obliged to do by the treaty. In 1985 US officials announced for the first time that they had intelligence data proving that a secret nuclear reactor was being built 90 km north of Pyongyang near the small town of Yongbyon. In September 1989 the magazine *Jane's Defence Weekly* stated that North Korea 'could manufacture nuclear devices in five years' time, and the means to deliver them soon afterward' (Isenberg 2014). The nuclear-weapons door had opened in North Korea, and it has not closed since.

However, the end of the Cold War put North Korea and its nuclear programme in a more difficult situation. At the very time that North Korea was nearing completion of the nuclear fuel cycle, Kim Il-sung's long-standing support from (and dependence upon) Moscow and Beijing largely ceased. Following Gorbachev's election to leadership of the CPSU and China's expanded economic reforms, the political and economic centre of gravity in both the Soviet Union and China irrevocably shifted, placing North Korea at an acute disadvantage. The normalisation of Sino-Soviet relations in the late spring of 1989 and the moves by both Moscow and Beijing towards full relations with South Korea severely undermined North Korean strategy. The ultimate upheaval and disintegration of East European communism at the end of the 1980s and the collapse of the Soviet Union shortly thereafter placed North Korea's well being and security at unprecedented risk (Maretzki 2009).

Since the end of the Cold War, North Korea has consistently and flexibly responded to changes in the international environment. In the face of a half-century-long enemy state as the

only superpower and the resulting unfavourable security environment, Kim Jong-il's threat perception has been exasperated and in response North Korea has actively pursued nuclear and missile programmes. At the beginning of the 1990s, nuclear progress at Yongbyon and nuclear diplomacy converged. A decade after initial construction of an indigenous reactor, North Korean capabilities in reprocessing and accumulation of fissile material had made major headway. There was increasing evidence of North Korea's ability to reprocess spent fuel into weapons-grade plutonium for a nuclear device. The nuclear advancement of North Korea triggered growing international attention.

On 12 March 1993 (less than a year after assenting to full-scope safeguards), the North threatened to withdraw from the NPT, declaring that the IAEA's demands constituted an unacceptable violation of its sovereignty. However, after twenty months of resisting demand by the IAEA for special inspection of its nuclear facilities, North Korea signed a Geneva Agreed Framework in 1994, whereby it froze nuclear development programmes in return for the US pledge to improve bilateral relations, annually supply 500,000 tons of crude oil, and provide two 1,000-megawatt light water reactors through a multilateral framework (KEDO, Executive Director's statement).

In the aftermath of 9/11, North Korea, a country then on the list of terror-supporting countries, tried to avoid becoming the first target of the war against terror (*Los Angeles Times*, 9 March 2002). The defeat of Iraq was one of the reasons that led North Korea to gamble on its nuclear weapons development programme. Acquiring nuclear weapons seemed to be the last card available for North Korea, still engaging in its decades-long confrontation against the US. To get the US back into the negotiating track as well as deter hostile US actions, North Korea reactivated nuclear brinkmanship in October 2002. When North Korea acknowledged its covert highly enriched uranium programme in October 2002 to get the US interested in signing a nonaggression pact, the superpower instead suspended its supply of crude oil.

North Korea signalled its final breach of the nuclear divide with its pull-out from the NPT in January 2003 (*Chaosun Ilbo*, 10 January 2003); The escalation of tension was briefly checked when China intervened to launch Six-Party Talks in the same year. There followed an official statement in February 2005 that it had manufactured nuclear weapons and the conducting of nuclear tests in October 2006 and May 2009 (*Korean Herald*, 25 March 2009). North Korea has also asserted that its entire inventory of plutonium has been weaponised. It has claimed advances in enriched uranium as an alternative source of fissile material and made efforts to develop long-range missiles as a presumed means to deliver a nuclear weapon. It has also provoked sharp responses from the international community by transferring materials and technology with nuclear-weapons potential to other nuclear aspirants. North Korea persists in making explicit claims to standing as a nuclear power outside the NPT, and insists that any future negotiations acknowledge its status as a nuclear-armed state.

In fact, North Korea did not yet possess the capability to 'marry nuclear warheads with long-range missiles' (Chanlett-Avery and Squassoni 2006). To become a full-fledged nuclear state, it had to overcome several more technological barriers. Despite continued technological, economic and industrial impediments to a fully realised nuclear capability and periodic

intimations that it would be prepared to forgo its nuclear-weapons programme, the leadership of North Korea long ago concluded that its power, identity and interests were more effectively ensured and protected with nuclear weapons than without them. However, the future of North Korea, and its regional orientation is difficult to predict.

4.2.2 Inefficiency of Old Regionalism

Since the end of the Cold War, realists have predicted a continued if not heightened risk of crisis and military conflict and a low probability of cooperation on security issues in Northeast Asia. In such a security environment, North Korea nuclear issue constitutes a major factor in regional security and non-proliferation policy. It poses greater risks of catastrophe by accident, miscalculation, or misunderstanding, and has triggered serious security problems in the region:

Firstly, North Korea not only wants to protect itself, but to fight against the US, South Korea, and Japan. North Korea was making progress in its goal of being able to deliver a nuclear warhead to South Korea, Japan, and even the US, and this is an existential threat to the survival of these Western countries. The final objective of North Korea maybe the reunification of the two Koreas, and become a regional even worldwide power. The purpose of North Korea is seemed as serious threat by Western countries, and they might counterattack against any provocation of North Korea. In return, with the US seeking to impose Security Council sanctions on Pyongyang as well as weighing the use of force against North Korea to forestall additional nuclear development, events were moving towards a major crisis and quite possibly overt military hostilities.

Secondly, the North Korean nuclear programme would accelerate arms race and especially nuclear arms race in the region. Along with North Korea, South Korea, Japan and other regional powers are publicly or privately developing their own nuclear capability as well. If North Korea makes nuclear weapons, nonproliferation in the region would soon fall apart. Han Yong-sup, professor at the Korea National Defense University said 'Japan and Taiwan could follow the suit. Then, a domino effect of nuclear proliferation will result' (Kwon 2013).

Thirdly, as the integration of the unified Germany was witnessed to require unexpected amounts of resources, time and money, North Korea's sudden collapse was perceived as a nightmare. The nuclear facilities would be out of control, and the Kim regime would take drastic actions. North Korean refugees would flood in the region, and whole the region would suffer from the disaster. Japan and South Korea would be attacked, and China and Russia would be implicated. The US also would surely involve. In fact, no regional country wants to bear such a heavy loss and burden.

As a result, the nuclear attempt of North Korea drew attention of regional powers. In view of its severity, regional countries are anxious about the North Korean nuclear programme, and were willing to prevent the nuclear-weapons development of North Korea. But facing North Korea's

determination to develop nuclear weapons, how can regional countries persuade North Korea to give up its nuclear programme? Regional countries mainly used the old way such as bilateral negotiations to persuade North Korea. They have tried to use the 'carrot or stick approach'. 'Carrot' means the security assurance, nuclear technology for civil purpose, and economic assistance. 'Stick' includes military deterrence, nuclear arms race, arms and techniques embargo and economic sanctions. They believe North Korea, already in a very difficult economic situation, was then under great external pressure, would not want to be isolated. North Korea might be induced to give up its nuclear weapons if it gets enough security assurance and economic assistance.

(1) US

Northeast Asia claims vital importance in American's security and economic interests. After the collapse of the Soviet Union, the US has become the world's sole hegemon. Its posture as a superpower and its military power in Northeast Asia has made the US the most powerful actor affecting the region's security situation. Supported by its allies in the region including Japan and South Korea and backed up by its military superiority, the US is closely involved in regional issues of Northeast Asia. In order to protect its strategic interest, the new US policy towards Northeast Asia is maintain a military presence in the region, to prevent regional powers from armed conflict, and to avoid the region being dominated by antagonistic parties and their allies.

North Korea is America's longest-standing adversary in the international system. For the US, exporting liberal democracy is one of its foreign policy goals and North Korea is a target. Since the establishment of the North Korean state in September 1948, Washington and Pyongyang have never experienced normal relations, and the Korean War cemented lasting animosity on both sides. 'American Imperialism' became North Korea's main enemy primarily as a result of the Korean War (Armstrong 2008, 3). After the Cold War, the US views North Korea as one of the dwindling number of post-Soviet states, whose legitimacy and survivability are both deemed open to serious question. Therefore, US antipathies towards Pyongyang undoubtedly run very deep, and vice versa.

For the US, North Korea, armed with nuclear weapons, would pose three urgent challenges (Kim 2007, 21-45): (1) Nuclear weapons of North Korea, loaded on long-range missiles, will cause destructive damage on distant targets include the US homeland. (2) Nuclear weapon of North Korea will pose direct threat to Japan and South Korea, which will shatter the security foundation of US-Japan and US-South Korea military alliance, and result in a chain reaction in Northeast Asia seeking for nuclear weapons. (3) In order to get foreign currencies or reach other purposes, North Korea will possibly sell nuclear weapons to any buyer including terrorist organisations, or proliferate nuclear weapons or technologies, which will pose a grave threat to the US.

In September 1991, US president George Bush Senior announced that all tactical nuclear

weapons would be withdrawn from South Korea, paving the way for both Koreas to sign a joint declaration on the de-nuclearisation of the Korean peninsula (February 1992). However, North Korea continued with its aim of developing nuclear weapons, which ultimately resulted in the 1993-94 nuclear crisis. At that time, Pyongyang rebuffed demands by IAEA for inspections and threatened to withdraw from the NPT. Subsequently, under the 1994 Agreed Framework, the US and its allies consented to provide Pyongyang with heavy fuel oil and two Light-Water Reactors (LWRs) in return for freezing nuclear-related activities. However, in the latter half of 2002, North Korea restarted its nuclear reactor at Yongbyon and refused to cooperate with UN inspectors, eventually withdrawing from the NPT in January 2003.

Despite intermittent political and diplomatic contact over the past decades, especially negotiations during the Clinton administration, animosities and mutual suspicions have deepened ever since. The North's nuclear tests and its accumulation of fissile material are the latest and most lethal manifestations of this deeply troubling legacy. In the waning weeks of his second term, President Clinton demurred from a visit to Pyongyang and a summit with Kim Jong-il. The president implicitly conceded that the stakes were too high to gamble on a last-minute breakthrough with the North. President Clinton recognised that any agreements with Pyongyang would also obligate his successor, George W. Bush, thereby preempting the new administration's opportunities to shape its own strategies towards the North. The Clinton administration would thus end with the US still straddling highly divergent approaches to regional security.

After taking power, the Bush administration adopts a hawkish policy towards North Korea, categorising North Korea as one of the three 'axis of evil' (*CNN* 2002), and listing it among the countries that can be targeted by nuclear weapons (*New York Times*, 31 January 2002). This inadvertently hurt US' credibility when it tried to persuade North Korea into giving up nuclear weapons projects in return for its security guarantees. The 1994 Agreed Framework was questioned shortly after the inauguration of the Bush administration in 2001. The framework's two most important projects, the construction of two LWRs by the KEDO, and the supply of heavy oil from the US, were suspended. The engagement policy co-orchestrated by President Bill Clinton and Kim Daejung also failed to bring about a feasible breakthrough for the settling of North Korea's nuclear stalemate. The Four-Party Talks proposed by Presidents Bill Clinton and Kim Young Sam on 16 April 1996 failed to generate a peace-inducement measure.

The post-9/11 US hard-line policy also failed to elicit cooperative responses from North Korea. It has been using economic sanctions against North Korea, and seeking a breakthrough at the bilateral level discussion. It unyieldingly insisted upon North Korea to fully comply with its demand for the Complete, Verifiable, Irreversible Disarming (CVID) of its nuclear programme as a precondition to any further discussion of economic and diplomatic issues and the guarantee of its regime's survival. However, North Korea takes risks when Kim Jong-il's political survival does not seem to be in danger, especially when US attention was divided due to the war in Iraq. With divided attention, Washington was not able to make the penalty credible enough to elicit Pyongyang's cooperation. North Korea even more aggressively

pursued its hedged brinkmanship strategy of salami slicing³⁴. In spite of many US warnings not to cross the red line, North Korea conducted a nuclear test and declared itself as a country possessing nuclear weapons in 2006.

The US regards the North Korean Nuclear Issue as a serious challenge to its hegemony. At one point it preferred to rely on coercive diplomacy to obtain North Korean concessions, but it has limited leverage against the regime of North Korea. The US was isolated from this reclusive state except through intermittently held bilateral and multilateral talks, and was thus deprived of any channels to directly shape North Korean preferences. Because the US has difficulties dealing with North Korea bilaterally, it was Beijing that encouraged Pyongyang to adopt a more conciliatory stance towards Washington after all.

(2) South Korea

The relationship of the two Koreas is equally disconcerting, and arguably more dangerous given the geographic contiguity of the two states. More than 60 years since the founding of rival states on opposite sides of the 38th parallel and the outbreak of armed conflict on the peninsula, and nearly 25 years since the end of the Soviet-American confrontation, the Cold War in Korea remains largely undiminished. Notwithstanding ethnic homogeneity, a common language and partial breakthroughs in economic, political and humanitarian ties over the past decades, the two Koreas continue to inhabit separate worlds. South Korea has been North Korea's primary rival as both sides have competed to acquire primacy. However, the reunification, theoretically, functioned to revive the Korean common identity. South Korea has been the source of valuable dollars for North Korea which had been suffered from economic difficulty for decades. South Korea aspired to become a 'mediator' in the North Korean nuclear crisis and sometimes even a 'balancer' in regional realpolitik (*Chosun Ilbo*, 13 December 2002). The reconciliatory 'sunshine policy', identifying South Korea's role in the nuclear crisis as a mediator that bridged the US and North Korea, much like China's role as a broker or facilitator in the Six-Party Talks.

The former South Korean President Roh Tae-woo³⁵ has been a consistent promoter of reconciliation and cooperation with North Korea. One of the operating principles of his policy was flexible dualism, which was aimed at increasing inter-Korean economic interdependence, calling for 'economy first, politics later' and 'give first, take later'. The policy connoted a fundamental shift from government-oriented politics-first approaches of the preceding governments. On 8 November 1991, President Roh Tae-woo proposed principles for a non-nuclear peninsula, and called upon North Korea to agree to them (Han 2000, 42). On 26 December 1991 Seoul and Pyongyang initiated discussions on an inter-Korean nuclear accord,

³⁴ Salami slicing refers to a series of many small actions, often performed by clandestine means, that as an accumulated whole produces a much larger action or result that would be difficult or unlawful to perform all at once. Although salami slicing is often used to carry out illegal activities, it is only a strategy for gaining an advantage over time by accumulating it in small increments, so it can be used in perfectly legal ways as well.

³⁵ Roh Tae-woo (born 4 December 1933) is a former South Korean politician and ROK Army general who served as the 6th President of South Korea from 1988 to 1993.

culminating with the signing on 20 January 1992 of a *Joint Declaration of the Denuclearisation of the Korean Peninsula*. Both stated that they would not 'test, manufacture, produce, receive, possess, store, deploy nor use nuclear weapons', and that neither would 'possess nuclear reprocessing and uranium enrichment facilities' (*Arms Control Association* 2015).

In 1998, former President Kim Dae-jung first proposed 'sunshine policy'. The South Korean 'sunshine policy' entails a shift away from the rapid German style reunification towards a gradual negotiated transition on the divided Korean Peninsula as well as offering unconditional economic and humanitarian aid to North Korea (Moon and Steinberg 1999). Kim Dae-jung's unambiguous advocacy of reconciliation with North Korea, created a latent possibility of South-North accommodation and of longer-term geopolitical change on the peninsula. Embedded in the 'sunshine policy' are theoretical elements from liberalist ideas. As shown in its emphasis on increased economic interdependence, one of the primary objectives of the 'sunshine policy' was to decrease the possibility of armed conflict between the two Koreas. Literatures on economic interdependence or commercial liberalism posit commercial relations may constrain states from using force against one another because trade molds a web of mutual self-interest. Despite its limitations, this proactive policy resulted in the landmark summit in Pyongyang between Kim Dae-jung and North Korean leader Kim Jong-il in June 2000. Since then, South Korea has continued to push for economic engagement with its northern neighbour, with the Kaesong Industrial Zone under construction in North Korea some 40 miles north of the demilitarised zone being a prime example.

Another former President Roh Moo-hyun³⁶'s primary concern is to maintain the stable security environment needed to promote its administration's 'Peace and Prosperity Policy', a continuation of the 'sunshine policy'. South Korea wants to expand economic ties with North Korea to develop inter-Korean relations further. To this end, Roh supported Hyundai's construction of an industrial complex for South Korean business companies in Kaesong. At the same time, South Korea seeks to avoid the massive costs that a rapid reunification with North Korea would entail and instead achieve a gradual integration and reunification of the two Koreas through South Korean direct investment and growing inter-Korean trade. President Roh Moo-hyun has effectively ruled out using military options against North Korea in resolving the nuclear issue. He consistently opted for dialogue rather than confrontation, and chose carrots over sticks in preventing nuclear proliferation even when the North escalated by crossing red line after red line. While opposing any drastic US response against North Korea, including surgical air strikes and 'regime transformation' aiming for a leadership change in Pyongyang.

Despite various support given to North Korea, South Korea's engagement policy towards North Korea failed to generate a breakthrough in inter-Korean relations and became the target of domestic criticisms despite two inter-Korean summits. The 1991 agreement failed to restrain North Korea from launching its nuclear and missile development projects. The 'sunshine policy' failed to generate epoch-making inter-Korean breakthrough despite more than 10 years

³⁶ Roh Moo-hyun (1 September 1946 - 23 May 2009) was the ninth President of the Republic of Korea (2003 - 2008).

of continued pursuit. Neglecting to elicit domestic support led to deficiency in the policy implementation. A typical realist calculation that economic assistance to North Korea would be used for military purposes has been the major source of domestic opposition in South Korea. In North Korea, top decision makers, most of them are from the military, are wary that the 'sunshine policy' would ultimately aim to achieve unification through absorption. The 'Peace and Prosperity Policy' also resulted in a decline in South Korea's leverage in inter-Korea relations, because the North came to expect the South to provide aid regardless of what it did.

(3) Japan

Japan is regarded rather as a US ally and a dependent strategic player in Northeast Asia. Japan has been deeply involved in Korean affairs by virtue of its bilateral security alliance with the US. The relationship between Japan and North Korea was dangerously abnormal just as the relations between the US and North Korea. North Korean nuclear programme have generated fear and anger in Japan. In the eyes of Japanese people, Kim Jong-il's regime looks threatening and poor, and until now, North Korea is the most hated and feared country for the majority of Japanese people.

Japan and North Korea did initiate heightened if ultimately unsuccessful efforts at normalisation in the early 1990s (Kim 176-80). Japan is least wanted in terms of security. Japan's pacifist constitution forbids the projection of military power abroad, and this means it is unable to assume regional responsibilities one might ordinarily expect a country of such economic prowess to shoulder. By contrast, in terms of economy Japan is most wanted. Essentially, North Korea still insists on reparations for Japan's occupation of Korea from 1910-45 in return for normalising diplomatic relations. Tokyo's ability to pressurise Pyongyang is limited and comes primarily through economic aid, given the lack of progress in establishing formal bilateral ties.

The Japanese government under the former Prime Minister Junichiro Koizumi eagerly sought to engage the Kim Jong-il regime more visibly and proactively. Koizumi made a high-profile visit to North Korea in 2002, offering substantial economic inducements in an effort to accelerate Japanese-North Korean diplomatic normalisation. However, the North Korean Leader's startling admission during that trip that North Korea had abducted Japanese citizens in the 1970s and 1980s, effectively halted Koizumi's engagement policy. The Japanese public demanded a swift and satisfactory resolution of the abductee issue before any resumption of broader normalisation talks (*Ministry of Foreign Affairs of Japan* 2012).

Since October 2002, when North Korea revealed its nuclear programme, a nuclear Korean peninsula has been a serious security concern in Japan, as has North Korea's abduction of Japanese. Japan has participated in the Six-Party Talks since August 2003 in order to solve the nuclear issue in collaboration with other concerned countries, but at the same time has been pursuing development and deployment of a missile defence system. Further, partly as a result of pressure from families of abductees, Japan has revised its law governing economic

sanctions so that it can independently sanction other countries for security reasons (previously, the law required that economic sanctions be undertaken through international arrangements, such as with the UN).

Japan saw its interest threatened by North Korea's nuclear and missile programmes, but it also came out of the crisis with some security gains. In order to counterbalance the threat of North Korea as well as other communist countries, Japan did create a highly sophisticated military establishment, the Japan Self Defense Force (SDF), with 250,000 highly trained personnel equipped with technologically advanced weapons systems (Kim 2004, 140). In particular, alarmed by North Korea's missile launch, Japan, still cautiously and even timidly, began putting in place its conservative project to transform itself into a 'normal state', free of its wartime guilt and post-war pacifist ethos. However, Japan is not able to combine regional countries to cope with the North Korean nuclear issue. Multilateral initiatives from Japan have confronted another difficulty: suspicion and mistrust on the part of other Asian countries, flowing from Japan's imperialistic role in the area prior to 1945. Such complication has been especially pronounced in Northeast Asia, around the periphery of Japan's home islands, where the experience of Japanese colonial rule was longest and, generally speaking, most bitter (Calder and Ye 2010, 82).

(4) Russia

The Soviet Union provided a security umbrella for North Korea, and North Korea was considered as the only friend of the Soviet Union throughout the Cold War. However, Mikhail Gorbachev's efforts to disengage the Soviet Union from its Cold War inheritances sharply diminished Pyongyang's leverage with Moscow. In the mid-1990s, after realising the limits of the effectiveness of its friendly policy towards the West, Russia started to adopt a foreign policy known as 'double-headed eagle' diplomacy, which takes both the East and the West into account. It emphasises that Russia is not only a European country, but also as an Asian state, since it is geographically surrounding the Pacific. Russia has continued the Soviet support for a multilateral security cooperation regime. Russia's main concern regarding the North Korean Nuclear Issue is not to be left out of the process and to prevent US dominance on the Korean Peninsula.

From his inauguration, Vladimir Putin pursued the promotion of enlarged regional influence and strengthened status in the Asia-Pacific region and the regaining of regional influence in Northeast Asia. In return, North Korea consolidated strong support against the hawkish threat from the US. In the face of US unilateralist posture, it was clear that they needed each other. Russia provided North Korea with valuable friendship between Kim Jong-il and Putin, who played a role in consolidating Kim's political power. Putin's 'personal friendship' with Kim Jong-il contributed to the improved Russo-North Korean relations, and it also acted as a strong support for Kim's political survival. The Russo-North Korea relations in the 2000s reflect the convergence of Putin's pragmatic foreign policy and Kim Jong-il's threat perception against the US.

Russia is interested in peaceful resolution of the North Korea Nuclear Issue, also because nuclear weapons proliferation seriously devalues Russia's influence in the world. The more nuclear states there are, the less Russia's comparative military strength might become. This is a purely pragmatic consideration, to which can be added a number of other negative consequences from further nuclear proliferation, such as an increased probability of nuclear conflict, and threats to national security in the Far East. As for Russia, a former ally of North Korea, it is less capable of influencing Pyongyang compared with the Cold War era. Since losing its superpower status when the Soviet Union disintegrated, Russia has abrogated its 1961 alliance with North Korea, and its overall influence in Northeast Asia has waned. Moscow joins other powers calling for Pyongyang to return to the negotiating table but its role is marginal rather than primary.

4.2.3 Why China?

As we see above, regional countries are not willing to see the serious consequences of the North Korean nuclear programme, and they tried to resolve it with the bilateral approach of old regionalism. However, None of the US, South Korea, Japan or Russia could provide North Korea bilaterally with the satisfied security guarantee and economic assistance. Since the end of the Cold War, the world moves from bipolarity towards a multipolar structure with a new division of power. Instead of the bilateral old regionalism, the multilateral new regionalism is needed to resolve the North Korean Nuclear Issue. Regional countries have different position, and have different strategic goals and national interests. Their realist thinking increases difficulties in conducting a multilateral regional security cooperation. The unpredictable behaviour of North Korea and the difficulty of cooperation to cope with it were somewhat unnerving. Regional countries turned their eyes to China, and hope that China would use sufficient influence to combine regional countries and pressure on the regime in Pyongyang to rein in its militaristic impulses, because China is the only one which is able to bring all the relative parties together (Liu 2003, 361):

(1) China - North Korea

China has significant influence on North Korea. The relations between China and North Korea are very close. After freeing North Korea from Japanese colonial rule at the end of the WWII, the Soviet Union sought to turn North Korea into its subservient satellite state. The strong desire for independence of North Korea, coupled with its close relationship with China, enabled the country to force the withdrawal of Soviet troops from Korean Peninsula in 1948, and to resist subsequent Soviet efforts to exert hegemony over the country through other means (Bean 1990, 90). Kim Il-sung's experience in the Korean War might have also influenced his policy towards China. If not for the intervention by the Chinese Volunteers crossing the Yalu River, Kim Il-sung's North Korean government could have disappeared (Kim 2011, 6). Since the end of the Cold War, North Korea also has used Chinese mediation as a

way-out from US coercion. Contrary to the Soviet-North Korean treaty, the Sino-North Korean security pact signed in 1961 is still effective. Thus a US military action against North Korea, whether a surgical attack or a larger-scale operation, would institutionally stipulate China to defend Pyongyang (*Xinhua* 1961).

Acting as the strategic and economic benefactor of North Korea, China enjoys the leverage that no other countries have in dissuading North Korea from pursuing a nuclear power status. China wields influence over North Korea, as North Korea depends upon China for a good part of its food and fuel supplies. One area where this influence can be traced is in respect of Sino-North Korean trade, which occupies about 40% of North Korea's whole external trade, an increase by 24% (1.6 billion dollars) in 2005. Chinese supply occupies 80% of consumer goods and 87% of crude oil (Liu 2003, 361). Without China, North Korea would not be able to breathe, at least economically. That explains the decisive influence of China in North Korea. China reminded North Korea that cooperation is more beneficial than confrontation. Relying on Beijing to make up oil and grain shortages, to deter the US from leading hostile UN Security Council actions, to keep North Korean human rights issues out of international scrutiny, as well as to prevent an exodus of refugees and migrants, Pyongyang could only take Chinese warnings seriously. At the same time, China could not tolerate North Korea becoming a nuclear weapons state, because:

First and foremost, North Korea shares a border with China and is therefore regarded as vital to Beijing's military security. The Central challenge for China is to make the external environment safe for its modernisation drive. Conflicts on the Korean Peninsula will be detrimental to China's quest for a stable regional environment. Another war on the peninsula would mean that China would have to come to the aid of North Korea in some form, lest its inaction be regarded as a sign of Beijing's declining military standing in the world. China's fundamental objective is to avoid a situation on the Korean peninsula whereby war might break out and American intervention close on its doorstep is almost certain (Tkacik 2006). It is therefore in Chinese interests to sustain its Communist ally in military and political security terms and to prevent any further radicalisation of North Korea's foreign policy as well.

At the crux of the problems is the fact that China fears a North Korean implosion more than a North Korean nuclear weapon. This is because a North Korea implosion would generate chaos, conflict, refugees, and most important, a unified Korea allied with the US on China's border (Bandow 2006, 76). Undoubtedly, the economic well-being of North Korea is essential to China. Should the North Korean regime collapse, China will have to face an exodus of refugees. Chinese leaders showed keen awareness that major instability in or collapse of the North Korean regime would have potentially major adverse consequences for China. These included the danger of full-scale war on the Korean peninsula and large-scale refugee flows to China. These were estimates of as many as two hundred thousand to three hundred thousand North Korean refugees in China in 2003 (Sutter 2008, 249).

Furthermore, Beijing uses its leverage over Pyongyang, which no other state in the world possesses, to elevate its status in the international system (Bandow 2006, 76). The lack of US and Japanese progress in establishing formal links with North Korea has helped to restrict the

capacity of Washington and Tokyo to influence inter-Korean relations in a significant manner. In contrast, it is evident that in Beijing's eyes, maintaining stability on the Korean peninsula includes some sort of Chinese influence. This influence is important to China's quest for global power status in the 21st century. Overall, the increased need for regional stability has led China to dissuade Pyongyang from continuing the nuclear programme. At the same time, China's good offices are needed to persuade North Korea to halt its nuclear activities immediately. China has tried to urge a return to 'negotiations' to 'resolve peacefully' the issues at hand. The onus is on China to persuade Pyongyang to re-engage in dialogue in the form of the Six-Party Talks, which is a multilateral approach of new regionalism.

(2) China-US

In Northeast Asia, the most important relations are the bilateral relations between China and the US. The characteristics and development of this bilateral relationship strongly determines the security situation in Northeast Asia. China and the US have common strategic interests in that both countries hope to maintain the peace and stability of the region. It is in the interest of the US to develop a strategic approach that focuses on the essentials of a mutually beneficial relationship, and to integrate China into East Asia and the global political system. In 1997, the Clinton Administration made the decision to establish the partnership with China. In security and anti-terrorist issues, the cooperation between China and the US has further been strengthened after the terrorist attack on 11 September 2001. Bush has readjusted his China policy and treats China again as a strategic partner. The common cause of combating terrorism brought the two countries together, and led to a more optimistic security situation in Northeast Asia. In these circumstances, China urged the US to join multilateral negotiations to resolve the North Korean Nuclear Issue.

(3) China-South Korea

China's influence on the Korean peninsula was enhanced with the normalisation of relations with South Korea in 1992. On the surface, the normalisation seems to indicate a shift towards Seoul from Pyongyang but the reality is that Beijing has extended its influence to the southern half of the Korean peninsula in the post-Cold War era, a feat that was unachievable during the Cold War. China has risen as a market for South Korean export goods after the two countries' normalisation of relations in 1992, and has established a tight relationship with South Korea. Since 2004, China has been South Korea's largest trading partner and the largest destination for South Korean FDI and tourism. The 57,000 South Korean students in China during 2006 were the largest group of foreign students attending Chinese universities at that time, representing one-third of all foreign students in China. Many South Koreans believe their economic future depends on the development of the Sino-South Korean relationship (Snyder 2007). China clarified that the multilateral mechanism will help South Korea to share its responsibility with regional countries, and to gradually realise its plan of reunification. That is

the reason why South Korea has worked closely with China to improve the multilateral regional security mechanism.

(4) China-Japan

China illustrated to Japan that pursuing cooperative security through multilateral mechanism allows Japan to have the assurance of security, to resolve the delicate abductee issue, and to play a more active role in regional security while allaying the concerns of neighbouring countries, and Japan joined the regional multilateral process considering its security, military, political and economic interests.

(5) China-Russia

Internationally, cooperation with China is very important for Russia. China shares Russia's view of a future multipolar world. China and Russia support each other in the struggle against separatism. That is why both countries in recent years have supported preservation of the principles of international law and the UN's status, coordinated UN voting on major world issues, and shared the same stand on negotiations concerning North Korea, Iran, and many other burning issues of world politics.

The growth of US influence in the world after the end of the Cold War presents Beijing and Moscow with similar challenges. Both countries need to balance cooperation with Washington and the West in order to further their internal economic reforms and to check US activism where it affects their interests. The crisis of North Korean weapons of mass destruction is the most recent example of Chinese-Russian cooperation prompted by disagreement with US (as well as North Korean) policy. Aware that North Korea could well become Washington's next target, China and Russia called on North Korea to observe the nonproliferation regime and asked the US to normalise its relations with North Korea and start a constructive and equal dialogue with it. North Korea's nuclear weapons constitute a much more important problem for China and Russia than Baghdad's chemical weapons, because North Korea is their closest neighbour - neither do they want a military conflict between North Korea and the US that could trigger an environmental and demographic catastrophe. This explains why the understanding that exists between Beijing and Moscow on the North Korean Nuclear Issue. China appreciates the presence of Russia as a balance power in Northeast Asia, and encourages Russia to play an active role in multilateral cooperation. China confirmed with Russia their strategic partnership for the twenty-first century, and has deepened their cooperation in security issues as well as in the domain of energy. With encouragement of China, Russia is more interested in joining the multilateral process of Northeast Asia.

From the above, we can see that China has very close bilateral relations with all the relative parties of the North Korean Nuclear Issue. As discussed in Chapter 2, new regionalism is an interconnecting, unifying process that is a natural outgrowth of bilateral relations. China's close bilateral relations with regional countries enable it to call regional countries together. From the view of the neorealism, the presence of a hegemonic power is necessary if regionalism is to succeed - because a hegemon alone has both the means and the incentive to supply the collective goods that will induce small states to enter into collaboration in a regional arrangement with it. In terms of the North Korean Nuclear Issue, China can be seen as a regional hegemon, and has the particular hard and soft power to call regional countries together.

4.3 China's Leading Role in the Six-Party Talks

The North Korean nuclear programme has serious effect to regional security. North Korea decided to develop its nuclear capability despite any difficulties. With the progress of the North Korean nuclear programme, the nuclear issue has become more and more serious, and there is need of closer regional security cooperation in order to resolve it. In comparison with the bilateral old security regionalism, another solution for the North Korean Nuclear Issue is to utilise a multilateral approach. This new solution focuses on a plausibility of multilateral economic and political arrangements that would diminish insecurity on the Korean Peninsula (Maul and Harnisch 2002, 30-37).

One crucial areas for regional intervention is conflict resolution. In order to convince North Korea to give up its nuclear programme and nuclear weapons, and to prevent the North Korean Nuclear Issue from escalating into threat of regional security and nuclear proliferation, China decided to sponsor the initiative of Six-Party Talks in early 1998, and then it is back on center stage in Korean affairs. Since North Korea withdrew from the NPT in 2003, China hosted subsequent six rounds of the Six-Party Talks. The Six-Party Talks aim to find a peaceful solution to the security concerns as a result of the North Korean nuclear weapons programme. As a approach of new regionalism, it has served as a multilateral mediation and negotiation platform in defusing the tension, and provided good opportunity for six parties to reach an agreement.

4.3.1 Highlights of the Six-Party Talks

Table 4.1 Highlights of the Six Rounds of the Six-Party Talks

No.	Date	Most Important Objective achieved
1st round	27 Aug - 29 Aug 2003	The principle of peacefully resolving the nuclear issue through negotiations had been

		established
2nd round	25 Feb - 28 Feb 2004	A Chairman's Statement including denuclearisation of the Korean Peninsula
3rd round	23 Jun - 26 Jun 2004	A Chairman's Statement including reconfirming the commitment to denuclearising the Korean Peninsula, stressing specification of the scope and time, interval (between steps of) and method of verification
4th round		
1st phase	26 Jul - 7 Aug 2005	The US and North Korea cannot agree on 'peaceful' use of nuclear energy
2nd phase	13 Sep - 19 Sep 2005	A Joint Statement including North Korea to agree to abandon all nuclear weapons and nuclear programmes and return to the NPT as soon as possible
5th round		
1st phase	9 Nov - 11 Nov 2005	No special agreement
2nd phase	18 Dec - 22 Dec 2006	North Korea was reported to agree to freeze their nuclear programme in exchange for 500,000 tons of fuel oil a year
3rd phase	8 Feb - 13 Feb 2007	Joint statement on the first step towards the denuclearisation of the Korean Peninsula: The six parties agreed on the establishment of a Working Groups in order to realise the Northeast Asia Peace and Security Mechanism
6th round		
1st phase	19 Mar - 22 Mar 2007	The US announced that all of the USD25 million in funds belonging to the North Koreans in Banco Delta Asia that were frozen before were being unfrozen to reciprocate the positive steps the North Koreans have taken towards freezing their Yongbyon nuclear reactor and readmitting IAEA inspectors, with a future goal towards total nuclear disarmament of the Korean Peninsula
Resumption of 1st phase	18 Jul - 20 Jul 2007	Talks will resume in September to hear the report of the working groups and work out a roadmap for implementing the general consensus
2nd phase	27 Sep - 30 Sep 2007	North Korea and the US remain committed to improving their bilateral relations and moving towards a full diplomatic relationship

Source: <http://www.china.org.cn/>

4.3.2 China's Mediation

China regards the North Korean Nuclear Issue as a serious threat to its peaceful environment. China is concerned about the prospect of US-North Korea conflict and a flood of North Korean refugees streaming into northern China. An exodus of North Korean refugees into China would be a humanitarian crisis, debilitating China's economy and straining its domestic stability (Tkacik 2002). Eager to focus on its internal economic development, China conducts the policy of persuading for peace and promoting negotiation, and holds the position of denuclearisation. China has constantly emphasised a dialogue and consultation approach among the principal parties, and has been trying to resolve the North Korean Nuclear Issue by multilateral effort. China also considers it as an opportunity to establish a comprehensive regional security mechanism in Northeast Asia in order to promote regional peace and security. China has been willing to dispel the concerns and to find out the common interests of six parties, and to persuade regional countries to reach a consensus of multilateral cooperation. Here followed some typical practice of China during the multilateral process of the Six-Party Talks:

(1) Shuttle diplomacy

China is seeking a multilateral regional security mechanism to handle the North Korean Nuclear issue. With the support of regional countries, China has played a key role of mediator in the Issue. To prevent a further deterioration of US-North Korean relations following Bush's swift victory in Iraq, China began conducting an intensive campaign of shuttle diplomacy, sending senior envoys to North Korea, the US, South Korea, Japan, and Russia, and sponsoring preliminary trilateral meetings. Under China's influence, the multilateral negotiations have been continued with the Six-Party Talks.

(2) Conflict avoidance

Because of the severity of the North Korean Nuclear Issue, crisis management has become a generic feature of Northeast Asian regional politics. In order to handle the nuclear crisis, China has pursued a strategy of 'conflict avoidance', and holds back and opposes any kind of armed struggle. When the North acknowledged its covert highly enriched uranium programme in October 2002 to get the US interested in signing a nonaggression pact, the superpower instead suspended its supply of crude oil. The North fought back by rescinding the Geneva pledge of nuclear freeze and withdrawing its membership in the NPT. The escalation of tension was briefly checked when China intervened to launch Six-Party Talks in 2003. During the process of the Six-Party Talks, China withdrew its unconditional support for North Korea, and

reportedly warned Pyongyang that it should not count on its support in confronting the US (Oberdorfer and Carlin 2013, 197-28). There were media reports in Hong Kong, Taiwan, and Japan that carried unconfirmed reports that China handed over a draft treaty that would not stipulate military assistance, even in the case of an armed conflict (*Hankook Ilbo*, 9 October 2006, p. 3). At the same time, China prevented the preemptive attack against North Korea from either the US or South Korea. During the nuclear crisis in 2006, at the UN Security Council, China's draft resolution (which eventually became resolution UNSC 1695) served dual purposes: It condemned Pyongyang's missile test and ruled out the possibility of military sanctions by dropping Chapter 7 of the UN Charter, which stipulates military sanctions. China's mediation certainly deterred the North Korean nuclear crisis from escalating into military conflict.

(3) Carrot and stick

To persuade North Korea to cooperate, China combined the other parties to use the very skillful incentive diplomatic tactic 'carrot and stick'. China shut down its oil pipeline for three days in February 2003 and even threatening its abstention from a future UN Security Council vote on sanctions if North Korea refused to change its course of action. To lure North Korea into resuming talks on a nuclear freeze, China, like the US in 1994, increased its shipment of corn and wheat (Scobell 2003, 278). These actions implied China would use its economic leverage in the crisis. China further used the tools of financial and trade restrictions. In 2006, China has taken actions such as the freezing of North Korean assets in foreign bank accounts, such as the USD 24 million in Macau's Banco Delta Asia. With the nuclear test on 9 October 2006, China supported UNSCR 1718 which included a ban on all luxury goods to North Korea. These funds have since been unfrozen on 19 March 2007 to reciprocate actions by the North Korean counterparts.

(4) UN Resolutions

When the North launched ballistic missiles in July 2006, China joined the US in unanimously adopting Resolution 1695, but refused endorsing its proposal for sanctions. Instead, China silently reduced the supply of crude oil to the North by September of the year, as it had previously done to force North Korea to end the boycotting of the Six-Party Talks. In a similar spirit, China backed Resolution 1718 when North Korea crossed another 'red line' in October 2006 with a nuclear test, but only after explicitly excluding military instruments from sanctions - again, against US and Japanese proposals. Likewise, China accommodated the US demand to include in Resolution 1718 an article that called for international cooperation in inspection of North Korean cargo ships suspected of illicit trafficking in nuclear, chemical, or biological weapons, but it also toned down this threat of containment by specifying that UN activities should comprise 'inspection' rather than 'interdiction', and be voluntary rather than mandatory.

(5) 'Commitment for commitment, action for action'

The mutual trust and confidence have been built up among six parties. The principle of 'commitment for commitment, action for action' has played a key role during this process. (*People's Daily* 2005). Given the long history of mistrust and animosity between Washington and Pyongyang, North Korean denuclearisation will not be achieved in one step. A roadmap is needed that links North Korean denuclearisation with the gradual delivery of concrete benefits, including security assurances, diplomatic normalisation, economic reform, and Northeast Asian security cooperation. In practice, the joint statement of 19 September 2005, already provided the foundation for a 'verifiable denuclearization of the Korean Peninsula in a peaceful manner', in which North Korea committed to denuclearisation in return for a set of security and economic benefits. The six parties agreed to take coordinated steps to implement the statement in a phased manner, 'commitment for commitment, action for action'.

All the above-mentioned practices are multilateral mediation approaches. We can see that the multilateral mediation approaches are very useful, and their advantage in comparison with the bilateral mediation approaches is obvious. These multilateral mediation approaches also show the efficiency of regional intervention to resolve security problems as discussed in the part of the distinction between five different modes of external intervention in Chapter 2. Through the shuttle diplomacy, China conveys informations among related parties and invites them to meet together. Through the conflict avoidance, China prevents the outbreak of the war and keeps peace in the region. Through the carrot and stick, UN sanctions, and 'Commitment for commitment, action for action', China induces North Korea to give up its nuclear programme step by step. Due to all the multilateral mediation approaches, China has put the North Korean Nuclear Issue under control for about 20 years.

4.3.3 Achievement of China

Since successfully hosting the first round of the Six-Party Talks in August 2003, Chinese endeavors have become very explicit. Furthermore, China envisages the successful inaugural meeting as a gate way to realise the long-sought goal of building up a comprehensive security mechanism in Northeast Asia. It has turned itself into an ardent advocate for institutionalisation of the Six-Party Talks. Even though China's idea to utilise the Six-Party Talks as a steppingstone towards a comprehensive security mechanism in Northeast Asia is premature, the idea of institutionalisation is very enticing, considering the fact that there is no precedent in which all six regional countries would congregate to discuss regional security issues. There is a growing hope for institutionalisation of the Six-Party Talks to become the first formal security mechanism in the region. Given the fact that the six parties are all lacking in mutual trust and confidence, institutionalisation may be a viable source that would bind them together as a coherent unit and push the talks to continue without interruption or breakdown.

The Six-Party Talks raised hopes in China of eased tensions and peaceful accommodation on the Korean peninsula. It has been able to bring the major powers together for six rounds of negotiations, and to build up mutual confidence and good faith among them. It is helpful to find a peaceful settlement to North Korean Nuclear Issue, and prevent the issue from escalating into conflict between North Korea and the US, and into nuclear proliferation. It brought the hope of a denuclearised North Korea and a peaceful Northeast Asia, and it facilitates lasting peace, stability and prosperity in the region. It momentarily urged North Korea to commit itself not to go nuclear. For example, on 19 September 2005, North Korea committed itself to abandoning 'all nuclear weapons and existing nuclear programmes and returning, at an early date, to the Treaty on the Non-proliferation of Nuclear Weapons and to IAEA safeguards' (*Korea Central News Agency*, 19 September 2005).

The most important is that China realised one decisive step of its regional strategy of cooperation: combine Northeast Asian countries together to establish a comprehensive regional cooperation mechanism. With its Herculean efforts, China successfully brought six parties to the consensus about resolving the North Korean Nuclear Issue through multilateral dialogue and cooperation. China's effort successfully limited the North Korean Nuclear Issue to a multilateral framework in February 2007. In the Third Session (phase) of the Fifth Round of the Six-Party Talks, the six parties agreed on the establishment of a Working Groups in order to realise the Northeast Asia Peace and Security Mechanism (*Ministry of Foreign Affairs of the People's Republic of China*, 2007). There was strong possibility that the comprehensive regional security mechanism would be established based on the mechanism of the Six-Party Talks. And the regional security mechanism may be further transformed to a regional political and economic mechanism. This will gradually lead to a comprehensive regional cooperation mechanism which will be a new beginning of Northeast Asia (Sung-Chul 2007, 23-27).

Through the process of the Six-Party Talks, China enhanced its relations of cooperation with regional countries, and increased its influence in Northeast Asia. Various parties have recognised that the mechanism of the Six-Party Talks is the most realistic framework and the most effective approach in the resolution of the North Korean Nuclear Issue. The Six-Party Talks is of great significance also for forming a formal framework of multilateral regional security cooperation, and a comprehensive cooperation mechanism in Northeast Asia. China played a leading role in the process of the Six-Party Talks. China hosted and sponsored successive rounds of multilateral diplomacy that sought to end North Korea's renewed nuclear weapons activities. Positive efforts of China enhanced contacts, built trust, and expanded consensus through an 'objective and just' attitude. China stepped in to persuade the US to participate in Six-Party Talks, lest the US and North Korea collide head-on militarily in its backyard. In doing so, China emerged as an active mediator and conflict manager. China could even be seen as a winner, becoming a 'mediator' in the Six-Party Talks, a 'balancer' against US unilateralism, a 'deterrent' against North Korea's escalation of nuclear brinkmanship, a 'guardian' of North Korean sovereignty, and a 'facilitator' of regional dialogue. Having assumed these multiple roles, China became sought after by all major players in Northeast Asian security (Kim and Jones 2007, 217).

Despite episodic, partial diplomatic successes and repeated calls for the denuclearisation of the Korean peninsula, the behaviour of North Korea across the decades suggests the precise opposite. North Korea pursues its nuclear ambitions at all costs. The regime has reneged on its nuclear and non-proliferation commitment, apparently only returning to the table to buy time to carry on building and testing weapons technologies. Apparent gains following the six rounds were reversed by outside events. The Bush administration maintained hard-line positions throughout the Six-Party Talks, while Pyongyang consistently refused itself to nuclear disarmament. Finally, responding angrily to the UNSC's Presidential Statement issued on 13 April 2009 that condemned the North Korean failed satellite launch, North Korea declared on 14 April 2009 that it would pull out of Six-Party Talks and that it would resume its nuclear enrichment programme in order to boost its nuclear deterrent (Landler 2009). Repeated Chinese warnings and diplomatic pressure failed to dissuade North Korea from conducting missile and nuclear tests. Why did the Six-Party Talks fail?

Firstly and actually, whether the Six-Party Talks would yield a feasible outcome depends on North Korea's perception on multilateralism. Although North Korea believes in 'instrumental values of international law and organisations', it appears quite reluctant to submit its authority under an international institution because it remains extremely dubious on the 'autonomy, fairness and justice' of multilateral institutions (Koh 2004, 324). The 'hub-and-spoke structure' of Asia forced North Korea to be preoccupied with bilateral talks with the US and thus, to show less interest in multilateral arrangements like the Six-Party Talks (Fukuyama 2005, 76).

Secondly, It is apparent that Chinese influence is limited if it aims to influence Pyongyang's policies that are designed to preserve North Korea's top priority: Kim Jong-il's political survival. Although North Korea regards China as its most credible ally and appreciates Beijing's economic assistance, Pyongyang could not afford to give up its core interests. China's efforts to prevent North Korea from declaring itself a nuclear power failed miserably, due to a combination of factors out of its control.

Thirdly, for the author, the status of the North Korean Nuclear Issue is acceptable for every parties. North Korea could continue its nuclear programme; US' Army could stay in the Korean peninsula by the excuse of deterring North Korea; Japan also found out a good pretext to rebuild its military capabilities; Russia used this opportunity to be involved in the East Asian affairs; South Korea may hope that a unified Korea will be a regional power with the nuclear capability;³⁷ And China has found a platform to exert its influence and practice its regional multilateralism. This maybe the real reason behind every party of the deadlock of the North Korean Nuclear Issue.

For the future of the North Korean Nuclear Issue and the Six-Party Talks, the author had a interview with Mr. Xubu, former Deputy Representative of the Ministry of Foreign Affairs for the Korean Peninsula Affairs before his appointment as the Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to ASEAN on the 1st August 2015 in Chinese Foreign Ministry. He said that even though there is possible resumption of the Six-Party Talks,

³⁷ Interview with an official in the the International Liaison Department of the Central Committee of the CPC, the 1st October 2005 in Singapore.

the Six-Party Talks is almost dead. However its significance is that China, for the first time as a host, brought Northeast Asian countries together, and created the possibility to build up a Northeast Asian security mechanism. And Northeast Asian countries together, have prevented the war breaking out. Problem is whether to recognise North Korea as a nuclear power. There are many possibilities for the future of the North Korean Nuclear Issue: (1) The Conflict between North Korea and the US. (2) The overthrow of the regime of Kim Jong Eun. (3) The reform of Kim Jong Eun and the normalisation of relationship between North Korea and the US. (4) In a long term, the reunification of the Korean Peninsula. Our policy should be beyond the North Korean Nuclear Issue, for example, think about the reunification of the two Koreas. Anyway, North Korea used to depend on China, and it will continue to do like that. Even if the Korean Peninsula is reunified, the reunified Korea will not be totally against China.

When the author was finalising the research, he was watching the escalation of North Korean Nuclear Issue, the effort of China to restart the Six-Party Talks, the deployment of the THAAD missile defence system by the US in South Korea, even the appearing tension between China and North Korea, which can delay the possible resumption of the negotiations. For example, Kim Jong Eun has yet to visit Beijing, four years after inheriting power from his father Kim Jong-Il, and failed to attend the 3rd September military parade in Beijing, which marks the 70th anniversary of the victories in the Chinese people's war of resistance against Japanese aggression and the world anti-Fascist War, but accepted Putin's invitation to attend 9 May Victory Day parade in Moscow in 2015. North Korea's Kang Kon Military Academy states that China is a 'turncoat and our enemy' (*The Diplomat*, 25 March 2014). At the end of the year, South Korea's largest circulation *Chosun Ilbo* daily quoted a high-ranking South Korean government official as saying that the all-girl Moranbong band, formed by leader Kim Jong Eun, decided to return home rather than yield to pressure from Chinese authorities to stop projecting the scene of long-range missiles being launched on a large background screen on stage (*Agence France Presse*, 10 December 2015). In 2016, North Korea has conducted twice nuclear test, and is under the new sanctions of the UN. In 2017, the author heard in the Chinese Foreign Ministry that there is discussion that China will change its stand towards North Korean Nuclear Issue and will agree to add more sanctions against North Korea's nuclear test. At the same time, the Korean Central News Agency (KCNA), the state news agency of North Korea, carried a bylined commentary warning of 'grave consequences' if China stands with the US and continues economic sanctions (*End Time Headlines*, 22 April 2017; *IWB*, 22 April 2017).

Why such a tension between North Korea and China? Mr. Yang Jun explained that China has traditionally been North Korea's sole regional ally and main provider of trade and aid, but ties have become strained in recent years as Pyongyang has pressed ahead with internationally-condemned nuclear tests. North Korea is determined to be nuclear for its own sake, and it is now a quasi-nuclear power. What it is claiming now is nuclear warhead capability. But China is not willing to recognise North Korea as a nuclear power, and has been attempting to reactivate Six-Party Talks on ending North Korea's nuclear weapons programmes. This caused the contradiction between China and North Korea.³⁸ Mrs. Yang

³⁸ Interview with Mr. Yang Jun, Counsellor in the Department of Asian Affairs, Ministry of Foreign Affairs,

Yanyi, who was in charge of Asian affairs for a long time, then Assistant Minister in the International Liaison Department of the Central Committee of the CPC, and Ambassador and Head of Chinese Mission to the EU, has another opinion. She said that the relationship between China and North Korea is quite delicate. They are both socialist countries but they are different. China was reformed since 40 years ago, and North Korea is still isolated. They are always dangers between these two brotherhood countries. If North Korea do not reform, it will think that China is a revisionist and will hate China; If North Korea reform, it will have closer relationship with the US and Western countries and will hate China as well³⁹. Kim Jung Eun was educated in Western countries, and the possibility of reform in North Korea is not small.

Will it be a possible conflict between North Korea and the US? During a trip to Asia in March 2017, US Secretary of State Rex Tillerson said preemptive military action was an option 'on the table'. A month earlier, Defence Secretary James Mattis warned that any use of nuclear weapons would be met with an 'overwhelming' response. US President Donald Trump has said the US will solve the nuclear threat from North Korea, with or without China's help. 'If China is not going to solve North Korea, we will. That is all I am telling you', he said in an interview with UK newspaper *the Financial Times* (*BBC News*, 3 April 2017). Dr. Branden Smith, Manager of Academic Programmes in East Asia of the London School of Economics and Political Science (LSE), who is doing research on the North Korean Nuclear Issue, said that North Korea will concede only if the US has decided to attack. The US should be ready to a preemptive war and let North Korea know it.⁴⁰ However, Mr. Qu Qingyuan, Second Secretary in the Department of European and Central Asian Affairs of the Chinese Foreign Ministry disagrees, he think that the US need the North Korean Nuclear Issue to be back in Asia, to retain its military presence in the Korean Peninsula, and to install the THAAD anti-missile system at the gate of China and Russia.⁴¹

But how will China handle the North Korean Nuclear Issue and the possible conflict between North Korea and the US? Mr. Wang Yi, Chinese Foreign Minister comment on the Issue on 8 March 2017:⁴²

Once again, tensions are rising on the Korean Peninsula. On the one hand, the DPRK has ignored international opposition and insisted on advancing its nuclear and missile programs in violation of Security Council resolutions. On the other hand, the US and the ROK are conducting military exercises of an enormous scale and putting more military pressure on the DPRK. The two sides are like two accelerating trains coming towards each other with neither side willing to give way. The question is, are the two sides really ready for a head-on collision? Given the situation, our priority now is to flash the red light

People's Republic of China on 13 December 2015.

³⁹ Interview with Mrs. Yang Yanyi in the Mission of China in the European Union on 3 December 2014.

⁴⁰ Interview in Southern Cathedral in Beijing on 30 April 2017.

⁴¹ Interview in the Chinese Foreign Ministry on 5 May 2017.

⁴² Interview of Minister Wang Yi by Reuters On 8 March 2017 during the press conference of the Fifth Session of the 12th National People's Congress.
http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1444204.shtml.

and apply brakes on both trains. To defuse the looming crisis on the peninsula, China proposes that, as a first step, the DPRK suspend its missile and nuclear activities in exchange for a halt of the large-scale US-ROK exercises. This suspension-for-suspension can help us break out of the security dilemma and bring the parties back to the negotiating table. Then we can follow the dual-track approach of denuclearising the peninsula on the one hand and establishing a peace mechanism on the other. Only by addressing the parties' concerns in a synchronised and reciprocal manner, can we find a fundamental solution to lasting peace and stability on the peninsula. China's proposal, fully in keeping with resolutions 2270 and 2321, tries to get to the crux of the matter. To resolve the nuclear issue, we have to walk on both legs, which means not just implementing sanctions, but also restarting talks, both of which are set out in the Security Council resolutions.

The nuclear issue on the Korean Peninsula is mainly between the DPRK and the US. China is a next-door neighbour with a lips-and-teeth relationship with the peninsula, so we're indispensable to the resolution of the nuclear issue. China has a strong commitment to denuclearising the peninsula, to maintaining stability there and to resolving the issues peacefully. Indeed, China has done its level best to bring the DPRK and the US together and to chair the Six-Party Talks. We've also contributed to the adoption and implementation of Security Council resolutions. Going forwards, to continue my earlier railway metaphor, China will continue to be a 'switch-man'. We will try to switch the issue back to the track of seeking a negotiated settlement. And I wish to emphasise that nuclear weapons will not bring security, the use of force is no solution, talks deserve another chance and peace is still within our grasp.

4.4 Beyond Northeast Asia

Under the thinking of new regionalism and since 2006, multilateral cooperative regionalism, with a strong Northeast Asian element, has become a core component of China's foreign policies, and China's ambition is far beyond Northeast Asia. China is committed to develop all multilateral regional security mechanisms, already exist or not yet formed, to a higher level. The most important security mechanisms include: the Declaration on the Conduct of Parties in the South China Sea (DOC); the Shanghai Cooperation Organization (SCO); and the Conference on Interaction and Confidence - Building Measures in Asia (CICA). There are people call these Chinese 'Evolution of a new regionalism not involving the US'.

4.4.1 Declaration on the Conduct of Parties in the South China Sea (DOC)

In the direction of Southeast Asia (ASEAN countries), China has tried to solve the sea disputes with multilateral arrangement such as the Declaration of the Conduct of Parties in the South China Sea (DOC). To reassure ASEAN, China has abandoned its aggressive policy of seizing

disputed islands and reefs in the South China Sea. In the mid-1990s, China's island-grabbing in the South China Sea created much ill feeling in the region and damaged Beijing's image. But since the end of the 1990s, Beijing appears to have adopted a different approach. At the November 2002 ASEAN-China summit, China signed a declaration on conduct of parties in the South China Sea, and pledged to abide by international law, to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability, and to handle any differences in a constructive and peaceful manner. Even though this declaration is not a binding code of conduct, which ASEAN originally sought, China's signature on the document is considered a breakthrough for ASEAN (Wain 202). Some important articles of the DOC are as follows:

4. The Parties concerned undertake to resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force, through friendly consultations and negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law, including the 1982 UN Convention on the Law of the Sea;

7. The Parties concerned stand ready to continue their consultations and dialogues concerning relevant issues, through modalities to be agreed by them, including regular consultations on the observance of this Declaration, for the purpose of promoting good neighbourliness and transparency, establishing harmony, mutual understanding and cooperation, and facilitating peaceful resolution of disputes among them;

10. The Parties concerned reaffirm that the adoption of a code of conduct in the South China Sea would further promote peace and stability in the region and agree to work, on the basis of consensus, towards the eventual attainment of this objective.

More than 10 years after the signature of the DOC, the author interviewed Mr. Zhu Lin, Chief Division in the Department of Boundary and Ocean Affairs of Chinese Foreign Ministry on 25 December 2015, and asked him if China still supports the principles of the DOC. He answered that the good relations between China and ASEAN countries are sometimes eroded by the sea disputes because of conflicts of interests such as gas and oil. China insists on the peaceful settlement of the sea disputes with ASEAN countries, thus supports the DOC as always. But as the DOC indicates, 'the Parties concerned undertake to resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force, through friendly consultations and negotiations by sovereign states directly concerned'. The disputes should be resolved by bilateral consultations or regional multilateral arrangements, but should not be subject to any country or organisation outside the region, as the Philippino government did in October of the year to submit the issue to the International Court of Justice

(ICJ). We had better resolve the regional differences by ourselves, and the intervention of outsiders may not help but complicate the regional situation.⁴³

4.4.2 Shanghai Cooperation Organization (SCO)

In the direction of Central Asia, China's security interests are growing. From a wider perspective, Central Asia holds an important geopolitical position in the analysis of great power competition in the international system. Central Asia attracts the attention of all great powers, primarily due to its vast energy resources. China is no different as it seeks further supplies of oil to further its modernisation. Central Asia is increasingly important for the economic security of China. Moreover, the war on terror has changed the strategic landscape in Central Asia. China knows that any instability in Central Asia is bound to invite the intervention of other great powers. China's effort to invest in Central Asia, such as the construction of the SCO, obtained success. China does not face direct military threats on its northwestern flank. This can be contrasted with the past when Russia and then the Soviet Union frequently threatened China from Central Asia.

One initiative taken by the Chinese leadership in reshaping its regional security environment in recent years is the establishment of the SCO with Russia and five Central Asian countries. The 'Shanghai Five' - China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan - held their first presidential summit in Shanghai in 1996, and continued to hold an annual summit each year thereafter. The Shanghai Five initially focused on resolving border demarcation and demilitarisation issues between China and the former Soviet republics. In June 2001 the Shanghai Five became an official multilateral institution and renamed itself the Shanghai Cooperation Organization (SCO), with Uzbekistan included as a member. Among other things, the SCO pledged to enhance regional security and combat the 'three evil forces' of terrorism, extremism, and radicalism. The establishment of SCO represents a historical breakthrough in China's regionalism and its Good Neighbour Policy. It was the first regional organisation established on China's own initiative. It shows that China's Good Neighbour Policy had evolved into proactive institution building. In June 2002 the presidents of the SCO member states signed the group's charter. In May 2003, the SCO's institution building accelerated when the presidents of the SCO member states announced in Moscow that the SCO would set up in 2004 a secretariat in Beijing (with the first Secretary-General being Chinese). As a veiled criticism of US unilateralism, the group's presidents also called for a stronger UN role in international affairs and a multipolar world.

In 22 June 2017, when the author asked about the status quo of the SCO, Mr. Liu Bin, Deputy Director-General of the Department of European-Central Asian Affairs of the Chinese Foreign Ministry responded that the SCO has been developing very well since its establishment. Now, the SCO is in a major transition period, that means It is enlarged by accepting India and Pakistan as member states during the Astana Summit in June 2017. China has always been

⁴³ Interview in the Chinese Foreign Ministry on 25 December 2015.

important player in the SCO cooperation, and it will work together with other member states to lead the enlarged SCO to be more cooperative and more effective.⁴⁴

According to Chinese analysts, China's security policy in the SCO is intended as a contrast to US security policy in East Asia, which is underpinned by bilateral alliances and 'forwards deployment'. The SCO is oriented towards a Chinese vision of harmony in diversity (*he er bu tong*) between sovereign nation-states which implies cautious forms of cooperation that seek out what is in common, and leave differences aside (*qiu tong cun yi*) (Bardaro and Ponjaert 2011, 23). Chinese analysts argue that in the SCO, China and Russia have been working on cooperation and dialogue as the main means for security building, and reducing military presence in the border areas (Ding 1998, 7-12). Confidence building measures have been, and continue to be, a key area for the SCO, as evidenced in the two treaties regarding border security signed in 1996 and 1997, and the recently signed treaty among the Member States of the Shanghai Cooperation Organization on Good-Neighborly Relations, Friendship and Cooperation (Li 2009, 25).

With regard to Central Asian security, China has taken an active role in promoting SCO as a credible regional organisation. Beijing's aims in the region are threefold: to weed out separatist activities on its western front, to counter US and Russian influence in the region, and to demonstrate that it can act as a responsible regional power in Kirghizstan and did not erode the stability in Central Asia totally, they have strengthened the need for China to use the SCO more; China still stressed the need to be vigilant so that extremist and terrorist forces will not take advantage of these situations. Through the SCO, China was able to secure the inauguration of a regional anti-terrorist body, which intensifies its cooperation with Central Asian states in the war against the 'three forces of terrorism, extremism and separatism' (*Xinhua News Agency*, 17 June 2004). What triggered this deviation from the traditional policy of non-intervention in a given state's domestic affairs was the fear of a global militant Islam network allying with separatist forces in Xinjiang.

4.4.3 Conference on Interaction and Confidence-Building Measures in Asia (CICA)

Generally in Asia, China is holding CICA chairmanship. CICA is a forum for dialogues and consultations on regional security issues in Asia, with the main objective and purpose of enhancing cooperation through multilateral confidence-building measures towards promoting peace, security and stability in Asia.⁴⁵ The idea of the CICA was first proposed by Kazakhstan President Nursultan Nazarbayev on 5 October 1992, at the 47th Session of the UN General Assembly. CICA formally started its activities in March 1993. There are 26 member states in CICA including China, and 14 observers. Established in June 2006, the Secretariat of CICA is the permanent administrative body of the Conference, which is located in Almaty and then in Astana. From 2014 to 2018, the Executive Director is Ambassador Gong Jianwei from Chinese Foreign Ministry.

⁴⁴ Interview with Mr. Liu Bin in the Chinese Foreign Ministry on 22 June 2017.

⁴⁵ To know more about CICA, please see the CICA website: <http://www.s-cica.org/page.php?lang=1>.

China took over the CICA Presidency at the Fourth CICA Summit in Shanghai in 2014.⁴⁶ CICA summit, opened by Chinese President Xi Jinping, was the largest ever, gathering 11 heads of state, one government head and 10 chiefs of international organisations including Russian President Vladimir Putin, Iranian President Hassan Rouhani, Kazakhstan President Nursultan Nazarbayev, and UN Secretary-General Ban Ki-moon. China assumed the responsibility of CICA Chairmanship for the period 2014-16 at the summit (then extended it to 2018). Chinese President Xi Jinping's keynote speech at the summit emphasised that China would work with all sides to propose a common, comprehensive, cooperative and sustainable Asia security outlook. The speech also highlighted that China would promote the establishment of a new regional security cooperation framework based on CICA in a bid to jointly build a shared, win-win road for Asia security (*Xinhua*, 22 May 2014). Hong Lei, Chinese Foreign Ministry spokesman has said on the 22 May 2014 that the fourth summit of the CICA has set a milestone in the history of CICA as well as in the Asia security and cooperation process (*Xinhua*, 22 May 2014).

The author interviewed Mr. Gu Zipin, Ambassador and President of the CICA Task Force of Chinese Chairmanship in Chinese Foreign Ministry about the reason of China's active participation in the CICA mechanism.⁴⁷ Gu answered that even though China has participated in many international and regional security organisations, China does not have a regional security platform which includes most of regional countries and where it can really exert influence. The CICA is a suitable platform for China's security purpose. With the CICA, China could call regional countries together in order to discuss regional security problems. In the long term, China hopes that the CICA could be transformed as the Organisation for Security and Cooperation in Asia (OSCA) such as the Organization for Security and Co-operation in Europe (OSCE).

4.5 Summary

This Chapter is analysing China's new security regionalism after the end of the Cold War. Whereas old regionalism was formed in and shaped by a bipolar cold-war context, new regionalism is taking shape in a multipolar world order. In spite of their military superiority and of course in varying degrees, the former superpowers are being downgraded to regional powers, competing with other emerging regional powers. Whereas old security regionalism implies more realism thinkings, new security regionalism has more neorealist and neoliberalist thinkings. Regional powers begun to cooperate with each other due to mutual interests and in a multilateral way. In this context, China, as a regional great power, has began its practice of new regionalism in Northeast Asia.

Northeast Asia is a subregion where congregate major regional and global powers, and it is supposed to exert remarkable influence in international affairs. However, the Northeast Asian

⁴⁶ To know more about China's Chairmanship, please see the website of China's Chairmanship: <http://www.cica-china.org/eng/>.

⁴⁷ Interview in the Chinese Foreign Ministry on 26 December 2015.

cooperation is impeded by discrepancies among regional countries, and is under the threat of serious security issues such as North Korean Nuclear Issue. At the same time, the North Korean Nuclear Issue is intensely engaging the Northeast Asian countries. It has also offered opportunities and incentives for network-building, for cooperative attempts at resolution, and for institution-building process precisely because of its danger.

China has been pursuing a peaceful and favourable environment for its development. A unified Northeast Asia will play a leading role in regional cooperation, and will serve as a perfect platform to support China's international cooperation. From strengthening of bilateral relationship with regional countries, China has a new regionalism idea that is to play a constructive role in multilateral regional cooperation. China has engaged in the building-up of a multilateral regional cooperation mechanism and a security community in Northeast Asia. China considers the North Korean Nuclear Issue as a precious opportunity to start with, and is seeking a peaceful settlement of the issue through the Six-Party Talks. With China's unrelenting effort, regional countries reached the agreement to establish a regional security mechanism. China is planning to further extend this security mechanism into an economic and political mechanism, and finally build up a comprehensive regional cooperation mechanism.

China's effort through the Six-Party Talks has served as a catalyst for regional cooperation. It has invited all regional power to a multilateral security cooperation, and has provided the region with conflict resolution and security assurance. The Six-Party Talks has served as a peaceful settlement mechanism to the North Korean Nuclear Issue. The combined effort of regional countries has reached to a cooperative security which has guaranteed the peace and stability of the region and has prevented the nuclear crisis to escalate into a war. The institutionalisation process of the Six-Party Talks has remarkable significance. It provides China with a friendly neighbourhood. It helps China to increase its influence in regional and international affairs. It has also accelerated the integration process of Northeast Asian countries. A more unified Northeast Asia will further contribute to the East Asian regionalism, and make the center of gravity of the multipolar world move towards East Asia. Within the Six-Party Talks, China has been playing an important brokerage role. Many Chinese analysts are talking about consolidating the multilateral process into a permanent security regime, with or without North Korea's nuclear ambitions being resolved (Shao 2007).

Despite all the success of the Six-Party Talks, it is argued that the Six-Party Talks is not successful, because the talks are suspended and Northeast Asian countries are still holding realist thinking such as they are not willing to sacrifice a part of their sovereignty for regional cooperation, and to share the responsibility of economic assistance to North Korea. Ambassador Gu Ziping explained that North Korea needs two things to give up its nuclear programme: one is the full security guarantee, another is the enough economic assistance. North Korea believe that not the weak multilateral mechanism of regional security, but its own nuclear capability can provide enough security guarantee. And every country in the region considers the assistance to North Korea is a big burden and does not want seriously to share the responsibility. These reasons reflect the weakness of new security regionalism: If the gain seems not big than the lost, regional countries may not want to concede their sovereignty and sacrifice their economic interests to build up the multilateral security mechanism; If the

multilateral security mechanism is not strong enough, it can not cope with major regional security issues. That is why China obtained certain success but not full success in holding the Six-Party Talks and in resolving the North Korean Nuclear Issue.⁴⁸

However, with the mechanism the process of the Six-Party Talks, Northeast Asian countries already realised the importance of their common security, and the value of their common interests, and these will impel them to adopt a more cooperative posture towards the establishment of a comprehensive Northeast Asian cooperation mechanism. And with the same spirit of the Six-Party Talks and new regionalism, China is building up regional security regionalisms in different directions such as the DOC in Southeast Asia, the SCO in Central Asia, and the CICA generally in Asia. China's new security regionalism has started and will keep going on.

At the same period, the influence of new security concept and new regionalism has promoted economic regionalism in Northeast Asia. With the removal of the old Cold-War barriers and the promotion of greater cross-border contacts, economic growth of Northeast Asian countries flourishes. The development of Bilateral Free Trade Agreement (BFTA) trend constitutes an important turning point in Northeast Asian economic regionalism. Northeast Asian countries realised that the more practical approach to their economic interests is regional multilateral economic cooperation. China has large market and abundance of human resources; Japan has massive capital and advanced technology; South Korea possesses capital and medium-cost industrial and construction technology; North Korea has geographically strategic coastlines and connections; and Russia is endowed with energy and natural resources. There is a possibility to establish a multilateral economic mechanism which will benefit all Northeast Asian countries.

⁴⁸ Interview with Ambassador Gu Ziping in the Chinese Foreign Ministry on 4 November 2016.

Chapter 5 Economic Regionalism and the East Asia Community (EAC)

5.1. Introduction

The previous Chapter studied China's new security regionalism in Northeast Asia, and this Chapter will focus on China's new economic regionalism in the broader East Asia, especially on China's effort in promoting regional integration and building up the East Asia Community (EAC). After the end of the Cold War, new regionalism emerged in economic affairs as well as in the field of security. As the new security regionalism, new economic regionalism is also based on both neorealist and neoliberalist thinkings, and has been making progress in a multilateral way. In comparison with security regionalism, economic regionalisation is an arrangement based on inter-state networking to facilitate flows of goods, services, capital and technology across state boundaries.

The phenomenon of new economic regionalism is caused by the systemic changes in the world economy in the context of globalisation and the increase in global competition. Liberalisation brought by the globalisation promotes regionalisation. Since the end of the Cold War, the world economy is more than ever influenced by globalisation and rapid global competition. Globalisation created a new pattern of growth and competition in the world economy by creating unprecedented growth opportunities (e.g. in East Asia), which challenge traditional leaders of the world economy - including the US, the EU and Japan. As a matter of the force of globalisation, regional integrations must act more flexibly and openly, and the regionalism thus changes qualitatively. New regionalism is an outgrowth of the process of globalisation based on the idea that one cannot isolate trade and economy from the rest of society.

Given the global nature and the rapid pace of new regionalism in the economic domain, Lloyd advances reasons behind it (2002, 6): (1) Gain from trade and factor flows and greater competition in markets. (2) Binding of market access for goods (binding of tariffs at zero under duty-free entry provisions within the RTA and, in some cases, prevention of contingent protection actions by fellow members (anti-dumping, countervailing actions and safeguard action). (3) Ease of negotiations with fewer parties. (4) Benefits of deep integration resulting from the cross-border harmonisation of national economic policies and regulations. (5) Regional security. (6) Fear of exclusion from major markets.

Among neoliberal explanations for new economic regionalism, the following are important. First, the increasing interdependence, particularly economic interdependence, produces demands for inter-state cooperation and institutions are expected to call for collective actions to deal with various problems of common concern. Neoliberals have pointed out that states are inclined to cooperation because they are dependent upon each other. The more economically interdependent states are, the more they are interested in cooperation. Second, non-state actors in international systems, such as domestic interest groups and transnational firms, contribute to regionalism by pressing governments towards regional cooperation.

Governmental collaboration will help to reduce the transaction costs for transnational business operations. Interest groups such as domestic firms and transnational enterprises press governments to regional cooperation because it will help them to reduce transaction costs and to expand their markets. This argument seems appropriate to East Asia regionalism because Liu and Regnier (2003, xxi) observe that at the first stage, regional states showed little enthusiasm towards regional integration and momentum for East Asia regionalism came from 'the endeavours of the private sectors and the progressive economic development process'. There has been considerable literature showing that Japanese enterprises and overseas Chinese business groups contributed to stimulating regional economic cooperation. In general, in order to reduce transaction costs, many export oriented enterprises in East Asia use their own production networks instead of seeking governments' help.

Great powers play a key role in regional integration process. Regional integration now usually involves reform-minded small countries 'purchasing', with moderate trade concessions, links with a large, neighbouring country that involve 'deep' integration but that confer relatively minor trade advantages. As a great power, China has shown its strength to unify regional countries. In Chinese foreign policy, China pays the most attention to East Asia.⁴⁹ The influence of new security concept and new regionalism has promoted economic cooperation in Northeast Asia. With the removal of the old Cold-War barriers and the promotion of greater cross-border contacts, economic growth of Northeast Asian countries flourishes. New regionalism is 'new' in a qualitative sense as it is an integral part of global transformation, often called globalisation, and it can only be understood in that context, and within an interdisciplinary framework. Since Northeast Asian countries view themselves more in East Asia than just in a limited subregional framework, the recent regionalist engagement of Northeast Asian countries have been constituents of a wider East Asian new regionalism, and economic cooperation does seem to provide the starting point for East Asian integration process.

The idea of East Asian cooperation has a long history. By definition, East Asian economic integration started as early as from the 1960s, based on regional economic growth but only by market approach, while the process of regional cooperation through regional institutional arrangement through governmental efforts began only from the late 1990s, i.e. after the 1997-98 AFC. East Asia regionalism started at the beginning of the 1990s when there was a tidal wave of foreign direct investment throughout the region. Stubbs observes that 'in the late 1980s and early 1990s, the region has seen a marked rise in investment by the richer economies of East Asia in their neighbors... for instance... Singapore investors have played a major role in the development of Vietnam; and Japanese... and Thai businesses have invested in China. These cross-cutting investment patterns have helped to knit the region's economies together' (2002, 445).

Neorealists contend that regional cooperation can be formed as a response to external threats or challenges. In comparison with other regions, East Asia is late in forging regional FTA and other institutional establishments. Aside from intra-regional desire for a closer partnership,

⁴⁹ Interview with Mr. Wang Yajun, Director of the Department of the Policy Planning in the Ministry of Foreign Affairs of China on 4 January 2016.

East Asian new regionalism is also considered to be a rational response to the progress of other regions, especially to the success of the EU and the establishment of NAFTA (Drysdale and Ishigaki 2002, 6). There are recurrent fears over the stability of the multilateral trading order, hand in hand with the growing importance of NTBs to trade and the changed attitudes towards neo-liberal economic development and political system in the developing countries as well as in the post-communist countries. In this view, East Asia regionalism is considered as a 'defensive response' or 'reactionary regionalism'. East Asia regionalism emerged in the context of the growth of regionalism in every part of the world. During the late 20th century and the beginning of the 21st century, the European Union was expanding to include former Eastern Bloc states and the US was working to complete the NAFTA. In Africa, in 2002 the OAU was officially replaced by the AU whose structure was based on that of the European Union. Moreover, Stubbs (2002, 446) adds that the new round of the WTO intensified the need for a strong voice of East Asian countries as a whole. This common voice of East Asian countries would protect them from WTO's future rules and regulations that do not favour their interests. All of these developments in the world pushed East Asian governments to pursue closer cooperation to 'give the region balance against the possible development of an exclusive bloc elsewhere' (Capie 2003, 155). Beeson concludes that 'East Asia has... been marked primarily by a process of regionalization in which external economic forces have played a major role in encouraging [regional] integration' (2003, 253). This conclusion has definitely favoured the neorealist argument of regional cooperation as a response to external challenges.

Instead ASEAN initiated the AFTA as early as in 1992, the AFC was an important turning point since it changed both the environment and the structure of East Asian economic growth and integration. The crisis exposed the vulnerability of economic integration built only on market function and underlined the need for the strong regional cooperation to deal with the crisis and reduce future risks. In the aftermath of the crisis, regional states acted to ensure that they would be protected against such a serious degradation in their capacities and resources. What has developed since is a web of economic and financial regimes, whose cumulative purpose is to safeguard the region's economic welfare, at both the state and regional levels, and the real East Asian cooperation process started after the crisis.

After the AFC, East Asian regionalism has shown its new characteristic feature. Economic interdependence among East Asian countries was evident in the bilateral trade between ASEAN and the three Northeast Asian countries. Their bilateral trade increased from US \$66.5 during the first half of 1999 to US \$91.9 in the same period of 2000 (*Xinhua News Agency*, 2001). During this period of time, a wide array of regional initiatives emerged to address and deal with new issues in East Asian interdependence. Some of those initiatives are the East Asian Economic Group/Caucus, the dialogues of ASEAN-Japan, ASEAN-South Korea and ASEAN-China, ASEAN Plus Three, and the Chiang Mai Initiative. These initiatives can be viewed as the region's attempts to reduce transaction costs in its trade, to manage intraregional trade frictions and to advance regional economies. In the perspective of neoliberalism, all of these developments in regional interdependence help to explain the new interests of regional governments in regional arrangements.

The process of new regionalism is economic-centered, equally participated and consensus built (Thepchatree 2004, 5), which is totally different from the ancient and modern regional order. Thus, we may call it as 'East Asian new regionalism'. Economic integration generates demand for more formalised intergovernmental cooperation and institution building, which in turn deepens the integration process through the provision of international rules, monitoring, dispute settlement, and 'spillover' into other areas of cooperation. As a result, the strengthening of economic integration in East Asia provides the foundation for progressive regionalism. A multi-layered model catering mostly to trade and investment liberalisation fits the regional reality.

Although discussions about regional cooperation in East Asia have focused mostly on economic and security matters, East Asian nations increasingly face a variety of unconventional problems such as environmental degeneration, illegal immigration, the spread of HIV/AIDS, drug trafficking, and other organised crimes, all of which have transboundary causes and effects. The lack of an integrated institutional framework has forced the East Asian governments to rely on ad hoc multiple mechanisms, including unilateral, bilateral regional schemes. These are frequently redundant and slow in bringing meaningful results. There is a need for regional countries to develop well-institutionalised mechanisms for regional cooperation in East Asia.

In contrast with Europe, East Asia lacks well-institutionalised frameworks for regional cooperation. Although frequent mention is made of the 10+3 grouping, the prospect that East Asia will develop something similar to the European Union remains as dim as ever. In spite of the innumerable bilateral, subregional or regional frameworks for cooperation, East Asia has few intergovernment or supra-national entities with decision making mandates. Many frameworks involve simply information exchange, policy, dialogue, or joint research. When formal agreements stipulating members' obligations exist, they are not supported by sanctions against noncompliers. Implementation, therefore, depends entirely on peer pressure (Pempel 2005a, 142).

One of the most frequently noted features of East Asia, and one of the principal reasons that the prospects for EU-style regional cooperation generates such scepticism, is the sheer diversity of the countries of the region. Not only does the region contain every major religion and form of government, but it is also distinguished by massive disparities in wealth distribution. Even if we put to one side the troubled history of the region for a moment, and concentrate solely on contemporary indicators of GDP and per capita incomes, it is plain that there are very significant differences in the underlying economic circumstances of the region's members. Compounding the differences in economic weight are the very different demographics of the region, ranging from China's gigantic population to the micro-states of Singapore and Brunei. Even within these figures, there are major differences in the circumstances confronting Japan with its rapidly ageing population and, say, Indonesia, which continues to experience rapid population growth (Beeson 2007, 7).

Institutional building is inevitable for the process of East Asian cooperation. Although the institutional building starts from low level and on a multi-layered structure, progress has been

be made along with the development. In spite of the mounting difficulties, East Asian governments have elaborated a variety of regional schemes with different levels of geographical extension and different degrees of cooperative depth to cope with common challenges stemming from the increasing transboundary flow of goods, money, people, pollutants, and drugs. The significant feature of East Asian new regionalism has been evolving from the regionalisation, mainly characterised as a market-driven regionalism, to a new stage of institutional regionalism (Chia 2002; Urata 2004). This East Asian convergence goes beyond market integration by desiring governmental cooperation and institution-building. As a matter of fact, regionalism finds its rationale in not just economic benefits, but also political interests. The new regionalism in East Asia seems to be motivated by several factors:

The first is a concern to reduce the risks of financial contagion and unusual exchange rate instability, the damaging effects of which were made clear by the AFC. The crisis showed that rapid depreciation of one country's currency could adversely affect the export competitiveness of other countries, especially neighbours producing the same products for the same export markets (Eichengreen 2001). The crisis initially propelled countries to explore options for monetary cooperation and macroeconomic policy coordination (Kaminsky and Reinhart 1999), but, by highlighting the economic interdependence of the region, it has also given rise to proposals for regional cooperation in trade and investment.

The second factor is the interest of business communities in getting preferential access to foreign markets, especially when these are imperfectly competitive markets in which some form of establishment is required. There are significant benefits from being the first movers in such an environment. The greater tradability of many services and the growth of FDI have contributed to this focus in policy making.

The third factor includes the move by many economies, especially the more developed in the region, to lower their average tariffs; the growing recognition of the value of harmonising standards and regulations, if these are not to impede trade; and the higher concentration of trade among regional partners, especially in East Asia. These changes have affected countries' assessment of the costs and benefits of entering into preferential agreements. Some countries are also seeking to forge new agreements as a defensive response to arrangements being created elsewhere.

Last, countries cite their perceptions of a slow pace of progress in trade liberalisation, or the expectations of poor prospects, under WTO and existing regional cooperation mechanisms such as ASEAN and APEC, and the example set by increased economic integration in Europe and North America.

Besides the above-mentioned motivations, a key reason for the new trend is the perceived need by other economies of the region for stronger cooperation with China, both as a growing import market and as a rising competitor in export markets. The neorealism argued that the presence of a hegemonic power is necessary if regionalism is to succeed - because a hegemon alone has both the means and the incentive to supply the collective goods that will induce small states to enter into collaboration in a regional arrangement with it (Ravenhill 2002,

169). In the practice of new regionalism, great powers play a key role based on their comprehensive strength. According to hegemonic stability theory, it is the enormous market scale of a hegemon that is the root of its great capacity and sphere of influence. Moreover, great powers also attempt to manipulate market forces to increase their influence over both adversaries and allies. Great powers may be hegemonic, which implies a general acceptance or at least tolerance of their leadership throughout the region, or simply dominant, which means that they are looked upon with suspicion and fear among the minor players, the policy-takers.

In contrast, the major incentive for smaller states to participate in regional integration clarified by Hao (2009, 176) include: entering markets (particularly that of the great power), enhancing collective negotiation capacity, and increasing the institutional incentives for foreign capital. In the integration process, smaller states tend to make one-sided concession to the great powers. Moreover, for small states in the international system, neorealists hold that smaller powers will seek regional-arrangements because they hope that a regional institution will enable them to constrain the hegemon's freedom of action.

The wave of new regionalism in East Asia emerges just in coincidence with the rise of China. In historical retrospect China had been the hegemonic power in the East Asian region with tributary relationships with other neighboring countries. And culturally East Asian region was also heavily influenced by Chinese traditional culture including language and philosophies. With the end of the Cold War, economic interdependence replaced ideology as a defining factor in East Asian relations, facilitating China's expanded economic relations throughout East Asia. During the 1980s and 1990s China's continuous economic dynamism and its constructive role in releasing the heavy pressure of the regional financial crisis in 1997-98 made China the engine of regional economic growth. China has avoided the financial crisis, and its economy is still going strong in 1998. China has become an important factor for the stability of the regional economy. As China's economic weight increased dramatically over the decade of the 1990s, China's role in intraregional networks became more central (Gaulier, Lemoine and Ünal-Kesenci, 2006) and China changed from being a minor player in moves towards East Asian regionalism before 2000 to become the major player after 2000.

However, China cannot be playing alone. It is important to understand that the Chinese economy is not sustainable if the regional economies will not recover soon. The negative effects of the financial crisis are profound and long-term. The financial crisis has shown that the quick contagion is partly a result of failed consolidation of the countries in the region. The IMF's rescue fund is helpful, but its intervention seems harmful. What is surprising is the very slow reaction by the US. China realised that what is very urgent to create a favorable external environment is to encourage cooperation in the East Asian region, and started its new regionalist approach in both economic and financial directions.

5.2 Economic Integration

Under the influence of globalisation, new economic regionalism has been rising, and China turned to be more open and sped its new economic regionalism. As economist Balassa put forwards in 1961, the first stage that the regional integration should be carried out is FTA. The 1990s witnessed clearly the new wave of regionalism. It was led by trade agreements with objectives of creating FTAs or CM. Since the early 1990s, there has been a veritable boom in the market for all sorts of trade agreements, from bilateral to plurilateral ones, and leading to deep or shallow integration. China has been active in the creation of a free trade zone and multilateral frameworks in East Asia (Wang and Nunn 2005, 2). New regionalism in East Asia as well as other regions has been central to the study of regional integration with an emphasising on RTAs/FTAs since the early of the 1990s. The proliferation of RTAs may be the result of many factors from the economic to the political (Zhang 2010, 65). They may be as an integrated part of regional movement towards integration and cooperation; as a supplement of multilateral arrangements, i.e. a 'WTO plus' formula (faster, or beyond); as an alternative approach when the multilateral negotiation has stalled; as a regional response to globalisation; as a policy option to facilitate domestic reform and as a political motivation for closer relations between the related parties.

RTAs/FTAs have been viewed by Ethier (1998c) as building blocks for multilateral trade liberalisation because he regarded them as outputs from the success of global trade liberalisation. We can thus consider that the emergence of RTAs/FTAs and further proliferation in East Asia after the year 1997 as new regionalism, though there are some East Asian characteristics mainly because of not exactly consistent with the American approach. The rapid growth of intra-East Asian trade during the 1990s, temporarily reversed by the AFC but quickly resumed, was a positive force for creating institutions to facilitate regional trade. The major component of a RTA is negotiating a FTA. Compared with multilateral arrangement, FTA has broader coverage although the major content of an FTA is the liberalisation and facilitation of trade and investment (Fiorentino, Verdeja and Toqueboeuf 2006, 1).

New regionalism typically involves one or more small countries linking up with a large country. China began to take a leadership role in the late 1990s as the emphasis shifted to trade agreements, which is where the recent action has been in East Asian regionalism. Chinese leadership was partly filling a vacuum as Japan faced a loss of confidence after a decade of slow growth and South Korea was one of the countries seriously affected by the AFC. After its WTO accession, China began to be active in initiating RTAs/FTAs. China considers that the regional markets are specially significant for its exports, and the regional members are important for developing good relations and cooperative partnership. It is clear that the RTAs/FTAs strategy has been used by China for both economic and strategic interests. The most concrete proposal is for economic cooperation between China and ASEAN.

5.2.1 10+1

As Wilfred (1998) studied in Chapter 2, new regionalism typically involves one or more small countries linking up with a large country. Most Southeast Asia states were part of the

Sinocentric 'greater inter-state system of the China seas' which allowed them to send tributes to the imperial court and trade in permitted areas in China (Bhawan 2009, 200). Accordingly, China and Southeast Asia share longstanding geographical and cultural relations. Geographically and strategically, Southeast Asia is of fundamental importance to China (Goh, 2007). More specifically, the historical determinants of China's relations with Southeast Asia were geographic proximity, monopolistic trade exchanges, ethnic communities and political links. Due to their continued symbolical importance, these historic imperial practices are still shaping the China's definition of its proximity or 'regionness' (Bardaro and Ponjaert 2011, 15). China was most successful in Southeast Asia, where economic ties advanced rapidly after political normalisation (Rozman 2010, 82). The 1997-98 financial crisis remains the key regional turning point of the post-Cold War period, and China's reactions at the time contributed greatly to improving perceptions of Beijing's positive regional role. Its USD 1 billion aid package to Thailand, assurances not to devalue the Yuan, the extension of trade credits and offers of humanitarian aid were all welcomed as signs of Beijing's earnest desire to play a constructive leadership role in the region (Bardaro and Ponjaert 2011, 16).

The priority of China's RTAs/FTAs strategy is the region where it is situated, i.e. the neighbouring countries in ASEAN with which it signed its first FTA. China opened direct contact with ASEAN in 1991. One important reason for this change was the Tiananmen incident in 1989, which led to economic sanctions on China from the West and imperiled China's opening-up policy. To break this diplomatic predicament, Vice-Premier Qian Qichen wrote to the secretary general of ASEAN proposing cooperation and received a positive response. But real positive relations between China and ASEAN started just after 1997 when the crisis-hit ASEAN countries decided to strengthen regional cooperation. The anti-crisis arrangement led to the ASEAN Plus One (10+1) and 10+3 cooperation frameworks, under which the leaders of China and ASEAN meet informally every year. At their first summit in 1997, China and ASEAN published a *Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China* in Kuala Lumpur, Malaysia, and established a good neighbour and mutual trust partnership facing the twenty-first century.

Although China survived the 1997-98 crisis, the affliction suffered by ASEAN countries showed that China also needed to diversify its export markets. Chinese leaders were fully aware that ASEAN, a large potential market with 500 million people and rich in various natural resources, could play a crucial role in China's long-run growth (Wang and Tong, 2011). China started its regional strategy with China-ASEAN FTA (CAFTA). In 2000 in Singapore, having achieved WTO accession, Chinese Premier Zhu Rongji proposed a FTA with ASEAN. The following year of 2001, leaders of China and ASEAN agreed to establish a FTA within 10 years (Stubbs 2002, 440-55). The China-ASEAN CEP agreement was signed in 2002, which started with an early harvest programme focusing on liberalisation of major agricultural products and an agricultural cooperation agreement. The CAFTA for trade in goods was signed in November of 2004 and started implementation from July of 2005, and followed with the agreement for trade in services in 2007.

The question was raised on the motivation behind it. Why did China initiate the CAFTA first?

The simple answer is that it is easier to be realised because of the following factors (Zhang 2010, 107-08): First, considering the East Asian cooperation process, it is difficult to realise an East Asian FTA (EAFTA) in a short time, though the benefits from EAFTA would be much larger than CAFTA. The practical approach is to start with the easier route first, which may play a stimulus role in facilitating the EAFTA. China and ASEAN have a similar strategy in promoting regional integration and cooperation. The reality shows that the CAFTA meets their mutual interests, and is part of the grand strategy for both sides in promoting East Asian integration and cooperation.

Second, China and ASEAN have increasingly shared interests in their trade and economic relations. The establishment of a CAFTA will create an economic region with huge benefits (Zhang 2010, 43). Trade and investment will increase within the region, and the region itself will become more attractive to other investors. A FTA will provide new impetus to future economic dynamism. As a matter of fact, following CAFTA initiation, bilateral trade quickly picked up speed. Between 2001 and 2008, bilateral trade between China and ASEAN grew by about 28% a year in nominal terms, faster than that of China's total trade and far outpacing some estimates (Wang and Tong, 2011).

Third, the significance of a FTA between China and ASEAN will go beyond economic gain. Political gains are also important for China since a closer economic relationship helps to smooth comprehensive relations between them which will be significant in creating a peaceful environment for China. China's initiation of the CAFTA was obviously a political decision, and it is believable that China leaders had the intention to dispel the Western-rooted 'China threat theory' through this arrangement, because the 'China threat theory' was especially rampant among Southeast Asian countries. It was natural for Chinese leaders to try to alleviate such anxiety through a FTA with ASEAN.

On the contrary, why does ASEAN countries are willing to cooperate with China? In the case of East Asia regionalism, small countries have to deal with both the hegemon within the region, China, and outside-region hegemon, the US. China is now considered as an actual hegemon in the region because its influence in the region is much greater than that of Japan. Roy shows that China 'faces less resistance than Japan to building a superpower-sized military... [and]... economic development will make China more assertive and less cooperative with its neighbours ... whereas .. Japan's inherent weaknesses create doubts about the ability of the Japanese to increase or sustain their present level of economic power' (1994, 149-50). Southeast Asian countries are small countries in comparison with China. They are seeking cooperation with China, as neorealists argue, to constrain China from its freedom of action.

Further positive steps in the China-ASEAN relationship include China's signing of the protocol to make Southeast Asia a nuclear-free zone (ZOPFAN) in 2001, its willingness to negotiate the Spratlys dispute through ASEAN, and its formal subscription to the ASEAN treaty of amity and cooperation in 2003 (Bardaro and Ponjaert 2011, 16). In 2009, China was able to flex its economic muscle in the area when many states were suffering from a sharp economic contraction. Its success in using economic ties to enhance its position in Southeast Asia continued (Rozman 2010, 211). In January 2010, a new free trade area came into effect

incorporating China and the six founding members of ASEAN-Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand (*BBC News*, 1 January 2010). The agreement eliminates tariffs on 90% of imported goods and is expected to expand cross border commerce between the participating countries. The CAFTA Area is the largest free trade area in terms of population, accounting for nearly 1.9 billion people, and it is the third largest in terms of nominal GDP (*New York Times*, 31 December 2009). The CAFTA covers USD 6 trillion in GDP, and USD 4.5 billion in trade (Zhang and Li 2014). In January 2011, the combined GDP of the 10+1 countries was nearly USD 6 trillion (*Reuters*, 24 January 2011). CAFTA is China's first FTA and also the first FTA negotiated collectively by ASEAN. It represents a milestone in China's regional cooperation (Zhang and Li 2014).

What is the impact of CAFTA on East Asian regional cooperation as a whole? From a positive perspective, it pressed Japan and South Korea to formulate a FTA with ASEAN and encourage China, Japan and South Korea to facilitate closer economic arrangement. Therefore, the CAFTA can be considered as a positive step for the process of East Asian cooperation. FTAs without the involvement of Japan will surely hurt Japanese companies that have intensive business interests in the region. South Korea, as a newly emerging trade and investment player in the region, also quickly followed the trend and began to negotiate FTA with ASEAN. As a result, FTAs between ASEAN and South Korea and Japan were concluded in 2007 and 2008, respectively (Zhang 2010, 70).

Generally speaking, CAFTA was initiated by Chinese leaders as a positive response to the challenge China faced. But the policy evolution during the ten years of building CAFTA has served to embody economic regionalism even though it is a bilateral agreement in nature. As we have discussed, China's concern in this arrangement is mainly to diversify its export markets and to develop a potential resource supplier. But with the deepening of interdependence, Chinese began to think about more than economic gains (Wang 2011, 206). On 31 December 2015, the ASEAN Community is formally established, which comprises the Political and Security Community, the Economic Community and the Socio-Cultural Community, and marks another significant milestone in ASEAN's history (*Xinhua News Online*, 31 December 2015). The author asked if the establishment of the ASEAN Community will imply any political changes of ASEAN towards China. Mr. Sok Siphana, Advisor to the Royal Government of Cambodia, replied that the name change from ASEAN to ASEAN Community is more symbolic than practical, it presents the willingness of ASEAN countries to cooperate more closely and broadly. It will not influence the relationship between ASEAN and China. On the contrary, it will further facilitate the ASEAN-China cooperation with a more coordinated ASEAN.⁵⁰

5.2.2 10+3, RCEP, and EAC

⁵⁰ Interview with Mr. Sok Siphana during the Meetings of Special Working Group and Senior Officials Committee of the CICA in Beijing, China on 12 January 2016.

(1) 10+3

In the post-1997 period there has been an explosion of region-building efforts across East Asia, most significantly within the grouping of Northeast and Southeast Asian countries known as 10+3 (ASEAN+China, Japan, and South Korea or APT). A historical step was made on 15 December 1997 in Kuala Lumpur when leaders from ASEAN, China, Japan and South Korea got together to cooperate in dealing with the AFC and recovering the regional economies. The initial rationale for regional countries to have this mechanism was their realisation of the inadequacy of the existing ASEAN framework to deal with the financial crisis, and the need for Northeast Asian countries (especially China, Japan, and South Korea) to handle the problem. This is a very important historical event since it opened the way for a real regional cooperation process based on regional interests and a newly-defined regional identity, i.e., that of East Asia, and it began to nurture a new spirit of East Asian regionalism. 10+3 has shown itself as a value-added process. There have been new projects every year since 1999.

Vietnam, the host of the 1998 ASEAN Summit, announced on 3 August its invitation to the leaders of China, Japan and South Korea again to attend a summit in December. In response to the invitation, China decided to send Vice President Hu Jintao (*Japan Economic Newswire*, 3 August 1998). Hu proposed to hold a conference of deputy finance ministers and vice governors of central banks to discuss financial affairs (Siti 1998). Hu's proposal to set up a meeting of financial experts was another important step towards institutionalising 10+3. The same grouping was recognised as a valid mechanism for collaborating in various functional areas including financial cooperation (Curley and Thomas 2007, 63). In contrast to the first 10+3 Summit in 1997, the decision to hold a second 10+3 Summit was clearly influenced by the necessity to cooperate in the wake of the economic crisis. In fact, both China and Japan found in the 10+3 summit a useful occasion to demonstrate their importance in the regional and international arenas. China, whose own domestic economy largely avoided the impact of the financial crisis, behaved as a responsible international economic player by deciding not to devalue its currency. US President Clinton's later visit to China was an acknowledgement of China's increasing importance. By helping to realise a second 10+3 Summit, China further solidified this image on the world stage (Curley and Thomas 2007, 62).

The second 10+3 Summit in Hanoi was a more substantive meeting than the previous affair, with key policies being put forwards by the three Northeast Asian states. The focus of discussion centred on cooperation to cope with the financial and economic crisis. The ASEAN countries 'expressed their high appreciation for the role of and contribution by the three countries of China, Japan and the South Korea in overcoming the economic and financial crisis affecting the region' (*Press Release*, 16 December 1998). The biggest decision that the meeting adopted was to regularise the 10+3 Summit. According to the press release, 'Summit meetings will now be held between the Heads of State/Government of ASEAN and the People's Republic of China, Japan and the Republic of Korea on the occasion of formal and informal ASEAN Summits'. This was the beginning of the institutionalisation of the 10+3 framework. When the leaders of 10+3 met for the first time in 1997, it was an informal one-off gathering. Following the second meeting, it was decided that a third meeting was to be held in the future. Thus by the time the third 10+3 Summit was held in Manila in November 1999, it

was already commonly understood that 10+3 summits would be held on an annual basis. Those who are optimistic about 10+3's prospects suggest that, as with the evolution of monetary cooperation, the process is crucial. In this context, Nick (2002, 17) argues that the expansion of the meetings of ASEAN officials to include their counterparts in Northeast Asia is 'the most significant development in regional politics', and one that could presage the development of European-style policy coordination in the longer term (Beeson 2007, 234).

The third leaders' meeting held in Manila on 28 November 1999 was an important turning point for the 10+3 process because for the first time the 'Joint Statement on East Asia Cooperation' was made public by the leaders. The statement listed focal points for cooperation in the economic, social, political and security areas (*Leaders Joint Statement on East Asian Cooperation*, 28 November 1999). With the third meeting in Manila, 10+3 clearly established a life of its own as a viable international institution in East Asia, and the 10+3 framework was recognised as a major mechanism for regional cooperation. An important development in Manila was the informal breakfast attended by the leaders of China, Japan, and South Korea. In fact, there had never been a summit among the leaders of the three countries in Northeast Asia. The three leaders agreed to have a separate meeting of their own for the first time.

From China's perspective, 10+3 allows China to maximise its influence and leadership as the regional power. To underscore the importance of 10+3 for China, it is worth noting that China's trade with its 10+3 partners accounted for 32% of its total trade (Kim 2004, 105). Attracting more FDI from Japan and South Korea will benefit China in upgrading its industry structure, releasing the pressure from rising unemployment and promoting its economic development. In his November 2001 speech at the Brunei Summit, which has served as the basis of subsequent Chinese policy on regional cooperation, Chinese Prime Minister Zhu Rongji identified the 10+3 as 'the main channel of East Asia cooperation', signifying its importance relative to other forums. Indeed, Zhu argued that the '10+3' mechanism should serve as the framework within which subregional cooperation should proceed, and '10+3 cooperation should retain its openness and be ready to explore ways of establishing contacts with other regional mechanisms in the world as may be appropriate' (Kim 2004, 118).

China has actively participated in the 10+3 cooperation process. China's participation in 10+3 has the greatest potential impact for both the future of economic regionalism in East Asia and for China's economic relations with its Northeast Asian partners. During the 1990s, APEC was the most important multilateral regional trade forum to which China belonged. When FTAs of East Asia own such as 10+1 appears at the end of the 1990s, APEC seems to be of diminishing importance to China, and the 10+3 emerged as the most vital grouping for China in East Asia. The cooperation under the 10+3 reflected strong interest in China, Japan, and South Korea in deepening regional cooperation, first in economic areas but then in political and security areas, in order to ease long-standing mutual suspicions among them and the other East Asian countries, and enhance prospects for peace and development in the region. Since the AFC, the centre of gravity for regional cooperation has been steadily shifting away from APEC towards the 10+3.

The 10+3 is now an established international institution in East Asia, and has become the

major course of the East Asian cooperation process. Thus, an integrated framework for East Asian cooperation is emerging. The annual leaders' meeting has become a major mechanism for official dialogue and consultation on immediate and long-term regional issues ranging from economic situation, macro economic policy, sub-regional development to political stability and security. There are four tracks of leaders' meeting, i.e. ASEAN 10, 10+1 (China, Japan and South Korea separately), Northeast Asia 3 (China, Japan and ROK) and 10+3. Each group identifies its own priorities for discussion and cooperation. For example, China, Japan and South Korea leaders' meeting was formalised to coordinate and support the 10+3 process and also to discuss important issues relating to their own interests. Aside from the three leaders' meeting, economic and trade ministers also meet independently. Importantly, 10+3 enables East Asian leaders to exchange views on regional issues and build consensus on crucial policy coordination. The 10+3 framework became used not for trade issues, but for various other functional areas such as finance, information technology, standards, the environment, health (after the SARS outbreak in 2003), and energy security (after the oil price hikes in 2004). With the launch in 2008 of a separate three-way summit, new momentum could be detected, especially as these states increasingly relied on each other in the financial crisis (Lee and Son 2014, 103).

China is an active advocate and promoter of an EAFTA on the basis of the 10+3 cooperation. With the joint effort, the 19th article of the Chairman's Statement of the 4th EAS states: 'We noted the final Phase II Report of the Track Two Study Group on Comprehensive Economic Partnership in East Asia (CEPEA) and welcomed the decision of our Economic Ministers who met in Bangkok on 15 August 2009 to task the Senior Economic Officials to discuss and consider the recommendations in the Phase I and II reports. CEPEA and EAFTA could be examined and considered in parallel (*'The World and Japan' Database Project*, 25 October 2009). However mainly because of the discord between China and Japan, the proposal of the establishment of the EAFTA remained in the feasibility study stage and soon replaced by the proposal of the Regional Comprehensive Economic Partnership (RCEP) after the expansion of the 10+3.⁵¹

(2) RCEP

The further transformation of the 10+3 Summit has been realised. At the eighth 10+3 summit in 2004, it was agreed to convene a regular East Asian Summit. In the early preparatory stages China had proposed holding the first summit in Beijing, but Chinese policymakers quickly recognised that Chinese overpresence might stimulate concerns within the region about a Chinese threat. Hence, China was happy to let ASEAN play the leadership role. In December 2005, the countries of the region held a conference of their heads of government in Kuala Lumpur for the first time, and they have been continuing it annually since then. The group also included Australia, India, and New Zealand, and is called 'East Asia Summit' (EAS) or '10+6', and the membership has expanded to 18 countries including the US and Russia at

⁵¹ Interview with Mr. Lu Jianren, Research Fellow on regional cooperation of the Chinese Academy of Social Sciences (CASS) on 20 April 2016 in Beijing.

the Sixth EAS in Indonesia in 2011. EAS is considered as an extension of East Asian cooperation. The EAS' expansion reveals that members would not confine themselves to the East Asian region and China explicitly rejects an Asian group 'closed, exclusive and directed against any particular party' but open and transparent (Wen 2005). The trend of new regionalism in East Asia with the above mentioned structural reforms will be indeed open, inclusive, transparent and outwards-looking (*Kuala Lumpur Declaration on the East Asia Summit*, 14 December 2005).

The RCEP is a RTA plan based on the 10+6 put forwards and driven by ASEAN in 2011, with its members including 10 ASEAN countries and China, Japan, South Korea, Australia, New Zealand and India which have signed FTA with ASEAN. The RCEP is the trade agreement negotiations with the most members and largest scale in East Asia, which is an integration of the existing FTAs, with the negotiation goal of reaching a modern, comprehensive, high quality and reciprocal FTA between ASEAN and its free trade partners. RCEP negotiations have a wide coverage, touching not only goods, services and market access of investment, but also many issues of rules in emerging areas, including trade in goods, trade in service, investment, dispute settlement mechanism, economic and technology cooperation, intellectual property rights and competition policies (*China FTA Network*, 1 September 2004).

On 26 February 2011, the ministers of ASEAN countries discussed a proposal for negotiating a regional comprehensive economic partnership (RCEP) with other partners. At the end of August 2012, ASEAN, China, Japan, South Korea, India, Australia, and New Zealand agreed in principle to launch negotiations for RCEP. This is one more step towards multilateral economic cooperation, extending the record that China has compiled over more than two decades. China's effort to create the RCEP and trilateral FTA with Japan and South Korea obtained success. Japan and South Korea have agreed to make efforts at RCEP, trilateral FTA with China. South Korean President Park Geun-hye and Japanese Prime Minister Shinzo Abe agreed on 2 November 2015 to make efforts to speed up negotiations and reach rapid agreements on the China-South Korea-Japan FTA and the RCEP (*New China*, 2 November 2015).

The RCEP is the key point of accelerating the implementation of the FTA strategy in China. The Third Plenary Session of the 18th Central Committee of the Communist Party of China in November 2013 proposed 'accelerating the establishment of FTAs', 'accelerating the implementation of the FTA strategy based on the surroundings', and 'forming a high-standard FTA network facing the globe'. The members of the RCEP negotiations are all important economic and trade partners around China. Therefore, promoting RCEP agreement is the key point of accelerating the implementation of the FTA strategy of China and establishing a high-standard FTA network based on the surroundings and facing the globe (Ibid.).

The establishment of the RCEP is in the strategic interests of China. The RCEP is the largest FTA China has ever negotiated on. The members of the negotiations include ASEAN, Japan, Korea, India, Australia and New Zealand, which are not only large economic entities and China's important economic and trade partners, but also important partners of production networks in East Asia and cooperation in the global value chain. In 2013, the import and export

volume between China and 15 RCEP members exceeded USD 1.2 trillion, accounting for 30% of the total foreign trade in China (Ibid.). The smooth establishment of the RCEP is of great importance to China's fighting for the initiative of the new round reconstruction of international economic and trade rules, guaranteeing the autonomous right of domestic economic development, raising China's position in the global industrial value chain, creating a more relaxed external environment for foreign trade and economic cooperation, cultivating harmonious and stable surroundings for China's peaceful development and safeguarding and lengthening the strategic development opportunity period.

However, the construction of the RCEP goes slowly and the promotion of RCEP have met difficulties as well: (1) The differences of regional countries prevent the negotiations of RCEP to go further, for example, India cares about its domestic market and once refused to join the RCEP . (2) The concurrence of many regional FTA designs such as 10+1, EAFTA, TTP, FTAAP implicates competition. To some extent, the RCEP is too big to go faster. (3) The driving force of the RCEP is still ASEAN and the US is excluded, member countries are difficult to work in concert even for political reasons.

(3) EAC

As a big regional power, China has a strong regional strategy, and proposed with regional countries an East Asian Community (EAC). From 2000 to 2001 China became the most enthusiastic voice for such a community through 10+3 (Lee and Son 2014, 103). At the conclusion of the 2003 Bali Summit of 10+3, the region's leaders announced their intent to create an EAC, supported by three pillars: a security pillar, an economic pillar and a socio-cultural pillar. It is in the economic and financial sectors that the most mature example of East Asian regionalisation can be identified. This is not surprising as these were the sectors most affected by the AFC, and thus were the two most needing to be enhanced if a repeat crisis was to be avoided (Breslin 2002). In December 2005, the East Asia Summit was launched, representing a new modality of Asian regional cooperation. This created an innovative platform for cooperation at a high level, encouraging North-South cooperation in East Asia linking rich and poor countries. The leaders of 10+3 countries confirmed that 'an East Asian community as a long-term objective that would contribute to the maintenance of regional and global peace, security, progress and prosperity' (*Chairman's Statement of the Ninth ASEAN Plus Three Summits*, 2005).

Since then, progress has been made for East Asian cooperation. At the 4th EAS held in Hua Hin, Thailand on 25 October 2009, Chinese Premier Wen Jiabao proposed that taking the 10+1 mechanism as the basis, and 10+3 mechanism as the major channel, the countries in the region draw on each other's strengths and help each other further develop and move towards the long-term goal of establishing an East Asian community (*People's Daily*, 26 October 2009). Undeniably, China's proposed EAC, like 10+3, tacitly establishes the same Asians-only club as the EAEG advocated in 1990 by former Malaysian President Mahathir Mohammad. China is positive towards EAC due to the following factors (Zhang 2010, 7):

(1) China has a vital economic stake in East Asia, with more than 60 percent of its foreign trade and capital inflow from the region. Based on a regional production network in East Asia, the Chinese economy has become an integrated part of the regional economy. A liberalised, secure and stable regional market is in China's interest, which encourages China to adopt an active policy in participating and promoting RTAs/FTAs, for example, a China-ASEAN FTA, a proposed Northeast Asian trilateral FTA and an EAFTA.

(2) East Asia is a region that has vital geographical significance for China. The 'good neighbour policy' has become a principal diplomacy for China to improve and strengthen its relations with neighboring countries. This helps to create a long-term peaceful environment for China's development and modernisation. East Asian cooperation that brings countries in the region together as a community will best serve both China's economic and political interests.

(3) Although regionalism in East Asia is not intended to create an exclusive bloc against any power, for example, the US, it may help to create a more balanced structure of regional and global relations. The East Asian voice may be better addressed if the East Asian identity via EAC will be realised.

(4) China has a broad concept for regionalism since it is surrounded by different large geographical areas. Although China takes '10+3' as the core course for EAC, it has a flexible attitude towards accepting and participating in the multi-layered frameworks, for example, EAS.

(5) China's economic success has benefited from its global opening-up policy; thus China supports the WTO multilateral system. China also has a vital stake in the Asia-Pacific region, thus it is very interested to engage APEC and other Asia-Pacific initiatives, for example, in energy, financial cooperation, etc. From this perspective, China's regionalism is flexible and open-minded.

(6) China insists that East Asia should find its own way to cooperate. EAS does not intend to create an exclusive bloc by getting the US out. The US and East Asia have many channels for engagement and cooperation, for example, bilateral alliances and FTAs, APEC, ARF, as well as Six-Party Talks and the potential dialogue partner of the SCO.

China has also expressed the belief that the process of East Asian community-building hinges on common development goals. At the second East Asia Summit held in January 2007, Premier Wen Jiabao (15 January 2007) stressed that 'We should ensure that East Asia cooperation grows in a balanced way and brings benefits to all, so that we can, through practical cooperation at bilateral and multilateral levels, build strong economic and trade linkages and put in place a cooperation framework based on mutual benefit and drawing on mutual strength'. Such language coming from China is particularly appealing to developing economies in the 10+3 grouping, as it calls more attention to developing economies and gives priority to areas with extensive common economic interest. The appeal is strengthened when one argues that broad-based groups such as APEC and TPP are primarily motivated to push a trade liberalisation agenda that serves the interest of the US and other developed economies

rather than the interest of the entire East Asian community (Miura 2011, 59-60).

(4) Main Channel

Even though the 10+3 is expanded, China focuses to the original 10+3 cooperation and especially the trilateral cooperation among China, Japan and South Korea. Mr. Jiang Zaidong, Counsellor of the Department of Asian Affairs of the Ministry of Foreign Affairs of China indicated that China welcomes the expansion of the 10+3 to a larger EAS, which includes more regional countries in a larger picture. But China maintains the 10+3 as the main Channel of the regional cooperation which includes both Northeast Asia and Southeast Asia. Some people now call the EAS including 18 member countries as '10+8', but the proper appellation should be '13+5' with the 10+3 as a core. Compared with Southeast Asia, the 3 Northeast Asian countries should do more to push forwards the regional cooperation process.⁵²

China wants to use 10+3 as the main institution for promoting regionalism (Miura 2011, 54-55). APT, which includes 13 East Asian countries, already provides a framework for regional economic cooperation, while enabling China, Japan, and South Korea to explore possibilities of cooperation among themselves that would otherwise be difficult to attempt. In terms of political relations, APT serves as a platform for dialogue and interaction, providing the opportunity to enhance mutual understanding and improve bilateral relations. Although developing regionalism that encompasses 13 East Asian countries will require much effort and time, the APT grouping is small enough for substantive work to be achieved collectively. As former Chinese State Councilor Tang Jiaxuan stated, China regards ASEAN and the ASEAN countries as 'good brothers, good partners and good neighbors China can trust' and China 'supports ASEAN to play a more active role in regional and international affairs' (24 September 2010).

In the 10+3 process, which involve both Southeast and Northeast Asia, the Northeast has of late consistently been either setting the agenda or playing a central role in the dialogue (Calder and Ye 2010, 148). The 10+3 process has provided a multilateral mechanism for growing subregional dialogue among China, Japan, and South Korea. They cooperated closely with various economic and other initiatives in the 10+3 framework. At the annual 10+3 summit, leaders from China, Japan, and South Korea hold a separate '+3' meeting. A parallel set of trilateral meetings has also been launched at the foreign ministers level. This group became the paramount regional grouping in East Asia, with frequent meetings of senior ministers and state leaders that occasioned major economic and some political and security initiatives, notably by China, Japan, and South Korea for free trade agreements in the region and security plans dealing with East Asia.

Following the AFC of 1997-98, East Asia as a whole - including particularly Northeast Asia - grew powerfully for a decade. China, in particular, expanded in double digits throughout most of that period, with South Korea coming close to matching that pace. Trade and financial

⁵² Interview with Mr. Jiang Zaidong in Chinese Foreign Ministry on 2 December 2014.

interdependence between these two high-growth nations, and with Japan, steadily deepened. Strong underlying macroeconomic complementarities among capital-intensive Japan, labour-intensive China, and entrepreneurial South Korea, reinforced by deepening transnational production and distribution networks at the microlevel, clearly facilitate interdependence. At the country level, combined trade with Northeast Asian neighbours surpassed transactions with the US for each of these three countries during 2003. China surpassed the US as South Korea's largest export market during 2004, and Japan's in 2006. In 2007 only 13 percent of South Korea's , and 20 percent of Japan's, export went to the US, compared with 40 and 39 percent, respectively, in 1987. Meanwhile, US-Japan trade was actually contracting in absolute terms from 2000 to 2004. Since then, bilateral trans-Pacific trade has modestly rebounded, yet remains significantly smaller than Japan's intraregional trade with China and South Korea.⁵³

An important step of progress is the joint declaration on promotion of tripartite cooperation among the three countries in Bali, Indonesia on 7 October 2003 during the leaders' meeting between China, Japan and South Korea. As stated in the declaration, with geographical proximity, economic complementarity, growing economic cooperation and increasing people-to-people exchanges, the three countries have become important economic and trade partners to one another, and have continuously strengthened their coordination and cooperation in regional and international affairs. The cooperation among the three countries demonstrates the gratifying momentum for the development of their relations.

Three Northeast Asian countries - China, Japan and South Korea - play a key role in constructing an East Asia-wide FTA because of their economic size and position in the region. The three economies are highly integrated through a FDI-trade network. Each of them has an FTA with ASEAN, but without any formal arrangement among themselves. If a Northeast Asian FTA could be realised ahead of EAFTA or CEPEA, then it could provide an easier and better foundation for East Asia to move towards a wider regional FTA. (Hyungdo 2006 and Motoshige 2006). Under this circumstance, China promotes a China-Japan-South Korea FTA in Northeast Asia. In 2002, Chinese, Japanese, and Korean leaders proposed the ambitious idea of building a China-Japan-Korea Free Trade Area (CJK FTA). At the Phnom Penh Summit in November 2002, Chinese Prime Minister, Zhu Rongji proposed a feasibility study undertaken by China, Japan, and South Korea on a trilateral FTA, with a goal of beginning talks on a three-way pact after China's negotiations with ASEAN were concluded (*Statement by Premier Zhu Rongji of China at the 5th 10+3 Summit*, 5 November 2001).

During the critical year of 2008 itself, trilateral interaction and policy coordination rapidly deepened, propelled by the financial crisis. In May, the East Asian Foreign Exchange Reserve Bank expanded its reserves to \$80 billion, with Japan, China and South Korea contributing 80 percent of the increase (*Xinhua News*, 4 May 2008). In November, the finance ministers of the three nations met in Washington DC, on the sidelines of the IMF annual meetings, to broaden their bilateral currency-swap mechanisms with one another. They also regularised their trilateral central bankers' dialogue in December (*People's Daily*, 13 December 2009). Thus,

⁵³ These statistics have been compiled by the authors, based on the annual data provided by the IMF, Direction of Trade: 1980-2009.

when the heads of government of the three countries convened in Fukuoka, on 13 December 2008, they credibly declared an intention 'to promote the trilateral summit as a platform for the future', substantiated by several new, concrete initiatives previously realised at lower bureaucratic levels. The leaders of these countries met once again in Beijing nine months later, pursuing these initiatives further, while reviving serious consideration of a trilateral FTA agreement, and a cross-investment accord (Daily Yomiuri, 12 October 2009). At the Fifth Trilateral Summit Meeting among China, South Korea and Japan held in Beijing on 13 May 2012, the three nations pulished a Joint Declaration on the Enhancement of Trilateral Comprehensive Cooperative Partnership. The Joint Declaration states that we shared the view that we would further enhance the future-oriented comprehensive cooperative partnership among the three countries: enhancing political mutual trust, deepening economic and trade cooperation, promoting sustainable development, and expanding social, people-to-people and cultural exchanges.

On 20 November 2012, China, Japan and South Korea lauched the trilateral FTA negotiations in Phnom Penh, Cambodia on the occasion of 21st Summit and Related Summits of the EAS (*Xinhua News Online*, 20 November 2012). The most integrated economies in East Asia are among China, Japan and South Korea. The three countries have developed a high-level economic network through FDI-led economic exchanges for trade, service and other activities. China is the largest market for both Japan and South Korea in their external trade and the largest FDI market for South Korea and second largest for Japan. China believes that a CJK FTA will give its market access to Japan and South Korea (Zhang 2010, 106). Chinese economic actors and epistemic communities are increasingly enmeshed in transnational networks with their Japanese and Korean counterparts. Greater integration in the Northeast Asian subregion brings advanced technology and capital that China needs, both to accelerate its domestic development and to enhance its international competitiveness, although China is also eager to retain broader global ties as well (Calder and Ye 2010, 255).

5.2.3 Boao Forum for Asia (BFA)⁵⁴

Although Asian countries have participated in many international conferences and organisations, Asia as a whole lacks a forum that, led by Asians and guided from perspectives of Asian interests and views, can be dedicated to the discussion of Asian issues and aims at enhancing cooperation and exchanges among Asian countries, and between Asian countries and other parts of the world. Against this backdrop, the idea of 'Asian Forum', once being put forwards, was unanimous accepted by the related Asian countries. On 8 October 1999, Chinese Vice-President Hu Jintao met in Beijing with Fidel V. Ramos and Bob Hawke, who came to China especially for the Asian Forum. After the briefing by the initiators of the conceived forum, Hu Jintao said that the Chinese Government always supports and attaches importance to multi-level, multi-channel and multi-form regional cooperation and dialogue. He regarded the establishment of the forum as conducive to promoting understanding, trust, and

⁵⁴ To know more about BFA, please see the BFA website: <http://english.boaoforum.org/>.

cooperation among the countries of the region. The Chinese government would study the idea prudently and positively and would provide all necessary support and cooperation. It was followed successively with positive responses from the governments of the related countries in Asia (*Boao Forum for Asia*).

Among the various 'dialogues' created to facilitate economic cooperation in East Asia, BFA initiated by China enjoys a special influence. The forum is conceived as an Asian version of the global Davos World Economic Forum. China serves as the permanent site of BFA Headquarters, and BFA was to be held annually at Boao, a relaxed tropical resort on Hainan, off China's southeastern coast. The purpose of BFA is to base itself on Asia and promote and deepen the economic exchange, coordination, and cooperation within Asia and between Asia and other parts of the world. It also aims to offer a high-end dialogue platform for governments, enterprises, experts, and scholars to jointly discuss economy, society, and environment and other relevant issues. Through its working network with the political, business, and academic circles, BFA will serve the ever-growing economic cooperation among its members and between its members and other entities.

The Inauguration Ceremony of BFA was held on 26-27 February 2001 in Boao, with the theme 'New Century, New Challenge, A New Asia'. Former leaders of 26 countries attended the ceremony including Chinese President Jiang Zemin, Malaysian Prime Minister Dr Mahathir bin Mohammad. BFA was officially launched at the Ceremony. Declaration of BFA and Guidelines of BFA Charter were adopted during the Ceremony. The Inauguration was a great success and gained extensive concern from the international community. Since 2002, BFA has been holding its annual conference. The First BFA annual conference was convened in April 2002. More than 1,900 delegates from forty-eight countries attended. High-level representatives such as Chinese Prime Minister Zhu Rongji and Japanese Prime Minister Koizumi were present. In addition to top government officials, prominent business people, scholars, and other dignitaries also attended. Chinese premier Zhu Rongji Keynoted the inaugural meeting. In his keynote speech, Zhu reiterated the assurance that China's rapid economic growth represents an opportunity for, rather than a danger to, its neighbours (*People's Daily*, 12 April 2002).

The Boao Forum's April 2009 convention marked a major gathering of 'Asian voices', offering 'a platform for Asian leaders to seek 'Asian insights' in tackling the worst global economic turmoil in seven decades' (*Xinhua News*, 17 April 2009). More than 1, 600 political leaders, business people, and academic scholars from across the globe, including Chinese premier Wen Jiabao, former Japanese Prime Minister Fukuda Yasuo, and former Chinese Vice-Premier Zeng Peiyan participated. Their discussion assessed the impact of the crisis on Asia and how the region might best weather its challenges.

China has played a de facto role in BFA ever since its inception. Top leaders including Jiang Zemin, Zhu Rongji, Hu Jintao, Wen Jiabao, Xi Jinping, and Li Keqiang have participated actively in BFA annual conferences every year since 2002. Major economic bureaucrats, including Deputy Commerce Minister Zhang Xiang and Vice Commerce Minister Long Yongtu, were either elected directors general or provided significant support for the organisation's

growth. Since the BFA's inception, 'Asia seeking common development through cooperation' has been the persistent featured theme of the forum.

Northeast Asian integration is a pivotal concern of the forum, even though BFA includes delegates from far beyond that core area. Japan-China-Korea economic cooperation and WTO negotiations are invariably major topics there, according to Yin Zhongyi, director of China's Development and Reform Council in Hainan, which has served as the brain behind BFA since 2003 (*Internationalonline*, 21 April 2015). Overall, the forum seeks win-win solutions and a clear role for Asia in the global economy, with Northeast Asia as the fulcrum (*Xinhua*, 4 November 2003). Japanese Prime Minister Koizumi attended the first BFA in 2002. In 2009, former Japanese Prime Minister Fukuda spoke, and also conferred with Chinese Premier Wen Jiabao on the sidelines of the forum. South Korea, in particular, has been increasingly well represented. At the April 2007 conference, for example, the SK Group of Korea was the second largest among all the corporate donors.

BFA demonstrates clearly the pattern of intensified, policy-oriented conference networking that has begun emerging in Asia since 1997. BFA has won great support from Asian countries and drawn extensive attention of the whole world. Now, it has become a high-end platform for dialogues among leaders of national governments, industrial and business circles, and academic circles of countries in Asia and other continents about the important issues in Asia and even the whole world. BFA is dedicated to promoting Asian countries to achieve common development through further integration of regional economy.

BFA is nominally a nongovernmental and nonprofit international body, but one that informally involves many current and former Pacific Asian national leaders. Although bureaucrats and think tanks play important roles at BFA, private companies are the central participants, apart from Chinese leadership, in contrast to the patterns at most other regional policy assemblies in East Asia. The majority of participants at BFA have been from either private Asian firms or, interestingly, from Western multinationals such as IBM, Microsoft, BMW, and UPS International (*Internationalonline*, 21 April 2015). Major Chinese firms such as Haier and Lenovo, as well as state-owned giants like Shanghai Bao Steel, China Construction Bank, and China Life Insurance, also participate actively at Boao.

5.3 Financial Cooperation

As Wilfred studied in Chapter 2, regional arrangements often involve 'deep' integration: the partners seldom confine themselves to reducing or eliminating trade barriers, but also harmonise or adjust diverse assortments of other economic policies. Another main aspect of East Asian new economic regionalism is the financial cooperation. As discussed in Chapter 2, the most problematic aspect of Balassa's theory is that it does not provide any link of the monetary policies and the financial sectors of the participating economies on the first three levels of integration. In an era of growing capital flows, this constitutes a major deficiency. When China started its regional economic cooperation, it began its regional financial soon

afterwards. It is widely agreed that the AFC was the main driver of financial cooperation. The multilateral institutions, notably the IMF, were perceived to have let the region down, and there was a loss of confidence in the US as guarantor of the system. In contrast to substantial financial support for bailouts of countries in other regions earlier in the decade (e.g. Argentina, Mexico, Turkey, and Russia), the assistance given to the worst-hit Asian countries, notably Indonesia and Thailand, was seen as too little too late. The series of financial crises that hit East Asian and other emerging markets in 1997-98 made it clear that Asia lacked effective mechanisms for crisis prevention and management. One significant progress in East Asian monetary and financial cooperation is consensus-building on the necessity of strengthening regional monetary and financial cooperation. Many policy-makers and commentators argued that there was a need for more effective regional mechanisms as a complement to global constitutions such as the IMF. Several initiatives for cooperation on financial issues have since been made. These include the creation of modest liquidity support facilities to be drawn on in the event of future currency crisis, technical assistance for monitoring financial flows and markets, and diplomatic coordination. Some analyses see them as the foundation of much more ambitious regional cooperation schemes, possibly even leading to a common East Asian currency.

Since the AFC, regional cooperation on financial issues has begun to take shape in East Asia. Because of the crisis, monetary and financial cooperation has tended to precede cooperation in trade in East Asia, unlike in the EU and NAFTA (Eichengreen 2001). In general, the immediate goal for East Asian monetary and financial cooperation is to stabilise the regional financial market through strengthening regional capacity to counter financial shocks, thus avoiding the recurrence of a financial crisis in the East Asia region. This plays an important role in promoting sustained and stable economic growth in the region. The cooperation among East Asian central banks and finance ministries is not merely financial cooperation in the ordinary sense. It also includes monetary cooperation, regional coordination in the area of monetary policy and exchange rate policy. The money swap arrangements are aimed at financial rescue to prevent a new financial crisis. They can also be viewed as monetary cooperation aiming at stabilising currencies.

With China's rising regional profile have come increased opportunities for leadership. China was ultimately less affected by the crisis than any other major country in Asia, helping to shift the region's centre of political-economic gravity northwards from Southeast Asia. China cannot also have helped observing how much its own relative position had improved, both politically and economically, within a region where other major nations were either decimated by crisis. The crisis was one of the most dramatic economic shocks to strike East Asia since the Great Depression of the 1930s. China demonstrated its capacity of regional cooperation during the AFC by not devaluing its currency. Also during the AFC, China began its charm offensive while the US dithered, China was among the first to pledge support for Thailand's economy, offering USD 1 billion in loans. At the December 1997 summit of the ASEAN, China also pledged to contribute more than USD 4 billion to the IMF's programme to support economic recovery in Southeast Asia (Kim and Anthony 2007, 120). This was the first time that China had made a substantial contribution to a currency-crisis hit country, and in this sense represented its debut in international currency-crisis diplomacy. World leaders were very supportive of China for

holding its exchange rate steady. For instance, British Prime Minister Tony Blair and French President Jacques Chirac publicly applauded China for helping to slow the financial contagion gripping East Asia at the time (Calder and Fukuyama 2008, 64).

This sense of apprehension in Beijing for the region's stability persisted long after the initial crisis had waned, and fueled China's willingness to support intraregional financial cooperation within East Asia. Beijing's policies evolved further in the direction of intra-East Asian financial cooperation during 1998. At the Hanoi ASEAN leaders' meeting that year, with the region still mired deep in the shadow of the financial crisis, China proposed that central bank governors, and the deputies of finance ministers throughout the region, should meet regularly to explore possibilities for further multilateral cooperation. At the Manila leader's meeting in 1999, Prime Minister Zhu Rongji himself played a leading role, together with his Northeast Asian colleague, Japanese prime minister Obuchi Keizo, in finalising the swap-quotas arrangement that led to the historic May 2000 Chiang Mai agreement (Calder and Ye 2010, 90). Financially, the network of currency swap arrangements, known as the Chiang Mai Initiative (CMI), has supported regional economic activities. Other proposals, such as a regional currency union, an Asian Monetary Bond Fund, and an Asian Monetary Fund, are also being discussed as future financial activities.

5.3.1 Chiang Mai Initiative (CMI)

Furthermore, regional leaders are also increasingly accepting that any regional economic future will have to include China. A good example is China's participation in the CMI, which created a regional network of currency swap deals to act as a bulwark against global financial instability (Curley and Thomas 2007, 42). Regional initiatives were initially in the monetary sphere (Pomfret, 2005). Since 1997, the most significant regional financial cooperation initiatives have mainly taken place under the auspices of the 10+3. The first 10+3 informal summit was held in 1997, regular meetings of 10+3 finance and central bank deputies have taken place since 1999 and 10+3 finance ministers began to meet officially in 2000 (Thomas 2002, 83-112). Under the 10+3 cooperation framework, East Asian monetary and financial cooperation has gained some progress. The most significant swap arrangement to date is the CMI, i.e. the money swap arrangements between central banks. In the wake of the crisis, in May 2000, the finance ministers of 10+3 announced the CMI. The CMI commits member countries to strengthening policy dialogue and cooperation in areas related to the monitoring of capital flows, the reform of domestic financial arrangements, and the development of a more robust regional financial architecture. At the centre of the CMI is an expanded ASEAN Bilateral Swap Arrangement (BSA) Network, which envisaged a 'network of bilateral swap and currency repurchase agreement facilities among ASEAN countries, China, Japan, and the Republic of Korea' (*Joint Ministerial Statement of the ASEAN+3 Finance Ministers Meeting*, 6 May 2000), and allows member countries to borrow liquidity collateralised by domestic currencies and subject to government guarantees. On a very simply level, the CMI suggests a growing recognition of how national economic fortunes cannot be isolated and insulated from what happens in the rest of the region.

China has worked with increasing cooperation with the other member countries of 10+3 to improve East Asian regional financial governance. Under the framework of 10+3, China has supported monetary cooperation, a policy that reflects the greater weight China now places on regional financial stability as an important objective of its economic security. China adopted a 'proactive stance' towards regional monetary cooperation, and participated in the 10+3 negotiations which led to the CMI (Amyx 2005, 2). It began to involve itself in efforts to develop regional debt and capital markets, and it suggested what was to become the first annual meeting of the finance ministers of the 10+3 countries. They had met in Manila in 1999 at the invitation of the ASEAN countries, where they declared that monetary and financial cooperation had become 'priority areas of shared interest and concern' and thus agreed to a Chinese suggestion that they hold regular meetings thereafter (Nemoto 2003). The meeting took place in 2000, at Chiang Mai in Thailand, where the finance ministers agreed to exchange data on capital flows, a step towards the development of an early warning system as a safeguard against future crises. Hugh Patrick describes the meeting as the 'start of meaningful East Asian regional cooperation' (Patrick 2005, 18).

China's words and actions suggest that its decision makers are convinced that greater monetary cooperation is a critical safeguard for regional stability. As such, mechanisms such as the BSAs under the CMI are now viewed as increasingly necessary. In 2000, Chinese Finance Minister Xiang Huaicheng described China's support for the CMI as a defensive measure against future speculative attacks, saying that Chinese government backed the idea 'because it contributes to the financial and economic stability of this region' (Kim 2004, 127). In 2002, China has concluded BSAs with both Japan and South Korea. The agreement between China and Japan, by contrast, allows China to purchase yen with Renminbi (RMB) and Japan to purchase RMB with yen (Henning 2002, 18).

Under the CMI, it is created an enhanced network of swap schemes that provides the currency borrowing necessary to finance foreign exchange interventions in future crises. The CMI, which became effective in November 2000, allows countries to swap their local currencies for major international currencies for up to six months and for up to twice their committed amount. By March 2002 six bilateral swaps, worth USD 14 billion, had been concluded under the CMI (Manupipatpong 2002, 118), and by the end of 2003 this had increased to sixteen bilateral swaps amounting to USD 35.5 billion (Wang 2004, 944). As of May 2006, the BSA network had already traded as high as USD 75 billion (*Japan's Ministry of Finance website*). In December 2009, China agreed to establish the USD 120 billion Asian Foreign Exchange Reserve Pool along with ASEAN, Japan, and South Korea. According to the APT members in a joint statement, the USD 120 billion fund, known as the CMI, is designed to 'strengthen the region's capacity to safeguard against increased risks and challenges in the global economy' (*Embassy of Indonesia*, 2 January 2010). China and Hong Kong will together contribute USD 38.4 billion to the pool to match Japan's USD 38.4 billion contribution. In his keynote speech at a conference held in Singapore on 24 September 2010, former Chinese State Councilor Tang Jiaxuan cites China's promotion of the CMI as an example of how 'China's development has brought about great development opportunities for Asia'.

The Finance Ministers and Central Bank Governors of the ASEAN Member States, China, Japan and Korea (ASEAN+3) and the Monetary Authority of Hong Kong, China, stated in their joint press release that the Chiang Mai Initiative Multilateralization (CMIM) Agreement has come into effect on the 24th of March 2010. The total size of the CMIM is USD 120,000,000,000 (one hundred and twenty billion US dollars). With the core objectives (1) to address balance of payment and short-term liquidity difficulties in the region, and (2) to supplement the existing international financial arrangements, the CMIM will provide financial support through currency swap transactions among CMIM participants in times of liquidity need. Each CMIM participant is entitled, in accordance with the procedures and conditions set out in the Agreement, to swap its local currency with US Dollars for an amount up to its contribution multiplied by its purchasing multiplier. The CMIM, a multilateral currency swap contract which covers all ASEAN+3 members, is developed from the CMI bilateral swap network to facilitate prompt and simultaneous currency swap transactions through establishing a common decision making mechanism under a single contract. The successful launch of the CMIM, together with an independent regional surveillance unit to be established, demonstrates the solid commitments and concerted efforts of ASEAN+3 members to further enhance regional capacity to safeguard against downside risks and challenges in the global economy (Monetary Authority of Singapore, 24 March 2010).

The CMI, i.e. Swap arrangements among East Asian countries, is the most significant, which may lead further to a higher level financial and monetary integration for East Asia. The success of the CMI in the wake of the AFC, sharply contrasting to the failure of the AMF proposal that preceded it, clearly demonstrates the potential importance in Asia. Originally, the CMI was seen as the basis for creating an Asian Monetary Fund (AMF) and a common regional currency (Hiwatari 2003, 345). The CMI has set up a stable foundation for East Asia monetary and financial cooperation. The completed 10+3 BSA of the CMI may be seen as a precursor to expanded trade arrangements and greater financial and macroeconomic cooperation and coordination. This framework provides a foundation for further institutional development in the area of monetary and financial cooperation in the East Asian region. Successful harmonisation results in a monetary policy that provides a stronger base for economic integration.

5.3.2 Internationalisation of RMB

Gao and Yu (2009) set the start of the internationalisation process of the RMB in the aftermath of the AFC. Since the late-2000s, China has sought to internationalise its official currency, the RMB. Most of the CMI swaps were effectuated in US dollars, but some of them also in RMB (Otero-Iglesias 2010, 4). The crisis set alarm bells ringing for Chinese policy makers and there is no doubt that they would like to reduce exposure to the US' currency and policies. Currency regimes which give overwhelming predominance to the US dollar thus expose countries to fluctuations in exchange rates vis-à-vis markets which are collectively more significant. Reduced reliance on the US dollar could also serve as a way of reducing the potential for the US to abuse its position as the issuer of the world's most widely used currency (Kwan 2001).

Such a shift appears more feasible. At the same time, the dollar is losing ground because trade shift away from the US towards more regionally concentrated trade. The yen is also not likely to assume the role of the dollar. Apart from political reasons, the Japanese economy is likely to lose relative weight against the Chinese economy. Although China is not yet the regional dominant economic power, it is very likely to grow into that role. The gradual opening of the Chinese economy to the outside world suggests this. While initially proposing (with the other BRICS, Brazil, Russia, India, China and South Africa) that the USD should be replaced by a new reserve currency, a suggestion that gained little traction, they subsequently moved to the vigorous promotion of the use of the RMB.

This aim seems only too logical. That the second biggest economy in the world wants to promote its currency is perfectly understandable. If China wants to play a bigger role in the International Political Economy (IPE), it needs greater autonomy in international monetary affairs, and what better way to achieve this than to use its own currency in international transactions. As Charles Kindleberger argued, 'a country's exchange rate is more than a number. It is an emblem of its importance to the world, a sort of international status symbol'. Similarly, Robert Mundell declared that 'great powers have great currencies' (Kirshner 2003,15). Therefore, if China aspires to become a great power in the foreseeable future, it needs to raise the profile of its currency. Otero-Iglesias (2010) concluded that the Chinese government seeks several objectives with its internationalisation policy. Five stand out as the most important ones: (1) To reduce its dependence to the US dollar; (2) to generate alternative foreign demand markets; (3) to increase the political influence of China in East Asia and in the world; (4) to establish Shanghai as a financial centre able to compete with Wall Street and London; and (5) to accomplish a smooth transition from a manufacturing and export-led to a service and domestic-demand driven economy.

In terms of promotion of the use of its currency China has the advantage, not only its economic strength, the stability of the RMB and extent of trading activities, as already noted, but also of its increasingly central place in the complex East and Southeast Asian regional production system. Within this, China has become not only the principle trading partner and the major driver of growth and integration, but also the region's most important interface with the rest of the global system. China is also becoming a major provider of investment and credit for all the countries involved in the production system, as well as establishing currency swap arrangements with their central banks. Increasingly, China's fortunes are also those of the regional production system. This position gives China some significant leverage to persuade countries to adopt the RMB in trade settlements.

In the midst of the 2008 global financial crisis, when dollar liquidity was in short supply, China accelerated its BSAs (Cookson and Dyer 2010): In December it signed another BSA in RMB with South Korea (RMB 180bn), who was in need of international currencies. In the beginning of 2009 it did the same with Hong Kong (RMB 200bn) and Malaysia (RMB 80bn). In March of the same year, the People's Bank of China (PBoC), the Chinese central bank, did its first step from the mere goal to regionalising the RMB to the internationalisation of it by signing another BSA with the central bank of Belarus (RMB 20bn). Shortly afterwards, China signed also BSAs with Indonesia (RMB 100bn) and Argentina (RMB 70bn), and in 2010 with crisis-strapped

Iceland (RMB 3.5bn) and Singapore (RMB 150bn). These agreements put the total amount of China's BSAs settled in RMB, in the order of a little over RMB 800bn, which is roughly \$120bn.

The Chinese strategy does appear to be resulting in some remarkable increases in the use of the RMB (Auboin 2012, 15). From a situation in 2008 when only a handful of neighbouring countries made any use of the RMB in cross-border and domestic transactions, by May 2013 160 countries paid some part of their China trade in RMB, 47 of them paying for more than 10% (compared to 2.9% in May 2012) - with some individually strikingly high levels, notably Singapore (30%), the Gulf States (38%) and Taiwan (44%; Nicholova 2013). Overall, 11.4% of Chinese trade was settled in RMB, compared to 2.5% in mid-2010 and near zero in mid-2009 (Rhee and Lea 2013, 10). In addition, the RMB share of foreign exchange transactions increased from 0.9% in April 2010 to 2.2% in April 2013 (Bank for International Settlements, BIS 2013). More striking is the increased use of the RMB in traditional trade finance, letters of credit and collectables. Between January 2012 and October 2013 the RMB share increased from 1.89% to 8.66%, overtaking the Euro (6.64%), though making little impression on the domination of the USD (81.08%; SWIFT November 2013).

In 2013, the RMB was the 8th most traded currency in the world and the 7th most traded in early 2014 (SWIFT, 10 October 2013). By the end of 2014, RMB has ranked 5th as the most traded currency, according to SWIFT's report, at 2.2% of SWIFT payment behind JPY (2.7%), GBP (7.9%), EUR (28.3%) and USD (44.6%). In February 2015, RMB is the second most used currency in trade financing, and reach the ninth position in forex trading. The use of RMB is not only reduced to trade transactions and to deposits and bonds in Hong Kong. Gao and Yu (2009) highlight that in the neighbouring Republic of Mongolia, 60% of the cash in local circulation is in RMB. In South Korea the RMB is accepted in shops and restaurants and in Vietnam the RMB can be acquired through non-official banking circuits. The RMB has also penetrated the streets of Laos, Myanmar, Cambodia and Nepal. A further sign of the increased importance of the RMB is the switch of seven major Asia currencies from tracking the USD to tracking the RMB (including Indonesia, Malaysia, South Korea and Thailand), leaving only three on the USD track (Hong Kong, Mongolia and Vietnam; Dixon 2014).

The RMB became the world's No. 2 currency for global trade finance in 2013, and overtook the Japanese Yen to become the fourth most-used world payment currency in August, only after the USD, the euro and the sterling, according to the global transaction services organisation SWIFT. On 30 November 2015, the IMF executive board has decided to include the Chinese currency, the yuan, to its Special Drawing Rights (SDR) basket, marking a milestone in the RMB global march and a vote of confidence in China's ongoing financial reforms. Experts believe the move indicates global recognition of the Chinese currency, and hope it will promote a stronger real economy (*CRI English News*, 1 December 2015). Effective from 1 October 2016, the RMB will be included in the SDR basket as a fifth currency, along with the USD, the euro, the Japanese yen and the British pound. IMF Managing Director Christine Lagarde described the decision as 'an important milestone in the integration of the Chinese economy into the global financial system'. 'It is also a recognition of the progress that the Chinese authorities have made in the past years in reforming China's monetary and financial systems', she said (*Xinhuanet*, December 2015). The RMB will have a weighting of 10.92% in the new

SDR basket, while respective weightings of other currencies in the basket are 41.73% for the USD, 30.93% for the euro, 8.33% for the Japanese yen and 8.09% for the British pound. The long-awaited outcome came as China has been pushing its currency to wider use on the global stage.

5.3.3 Asian Infrastructure Investment Bank (AIIB)⁵⁵

The Asian Infrastructure Investment Bank (AIIB), first proposed by China, is a development bank dedicated to lending for projects regarding infrastructure. Chinese President Xi Jinping and Premier Li Keqiang announced the AIIB initiative during their respective visits to Southeast Asian countries in October 2013. The AIIB was envisaged to promote interconnectivity and economic integration in the region and cooperate with existing multilateral development banks. Following this announcement, bilateral and multilateral discussions and consultations commenced on core principles and key elements for establishing the AIIB. In October 2014, 22 Asian countries gathered in Beijing to sign Memorandum of Understanding (MOU) to establish the AIIB. At a Special Ministerial Meeting following the signing of the MOU, Mr. Jin Lique, a Chinese Candidate was appointed as the Secretary General of the Multilateral Interim Secretariat.

On 29 June 2015, the Articles of Agreement of the AIIB, the legal framework was signed in Beijing. Representatives from the 57 Prospective Founding Members (PFMs) gathered in Beijing at a Signing Ceremony of the Bank's Articles of Agreement at the Great Hall of the People and 50 PFMs signed the Articles. The proposed multilateral bank has an authorised capital of \$100 billion, equivalent to 2/3 of the capital of the Asian Development Bank and about half that of the World Bank (*The Economist*, 11 November 2014), and 75% of which will come from Asian and Oceanian countries. China will be the single largest stakeholder, holding 26% of voting rights. The bank plans to start operation by year end (*Xinhua Finance Agency Online*). The UN has addressed the launch of AIIB as having potential for 'scaling up financing for sustainable development' for the concern of global economic governance (*World Economic Situation and Prospects 2015*).

The China-led AIIB will benefit a region in need of massive funding. The AIIB, a modern knowledge-based institution, will focus on the development of infrastructure and other productive sectors in Asia, including energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development and logistics, etc. The operational strategy and priority areas of engagement may be revised or further refined by its governing boards in the future as circumstances may warrant. The AIIB will complement and cooperate with the existing Multilateral Development Banks (MDBs) to jointly address the daunting infrastructure needs in Asia. The Bank's openness and inclusiveness reflect its multilateral nature. The AIIB welcomes all regional and non-regional countries, developing and developed

⁵⁵ To know more about AIIB, please see the AIIB website: <http://www.aiib.org/html/aboutus/AIIB/>.

countries, that seek to contribute to Asian infrastructure development and regional connectivity.

5.4 Beyond East Asia

China has soon expanded its new economic cooperation from regional and intraregional cooperation to interregional cooperation. China's strategy of economic cooperation started in East Asia but will not be limited in East Asia. After having successfully participated in the process of regional integration in East Asia, China began to implement its strategy of new regionalism beyond East Asia, and has tried to propel some new forms of regional cooperation such as interregional cooperation, 'One Belt and One Road' Initiative, and the Free Trade Area of the Asia-Pacific (FTAAP). Likewise, China's new economic regionalism has reached almost all the economic areas around the world.

5.4.1 Interregional Cooperation Organisations

China started its interregional cooperation since the beginning of the 21st century. It first established the Forum on China-Africa Cooperation (FOCAC) with its African brotherhood in 2000;⁵⁶ then established the China-Arab States Cooperation Forum (CASCF) in 2004,⁵⁷ the Cooperation between China and Countries in Central and Eastern Europe (China-CEECs or '16+1' cooperation) in 2012,⁵⁸ and the China-CELAC Forum in 2015.⁵⁹ Ambassador Huo Yuzhen, Special Representative for China-CEECs cooperation indicated that 'interregional cooperation did enhance China's strategy of new regionalism. With the FOCAC, CASCF, China-CEECs, and China-CELAC, China have built up a interregional cooperation mechanism in almost all directions'.⁶⁰

To have an impression of China's interregional cooperation strategy, we may see the example of the FOCAC. FOCAC was formally established at the 2000 Ministerial Conference of the Forum on China-Africa Cooperation in Beijing in October 2000 under the joint initiative of China and Africa with the purposes of further strengthening friendly cooperation between China and African states under the new circumstances, jointly meeting the challenges of economic globalisation and seeking common development.

The author worked in the Department of African Affairs of the Ministry of Foreign Affairs of China, and participated in the organisation of the First Ministerial Conference of FOCAC in

⁵⁶ To know more about the FOCAC, please see the website of the FOCAC: <http://www.focac.org/eng/>.

⁵⁷ To know more about the CASCF, please see the website of the the CASCF: <http://www.cascf.org/eng/>.

⁵⁸ To know more about the Cooperation between China and Countries in Central and Eastern Europe, please see the website of the Cooperation between China and Countries in Central and Eastern Europe: <http://www.china-ceec.org/eng/>.

⁵⁹ To know more about the China-CELAC Forum, please see the website of the the China-CELAC Forum: http://www.chinacelacforum.org/eng/zyjz_1/sjics/.

⁶⁰ Interview with Ambassador Huo Yuzhen in the Chinese Foreign Ministry on 22 August 2017.

2006. He asked Ms. Xu Jinghu, Director of the Department of African Affairs why China began its strategy of interregional cooperation with Africans Countries. Ms. Xu explained that the friendship between China and Africa has a long history. They all had darkness of foreign invasion and colonial times, and fought for independence. They were both third world countries, and are eager to realise modernisation. Instinctively, They are willing to cooperate with each other, and they are natural ally in the international arena. With China's experience of development and Africa's potential, the cooperation between them will certainly have bright future.⁶¹

The First Ministerial Conference of FOCAC was held in Beijing from 10 to 12 October 2000. Some 80 ministers from China and 44 African states and representatives of 17 regional and international organisations and leaders from business communities of China and Africa attended the meeting. President Jiang Zemin and Premier Zhu Rongji of China took part in and addressed the opening and closing ceremonies, respectively. The OAU 'troika', namely President Abdelaziz Bouteflika of the Democratic People's Republic of Algeria, previous OAU president, President Gnassingbé Eyadéma of the Republic of Togo, OAU President, and President Frederic Chiluba of the Republic of Zambia, OAU President in-waiting, and President Benjamin William Mkapa of the United Republic of Tanzania participated in and addressed the opening ceremony and Secretary-General of the OAU Dr. Salim Ahmed Salim addressed the closing ceremony.

The two topics of this meeting were 'How to promote the establishment of a new international political and economic order in the 21st century' and 'How to further strengthen Sino-African economic cooperation and trade under the new circumstances'. The meeting adopted the *Beijing Declaration of the Forum on China-Africa Cooperation and Programme for China-Africa Cooperation in Economic and Social Development*, setting the course for China and African states to develop a new type of partnership for long-term stability, equality and mutual benefit. The Chinese government announced measures including the exemption of RMB 10 billion Yuan of debts of a number of the heavily indebted poor countries and least developed countries in Africa and the establishment of the Human Resources Development Fund for Africa.

Recently, the 2015 Forum on China-Africa Cooperation (FOCAC) Summit has come to an end in South Africa with all sides hailing it as a success, yielding fruitful results. Leaders on both sides reached a consensus on lifting China-Africa relations to a comprehensive strategic cooperative partnership (*CRIENGLISH News*, 6 December 2015). Chinese President Xi Jinping delivers Speech at FOCAC Summit, and advocate opening a New Era of China-Africa Win-Win Cooperation and Common Development (*Ministry of Foreign Affairs of the People's Republic of China*, 4 December 2015):

In the new era, we should carry forward the traditional China-Africa friendship and

⁶¹ Interview with Ms. Xu Jinghu in Beijing on 3 November 2006.

translate the strengths of our traditional friendship into driving forces to boost solidarity, cooperation and development, so that we will deliver more tangible benefits to our peoples and make greater contribution to the development of the world in a more balanced, just and inclusive manner and to the building of a new model of international partnership based on win-win cooperation.

5.4.2 'Belt and Road' Initiative

The Silk Road Economic Belt and the 21st-century Maritime Silk Road, also known as 'Belt and Road' is a development strategy and framework, proposed by China that focuses on connectivity and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based 'Silk Road Economic Belt' (SREB) and oceangoing 'Maritime Silk Road' (MSR). Using the ancient Chinese concepts of a land-based silk road and a maritime silk road, China has proposed a new model for its regional cooperation. Rediscovering these old concepts gives China renewed confidence in remolding its role in Asia (Zhang and Li 2014). The strategy underlines China's push to take a bigger role in global affairs, and its need to export China's production capacity in areas of overproduction such as steel manufacturing (*Caixin Online*, 10 December 2014).

Mr, Liu Jingsong, Deputy Director of the Department of International Economic Affairs of the Ministry of Foreign Affairs of China further explained that facing the stagnation of the world economy, China is willing to resolve its problem of overproduction. There 3 resolutions: shut down factories, restructure the economy, and regional cooperation. The Belt and Road is an ascendant strategy of regional cooperation. Through the Belt and Road, China would be able to digest its overproduction, and to have stable supply of energy and resources. In exchange, regional countries will also benefit from the Belt and Road, and have high speed rails, electromechanical equipments, and commodities with reasonable prices. The Belt and Road is mutual beneficial, and will serve as two wings to lift up the rise of China and Asia.⁶²

The initiative of the Belt and Road was unveiled by Chinese President Xi Jinping in September and October 2013. Also, it was promoted by Premier Li Keqiang during the State visits in Asia and Europe. 'Belt' refers to 'the Silk Road Economic Belt', which begins in Xi'an in northwest China before stretching west through Urumqi to Central Asia. According to a report by CCTV.com, the road 'then goes to northern Iran before swinging west through Iraq, Syria, and Turkey. From Istanbul, it crosses the Bosphorus Strait and heads northwest through Europe, including Germany and Netherlands. It then heads south to Venice, Italy'. The other part of the plan is the so-called '21st Century Maritime Silk Road', which begins in southern China and heads to the Malacca Strait in Southeast Asia. It then goes to include countries such as India and Kenya. The Maritime Silk Road moves on north to enter into the Red Sea and the Mediterranean through Horn of Africa. It meets the land-based Silk Road in Venice. Chinese Foreign Minister Wang Yi emphasised key words such as 'equality', 'consultation', 'win-win'

⁶² Interview with Mr. Liu Jingsong in Beijing on 12 March 2015.

and 'shared interests', in describing how China is to move forwards with 'Belt and Road'. He said China will 'further enhance policy communicating with other countries and expand the convergence of our shared interests and explore possible areas of win-win cooperation', with a principle of 'wide consultation, joint contribution and shared benefits'. Wang Yi noted that China's Belt and Road initiatives are not its 'solo', but a 'symphony' of all related countries, as the vision of the initiatives is 'common development', and the goal is 'win-win progress through cooperation' (*CRIENGLISH News*, 9 March 2015).

5.1 Map of the 'Belt and Road'



The *CRIENGLISH* (11 October 2014) comments the initiative of the Belt and Road as follows: this visionary conception that leverages on China's historical connections has created a new opportunity to rejuvenate the economic and cultural ties built via the ancient Silk Road. It presents a 'win-win approach' to peaceful coexistence and mutual development. The idea carries forwards the spirit of the ancient Silk Road that was based on mutual trust, equality and mutual benefits, inclusiveness and mutual learning, and win-win cooperation. It also conforms to the 21st century norms of promoting peace, development, cooperation and adopting a win-win strategy for all. The conception organically links the 'Chinese dream' to the 'Global Dream' and has far-reaching strategic significance with a global impact.

Once the Belt and Road vision is realised, it would create the most promising economic corridor, directly benefiting a population of 4.4 billion people or 63% of the global population, with a collective GDP of 2.1 trillion US dollars that accounts for 29% of the world's wealth. The related region, which is the most dynamic and vibrant economically, encompasses many

developing countries with emerging market economies and a big growth potential. Most of these countries also have a late-mover advantage, which provides large room for development. China already has close economic and trade cooperation with the related countries along the proposed route, accounting for a quarter of China's total foreign trade. The annual trade between China and these countries has grown by 19 percent on average in the past decade (Ibid.).

The proposal garnered the interest of the global community, as soon as it was announced. Various countries along the proposed route have expressed broad support, while domestic cities and provinces, which were part of the ancient Silk Road, have welcomed the idea. Over the past years, China and relevant countries, together with regional organisations, have put in a lot of efforts to jointly build the Belt and Road. They have devised innovative methods to strengthen bilateral ties and enhance regional cooperation and have made impressive progress. The joint efforts by China and the countries connected to the Belt and Road vision has made rapid progress, especially in the fields of transportation, infrastructure development, trade and investment, energy and natural resources and in promoting financial security and advancing bilateral and regional cooperation.

Xu (2015) argued that Belt and Road will further boost the rise of China. With the Initiative of the Belt and Road, China has been poised to fully tap its skills and capacity to strengthen the connectivity and links between China and countries in Central Asia, Europe, Southeast Asia and countries as far as in Africa. The implementation of such a strategy could prove to be a precious chance for China to hone its skills to play a leading role creatively as a global super power. For 2013, the Belt and Road Concept has greatly helped promote China's cooperation with countries from Central Asia and Southeast Asia, in areas like trade and monetary cooperation, traffic connectivity and people-to-people exchanges. Along the northern Silk Road, the cooperation has promoted rapid increase in trade volume between China and four central Asian countries of Kazakhstan, Turkmenistan, Uzbekistan and Kyrgyzstan. It jumped to 40.2 billion US dollars in 2013, nearly 100 times than that of 1992. In the meantime, the revival of the Silk Road Economy has also helped improve infrastructure construction, create jobs and support local economies along the route. Likewise, the Southern Silk Road has also proved important for China and South Asia, which are now home to nearly 2.8 billion people. Bilateral trade has increased to about 100 billion US dollars in 2013; up from 35 billion US dollars in 2006 (*CRIENGLISH News*, 25 June 2014).

From 14 to 15 May 2017, China hold the Belt and Road Forum for International Cooperation (BRF) in Beijing. President Xi Jinping attended the opening ceremony and chair the leaders' roundtable (*Belt and Road Forum for International Cooperation*, 17 May 2017). At the invitation of President Xi Jinping, 28 heads of state and government attended the forum, including President Mauricio Macri of Argentina, President Joko Widodo of Indonesia, President Nursultan Nazarbayev of Kazakhstan, President Uhuru Kenyatta of Kenya, President Rodrigo Duterte of the Philippines, President Vladimir Putin of Russia, President Doris Leuthard of the Swiss Confederation, President Recep Tayyip Erdogan of Turkey, President Tran Dai Quang of Viet Nam, Prime Minister Hun Sen of Cambodia, Prime Minister Alexis Tsipras of Greece, Prime Minister Paolo Gentiloni of Italy, State Counsellor Aung San Suu Kyi of Myanmar, Prime

Minister Muhammad Nawaz Sharif of Pakistan, and Prime Minister Mariano Rajoy of Spain. This forum has been the highest level of international conference held by China since under the major initiative of the 'Belt and Road' put forwards by President Xi Jinping in 2013, gaining wide support from the international community. The theme of the forum is 'Strengthening International Cooperation and Co-building the "Belt and Road" for Win-win Development'. The main events of the forum include an opening ceremony, a leaders' roundtable summit and a high-level conference. Besides 28 heads of state and government, there are officials, scholars, entrepreneurs and people from financial institutions and media from 110 countries, and 89 principals and representatives from 61 international organisations also attended. Among them, UN Secretary General António Guterres, President of the World Bank Jim Yong Kim and Managing Director of the International Monetary Fund Christine Lagarde attended the roundtable summit. Over 1200 representatives attended the forum.

Chinese President Xi Jinping said when he addressed the opening of the Belt and Road Forum for International Cooperation that China will contribute an additional 100 billion yuan (about 14.5 billion US dollars) to the Silk Road Fund (*ibid.*). Chinese Foreign Minister Wang Yi stressed when he holds briefing for Chinese and Foreign Media on President Xi Jinping's Attendance and Chairing of Related Events of the BRF that China hopes to take this forum as an opportunity to create a more open and more effective platform for international cooperation; to build a closer and stronger partnership network by following the principle of wide consultation, joint construction and shared benefits; to promote the construction of a more fair, reasonable and balanced global governance system under the concept that features openness and inclusiveness and win-win cooperation. China will maintain close communication and coordination with all present parties, ensure the complete success of the forum, push the forum for more fruitful outcomes, open up the new situation for international cooperation of the 'Belt and Road' so as to elevate the 'Belt and Road' construction to new highs (*Ibid.*).

5.4.3 Free Trade Area of the Asia-Pacific (FTAAP)

The Free Trade Area of the Asia-Pacific (FTAAP) is an international trade pact backed by China and supported by the 21-member APEC. A FTAAP has been proposed for many years. As early as in the Bogor Declaration of 1994 the APEC economies committed themselves to the achievement of free trade and investment in the Asia Pacific region through a three pronged programme of trade and investment liberalisation, trade and investment facilitation, and economic and technical cooperation (*APEC* 1994). The call for achieving a FTAAP was renewed in recent APEC Economic Leaders' Meetings. In 2006 in Hanoi, it was proposed as a long term prospect (*APEC* 2006), while in Sydney in 2007, the leaders declared, 'through a range of practical and incremental steps, we will examine the options and prospects for a Free Trade Area of the Asia-Pacific' (*APEC* 2007). On 9 November 2014, China was holding the APEC Summit in Beijing at a lakeside venue north of the Chinese capital. China has been keen to underscore its rising trade and diplomatic clout during the summit, and Chinese President Xi Jinping said that the bloc had 'approved the roadmap for APEC to promote and

realise the FTAAP, and called it a historic step reflecting the confidence and commitment of APEC members to promote the integration of the regional economy, and symbolising the official launch of the process towards the FTAAP.

Bergsten, Noland, and Schott (2011) argued in the *Free Trade Area of the Asia-Pacific: a Constructive Approach to Multilateralizing Asian regionalism* that the FTAAP initiative represents a politically ambitious, high potential benefit option for achieving Asian regional integration. Among its desirable attributes, the FTAAP initiative could help revive and promote a successful conclusion of the Doha Round negotiations; constitute a 'Plan B' hedge if Doha fails; short-circuit the further proliferation of bilateral and sub-regional preferential agreements that create substantial new discrimination and discord within the Asia-Pacific region; defuse the renewed risk of 'drawing a line down the middle of the Pacific' as East Asian, and perhaps the Western Hemisphere, initiatives produce disintegration of the Asia-Pacific region rather than the integration of that broader region that the APEC forum was created to foster; channel China-US economic conflict into a more constructive and less confrontational context; and revitalise APEC, which is of enhanced importance because of the prospects for Asia-Pacific and especially the China-US fissures. An incremental approach to the FTAAP, explicitly embodying enforceable reciprocal commitments, offers the best hope delivering on the concept's abundant benefits.

What Does a Free Trade Area of the Asia-Pacific Mean to China? Jiang and McKibbin (2008) argued that China benefits from all FTAs, and the eastern region gains the most. China's benefit increases along with the increase in coverage of the FTAs, that is, the Asia Pacific FTA (APFTA) has the biggest positive impact on the Chinese economy. It is found that China benefits more from a FTAAP than from an ASEAN-China FTA (ACFTA) or an EAFTA (Scollay 2005, 27). APEC is to begin a two-year feasibility study for FTAAP, which would be the first formal step in negotiating the new FTA. The plan is to finalise the FTAAP agreement by 2025. Under the FTAAP, the US would gain about USD 626 billion in exports, while China would gain a whopping USD1.6 trillion (*The Diplomat*, 4 November 2014). APEC's Executive Director Alan Bollard said in the *Elite Talk* during the 2014 APEC meetings that FTAAP will be 'the big goal out into the future' (*People's Daily Online*, 8 November 2014). Besides, FTAAP is seen as a rival to the proposed Trans-Pacific Partnership (TPP) backed by the US as part of its pivot to Asia but which notably excludes China.

Major General LUO Yuan explained the motif of China's support to the FTAAP.⁶³ He said that East Asian countries including China want to lead the process of regional integration by themselves, and have their own FTA plans such as RCEP, EAFTA. But the region is still under the serious influence of the US. The US is not willing to see the region to be more integrated and independent. After the unsuccessful APEC, the US, combined with Japan, Australia and other allies in the region, initiate the TPP, and want to replace East Asian initiatives by it. If we look at the FTA strategy of the US, in its East, it is negotiating the Transatlantic Trade and Investment Partnership (TTIP) with the EU (without the participation of China), and in its West, it is constructing the TPP (again without the participation of China). If the US realise its FTA

⁶³ Interview with Major General Luo Yuan in the Chinese foreign ministry on 3 June 2015.

strategy and build up the TTIP and TPP, its FTA map will be including every country in the world but without China. China will not accept the situation to happen, and initiated the FTAAP to hedge it. In East Asia, the US will certainly focus on the TTP but not the FTAAP, and the FTA competition between the two big traders will persist.

5.5 Summary

The prevalence of new regionalism has unified regional countries to higher degree, and often has formed platforms for regional cooperation. More unified region provides regional powers larger room to exert their influence. Based on the neorealist and neoliberalist thinkings, China believes that East Asian regional cooperation and integration could help to create a stable and cooperative environment, which is crucial for realising its ambitious modernisation. China's shift to support for new regionalism in East Asia was historic, and influenced heavily by both its perception of the AFC and by substantive changes in Beijing's regional role that the crisis provoked. After the end of the Cold War and especially after the AFC, China has started to implement its strategy of new regionalism in economic affairs, and has been participating actively in the regional integration process in East Asia. As a great power in the region, China has the leverage to unify regional countries, and plays a key role in driving East Asia towards an East Asia Community by multilateral means of new economic regionalism. China's economic rise, due to its great size and huge market potential, has become a new factor for regional economic growth and restructured the pattern of regional economic integration. China's active role in promoting East Asian regional integration has been accepted by its regional partners (Zhang 2010, 178).

In this process, China focuses on two main fields: one is the FTA construction, another is the financial cooperation. China believes that the establishment of FTAs and the homogenisation of economic policies may pave the way for further regionalisation in a spontaneous way. The participation of China in regional economic cooperation has induced the regional economic development. It has stimulated the technology and knowledge transfers which increase productivity. It has facilitated the trade liberalisation and the intra-regional trade has been increasing. It has strengthened the competitiveness of East Asia, has brought more FDI in the region, and has expanded involvement of regional enterprises in world markets. China considers the financial cooperation as a way to make East Asia more independent and to assure economic security of the region. The process of economic cooperation among East Asian countries is likely to establish certain norms and regional orders step by step. Regional arrangements could effectively ease away potential trade tensions even security frictions among regional economies, and at the same time build common shared values and create a certain kind of common feeling that the values are generally shared by the people in the same region.

The core strategy of regional cooperation for China is 10+3. With the joint effort by China and regional countries, notable achievements have already been made in the form of '10+3': an institutional framework for regional cooperation through annual leaders' meetings, ministers'

meetings and senior officials' meetings. In East Asian regional cooperation, the axis of China-Japan-Korea is critical. A Northeast Asian group with its own subregional agenda to promote closer economic, security, and political ties through a multilateral regional cooperation mechanism could make a significant contribution to advancing wider regional agendas. The East Asian cooperation process in return helps to facilitate Northeast Asian cooperation. It is the '10+3' process that has helped to bring the three Northeast Asian leaders together and set the course for a formalised annual leaders' meeting and other governmental cooperation mechanisms. In this aspect, East Asian cooperation serves to bind the Northeast Asian countries together and presses them to move faster. Northeast Asian cooperation is an integral part of the East Asian cooperation process. Closer regional integration will help Northeast Asian countries to play more influential role in building up an emerging EAC.

Under the framework of 10+3, China started its regional strategy of financial cooperation. The rehabilitation and deeper integration of the region's financial activities was considered a key step towards recovery after the AFC. The CMI is clearly a case of Northeast Asian leadership, including the first-ever commitment by China in regional finance, although the problem addressed was significantly broader. After the CMI initiative, China has also participated in various regional discussion of financial and monetary cooperation such as regional currency swaps, an Asian Monetary Fund, or the launching of an Asian Bond Fund to bolster East Asian financial regionalism, which have gained varying degrees of acceptance in markets and policy fora. In this regard, China made its own contribution by the internationalisation of RMB and the establishment of AIIB, and shows its economic strength and confidence of leading the regional financial cooperation.

China's strategy of new regionalism is not just an economic and financial cooperation process, It also has political and security significance, i.e. helping to improve relations among the countries in the region. China has been willing to extend the areas of cooperation of 10+3, especially to undertake political and security dialogue within the framework. At the Brunei Summit in November 2001, the speech of Chinese Prime Minister Zhu Rongji laid down an important policy by arguing that 'efforts should be made to gradually carry out dialogue and cooperation in the political and security fields' (*Ministry of Foreign Affairs of the People's Republic of China*, 6 November 2001). Citing dangers such as terrorism, AIDS, and cross-border crimes, including drug trafficking, illegal immigration, and cybercrimes, Chinese officials have subsequently called for the expansion of regional cooperation in 10+3 to include consideration of nontraditional security issues. For example, 10+3 adopted a proposal at the Phnom Penh Summit (originally made by Zhu Rongji in Brunei) to hold a ministerial meeting on combating transnational crimes (Kim 2004, 119).

China has striven for building up a multilateral regional economic mechanism. Through the 10+1, 10+3, RCEP, and other forms of cooperation, China's perspective of regional strategy is to build up a EAC. In less than a decade, the region has gone from acknowledging the need for better cooperation, to actively forging deeper ties across an ever increasing range of areas. While the efficacy of these ties is still being reviewed, they have served to crystallise a vision of EAC: one that unites Northeast Asia with Southeast Asia. It seems that the concept of the EAC has been commonly accepted (Zhang 2010, 23). It is clear that there is a vision of the region,

an EAC, which places a high value on deeper economic and financial integration as the engine of future regionalisation. Indeed, across all policy dialogues is the clear recognition that economic and financial integration is the keystone for any future region-building efforts. What is needed now is the domestic and regional capacity and political will to see this vision joined with reality. It can be concluded that, if economic and financial forms of regionalism are not yet a tipping point, they are getting closer. According to Wu (2009, 59), the mainstream opinion in China is that an EAC, if at all realised, would start with an economic community, expand to political, security, social, and cultural areas, and ultimately end up with a regional community that covers cooperation among regional members on all dimensions.

The practice of China's new economic regionalism goes beyond East Asia. The geographic area, where China practices its new economic regionalism, has been significantly enlarged. Previously, China's new economic regionalism was confined to East Asia and now it has expanded to all directions in Asia, including Central Asia and South Asia. In particular, China is now advancing its new regionalism on two fronts: westwards cross the Eurasian continent, and southward towards the Indian Ocean (Zhang and Li 2014). The definition of China's new economic regionalism is also wider than the traditional one. The definition of economic regionalism that Mansfield and Milner (1999) and Pomfret (2011) used mainly relates to economic arrangements. For Mansfield and Milner, it may be subdivided into commercial regionalism, for example FTAs, and financial regionalism. China's new economic regionalism is wider than this and includes the idea of obtaining political and even security gains through economic cooperation. Firstly, economic cooperation was the main point, in most cases, of China's diplomatic relations with others. Secondly, economic gains, or more specifically, maintaining rapid GDP growth, is always the top target at which China's foreign economic cooperation is aimed. As the case study illustrates, by establishing FTAs or other arrangements, China seeks to develop or foster stable markets that can help to diversify its export destinations on the one hand, and exploit more material resources on the other; both of which are vital to its economic development in the post-crisis world. Thirdly, economic cooperation, especially by building economic interdependence, is believed to be an effective way to meet political or security challenges. This is especially true in relation to its cooperation with neighbouring countries. In this sense, China's new regionalism in East Asia is a comprehensive notion, not only multilateral, but also multidimensional.

The author asked Mr. Zhang Yunling, senior Chinese research fellow on regional cooperation, to conclude China's effort of new regionalism in economic affairs.⁶⁴ He replied that as a regional great power and with its increasing economic strength, China did shape the framework of regional cooperation in East Asia after 20 years' efforts. For the FTAs, the 10+1 is already established, the EAS is advancing; For the financial cooperation, the CMI is a breakthrough, the RMB is at least regionalised. Now the most fashionable initiative is the OBOR, which will build up linkage between China and East Asia, Central Asia, Europe and even Africa. With the initiative of the OBOR, the AIIB and the Silk Road Fund⁶⁵ are

⁶⁴ Interview with Mr. Zhang Yunling on 26 May 2015 during the First Annual Conference of CICA Non-Governmental Forum in Beijing.

⁶⁵ The Silk Road Fund is a state owned investment fund of the Chinese government to foster increased

established, which will further help the finance of China's projects, and it did reflect China's growing economic and political strength in the region.

However, Mr. Zhang Yunlin also pointed out the weakness of China's strategy of new regionalism, for that reason the construction of an EAC still has a long way to go. The level of China's regional cooperation is relatively low. In the area of trade, China focuses on FTAs, the regional cooperation in East Asia is even far from moving to a higher level such as a Common Market; In the area of financial cooperation, China needs to push for a closer regional financial cooperation, and East Asia is also far from a Monetary Union. The ASEAN Way or the East Asian Way has caused the low institution of East Asia, and the low-institution of East Asia has impeded China's regional strategy. The 10+3, main channel of region cooperaton in East Asia is not going well because of the discord between China and Japan, and the regional cooperation is always under the serious influence of the US.

investment in countries along the OBOR. The Chinese government pledged 40 billion USD for the creation of the investment fund established on 29 December 2014. To know more about the Silk Road Fund, please see the article 'China's Silk Road Fund starts operation'. *Xinhua News Online*, 16 February 2015. http://news.xinhuanet.com/english/china/2015-02/16/c_134001196.htm and 'Commentary: Silk Road Fund's 1st investment makes China's words into practice'. *Xinhua News Online*, 21 April 2015. http://news.xinhuanet.com/english/2015-04/21/c_134170737.htm.

6.1. Introduction

As discussed in Chapter 2, this Chapter intends to use the method of discourse analysis, especially the discourse-historical approach, to study the transformation of China's thinking of new regionalism. We should pay attention to the dominant impact of historical and political conditions on the process of the formation of China's new thinking of regionalism. China's active participation in regional cooperation is a reflection of its new thinking of regionalism, and China's new thinking of regionalism can be traced by the method of the discourse analysis. Throughout China's history, different epoch produces different regionalism thinking, and different regionalism thinking is the echo of different epoch. From 'Good Neighbour Policy', 'New security Concept', to 'Go Global Strategy', we can see clearly the historical transformation of China's strategy of regionalism in different periods which provide a spiritual and theoretical support for its new regionalist practice. The comparative research and the intertextual analysis is also used in this chapter, in order to compare different thinking of regionalism in different epoch of China's foreign policy.

Discourse is defined by linguistic traditions as the units of written and spoken communication under study and focuses on the content of texts and conversations (Hajer, 1995). Discourse, used as an abstract noun, refers to the 'language use conceived as social practice' (Fairclough 1993, 138). Discourse Analysis is an interdisciplinary approach to the study of discourse that views language as a form of social practice (Fairclough 1995). Critical Discourse Analysis (CDA) or simply 'discourse analysis' is a rapidly developing area of language study. It regards discourse as 'a form as social practice' (Fairclough and Wodak 1997, 258), and takes consideration of the context of language use to be crucial to discourse (Wodak, 2001). According to Fowler et al. (1979, 185-89), discourse analysis, like sociolinguistics, asserts that, 'there are strong and pervasive connections between linguistic structure and social structure', and 'language is an integral part of social process'. The priority for CDA in contemporary society is understanding how changing practices of language use (discourse) connect with (e.g., partly constitute) wider processes of social and cultural change. We can better understand China's thinking of new regionalism if we put China's relative discourse in the historical background.

One important principle is that discourse is history. The historical dimension in critical discourse studies also plays an important role (Wodak and Meyer 2001). Thus discourses can only be understood with reference to their historical context. In accordance with this discourse analysis refers to extralinguistic factors such as culture, society and ideology in historical terms (Fairclough and Wodak 1997; Wodak 1996, 2001). Discourse is historical in the sense that texts acquire their meanings by being situated in specific social, cultural and ideological contexts, and time and space (Sheyholislami 2017, 13). Wodak's approach is a discourse-historical perspective, and the context is understood mainly historically. The general principles of the discourse-historical approach may be summarised as follows: First, setting

and context should be recorded as accurately as possible, since discourse can only be described, understood and interpreted in its specific context. Second, the content of an utterance must be confronted with historical events and facts. Third, texts must be described as precisely as possible at all linguistic levels (Wodak 2001).

Kristeva (1986, 39) observes that intertextuality implies 'the insertion of history (society) into a text and of this text into history. Discourse analysis does not limit its analysis to specific structures of text or talk, but systematically relates these to structures of the sociopolitical context. Discourse analysis studies text in context. It has been used to examine political speech acts, to highlight the rhetoric behind these, and any forms of speech that may be used to manipulate the impression given to the audience (Roffee 2016, 131-47). Dijk (1988, 61-63) believes that we need to examine the context of the discourse: historical, political or social background of a conflict and its main participants. A contextual analysis is simply an analysis of a text that helps us to assess that text within the context of its historical and cultural setting, but also in terms of its textuality - or the qualities that characterise the text as a text. A contextual analysis combines features of formal analysis with features of 'cultural archeology', or the systematic study of social, political, economic, philosophical, religious, and aesthetic conditions that were (or can be assumed to have been) in place at the time and place when the text was created. It means 'situating' the text within the milieu of its times and assessing the roles of author, readers (intended and actual), and 'commentators' (critics, both professional and otherwise) in the reception of the text.

Historic research involves finding, using, and correlating information within primary and secondary sources, in order to communicate an understanding of past events (Elena et al. 2010, 25-36). This Chapter uses the discourse-historical approach to highlight the historical background of China's new regionalism and its far-reaching implications. Although discourse analysis has been defined as 'an emerging research programme' (Milliken 1999, 226), it is characterised by a plurality of disciplinary, theoretical and methodological approaches marked by internal heterogeneity (Laffey and Weldes 2004). There are different traditions of discourse analysis which are derived from differing interpretations of the meaning of discourse (Mills 1997; Torfing 2005). In this chapter, the author will analyse China's thinking of new regionalism through discourses such as government documents, leader's speeches, discussion of scholars, interviews, conversations, newspaper articles and so on, for example: China's Initiation of the Five Principles of Peaceful Co-Existence (2014), China's Peaceful Development (2011) (white paper), Report of the Third Plenary Session of the 11th Central Committee in December 1978 (To engage China in 'reform and opening'), Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China Kuala Lumpur, Malaysia (1997), ASEAN-China joint statement on DOC in South China Sea (2012), Joint Declaration on the Enhancement of Trilateral Comprehensive Cooperative Partnership (2012), 'Full Text of Jiang Zemin's Report at the 16th Party Congress' in November 2002 (Main document of the 'Go Global Strategy').

Regionalism is an important part of Chinese diplomacy (Jiang 2010, 127), and has long-term historic roots in China. For some 3-4,000 years China has been at the centre of a regionally-based order that it dominated and which was remarkably orderly for long periods of

time (Beeson 2007, XVI). As a traditional power of East Asia, China developed the concept of the 'All-under-heaven System' (Zhao 2008, 57-65) and experienced the so-called China Centralism of the Tribute System era (Hamashita, 2009) during its long history. The tributary system, centered by Chinese superiority over neighbours, could be tracked as a synonym to the regionalisation in East Asia. Tributary system thus worked well to promote the regional trade between China as political patron and many of regional members as tributary countries. Although these concepts are different from modern regionalism, the shadow they cast over the idea of regionalism that China may hold cannot be completely eliminated (Wang 2011, 196). The tributary system demises quickly and explicitly followed the debacle of Sino-centrism as the country grew so weaker that China-centered regional order had been fully shattered by the modern colonialism and imperialism between 1840-1945 (Zhu 2006). Regardless of once tarnished China in the past, East Asia is an old concept rooted in history remarkably with cultural depth and geographical legitimacy mainly due to China's historic attribute.

China's attitude towards regionalism evolved from old to new, and from 'hostile' to 'active'. Mostly in the post war period, East Asia meant almost nothing economically to China. China rarely cooperated with its neighbours or participated in regional institutions before the end of the Cold War because of intrinsic hostility towards regional blocs (Calder and Ye 2010, 164-65). In Mao's era, regionalisation was synonymous to the communist expansion movement and Beijing's revolution exporting strategy (Jeffrey 2005, 9-11). In the 1960s, China was hostile to East Asian regionalism represented by ASEAN, claiming that ASEAN was nothing but an anti-communist tool used by imperialists (Li 2000, 73). From 1978 to 1989, China's regional involvement was quite restrained. Beijing lacked the capability to lead any multilateral initiatives in the region, and was wary of any potential infringement on its own sovereignty by supranational institutions (Calder and Ye 2010, 164). As a result, China is totally a later comer in the game field of East Asian regionalisation in the contrast to Japan and ASEAN, and new regionalism is a relatively young concept to Chinese. Since the end of the Cold War and under the influence of the globalisation, with the idea that a 'self-help approach alone is inadequate - as well as politically untenable - for ensuring a peaceful and stable international environment' (Garrett and Glaser 1996, 76), the Chinese government has gradually come to bring its national interests into line with global and regional environment, and has been pursuing a way to realise its national interests by integrating and accommodating to the international society. China has become an active player in the new wave of regionalism, and its new regionalist thinking such as Good Neighbour Policy and New Security Concept did help it to be integrated into the regional and global cooperation.

6.2 Good Neighbour Policy

China's development would be impossible without Asia, and Asia's prosperity without China.

-Hu Jintao during his April 2002 visit to Malaysia

Regional arrangements are regional geographically: the participants are neighbours. China's geopolitical location is quite unique, surrounded as it has been over the past two millennia by numerous continental and maritime neighbours. China has more neighbouring countries than any other country in the world, sharing land borders with fourteen countries, and maritime borders with eight (two of them, North Korea and Vietnam, share both land borders and maritime borders with China). If we count states that do not share common borders with China but are geographically close to it - Singapore, Thailand and Cambodia in Southeast Asia, Bangladesh, Sri Lanka and Maldives in South Asia, Uzbekistan and Turkmenistan in Central Asia - then China is surrounded by about thirty neighbouring countries. Several of them are big powers, such as Russia, Japan, India, and even the US, as a 'special neighbouring country', because of it having been the only superpower in the post-Cold War world, exercising great influence and playing an important role in China's surrounding areas (Zhang 1998).

New regionalism typically involves one or more small countries linking up with a large country. In China's diplomacy, neighbouring regions play a key role due to their geographical nearness and frequent interactions (Chen and Guan 2014), and China attaches great importance to its relations with adjoining countries. As discussed in Chapter 2, regionalism should occur around a group of geographically proximate countries, and regionalisation normally necessitates a certain degree of cultural homogeneity to start with, what we can call an inherent regional civil society. China has probably displayed greater concern over its relationship with its neighbouring countries and expended greater resources in dealing with them than any other of the world's big powers (Lee and Son 2014, 141).

As neorealists contend, regional cooperation can be formed as a response to external threats or challenges. The increasing interdependence, particularly economic interdependence, produces demands for inter-state cooperation and institutions are expected to call for collective actions to deal with various problems of common concern. Ever since the Western sanction against Beijing in the aftermath of the Tiananmen incident in 1989, China has implemented the so-called Peripheral Diplomacy (*zoubian waijiao*), or Good Neighbour Policy (*mulin waijiao*), to break the diplomatic isolation. Chinese Former President Jiang Zemin defined the Good Neighbour Policy at the Sixteenth Party Congress as 'building a good neighbourly relationship and partnership' with China's neighbours (*Xinhua News*, 17 November 2002).

With its increasing power, China has been redefining its regional and global roles. Based on the great power theory and in order to become a world power, China has to first of all develop as a regional power. To act as a responsible world power, China has to begin with behaving as a responsible regional power. China's strategy has further changed to one which aims to maintain a peaceful environment favourable to domestic economic development by actively improving bilateral relations in the region, and participating in regional multilateral dialogues and cooperation. While initially a tactical measure to counter the Western pressure, the Good Neighbour Policy has gradually gained strategic significance in the entire Chinese foreign policy, and has therefore always been at the top of the Chinese government's policy agenda.

6.2.1 Multilateral Cooperation

Neoliberals have pointed out that states are inclined to cooperation because they are dependent upon each other. Whereas old regionalism is hegemony regionalism under the Cold War binary system, new regionalism is multiple regionalism. In the Good Neighbour Policy initiated by China, the most important is to invite regional countries to cooperate multilaterally in different domains. The much debated 'rise of China' and its implications have been shaping the development of China's relations with its neighbouring countries, especially in terms of regional multilateralism of EAC building. The post-Cold War transformation of China's regional policy by moving beyond the traditional bilateralism towards multilateralism was accelerated by the AFC of 1997-98 (Wang 1998). China has also used regional multilateral cooperation in pursuit of what it called a 'favourable international environment', supportive of the modernisation drive. As commented by an analyst, 'Chinese policy-makers see considerable potential for the progression of Chinese objectives in the region, and China's economic and security interests are perceived as being best served by engagement and cooperation - both through bilateral relations with individual regional states and through multilateral processes including the active promotion of formal regional institutions' (Breslin 2009, 817).

China has regarded good relations with contiguous areas and multilateralism as two of its four basic foreign policy guidelines. In 2007, Chinese leaders reaffirmed this position at the 17th Party Congress, and summed up in the phrase 'The major powers are the key, surrounding areas are the first priority, developing countries are the foundation, and multilateral forums are the important stage' (*daguo shi guanjian, zoubian shi souyao, fazhan zhong guojia shi jichu, duobian shi zhongyao wutai*, Shambaugh 2013, 14). Around all its periphery, Chinese analysts propose that as part of China's strategy to ensure its rise, it should regard East Asia as its strategic backyard and actively participate in regional institution-building as a fundamental policy (Hu and Meng 2005, 26-35). As a result, 'multilateral regionalism' and East Asian community building are advocated as distinct from a more state-based strategy.

From late 1988 to 1992, former leader Deng Xiaoping iterated the fundamental judgment that a new world war was impossible, and pointed out that peace and development was the prevailing trend of the contemporary world. In early 1992, Deng Xiaoping paid a visit to a few southern cities. During the tour, he criticised those who harboured doubts about the country's reform and open-up policy and stressed the importance of economic development. Deng urged the Chinese people to further emancipate their minds, be bolder and develop faster than before in conducting reform and opening up to the outside world. Since the 1992 Southern Tour, the basic principles guiding China's foreign policy were adjusted to be more economic oriented, and China began to recalibrate its attitude towards regional arrangements. Around that time, China began contact with ASEAN and became a member of APEC. China's acceptance of membership in APEC shows that China had a sharp epistemological adjustment towards regional organisations (Zhang and Li 2014). Since then, China has taken a proactive stance on multilateral economic cooperation.

Just as Hu (1996, 45) argued, the end of the Cold War sharply transformed the relationship

between Beijing and Washington, as well as between China and its East Asian neighbours. Encouraged by the US, Western countries imposed economic sanctions on China and restricted trade and investment flows to China. It was at this juncture that Beijing's ties with its East Asian regional neighbours, especially the developed, technologically sophisticated nations of Northeast Asia, began to intensify (Calder and Ye 2010, 164-65). China has become increasingly involved in Northeast Asian multilateral cooperation. By right of its increasing economic strength and regional influence, and in order to create a peaceful regional environment and to speed up its economic development, China has taken an active part in building up multilateral cooperation mechanism of Northeast Asia.

In the early 1990s, Beijing began a policy of 'neighbourliness, trustworthiness and partnership' with neighbouring countries to inspire trust and reduce regional threat perceptions of China (Xing and Zhan 2006). In 1993, Chinese Premier Li Peng observed the importance of this, stating: 'active development of beneficial and friendly relations with neighbouring states, in striving for a peaceful and tranquil surrounding environment, is an important aspect of [China] country's foreign affairs work'. This statement may be considered a foundational moment for China's Neighbourhood Policy (Chung 2009, 107-23). China's policy of 'becoming friends and partners with neighbours' (*yulinweishan, yulinweiban*) has prioritised its regional diplomacy on the ASEAN countries (*Xinhua News*, 17 November 2002). It largely depends on its desirability to court ASEAN countries not to favour America's possible contemplation to contain China and its increasing flexibility to insert itself into nascent multilateral organisations. Beijing has been greatly encouraged by ASEAN's pretty positive response since then, and enjoyed its increased maneuverability by launching 'charm offense' and displaying Beijing's respects and admires ASEAN as a major player in the regional process. Therefore, China has played the bigger role in expanding the established venues, such as the 10+3 process. Obviously, an enhanced China-ASEAN relationship is one of the most successful elements of Chinese diplomacy in recent years, and their relations have produced remarkable improvement. Christopher Hill (7 June 2005) said, 'China's most dramatic diplomatic, political, and economic gains of the past few years have been in Southeast Asia'.

The 1997-98 AFC marked a critical juncture for China's regional policy (Calder and Ye 2010, 166). The Chinese government acted responsibly by not devaluing its currency and by offering aid packages and low-interest loans to several Southeast Asian states. These actions not only were appreciated in the region, but also stood in stark contrast to the dictatorial posture taken by the IMF and international creditors in response to the crisis. This assistance punctured the prevailing image of China in the region as either aloof or hegemonic and began to replace it with an image of China as a responsible power. To some extent, Beijing's policies also served to arrest the fiscal crisis (Shambaugh 2004/2005, 68). The success of its actions boosted the confidence of China's leaders in their role as regional actors (Shambaugh 2004/2005, 68). After 1998, China is increasingly active in regional cooperation. Beijing seized the opportunity created by that critical juncture and markedly improved relations with many of its East Asian neighbours (Calder and Ye 2010, 169). It embarked on a sustained period of proactive and cooperative regional diplomacy under the rubric of 'establish good neighbourliness, make neighbours prosperous, and make them feel secure'. This policy bore much fruit, as China managed to dramatically improve and stabilise relations all around its periphery. It has

gradually taken centre stage in the development of regional economic cooperation, leaving its neighbours little choice but to cooperate (Jiang 2010, 109).

From 1998 to 2008, China practiced omnidirectional diplomacy. During this decade, under the successive leaderships of Jiang Zemin and then Hu Jintao, China's diplomacy really branched out. After a heated internal debate in 1997 over foreign policy priorities (Finkelstein 1999), it prioritised strengthening relations with its Asian neighbours and engineered a ten-year run of everimproving ties all around its periphery (Shambaugh Winter 2004/2005). This was an excellent and effective period in Chinese diplomacy. For this period, China's expectations of regionalism were to establish cooperation based on mutual trust and mutual benefits through equal consultations with other countries. China's regionalism was designed to be non-closed, non-exclusive, as it experimented with diversified forms of cooperation. These can be demonstrated by the rhetoric of Chinese leaders. Jiang Zemin stated at the launching ceremony of the SCO in 2001 in Shanghai that it needed to adhere to four principles: (1) be exploratory and innovative, (2) be pragmatic, (3) uphold solidarity, and (4) adopt an open attitude. Jiang further explained his thinking on regionalism at the thirty-fifth annual conference of the Asian Development Bank on 10 May 2002, making four suggestions (Zhang and Li 2014): (1) foster the political environment of mutual understanding and harmonious coexistence for the benefit of Asian development; (2) implement the principles of equal consultation, reciprocity, and mutual benefits, and fully reflect the equal rights of all parties and their common interest; (3) adhere to the principles of diverse forms of cooperation and gradualism, and build upon existing cooperation mechanisms and keep exploring new forms of cooperation; and (4) adhere to open regionalism.

In 2001, Beijing proposed an FTA with ASEAN together with some flexible measures such as the early harvest scheme. Premier Zhu Rongji said that China should abide by the principles of give more and take less (*duo yu shao qu*) and give first and take later (*xian yu hou qu*) in the CAFTA, which showed that he had confidence both in bilateral relations and in the ASEAN market (Jiang 2010, 109). This move is widely believed to be partially driven by the Chinese political goal of reassuring ASEAN countries of China's benevolence and further defusing the 'China threat' rhetoric in the region. There are also other multilateral projects in Southeast Asia in which China plays an active role (Li 2010, 129-30), for instance, the Greater Mekong River Sub-region project and the emerging Pan-Beibu Gulf regional economic zone. In Northeast Asia, China is also engaged in a number of multilateral economic projects, such as the Tumen River regional development initiative and the Bohai economic circle. China is also enthusiastic about a trilateral FTA among China, South Korea, and Japan in Northeast Asia.

Hu Jintao and Wen Jiabao, who came to office in 2003, presented a different strategic vision from their predecessors - a vision that embraced cooperation with China's Northeast Asian neighbours. In November 2003, the Vice-President of the Central Party School, Zheng Bijian, expounded a 'peaceful rise' strategy in his landmark speech at the Boao Forum (*BBC*, 26 April 2004). Zheng (2005) contended that in the new world then emerging, China's interests were served by developing peaceably and contributing actively to a peaceful international environment. Regional stability was an integral, vital component of that strategy (Calder and Ye 2010, 169). There has been a strategic shift to more proactive and responsible foreign

policy within the region (Calder and Ye 2010, 163).

Since 2005, China's regionalist strategy has become much more proactive and clearly focused than previously. In that year, President Hu Jintao personally introduced the 'harmonious world' concept concerning the construction of new regional and international order. In May 2006, Hu further advanced the idea of 'harmonious Asia' (*Chinadaily*, 19 November 2007). Hu's 'harmonious world' concept was adopted as the PRC's official diplomatic goal at the 17th National Party Congress in 2007. These important, albeit vague notions were elucidated by Chinese premier Wen Jiabao, who explicated 'harmonious East Asia' at the APT Summit of 2007. Wen contended that regional cooperation had become the core means to achieving Hu's 'harmonious world' strategy, and that Beijing's involvement in regional institutions 'fully demonstrated China's new diplomatic concept, and showcased the country's determination to follow the path of peace and development' (Calder and Ye 2010, 163).

China began to pay more attention to regional economic integration after it joined the WTO in December 2001 (Deng and Wang 2005, 168), and its request for the regionalisation has been raised to the higher level than the 1990s. China is pushing towards a FTA within East Asia in the next ten years. Chinese trade policymakers argue that the multilateral trade regime cannot completely replace regional economic organisations in promoting trade and economic development between regional members. China understood that the multilateral trading system was in danger or weakening, and has noticed that economic security is best pursued cooperatively through regional and multilateral entities. They list the slow progress at the WTO as one of the reasons for China's interest in FTAs. They note that the process of the Doha round of negotiations is very slow and difficult, while trade liberalisation among a small group of countries is easier to negotiate. Besides, areas not covered by the WTO may be included in FTAs. The Framework Agreement between China and ASEAN covers five areas for cooperation, some of which go beyond the WTO to include technology and development cooperation. China believes that 'we should fully utilise the greater flexibility of FTAs so that we can deal with specific problems more easily' (Xu et al. 2003, 145; Zhang and Zhao 2003, 20-22). As Zhang (2010) has argued, although China's opening up is to the world, the stagnation of WTO negotiations and the burgeoning of regional arrangements pushed China to regional cooperation even after its WTO accession.

Since President Xi Jinping took office in 2012, Chinese official media began making references to the concept of 'great power diplomacy', which takes as its operating principle that Beijing should be wielding its newfound strategic heft in the manner of a traditional great power (*People's Daily*, 5 April 2013). The 'great power diplomacy' explicitly linked the great power diplomacy theme to other formulations personally associated with Xi, such as the Chinese Dream and the great rejuvenation of the Chinese nation. In its most basic exposition, that great rejuvenation means that the PRC by 2049 intends to restore itself to a regional position of primacy (Johnson 2014, 18).

The most important change in China's diplomatic strategy during this time is the new concept of a 'community of shared destiny', which symbolises the upgrading of China's peripheral diplomatic purpose (Chen and Guan 2014). A community of shared destiny was first raised by

President Xi Jinping during his visit to Indonesia in October 2013, and backed up by Premier Li Keqiang's framework speech in a summit meeting with the leaders of ASEAN countries in the same month. It requires not only intimate economic cooperation, but also mutual trust in security and good intentions towards each other. It proposes raising relations between China and neighboring countries to higher moral standards. The new principle best symbolises China's upgrading of its peripheral diplomacy, and the shifting of its diplomatic emphasis with neighboring regions from economic cooperation to comprehensive relations. Creating a community of shared destiny is now the basis of China's peripheral diplomacy and will support China's development for the foreseeable future.

It is worth mentioning that in the last week of October 2013, a high level meeting dedicated to periphery diplomacy was held for the first time ever (Glaser, Bonnie and Deep Pal, 2013). It is the first major gathering on foreign policy since 2006, when the last foreign policy work conference was held. Similar to that meeting, the periphery diplomacy conference was attended by the entire Standing Committee of the Politburo, various organs of the Central Committee, State Counselors, Central Leading Small Group with responsibility for foreign affairs, and Chinese ambassadors to important countries. In contrast to the 2006 meeting and other prior work conferences on foreign policy, this gathering focused only on China's borders rather than its overall foreign policy. The meeting re-emphasised China's need for a stable external environment that is conducive to domestic economic reform. Chinese media coverage of Xi Jinping's speech suggests that Beijing is seeking to correct some of the missteps in Chinese policy towards the region in recent years, promote China's overall influence in its periphery, and counter the US rebalance towards Asia.

6.2.2 Motivations Behind

We can easily define China's regional activism as the outcome of Chinese nationalist/strategic aspirations in East Asia (Zhu 2006). What does China want in promoting regional cooperation? The goals are multiple which implies the thinking of new regionalism, neorealism, and neoliberalism, and the behaviour of China as a emerging great power:

First to fall, maintaining economic growth, which in Chinese documents is referred to using the phrase *economic construction is the centre*, should be the most direct concern of China's regional strategy (Zhang, 2010). East Asia was regarded as one of the most important regions for the success of China's export-led economic growth. East Asian nations have been China's indispensable markets, source of FDI, and source of energy and raw material supplies (Li 2010, 127). Chinese decision makers believed that having a stable and peaceful regional environment was a prerequisite for them to concentrate on domestic economic modernisation. China has been trying to take advantages of all international conditions to promote its domestic economic development in order to revive its national strength along the line of 'reform and opening up', which have been labeled as the great task for glorious restoration of Chinese great power position in the world stage (Zhu 2006).

Second, China's regionalist approaches were overwhelmingly driven by its fear and worry to be ideologically purged by the West and contained strategically by the US. China attempted externally to break up the isolation posed in the post-Tiananmen Incident era and curtail strategic pressures it strongly feels from the US when Washington tends to regard China as the biggest strategic challengers in the coming years. Seeking an stable and secure international surroundings has been top concern for its foreign relations. Now, the vibrant improvement of relations with the most of regional members has greatly gave it an easy breath. Beijing has never been less concerned with the immediate possibility of the US posed 'encircling' or 'containing' policy for the time being since the end of Cold War (Zhu 2006).

Third, China's motivations for this shift have included a heightened awareness of its economic vulnerability. The impact of the AFC highlighted the importance of regional economic security to China. As the AFC demonstrated so painfully in East Asia, the strength of a single country is limited, and informal cooperation is sometimes inadequate to meet the challenges of contemporary globalisation. In the face of a financial storm, only through multinational coordination and regional cooperation will it be possible to avoid any 'domino' effect and minimise damages. At the same time, as regionalism has advanced in every corner of the world, China has been increasingly burdened by fear of exclusion, and has found cause to worry both about its own leverage in the region and about that of East Asia vis-à-vis Europe and North America.

Fourth, China needed to devote more attention to relations with its neighbours in order to ensure security and stability on its periphery. China focuses on its economic development, and considers that mutually beneficial economic relations have often served as a bulwark against persistent political or security tensions. That is the reason why China pays more attention to the building up of the multilateral economic mechanism in Northeast Asia. Although the past decades have been more peaceful, and all but one land border (that with India) have been mutually demarcated (Fravel 2008), volatile maritime disputes still exist in the East China Sea and South China Sea. This has led to a school of thought in China arguing that Chinese diplomacy should prioritise its periphery through the Good Neighbour Policy. Beijing has consistently applied its policy of cultivating cooperative relations to all regional states regardless of the extent of their security ties with the US or whether they have territorial disputes with China (Li 2010, 128). Chinese leaders hope the mutually beneficial cooperation will encourage a friendly atmosphere for both sides to discuss certain sensitive issues, such as the South China Sea and bilateral territorial disputes (Wang 2011, 6). For bigger neighbouring countries, economic interests served as the glue in their relations with China. For those smaller and less developed states, Chinese financial and other assistance programmes were very attractive.

Fifth, Beijing's fostering of Good Neighbour Policy reflects its willingness to present itself, both regionally and internationally, as a cooperative and non-threatening country. Starting from the late 1990s, multilateral diplomacy has increasingly obtained its salience in China's peripheral or regional strategy. There has emerged a consensus among the Chinese Foreign policy establishment that multilateralism, particularly economic multilateralism, might be the most effective means to mitigate the suspicions of China's Asian neighbours, maintain good

relations with China's neighbours, and increase its influence in the region (Deng and Wang 2005, 167). Many believe that China is thinking about the leadership position in East Asia, because 'Beijing would gain political influence by being the center of regional cooperation that did not include the US and by helping to make rules for East Asia that non-member countries would have to adapt to', and the way to be the center is insisting on the APT framework, because 'in a smaller setting, China would be relatively more influential' (Wan 2010, 523-26).

China's overtures to Southeast Asia are example of Beijing's efforts to reshape its regional environment. Increasingly, China awakened to the prospect of using its ever growing economic strength to steer relations with neighbouring states in a strategically favourable direction. In Southeast Asia the opportunities appeared most favourable, and China's energetic moves, such as promoting the CAFTA, were widely watched. as we argued in the CAFTA case, China focused on achieving regional economic cooperation; then the economic deals were used to tackle more challenging issues, such as constructing harmonious relations with neighbouring countries through economic interdependence (Qu 2009, 36). Aware that the US-Japanese security alliance to its east will likely endure, China apparently believes that improving relations with Southeast Asian nations will significantly enhance its regional security and diplomatic leverage. On the security front, friendly ties with Southeast Asian nations will forestall US attempts to encircle China through the establishment of military bases in the country's vulnerable south-west. Diplomatically, neutrality of Southeast Asian nations will reduce China's anxiety of being isolated on regional issues. Economically, China's integration with Southeast Asian nations will likely increase its influence in the region as a counterweight to deeply entrenched Japanese presence (Kim and Jones 2007, 119).

As Miura (2011, 51-52) concluded: China began to see regional multilateralism as a useful instrument to enhance its own economic, political, and security interests. Regional integration makes sense to China economically as it seeks to benefit from creating a larger economic platform for neighbouring countries, as observed in the NAFTA and the EU. Politically, China can demonstrate progressiveness and responsibility in its diplomacy by supporting multilateralism in East Asia, winning political legitimacy in the era of globalisation in which multilateral cooperation is regarded as the new norm of international politics. In terms of security, China can use multilateral cooperation to pacify concerns for the rise of an aggressive China and address many nontraditional security challenges in the region, including terrorism, drug trafficking, and environmental problems. In this manner, regionalism presents an appealing option for the emerging powerhouse, which wants to play an active part in the trend towards greater multilateral cooperation in order to shape a more desirable regional order.

But why neighbouring countries would like to cooperate with China? The neorealist argument is that regionalism can be understood as a response to external threats or challenges. Regional small states participate in regional arrangements and institutions to constrain the freedom of action of the hegemon. The presence of the hegemon is considered necessary to the success of regionalism because the hegemon can provide collective goods to encourage small states into regional cooperation. In the case of East Asia regionalism, neorealists have found evidence to support their assumptions. For instance, China can be viewed as a provider

of collective goods in economics. For neoliberals, economic interdependence among East Asian states in a long term is parallel with the development of regionalism supports the neoliberal viewpoint that interdependence produces cooperation.

6.2.3 Characteristics

There are a number of scholars doing discourse-historical analysis of China's strategy of new regionalism. Among them, Zhang and Li (2014) highlighted eight characteristics of China's new regionalism through studying China's practice of new regionalism:

First, China's regionalism strategy took shape in the overall context of China's rise. Therefore, China's regionalism seeks mutual trust and mutual benefits, peaceful cooperation, and 'not bothering any others and posing no threat to another country' (Wen, 14 December 2005). To a large extent, this strategy is a means to guarantee China's peaceful rise.

Second, sovereignty plays a relatively important role in China's understanding of regionalism. That is to say, the ideas of nation-state and sovereignty figure heavily when China pursues regionalism. China seeks national rejuvenation, national reunification, political autonomy, and a set of grand objectives for achieving the rejuvenation of China as a great nation. So, China's regionalism is different from that of Western Europe. Throughout the process of regional integration of Western Europe, the European countries, to some degree, agreed to share and pool sovereignty. China's understanding of sovereignty has not reached that level. This raises a question about how far China would go along the line of regionalism.

Third, China is somewhat prudent towards regionalism. It carefully chooses the right timing before it moves. For the moment, China talks more about being a proactive participant rather than a proactive leader. When participating in regional cooperation in East Asia, China respects the leading role played by ASEAN, seeking an active but not a dominant role in order to assuage the worries of neighbouring countries about China's rise. That being said, China strives to increase regional mutual confidence in preparing for the future leading role that China might be able to play.

Fourth, China's regionalism is characterised by gradualism and a step-by-step approach. In terms of China's attitude towards regionalism, it is gradual, having evolved from a lukewarm attitude to active anticipation. Originally, China was seen as a revolutionary state, and now it has evolved into a major country in Asian integration. Gradualism was reflected in the scope of regional cooperation. China's regionalism was earlier reflected in the area of economic and trade cooperation, which had spillover effects on security cooperation and boosted political mutual trust. Gradualism was also reflected geographically, i.e., China's economic regionalism started first from East Asia then gradually deepened into Central Asia and Russia, and from the Eurasian continent into the Indian Ocean. And gradualism was reflected in the level of depth of regional cooperation. That is to say, light FTA-type integration gradually moved into the deeper level of community building.

Fifth, China is paying increased attention to building its regional identity. China's regional identity has kept evolving. Before the 1990s, China did not emphasise its Asian identity and therefore was not involved much in Asian regional cooperation. The situation changed in the 1990s as China started to become integrated into Asian regional cooperation and stressed that it was a responsible major country in this region. Now in the era of Xi Jinping, China is promoting the idea of Asian community. The community-building efforts might help China have a clearer and stronger Asian identity.

Sixth, China is adopting open regionalism. China embraces other countries' participation and supports intra- and inter-regional exchanges and cooperation. China does not seek the Monroe Doctrine in Asia. This is different from the regionalism traditionally adopted in Europe and in the US before and between the two world wars. NAFTA, dominated by the US, and now TPP and TTIP arguably make no contribution to open regionalism, given their high level of exclusiveness.

Seventh, China's regionalism strategy was seen as a very important mechanism for pressing for domestic reform and opening up. TPP, TTIP, the EU-Japan FTA, and other regional cooperation dominated by Western countries are actually creating external pressures for China's domestic reform and opening up.

Eighth, the new generation of China's regionalism is characterised by new ideas proposed by Xi Jinping, such as building a community of common destiny and a community of common interest, the Silk Road Economic Belt, the Maritime Silk Road, and the new concept of morality-interest (*Yi and Li*). All these new initiatives reflect China's increased attention to cultural and historical linkages with neighbouring countries. China is trying to find soft power from history and civilisations and people-to-people exchanges. This is going to be a new perspective for China's regionalism, and by doing that China is seeking renewed confidence integrating with Asia and creating its own Asian identity.

6.3 New Security Concept

New Security Concept is also a key thinking of China's new regionalism. Chapter 2 highlighted that Survival is the primary objective of all states in international relations, and especially during the Cold War, the security is the supreme national interest to which all political leaders must adhere. All other goals such as economic prosperity are secondary (or 'low politics') (Baylis and Smith 2005, 176). In comparison with the old security regionalism, the new security regionalism is new because it is a comprehensive security concept, and has both multidimensional and multilateral dimensions. Every nation's diplomacy is meant to enhance its security. China may be no different, but because of its history, it may be more sensitive to perceived threats to security than most major powers. Moreover, China conceives of its security in more comprehensive terms than most nations. The very term for security (*anquan*), translates as 'complete tranquility' (Shambaugh 2013, 59). Under the influence of globalisation, the international security issues have become more complex and serious. The definition of

security is no longer restricted to the traditional political-military sector. New security issues concerning economy, society, and ecology have appeared. Under this circumstance, China has proposed a 'New Security Concept', a new security idea often presented as an antithesis of, and counterweight to, traditional military alliance and other forms of the 'Cold War mentality' (Deng and Wang 2005, 65).

Globalisation increased capital and service flows rapidly, resulting from changes in technology and policies. But at the same time, the political, economic, military, security, social, cultural, ethnic, religious conflicts and their disastrous aftermaths can easily spread everywhere in the world. Countries in the world have been seriously affected by traditional and non-traditional threats. In 1996, in light of the trend of the times and the characteristics of the region, China put forwards the initiative that countries in the region jointly cultivate a new concept of security, which focuses on enhancing trust through dialogue and promoting security through cooperation. New Security Concept was first proposed by Chinese Foreign Minister Qian Qichen at the annual meeting of the ARF in 1996; it was then reiterated by Chinese Defence Minister, Chi Haotian during a visit to Singapore in 1997; and it was more fully elaborated by President Jiang Zemin at the UN Conference on Disarmament in March 1999 (Wu 2001, 275-83). New Security Concept stated that settlement of disputes through peaceful means is a proper way to safeguard regional peace and stability, and that dialogues and cooperation are major pillars for regional peace and development.

The core purpose of New Security Concept is 'to conduct dialogue, consultation, and negotiation on an equal footing. . . to solve disputes and safeguard peace. Only by developing a new security concept and establishing a fair and reasonable new international order can world peace and security be fundamentally guaranteed' (*China's National Defense 2000*, 8). Official rhetoric in Beijing constantly emphasises 'mutual trust, mutual benefit, equality, and coordination' as the principles to practice a 'new security' mode. In 2000, Chinese Foreign Minister Tang Jiaxuan pointed: 'it is necessary to foster a new security concept that satisfies the needs of the times and to explore new ways of maintaining peace and security. The core of New Security Concept should be mutual trust, mutual benefit, equality and cooperation'. His view came in line with the White Paper of national defense in 2002, which stated: 'Threats to world security...have increased the common interests of countries on the issue of security. To enhance mutual trust through dialogue, to promote common security through cooperation, and to cultivate a new security concept featuring mutual trust, mutual benefit, equality and cooperation, have become the requirements of the trend of our era'.

China's preference for New Security Concept is more a necessity than a choice. As proven by history, force cannot fundamentally resolve disputes and conflicts, and the security concept and regime based on the use of force and the threat to use force can hardly bring about lasting peace. It is the common call of people to discard the old way of thinking and replace it with new concepts and means to seek and safeguard security. Against this backdrop, New Security Concept featuring dialogue and cooperation has emerged as one of the trends of the times. In East Asia, there are mainly three primary modes of security arrangements: US hegemony, traditional balance of power, and various loose multilateral security forums. China strongly pushes for New Security Concept simply because the first two security modes work against

China's security interests. On the contrary, New Security Concept is in line with China's interests: First, it helps alleviate the so-called 'China threat'. Second, it conforms to China's interest in maintaining a stable regional environment. Third, it serves as a check to the first two security modes, thus improving China's strategic security position in East Asia (Li 2009, 24-25).

With New Security Concept and after several years of cautious participation in various regional multilateral security forums, Chinese officials began to understand that China's participation in those multilateral activities was helpful in reducing the 'China threat' rhetoric in its neighbourhood and creating a more benign China image. Moreover, China found that it could use those regional institutions to better protect its national security interests. For example, at the ARF, China found that many smaller states in East Asia shared its position of opposition to setting up formal preventive diplomacy mechanisms in international crisis management in the region. This has helped China diffuse the political and diplomatic pressures from those active proponents of preventive diplomacy, primarily the US (Li 2010, 129).

6.3.1 Multidimensional Security

New Security Concept is a multidimensional approach. The political significance of East Asian regionalism is to realise regional political reconciliation and peace-making. Considering its great diversity, East Asia should find its own model for political unity, with the principle of respecting differences in political systems, social structures and culture. New Security Concept means 'comprehensive security' and is no longer military centered (Deng and Wang 2005, 161). The catchphrase of such strategic thinking has been 'new security' or 'comprehensive security', promoted by none other than Jiang Zemin himself. A Foreign Ministry-backed journal published an article asserting straightforwardly that 'any grand strategy' of China must be based on 'comprehensive security' or 'domestic and external security' and 'not only military security but also political, economic, and cultural security' (Tang 1996, 16-17).

In 1997, an article in the Chinese army newspaper, *Jiefangjun Bao*, has listed in detail military, political, economic, scientific and technological, and social security as elements of New Security Concept' (Li and Wei 1997), for example: (1) From the view of military security: the defense policies and military strategies of all countries should be defensive, be based on avoiding conflicts and wars, preventing crises, and checking the escalation of conflicts. The military forces of all countries should play a role in a broader scope such as cracking down on terrorism and drug trafficking, rescue work and humanitarian aid. This is quite similar to the conventional concept of military security. However, the role of Chinese military forces has been extended to include new security threats in the post-Cold War era. (2) As for the political security: the political body and system of the state cannot be changed by another country, encroachment on a country's sovereignty and unification shall not be tolerated, and no country shall meddle in the internal affairs of another country. (3) From the stand of economic security: the economic interests of a country must not be encroached upon; state-to-state economic

relations should be established on the basis of equality, cooperation, and common development. (4) New Security Concept has also come up with scientific and technical dimension: state-to-state scientific and technological cooperation should be established on a fair and reasonable basis, and scientific and technological transfers should not be regarded as a means to exert pressure on another. (5) The notion of social security was also mentioned: eliminating environmental pollution and allowing mankind to have a piece of pure and permanent land for their subsistence.

The article comments that New Security Concept is a rational choice reviewing history and going with the tide. New Security Concept constitutes a negation of the 'Cold War mentality'. Rooted in the soil of the establishment of a new international order, it gives positive guidance and exerts an influence on our efforts to establish a new world structure facing the 21st century. Under the situation of the coexistence of both the old and new security concepts, although the new idea and concept is not as powerful as the traditional one, it is believed that New Security Concept, nurtured by the aspirations for peace and development, will become the concept guiding state-to-state relations sooner or later.

In recent years, China also prioritises cooperation on Non-Traditional Security (NTS) issues. Chinese government has taken initiatives in promoting cooperation on NTS, for example, proposed at the fifth APT Summit that greater cooperation should be initiated on NTS issues (Wu 2009, 69). In his speech at the Security Council Meeting at the Summit Level on 17 March 2011, Premier Wen Jiabao noted that 'Terrorism, transnational crimes, cyber security, proliferation of weapons of mass destruction and other NTS issues are becoming more pronounced'. In the past decade, China has demonstrated an enthusiastic attitude towards NTS cooperation in East Asia. Chinese analysts believe that NTS cooperation helps enhance mutual understanding and trust among regional states, cultivates the growth of a regional identity, and deepens and broadens regional cooperation mechanisms. All these are helpful for the gradual integration of the region (Ma 2008, 44-48).

China is a strong advocate of New Security Concept. Since the Chinese leaders have called for the establishment of a New Security Concept on many occasions both at bilateral meetings and multilateral fora in recent years, New Security Concept has become an important component of China's foreign policies. With the rise of a New Security Concept in 1996, Chinese foreign policy has been slowly and steadily shifted towards a direction of greater multilateral cooperative security. Although the PLA has been involved in wars and armed conflicts - fought for ideological reasons and for the protection of national sovereignty and territorial integrity - most of these actions were taken in the 1950s and 1960s, and no war involving China took place in the 1990s. On thorny issues regarding territorial disputes, China has taken a significantly different approach as compared to its policies before the mid-1990s.

The cooperative aspect of China's regional security strategy has been demonstrated in improving bilateral relations with almost all neighbouring countries, maintaining normal working relations with other major powers, active participation in various regional institutions and multilateralism, downplaying territorial disputes, participating and even taking the lead in various regional economic cooperation projects, providing preferable loans and assistances to

neighbouring nations, and engaging regional states in nontraditional security issues (Li 2010, 128). Gradually, Beijing realised that employing cooperative instruments was most effective to compete with other major actors in achieving its strategic goals and protecting its security interests. These changes are reflected in China's signing of the DOC, its accession to the ASEAN Treaty of Amity and Cooperation, and various joint actions with other disputant countries in the South China Sea, for instance, the joint resource exploration programme conducted with Vietnam and the Philippines (Li 2010, 131). The same moderate approach also applies to the East China Sea dispute with Japan. In the East China Sea, the diplomatic contentions have been tense between China and Japan, but Beijing has consistently argued for 'joint development' of oil and natural gas in the area with Japan. In fact, the two governments signed an in-principle agreement to jointly exploit the resources in the East China Sea (Li 2010, 131). China's promulgation of New Security Concept has therefore enhanced China's image in the region.

6.3.2 Economic Security

Among the various domains of New Security Concept, the economic domain needs to pay special attention. Aiming at deciphering the ideas behind China's regional thinking, this research argues that China's perspective on new regionalism is a broadened economic regionalism, which is basically economic-centered, because economic performance is vital both to its long-term strategic target and to its internal social stability. After the Cold War, the international situation has become characterised by relaxed international relations and growing world economy. Although China has established links with neighbouring countries in various areas such as the military, politics, trade and finance, it is trade that has achieved the most progress, reflected in preferential trade agreements and their forceful implementation (Jiang 2010, 109). During the period from the 1990s through the 2000s, China was dedicated to regional integration characterised by negotiations on FTAs and other forms of cooperation. China's regional economic cooperation was promoted extensively during this period. In order to analyse China's security interests after the Cold War, we must include the economic dimension.

Economic security, which includes the promotion of economic growth, free and fair trade practices, access to markets and natural resources, is increasingly important for China. China has defined economic development as its primary goal which is to make the country rich and strong, and to promote the emergence of a multipolar world in which China would be one pole. In order to become a truly global power in the twenty-first century, China emphasises especially on economic security, and economic reforms and economic development have been top priorities for China. As a result, there is a trend that China has been transforming from traditional military security regionalism to economic security regionalism, or from old regionalism which emphasises the regional security issues to the new regionalism which emphasises all the security, economic and political issues in the region, especially the economic regional and multilateral cooperation.

China's economic security is not internally generated, and it is also influenced and shaped by the evolving dynamics of the regional situation. High levels of economic interdependence might be seen as either a prior condition or a rationale for pursuing a security alliance with another state, or it could be an effect derived from the preexisting condition of alliance relations built around political and security concerns. China has realised that national economic security cannot always be achieved unilaterally or even bilaterally, and in some cases, it may require multilateral coordination or even formal cooperation. In this sense, the 'independence' of Chinese domestic and foreign policy is somewhat constrained by the country's increasing economic interdependence. China's foreign policy is transforming from inwards-looking, mainly concerned with its own development, to outwards-looking, concerned both with its own development and the development of the region and the whole world.

After the Chinese former leader Deng Xiaoping's landmark Southern Tour in 1992, China entered a new, more intense phase of reform and opening. Its economic reform is targeted at 'basically realising modernisation and raising China's per capita GDP to that of an intermediate-level developed country by the middle of the twenty-first century, when the People's Republic of China celebrates its hundredth anniversary' (Shi 1997, 69). Economic and security environments are intertwined nexus. Without the guarantee of a favourable external environment, it is difficult for China to fulfill this target. In other words, a peaceful security environment is essential to China's economic development.

Since the 1997 AFC crisis, during which China's reputation was believed to have greatly increased due to its pledge not to devalue the RMB, China became more and more confident about using economic relations strategically, especially after the decision makers believed that the economic interdependence was the antidote to foreign concerns about a 'China threat'. Economic cooperation is gradually being used to forge harmonious relations with its partners, which is why the security cooperation SCO soon expanded to cover economic arrangements, because economic arrangements will lead to unbalanced interdependence towards China when China's huge potential market is considered.

One of China's major challenges in the twenty-first century will be to develop relations with its East Asian neighbours that will enhance the area's security and economy while maintaining its own agenda as the increasingly dominant power in the region. Forced by the exigencies of the Cold War to follow military policies and independent of its neighbours, China is now engaged in what has been called a 'charm offensive', particularly in Southeast Asia. Rather than flexing the muscles of its growing military might, China has taken the opportunity to work with its neighbours in Asia and within multilateral organisations to enhance economic interchanges while also addressing a number of dangerous security problems in Asia (Kornbeg and Faust 2005, 159-60).

In 2001, China gained admission to the WTO. WTO entry ranks as one of the most important developments in China since the reform era. WTO entry has increased the allure of the China market for foreign investors. On the other hand, China's WTO entry is likely to increase the country's importance as an engine of growth for East Asia and for the world. However, China understood that the multilateral trading system was in danger or weakening, and has noticed

that economic security is best pursued cooperatively through regional and multilateral entities.

It is the linkage between military and economic security that holds the key of understanding China's security agenda. China's dependence on cooperative security and the world economy lead to its increasing cooperative behaviour with the international community and multilateral regimes. China has had greater willingness to cooperate more closely with and play a more active role in regional multilateral organisation. As former Chinese Assistant Foreign Minister Chen Jian stated, 'a multilateral framework seems to be the order of the day, both in the economic and security fields' (Alastair and Ross 1999, 258). In a July 2002 speech, Foreign Minister Tang Jiaxuan also noted the utility of 'multi-form regional economic cooperation' for safeguarding economic security (*Ministry of Foreign Affairs of the People's Republic of China*, 20 August 2002). Under the request of the author, Ambassador GU Ziping gave a good example of China's economic security which is the strategy to combine 'One Belt, One Road' with the CICA to further enhance economic and security cooperation in Eurasian region. Mrs. JIANG Yan, Deputy Director-General of the Department of the European-Central Asian Affairs, Ministry of Foreign Affairs, People's Republic of China, added that in the Eurasian region, oil and gas pipeline which connect regional countries are examples of regional economic cooperation, and these transportation corridors are also under protection of regional security cooperation.⁶⁶

The great powers' participation in the regionalisation process has tended to involve a high degree of political strategic thinking. The great powers usually attach considerable value to the political effects of regional economic cooperation. A country aspiring to be great power has usually sought to participate in regionalisation in order to provide itself with a strategic dependent area which could help it to become a regional hegemon. Non-economic factors are more important for great powers, and their participation in regionalisation tends to involve a high degree of political strategic thinking. Great powers hope to expand their market scale through regional cooperation in order to increase their influence on the formulation of international political and economic rules.

6.3.3 Asian Security Concept

New Security Concept has developed and has been transformed into the Asian Security Concept under the leadership of the President Xi Jinping. On 21 May 2014, Xi made remarks in a key-note speech on a new Asian approach to security delivered at the Fourth Summit of the CICA held in Shanghai (*Ministry of Foreign Affairs*, 21 May 2014). Xi called for a common, comprehensive, cooperative and sustainable security strategy for Asia, and said that China is a strong champion of the Asian security concept and is working to put it into practice. Xi stated that We need to keep pace with the changing circumstances and evolving times. One cannot live in the 21st century with the outdated thinking from the age of Cold War and zero-sum game. We believe that it is necessary to advocate common, comprehensive, cooperative and sustainable security in Asia. We need to innovate our security concept, establish a new

⁶⁶ Interview with Ambassador Gu Ziping, Chairman of the CICA Task Force of the Chinese Chairmanship, and Mrs. JIANG Yan on 25 August 2016 in Ministry of Foreign Affairs in Beijing, China.

regional security cooperation architecture, and jointly build a road for security of Asia that is shared by and win-win to all.

Common security means respecting and ensuring the security of each and every country. Asia is a region of great diversity. Countries differ in size, wealth and strength. They vary in historical and cultural traditions as well as social systems, and have different security interests and aspirations. However, we all live in the same Asian family. With our interests and security so closely intertwined, we will swim or sink together and we are increasingly becoming a community of common destiny. Security must be universal. We cannot just have the security of one or some countries while leaving the rest insecure, still less should one seek the so-called absolute security of itself at the expense of the security of others. Security must be equal. Every country has the equal right to participate in the security affairs of the region as well as the responsibility of upholding regional security. No country should attempt to dominate regional security affairs or infringe upon the legitimate rights and interests of other countries. Security must be inclusive. We should turn Asia's diversity and the differences among Asian countries into the energy and driving force for regional security cooperation. We should abide by the basic norms governing international relations such as respecting sovereignty, independence and territorial integrity and non-interference in internal affairs, respect the social systems and development paths chosen by countries on their own, and fully respect and accommodate the legitimate security concerns of all parties. To beef up and entrench a military alliance targeted at a third party is not conducive to maintaining common security.

Comprehensive security means upholding security in both traditional and non-traditional fields. Asia's security challenges are extremely complicated, which include both hotspot and sensitive issues and ethnic and religious problems. The challenges brought by terrorism, transnational crimes, environmental security, cyber security, energy and resource security and major natural disasters are clearly on the rise. Traditional and non-traditional security threats are interwoven. Security is a growing issue in both scope and implication. We should take into full account the historical background and reality of Asia's security issues, adopt a multi-pronged and holistic approach, and enhance regional security governance in a coordinated way. While tackling the immediate security challenges facing the region, we should also make plans for addressing potential security threats, and avoid a fragmented and palliative approach that only treats the symptoms. We should have zero tolerance for terrorism, separatism and extremism, strengthen international and regional cooperation, and step up the fight against the three forces, in order to bring a life of happiness and tranquility to the people of this region.

Cooperative security means promoting the security of both individual countries and the region as a whole through dialogue and cooperation. As the proverb goes, 'Strength does not come from the muscle of the arms, but from the unison of the heart'. We should engage in sincere and in-depth dialogue and communication to increase strategic mutual trust, reduce mutual misgivings, seek common ground while resolving differences and live in harmony with each other. We should bear in mind the common security interests of all countries, and start with low-sensitivity areas to build the awareness of meeting security challenges through cooperation. We should expand the scope and means of cooperation and promote peace and security through cooperation. We should stay committed to resolving disputes through

peaceful means, stand against the arbitrary use or threat of force, oppose the provocation and escalation of tensions for selfish interests, and reject the practice of shifting trouble to neighbours and seeking selfish gains at the expense of others. In the final analysis, it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia. The people of Asia have the capability and wisdom to achieve peace and stability in the region through enhanced cooperation. Asia is open to the world. While enhancing their own cooperation with each other, countries in Asia must also firmly commit themselves to cooperation with countries in other parts of the world, other regions and international organisations. We welcome all parties to play a positive and constructive role in promoting Asia's security and cooperation and work together to achieve win-win outcomes for all.

Sustainable security means that we need to focus on both development and security so that security would be durable. As a Chinese saying goes, for a tree to grow tall, a strong and solid root is required; for a river to reach far, an unimpeded source is necessary. Development is the foundation of security, and security the precondition for development. The tree of peace does not grow on barren land while the fruit of development is not produced amidst flames of war. For most Asian countries, development means the greatest security and the master key to regional security issues. To build an Asian security mansion that could stand the test of wind storms, we need to focus on development, actively improve people's lives and narrow down the wealth gap so as to cement the foundation of security. We need to advance the process of common development and regional integration, foster sound interactions and synchronised progress of regional economic cooperation and security cooperation, and promote sustainable security through sustainable development.

Xinhua News analyses that Asian security concept is vital to Asia's progress. As Asia's security situation remains complex and volatile, the concept of common, comprehensive, cooperative and sustainable security China has advised is timely, pertinent and significant and will help safeguard regional development (Fu 2014). Jiang (2014) commented that Asian security concept is a normative perception, and in essence a perception in order. It has been raised under the backdrop of tremendous changes and transformation in international order, thus it carries an important theoretical and practical guiding significance. General speaking, the impact of Asian security concept on regional order can be felt in the three 'transitions':

A. Asian security concept will lead the transition of Asian order from the model of external-generation to internal-generation. Asian security must be handled by Asian countries themselves, because only Asian countries know what they want the most and what their wishes are. As Asia gains more weight in world economic and strategic setup, the appeals, confidence and abilities of its peoples in getting things done by themselves have increased. Therefore, President Xi's initiative of new Asian security concept has been warmly welcomed by various countries in the region because it conforms to the requirements of our times. The success of CICA Summit in Shanghai has promoted the strengthening of dialogue and increased mutual trust between various countries in the region. Asian security has begun the transition from the model of external-generation to internal-generation.

B. Asian security concept will lead the transition of Asian order from the model of conflict to cooperation. Facts prove that the US-led military alliances have already hindered the development of integration and brought about great damage to the region. In order to pursue its own absolute security, the US has caused insecurity of other countries, and created tension and instability in the region. China proposes New Security Concept and the core values of which lie in openness, inclusiveness and cooperation with win-win results. Meanwhile, China promotes mutual political trust and security cooperation and attaches great importance to building a collective consensus between countries in Asia by pushing regional cooperation forwards. Cooperative security will also become the universal code of conducts for the whole Asia.

C. Asian security concept will lead the transition of Asian order from the model of power to mechanism-formulation. The Asian security concept underlines the need to jointly build security for the region by all countries on an equal footing. All of them are entitled to take part in regional security affairs equally and also duty-bound to ensure collective security of the region. No country is allowed to monopolise regional security affairs or to encroach on the legitimate rights of other countries. What China proposes and aims at is that, all Asian countries are equal partners and able to pull all their efforts in tackling major issues in security areas. As a regional power, China has no intention to simply provide Asia with public products, since that does not conform to China's own interests, nor to its abilities, and even not to the current of our times. Recent trends suggest that Asian affairs should be handled only by the Asian people themselves. It is unfeasible to set up military and political alliances of an exclusive nature to deal with a particular country or country bloc, instead extensive dialogues and cooperation should be encourage.

6.4 Go Global Strategy

New regionalism is new, because it differs from old regionalism before the rise of globalisation. It is thus 'new' in a qualitative sense as it is an integral part of global transformation, often called globalisation, and it can only be understood in that context, and within an interdisciplinary framework. It represents a way of tackling problems which cannot be dealt with efficiently at the national level (Björn, Inotai, and Osvaldo 1999, Xiii). New regionalism is mostly enhanced by the rise of globalisation after the end of the Cold War. It is triggered by the trend of globalisation, reflects the aspiration of regional countries under the influence of globalisation, and conversely affects the process of globalisation. New regionalism is a reflection and a modifier of the globalisation which is one of the most significant trends in the world. New regionalism serves as platform for regional powers to cooperate in order to participate in the global competition.

New regionalism is a reflexion of globalisation, and is also marked by the prevalence of multilateralism. New regionalism belongs to a new global situation characterised by multipolarity. The multilateral liberalisation of trade in manufactured goods among the industrial countries is much more complete now than it was then. As Shultz summarises

(Narihiro 2013), People sees the relative decline of American hegemony in combination with more permissive attitude on the part of the US towards regionalism, the move from bipolarity towards a multipolar structure with a new division of power, the restructuring of the nation-state and the growth of interdependence, transnationalisation and globalisation, the recurrent fears over the stability of the multilateral trading order, hand in hand with the growing importance of Non-Tariff Barriers (NTBs) to trade, and the changed attitudes towards (neo-liberal) economic development and political system in the developing countries as well as in the post-communist countries. On the contrary to old regionalism, new regionalism is related to the transformation of the world, that is, new regionalism interacts with global (economic) system.

Region is a zone within which there is more intensive cooperation between the countries than their relationship with the rest of the world, and provides a platform for international cooperation and competition. In the absence of a globally pervasive bipolarity, many regional powers will have the opportunity to strengthen their international positions by forming regional structures within which they can enjoy great influence. At the same time, non-state actors in international systems, such as domestic interest groups and transnational firms, contribute to regionalism by pressing governments towards regional cooperation (Ravenhill 2002, 173). Governmental collaboration will help to reduce the transaction costs for transnational business operations

From a neorealist point of view, states seek power, and will naturally pursue their national interests which are defined in terms of power. It is simple to understand the strategy of new regionalism used by great powers: to be a world power, must firstly be a regional power. The great powers are divided in two categories: those whose influence goes beyond a particular region, the world powers, and those whose influence is confined to a particular region, the regional powers. World powers may not be able to achieve hegemony on the world level, which, since the range of their influence is undefined and changing, means that there will be a certain competition among them. In order to win the competition, great powers use new regionalism to combine neighbouring countries and to make themselves stronger.

Whereas old regionalism only concerned relations between formally sovereign states, the new forms part of a global structural transformation in which non-state actors are active and manifest themselves at several levels of the global system. In classic regionalism, the nation-state is the preeminent actor, while new regionalism proponents hold that non-state actors like multinational corporations, non-governmental organisations, and other interested social groups, must be considered when analysing how and why regions choose to integrate. With this claim, new regionalists also challenge the traditional theories of realpolitik in international relations by recognising new, multidimensional actors, with varied and complex interests, on whom the threat of coercion has little effect.

China's method to counterweigh the negative impacts of globalisation rests on its 'Go Global' or 'Go-Out' strategy (*zouchuqu zhangle*) (Zhu 2006). New regionalism for China is a means to deal with the drawbacks in globalisation and thus may delay the process of multilateralisation; at the same time it provides a platform for China to prepare itself better for global integration and to gain influence in multilateral institutions (Jiang 2010, 127). Chinese

leaders do sometimes portray new regionalism as a response to globalisation, a mechanism by which countries can work together in coping with the rigours of the contemporary world economy. However, for the most part, new regionalism and globalisation are seen in China as complementary rather than contradictory forces. In April 2002, the Chinese official media described greater economic integration with its neighbours in East Asia as 'the globalisation of regional economy'. Arguing that a 'free-trade region is a form of economic globalisation ... compatible with the WTO'. The article maintained that regional groups can further the liberalisation of world trade, and advance globalisation generally as long as they seek to minimise the exclusive nature of such arrangement (*Ta Kung Pao*, 20 April 2002). As explained by Chinese Finance Minister Xiang Huaicheng at a January 2001 APT meeting, East Asian 'cooperation is in the line with the world's regionalisation development. It and globalisation complement and promote each other, and so they are not in conflict with each other' (Kim 2004, 125).

6.4.1 Initiatives

The origins of China's 'Go Global' date back several decades, even if the manifestations of it are more recent (Shambaugh 2013, 5). China's global expansion did not occur by happenstance. It grew directly out of the Communist Party and government policies launched at the famous Third Plenary Session of the 11th Central Committee in December 1978 to engage in 'reform and opening'. Throughout the 1980s, China 'invited the world in' (*yingjinlai*) and began its hesitant steps on the world stage - particularly in overseas educational and science and technology exchanges. By the early 1990s, there was a conscious government policy launched to encourage Chinese commercial firms to 'Go-Out' (*zouchuqu*) and for Chinese localities and organisations to more generally 'Go Global' (*zouxiang shijie*).

Chinese President Jiang Zemin was instrumental in formulating and developing the 'Go-Out' policy. The earliest indication of the policy came in some internal speeches Jiang gave in mid-1992 in the lead-up to the Fourteenth Party Congress that autumn (Chen 2008). In one indicative sentence in his report to the Party Congress, Jiang said, 'We should grant to enterprises and to science and technology research institutes the power to engage in foreign trade, and we should encourage enterprises to expand their investments abroad and their transnational operations' (*Beijing Review*, 29 March 2011). From 1993 to 1996, Jiang continued to give internal speeches encouraging overseas investments, particularly in developed countries. On 26 July 1996, after returning from a state visit to Africa, Jiang gave an important speech in Tangshan for the first time explicitly encouraging Chinese firms to 'Go-Out'.

In 1997, in his speech to the Fifteenth Party Congress, Jiang again touted the policy - but this time he coupled it with a call to 'bring [investment] in and go out' (*yingjinlai, zouchuqu*) and 'take advantage of both markets' (domestic and foreign). Jiang also briefly alluded: 'We should form large internationally competitive companies and enterprise groups through market forces and policy guidance' (*People's Daily*, 18 November 2002). This was a reference to creating modern

conglomerates out of inefficient, loss-making, socialist state-owned enterprises. Then Jiang made the most forceful public call to date for the Go-Out policy: 'Implementation of the strategy of 'Go-Out' is an important measure taken in the new stage of opening up. We should encourage and help relatively competitive enterprises with various forms of ownership to invest abroad in order to increase export of goods and labour services and bring about a number of strong multinational enterprises and brand names'. In 1998 Jiang stressed the Go-Out strategy at several more conferences, particularly encouraging China's State-Owned Enterprises (SOEs) to explore markets in Africa, Central Asia, Middle East, and Latin America (Chen 2008).

The AFC of the late 1990s apparently marked a key turning point in China's perspective on globalisation - and by extension marked a dramatic shift in China's willingness to participate in and promote multilateral cooperation on economic as well as political and security issues. China has consciously decided to embrace globalisation as a force that can be utilised to its benefit in order to harness political and security benefits derived from its enhanced economic interdependence with its neighbours. With increased recognition came renewed determination to embrace economic globalisation as the path to a prolonged 'economic miracle', leading to a decision to join the new WTO by century' end (Rozman 2010, 90). By 2001, China's new status was cemented with a successful application to host the 2008 Olympics in Beijing, and the conclusion of negotiations making China a member of the WTO (Kissinger 2011, 342).

With Beijing's entry into the WTO in 2001, China is gearing up its full integration into the global economic system. Mr. Li Chenggang, Director General of the Department of Treaty and Law, Ministry of Commerce of the People's Republic of China, indicated the importance of China's accession to the WTO with one simple sentence: China has opened its market of 1.3 billion people in exchange for the global market of 5.7 billion people.⁶⁷ And China's former WTO Ambassador Sun Zhenyu commented, 'the pendulum of trade liberalisation might swing back to multilateralism at the end of the day'. He suggested, 'The regional trade arrangements that we are now discussing might be multilateralised and it is necessary to agree on a set of multilateral rules for governing various regional arrangements' (Zhang and Li 2014). For many Chinese trade veterans, it is impossible to give up the WTO as China is one of the biggest beneficiaries of the WTO. They fought hard to make China join the WTO, and it is unthinkable to turn away from it now. China's WTO entry is likely to increase the country's importance as an engine of growth for East Asia and for the world.

As with other big powers, China is fully aware of the importance of global trade and multilateral institutions. A major force behind China's determination to join the WTO was to end the uncertainty in receiving the MFN treatment from other countries, which not only limited China's exports, but also hurt its national pride when the MFN treatment was associated with human rights. The WTO accession was imperative to the Chinese leadership, despite costly domestic reforms, because in domestic discourse it was closely linked with China's national pride as a great power that deserved equal trading rights as enjoyed by most other countries, the international recognition of China's reform efforts to build a market economy, and the

⁶⁷ Interview of Mr. Li Chenggang in Beijing on 10 February 2015.

government's (including leaders like Jiang Zemin and Zhu Rongji) competency in international negotiations (Jiang 2010, 123).

With the nation preparing for its accession to the WTO in 2001, Premier Zhu Rongji followed suit by referring to the 'Go-Out' policy in his annual report to the National Peoples' Congress. Zhu's speech is considered to have marked the official launch of the policy. His imprimatur catalysed the State Council bureaucracy to get busy formulating specific rules and regulations governing Chinese enterprises' outbound investments. A series of state decrees were issued between 2000 and 2002 to regulate and encourage firms to invest overseas. It was decreed that proposed investments by Chinese companies abroad should be reviewed and approved by the government. The MOFCOM was to review all cases where a Chinese business entity was to be incorporated abroad, while natural resource development projects with investment exceeding \$200 million and nonresource investments over \$50 million must be approved by the State Council's National Development and Reform Commission (NDRC) (Duncan 2013, 8).

In July 2004 MOFCOM and the MFA jointly issued the first Guidelines for Investments in Overseas Countries' Industries and the Overseas Investment Guidance Catalogue, where recommended industry sectors were listed together with all 68 priority recipient nations. In March 2005, the list was updated to include 28 more countries (OECD 2008, 85). This document dramatically reformed and simplified the Overseas Direct Investment (ODI) approval process. A new set of ODI guidelines was released by MOFCOM in 2011, giving preferential treatment to certain industries and providing specific guidance for investing in 115 countries. 'Go Global' and increasing ODI was also emphasised in the Eleventh (2006-2010) and Twelfth Five-Year Plans (2011-2015). Commenting on the Twelfth Plan, one NDRC official envisions that Chinese ODI will diversify away from concentrating on natural resources towards a more broad-based set of industries: telecommunications, automobiles, agriculture, electronics, research and development, and service industries (finance, insurance, logistics, tourism, event management, and other professional services; Zhang 2011, 4-9).

By the mid-2000s considerable international initiatives were being launched by a wide variety of Chinese organisations, localities, and individuals. One of the newest and most active areas of discussion in China's international relations community concerns the issue of 'soft power'. None other than President Hu Jintao himself first drew attention to the importance of building China's global cultural soft power in his official report to the Seventeenth Congress of the Chinese Communist Party in 2007 (Shambaugh 2004/2005, 27-28). Since then, China has grown increasingly sensitive to its image abroad and launched what some describe as a 'charm offensive' in its public diplomacy. Cultural connections will further anneal the new status that China is forging.

In 2008, China launched its global cultural blitz, attempting to improve its international image and build its soft power. Militarily, during the same decade the PLA stepped up its international foreign exchanges, amounting to more than four hundred annual exchanges (Shambaugh 2013, 5). With growing confidence in participating in the global economy, many Chinese enterprises have started significant investments abroad. Even at the time of the global financial crisis between 2008 and 2009, while worldwide FDI activity was weak, China's

outbound investment grew considerably (Ernst & Young 2012). Now Beijing has achieved a great deal in the implementation of 'Go-Out' strategy, and will tirelessly move on with them (Zhu 2006).

After then, China has been more and more active in international affairs, and has become increasingly confident. Mr. Zhou Jiping, Deputy General Manager of China National Petroleum Corporation (CNPC), explains that with growing capability, China has to go global, to share the global market and to exert its influence. The 21st century is the century of the sea, China should first become a continental power, and then a maritime power. China's companies should cooperate with government. For example, the CNPC is also going out for petroleum development, first in the East China Sea and the South China Sea, and then expands its business to other parts of the world. This is the best way to realise China's interests, to declare its sovereignty over the East China Sea and the South China Sea, and to help China's global strategy.⁶⁸

'Globalists' believe that China must shoulder an ever-greater responsibility for addressing a wide range of global governance issues commensurate with its size, power, and influence. They believe China should become much more fully engaged in global governance around the globe. The Globalists are of the view that it is incumbent upon China, given its global rise, to contribute much more to global governance and to act as a 'responsible power' in the international arena. As Renmin University professor Jin Canrong (2010) has observed, 'China should learn to be a real leader in the international community and should learn to make a real contribution to public goods'. Articles in China's International Relations (IR) journals evince a growing interest in globalist and transnational issues and concepts associated with liberal international relations discourse: globalisation, global governance, international cooperation, interdependence, multilateralism, and international organisations (Zhu 2010). Leading officials sometimes evince a strong commitment to global governance. The official view, from Foreign Minister Yang Jiechi (2010), is that:

A more developed China will undertake more international responsibilities and will never pursue interests at the expense of others. We know full well that in this interdependent world, China's future is closely linked to that of the world. Our own interests and those of others are best served when we work together to expand common interests, share responsibilities, and seek win-win outcomes. This is why while focusing on its own development, China is undertaking more and more international responsibilities commensurate with its strength and status.

6.4.2 Key Objectives

China goes global and multilateral is a natural process. First of all, China's growing national

⁶⁸ Interview in Chinese Foreign Ministry on 30 July 2016.

strength during the past decades provides a solid material foundation for its multilateral diplomacy. Second, a multilateral thrust in Chinese foreign policy is also a natural consequence of China's further integration into the international community (Dent and Wang 2005, 162). Multilateralism and regionalism serve different objectives for China's international strategy. Multilateralism is used for pursuing China's global economic interests, gaining access to global economic rule-making, and building China's international image as a responsible great power. China's thinking on globalisation seeks to effectively take advantage of perceived new realities resulting from enhanced economic interdependence to achieve its own political and strategic ends.

In the economic perspective, Go-Out policy is China's strategy to encourage its enterprises to invest overseas. Most nations favour actively attracting inwards foreign investment, and would only support outwards foreign investment passively. China, however, attaches importance to both inwards and outwards foreign investment. What is the reason? In July 2012, the NDRC issued the Plan for Utilising Foreign Investment and Making Outbound Investment during the 12th Five-Year Plan. Based on this plan, the following are the key objectives for China to invest abroad (Ernst & Young 2012, 8):

- To participate proactively in international exploration of natural resources

China has a huge demand for natural resources and sources them from across the world. The Government encourages investment in overseas infrastructure projects related to natural resources, by strengthening investment ties with neighbouring countries on cross-border transportation, and encourages qualified enterprises to engage in downstream processing of resources.

- To accelerate technology advancement through overseas investment

China actively uses foreign investment to accelerate technological advancement, by promoting qualified enterprises to set up overseas Research and Development (R&D) centers and support overseas acquisition of know-how. It provides guidance to domestic investors to invest in high-tech and advanced manufacturing projects abroad, and encourages enterprises to invest in the telecommunication, logistics, and culture and tourism sectors.

- To explore overseas markets vigorously

China encourages companies in a range of sectors (e.g., textile, consumer electronics, automotive, equipment, chemical, metallurgy and construction materials) to expand their operations abroad. It also supports downstream processing of steel, non-ferrous metals, oil and timber in resource-rich countries with high market potential. In addition, the country encourages qualified enterprises to invest in creative industries abroad.

- To enhance the competitiveness of Chinese companies through outbound investment

To enhance the competitiveness of Chinese companies, the Government encourages qualified

enterprises to expand their overseas marketing networks and to acquire internationally renowned brands. Furthermore, it stimulates small, medium-sized and private companies to cooperate with big SOEs in making outbound investments.

Mr. Zhang Yujing, President of the China Chamber of Commerce for Import & Export of Machinery & Electronic Products (CCCME), further explained, most Chinese enterprises have made profit from the participation in the 'Go Global Strategy', and as result, more and more Chinese SOEs and especially private enterprises have been taking part in this process. Previously the CCCME is an organisation under the Chinese Ministry of Commerce of the People's Republic of China, and its main job is to implement the foreign trade policy of the Chinese government, and to encourage SOEs to go global in order to improve their productivity and international competitiveness. Regarding the growing number of private enterprises involved in the 'Go Global Strategy', the CCCME has transferred to be independent from the government and has become a quasi-NGO in 2016. This change has adapted to the situation of large-scale participation of Chinese enterprises in the global competition.⁶⁹

In the political perspective, 'Go Global' is helpful for one of the major Chinese foreign policy objectives in the post-Cold War era which is multipolarisation. While multipolarisation in the past was often regarded as a function of the shifting balance of power, China now has more closely associated multipolarisation with multilateralism on a global scale. In other words, multilateralism is instrumental to the formation of multipolarisation because multilateralism is often associated with another term China has used quite frequently in foreign policy statements: democratisation of international relations. Multilateralism is useful in promoting democracy in international relations in a sense that it could 'bring about a new regime in which all countries are equal and no country has the right to impose its will on others' (*China Daily*, 1 April 2003). The political implication for China is quite clear: while the post-Cold War unipolar power structure in which the US enjoys unchallenged power as a sole superpower is unlikely to be changed in the foreseeable future, multilateralism might put some checks and balance to the American power. In a multilateral system, China's freedom of action might be constrained, but so is that of the US (Deng and Wang 2005, 163).

'Go Global' is also helpful for China to realise its strategy goals. In addition to peaceful development, the other cornerstone of China's international messaging in recent years is the concept of 'Harmonious World' (*hexie shijie*). Put forth most systematically by President Hu Jintao at the UN in 2006, a harmonious world should have four principal attributes: effective multilateralism with a strong role for the UN, development of a collective security mechanism, prosperity for all through mutually beneficial cooperation, and tolerance and enhancement of dialogue among diverse civilizations (Hu 2005). Like peaceful rise theory, 'Harmonious World' theory posits that China's rise will not threaten or disrupt the existing global order. Under Hu, strengthening the environment for 'peaceful development' became a priority. Countering the notion of a 'China threat', forging a 'Harmonious World', and satisfying doubters that China is a 'responsible' state all supported calls for cooperative behaviour (Li 2007, 67-77). Citing

⁶⁹ Interview with Mr. Zhang Yujing in the Chinese Foreign Ministry on the 1 April 2016.

leaders' appeals for a stable, peaceful world, analysts could point to improved global public opinion towards China and its successes in development (Rozman 2010, 14).

6.4.3 China's Omnipresence

China is more confident and active in international organisations (Shambaugh 2013, 153). With the 'Go Global' strategy, China has found itself increasingly involved in the international society with the increase of membership in the international and regional organisations. Thus in a relatively short period, China moved from passivity and suspicion to proactive engagement in regional regimes and institutions. As Cui Tiankai, Director General of Asian affairs in China's MFA reflected, 'It was a gradual learning process for us, as we needed to become more familiar with how these organisations worked and to learn how to play the game' (Shambaugh 2004/2005, 70).

The Chinese economy is one of the fastest growing in the world. Within a very short time span, the country has carved a name for itself as a key manufacturing hub in a range of industries. In 2012, China became the world's largest exporter and second-largest importer of merchandise goods. It remains a top destination for global investment (the largest outside of the OECD), and in 2013, became the third-largest foreign investor in the world. Through trade and investment linkages, China's economy bridges numerous Global Value Chains (GVCs), which have become a dominant feature in the world economy (*OECD*, 2014). Mr. Liu Jie, Product Manager in the Technical Sales Department of the ZTE corporation said, the Chinese manufacturers are very competitive, for example in the field of telecommunication, Chinese Information Technology (IT) Companies such as ZTE and Haiwei are very competitive. Previously their operations were mostly in Africa, but they have occupied huge market in Europe and North America. They have proved that Chinese companies can do as well as Western countries.⁷⁰

The spurt in manufacturing and exports has resulted in a significant foreign exchange reserve for the country in recent years. The 'Go Global' strategy funnels this foreign exchange resource to international investments in Asia Pacific, the Americas, Europe and Africa. Chinese Outwards Foreign Direct Investment (OFDI) has spread to over 18,000 companies across 177 countries. Chinese companies are primarily investing abroad to secure access to natural resources. Energy and metals are principal investment areas and account for nearly 70% of total outflows since 2005 (*OECD*, 2014). At the end of Financial Year (FY) 2011, the overseas investment assets had reached almost USD 2 trillion (*Ernst & Young* 2012). Undoubtedly the Chinese investment boom is good news for us all. These investments provide a much-needed boost to the world economy. Two iconic takeovers in recent years include Volvo's purchase by Geely Volvo in 2009; and IBM's PC and server business purchase by Lenovo. In both cases, the sales and profits of the acquired companies were boosted significantly (*OECD*, 2014).

⁷⁰ Interview with Mr. Liu Jie in Brussels, Belgium on 15 October 2014.

Chinese multinational corporations have suddenly burst on to the world scene. Although the vast majority still lack global brand recognition, Chinese multinationals are rapidly expanding their international operations and revenue streams. In 2001 there were only twelve Chinese companies on the Fortune Global 500 list; a decade later, Chinese companies (including four headquartered in Hong Kong) totaled sixty-one. Collectively, the sixty-one Chinese MNCs had combined annual revenue of USD 2.89 trillion and estimated overall profit of USD 176.1 billion in 2010 (Li 2011). Chinese companies - mostly large, but increasingly also medium-sized ones - are redirecting their investments overseas to diversify their assets and location portfolios. The shift is turning heads: China doesn't just own USD 1.3 trillion in Treasury bonds anymore, it now owns a coal mine in Australia, a 14% share in a car manufacturer in France, or a 20% stake in Standard Bank in South Africa (*OECD*, 2014).

There signs that even China may be moving gradually towards more cooperation in solving global problems, especially if there is general consensus within the UN on what rules of behaviour should be adopted (Kornberg and Faust 2005, 8). The Multilateralists have advocated raising China's participation in UN peacekeeping operations, disaster relief, fighting international piracy in the Gulf of Aden, and diplomatic involvement in the North Korean and Iranian nuclear issues (Shambaugh 2013, 40). China's Go global strategy is also about increased aid flows (concessional development finance) estimated at USD 3.5 billion in 2013, it is 55% more than in 2009. The government of China remains committed to increase the volume and plays a key role as a global development partner. These additional resources, knowledge and expertise are essential in tackling global development challenges, eliminating poverty, and supplying large-scale infrastructure in developing countries (*OECD*, 2014). China's global security interests and presence thus remain modest but are gradually expanding. They are growing commensurate with all other aspects of China's domestic modernisation and global involvement, as part of the search for 'comprehensive national power' (*zonghe guoli*), and military missions are accordingly expanding along with its widening security needs (Shambaugh 2013, 46).

China has become an active participant in international security and economic cooperation, and has joined almost all the international organisations for which it qualifies. In the diplomatic sphere, China is a permanent member of the UN Security Council, a member of the G-20, a participant in all major international summits, etc. In the economic sphere, China's deepening participation in the regional and world economy is undeniable. China's membership in global and regional economic organisations extends together with its economic growth, and this has strengthened China's economic achievements and has stimulated China to increasingly participate in the international economic activities. Multilaterally, China holds membership in every significant regional and global economic forum for which it qualifies, including the WTO, the IMF, the WB, the APEC forum, the ADB, the ASEM dialogue, and the APT process. Given its growing economic weight, enormous internal market, cheap labour force, and membership of the WTO, China was once a marginal actor in world markets for goods and capital, but is now a significant player. In the financial sphere, China has used its newfound global financial power to become more active in the G-20, World Bank, IMF, and other regional development banks. China has also leveraged the new financial status to increase its share of voting rights

in the IMF, and to have Justin Yifu Lin appointed as the World Bank's chief economist and Zhu Min as deputy managing director of the IMF (Shambaugh 2013, 127-28).

China's diplomacy has truly gone global. Over the past forty years China has traveled a path from a nation isolated from the international community to one thoroughly integrated into it. China enjoys diplomatic relations with 175 countries, is a member of more than 150 international organisations, and is party to more than three hundred multilateral treaties. China's success is not through the demonstration of its strength, but by means of international cooperation. The accession into international organisations has endowed China with more responsibility in international society, and China has always been behaving in a peaceful and cooperative way. China's regional strategy of cooperation is a typical example of its peaceful development. The multidimensional and multilateral regional cooperation did help China to minimise the misconception by other countries, and to show that its development is an opportunity but not a threat for regional countries and international society.

6.5 Summary

This Chapter is a discourse analysis of China's new thinking on regionalism in the post-Cold War era. It uses mainly the discourse-historical approach to study the transformation of China's thinking of new regionalism. If we compare the 'Good Neighbour Policy', 'New Security Concept' and 'Go Global Strategy', we can see the transformation of China's new regionalism throughout the history. During this period of time, Chinese foreign policies have focused upon creating a regional and international environment conducive to its goals of economic reforms and national modernisation. For this purpose, the new regionalism is considered as a useful tool to counterbalance the negative effects of the globalisation, but at the same time, to enhance China's involvement in the globalisation process.

Since the end of the Cold War, China's foreign policy has made a transition from old regionalism to new regionalism. China's new regionalism implies a comprehensive process which implies multidimensional and multilateral dimensions. China enlarged its traditional security concept to a new security concept, and economic regionalism has become more important than security regionalism. China has undertaken a comprehensive cooperation with countries within and outside the region. As we can observe, the Good Neighbour Policy is a more regional approach of multilateral economic, but China also has intended to cooperate with regional countries in the other areas; New Security Concept is a more multidimensional approach, but it has induced the multilateral cooperative cooperation among regional countries. All the multilateral and multidimensional thinking of new regionalism have led China to go global.

Why has China adopted the new thinking of regionalism? New regionalism approaches are mostly initiated by great powers, and it often serves as a platform to them to exert more influence. New regionalism enhance obviously regional cooperation and integration process, a more unified region will certainly have a better position in the international system. Li (2010,

131) argued that all the cooperative means of China were aimed at achieving various strategic and security goals. Over the past decades, China has consistently attempted to compete against the possibility of containment or constraint led by the US, compete for a better China image in the region, compete to create a more propitious regional environment for its domestic economic development, compete with other major powers, especially the US and Japan, for regional influence, and compete to consolidate a long term solid strategic position in the region.

Another interesting view about China's new thinking of regionalism was introduced by Calder and Ye (2010, 164-168). They thought that China's involvement in East Asian regionalism was marginal in the beginning and evolved only gradually, until being driven by catalytic events towards much stronger and more proactive support. The preceding account suggests that critical junctures have played an important role in China's transformation with respect to regionalism - from being the perpetuator of an 'organisation gap' to becoming a leading actor in promoting a viable multilateral framework for Northeast Asia. It was in the context of the Tiananmen crisis in 1989 that China improved bilateral relations with its Northeast Asian neighbours: Japan and South Korea. Then, in the wake of the 1997-98 AFC, China participated proactively and at times even led multilateral regionalist efforts in East Asia. Ye it was because of the change of leadership in 2003, to Hu Jintao and Wen Jiabao, coupled with a nuclear crisis on the Korean peninsula and two protracted, mini-crises between China and Japan and across the Taiwan Straits, that China regionalist momentum increased steadily and focused even more clearly on Northeast Asia.

Why regional countries would like to cooperation with China? It is argued from a neorealist point of view that 'the presence of a hegemonic power is necessary if regionalism is to succeed - because a hegemon alone has both the means and the incentive to supply the collective goods that will induce small states to enter into collaboration in a regional arrangement with it' (Ravenhill 2002, 169). Every state can get benefits from cooperation and benefits will include not only power but also economic and cultural gains. Moreover, new regionalism emphasis on analysis of non-economic factors, and it is more political than economic. From a neorealist point of view and given the anarchical and conflictual nature of the international system, small states percept that regional cooperation can serve as a response to an external threat or challenge. The homogenisation of security and economic policies may pave the way for further regionalisation. Whereas old regionalism, as far as economic integration is concerned, was inwards-oriented and protectionist, the new is often described as 'open', and thus compatible with an interdependent world economy. Regionalism also becomes 'new' to the extent that the process of internationalisation has acquired a qualitatively 'global' dimension. New regionalism is emerging in a post-Cold War context in a situation where 'national' economies are outgrowing their national politics, and it is furthermore a worldwide phenomenon. If we study the interaction between globalism and new regionalism, we can assume that originally, regionalism, especially old regionalism, was often understood as protection against forces of globalisation and competition, and it represented efforts on national protectionism at a regional level. Regional cooperation potentially offers members advantages that equip them to respond more effectively to global pressures. Regions are emerging phenomena, ambiguously forming part of and driving, but also reacting against and

modifying the process of globalisation. However, Regionalism, especially new regionalism as a liberal theory and practice, can also intentionally or unintentionally be road to globalisation. This explains the expansion of China's new regionalism to the 'Go Global Strategy'.

The other characteristic of China's new regionalism is that there are more and more non-governmental actors (such as private enterprises and NGOs) participating in the regional cooperation and in the 'Go Global Strategy'. Whereas old regionalism was created 'from above' (by the superpowers), the new is more spontaneous process from within the region and also 'from below' in the sense that the constituent states themselves, but increasingly also other actors, are the main proponents for regional integration. Apart from states, neoliberalism recognises that there are many other actors in the international system such as international organisations, transnational enterprises and other non-state players. The neoliberal approach to regionalism rests on assumptions regarding more or less explicit 'pressure from domestic groups to which governments respond' (Ravenhill 2002, 173). Interest groups such as domestic firms and transnational enterprises press governments to regional cooperation because it will help them to reduce transaction costs and to expand their markets. Keohane and Nye (1989, 24-25) show that the international system is becoming more and more interdependent because of multiple channels that connect societies including formal and informal ties among states, the 'absence of hierarchy among issues' such as energy, resources and environment, and the dismissed role of military power as a consequence of interdependence. From the analyses above-mentioned, we can see that new regionalism is a much more comprehensive process than old regionalism. It involves nation-states as well as non-state, market, and society actors.

Finally, those who emphasise China's ties within East Asia do not do so to the exclusion of relations with other regions or nations; rather, they argue in favour of not neglecting East Asia relative to the major powers or China's relations with the developing world. With the new thinking of regionalism, China is more integrated into, and more cooperative inside, regional and global political and economic systems than ever before, and has realised a great economic achievement and an increasing political influence. China has intended to contribute its economic strength and political influence to the peace and stability of the region and even the world, which is a precondition to its peaceful and durable development. This shows China's new interest and confidence in regionalism. It also shows that as a great nation, China feels a sense of responsibility for the stability of the international system as well as the regional order in Asia (Johnston and Ross 2006, 286).

Whereas old regionalism was formed in and shaped by a bipolar cold-war context, new regionalism is taking shape in a multipolar world order. From old regionalism to new regionalism, China's role in East Asian regionalism has been transformed. When the PRC was founded in 1949, China was playing a role as a revolutionary state, which refused to accept the regional arrangement dominated by the US and its anti-communist allies. China's leaders traditionally emphasised the principle of national sovereignty and their interactions on economic, security, or environmental issues were more bilateral than multilateral. Since the end of the Cold War, one of the more pronounced shifts in Chinese foreign policy has been China's more positive view towards multilateral and formal regional economic cooperation

mechanisms in East Asia, such as APEC, CAFTA, and APT. China started to become an active participant and contributor to the existing regional mechanisms, and now China is transforming itself into a great power (China prefers to be called 'a major country' instead of 'a great power' in translating '*daguo*') in East Asian regionalism. China probably will continue to build its trade policies on two pillars - multilateralism and regionalism (Zhang and Li 2014).

7.1. Argument and Mains Findings

China has become a rising power and a key regional player since its 'Open Door Policy', and was looking for a more effective strategy to further boost its peaceful development. After the Cold War, the tendency towards globalisation and regionalisation has provided China with favourable conditions to improve its international relations. Old regionalism was transformed into new regionalism, and countries are grouping in different regions in order to protect their common interests, and to become more competitive globally. The aspiration of China to improve its peaceful development met the will of neighbouring countries to develop regional cooperation. Regional strategy of cooperation became the best choice of China's international strategy. In this background, China adopted its strategy of regional cooperation, and has implemented its multidimensional and multilateral approach of new regionalism.

The transformational perspective of globalisation and new regionalism seems best suited to capture the new thinking, new directions, and new behavioural tendencies in Chinese foreign policy (Johnston and Ross 2006, 279). Since the end of the Cold War, China's regional strategy transferred from old to new. Old regionalism is based on the Cold War mentality and emphasises absolute security. New regionalism is a comprehensive regionalism as a response to the influence of the globalisation. 'Comprehensive' means that new regionalism is a multilateral and multidimensional approach. 'Multilateral' signifies that it involves all regional countries. 'Multidimensional' means that it includes all dimensions such as economy, security, and politics, and in East Asia, the economic cooperation occupies the primary position. This research explored the historical background of the security regionalism in Northeast Asia during the Cold War. It argued that old regionalism was a serious obstacle for the implementation of China's regional strategy. It illustrated the transformation from old to new regionalism after the Cold War and under the influence of globalisation. It described new thinking of China's regionalism and foreign policy such as Good Neighbour Policy, New Security Concept, and 'Go Global Strategy', and analysed China's practice of new regionalism such as Six-Party Talks in Northeast Asia and 10+3 in East Asia.

The main objective of this research is to study the relevance between new regionalism and China's peaceful development. At the end of the Cold War, China was highly isolated in the international society because of the Tiananmen Incident, and this situation could even stop its course of peaceful development. The strategic problem for China was how to make a breakthrough. In the same period, the trend of new regionalism is growing as a remedy to counterbalance the influence of the globalisation. China attaches the importance of its neighbouring countries, especially East Asian countries which have the priority in China's Foreign Policy. China has been willing to build up an EAC as a stable and durable platform for its peaceful development. The regional cooperation in East Asia has been led by Southeast Asia or ASEAN countries, however all the major regional powers especially China, Japan, and South Korea reside in Northeast Asia. In order to have a more effective regional cooperation,

China attaches great attention to promote the regional cooperation in Northeast Asia. Starting from its strategy of new regionalism in Northeast Asia, China has been striving to build up of a comprehensive regional cooperation mechanism in East Asia.

This research is an empirical study with two case studies. One is China's new security regionalism in Northeast Asia with the Six-Party Talks. Another is China's new economic regionalism in East Asia with the building up of a EAC. In the security field of Northeast Asia, particularly in resolving the North Korean Nuclear Issue, China sponsored the Six-Party Talks, and successfully invited all the parties to agree to build a regional security mechanism. This achievement can be seen as a turning point in Northeast Asian regional cooperation. China was pushing to extend this regional security mechanism to a comprehensive regional cooperation mechanism which also includes economic and political cooperation. China has believed that the comprehensive Northeast Asian cooperation mechanism in turn, would support China's peaceful development, and play a leading role in the East Asian integration process.

In the economic field especially after the AFC, China has actively participated in the construction of a EAC through '10+1', '10+3' and RCEP. China considers the '10+3' as the main channel of regional cooperation, and believes that economic cooperation will lead in more effective security and political cooperation, and will form a 'Asian value'. China hope that the security mechanism in Northeast Asia and the economic mechanism in East Asia together, will extend to the political, cultural, societal, and environmental fields, and finally form a comprehensive mechanism of regional cooperation. The comprehensive regional cooperation mechanism, together with other intra-regional and inter-regional cooperation mechanisms, will compose the blueprint of China's strategy of regional cooperation.

This research is a combination of historical, descriptive, comparative, and analytical research. It studies the historical background of China's new regionalism. It describes the transformation of China's strategy of regional cooperation from old to new, and compares their different effects. It analyses the relevance between new regionalism and China's peaceful development with mainly the qualitative approach to collect primary and secondary data. It introduces China's new thinking of regionalism through the discourse analysis. By means of all the methods, This research has proved that China's new regionalism or its regional strategy of cooperation has had great success. It has consolidated the regional cooperation in Northeast Asia, and Northeast Asia is now playing a more important role in the East Asian integration process. It has also accelerated the regional integration process in East Asia, and has contributed to the building up of regional identity such as the EAC. A more unified East Asia is bringing on a new world order.

Generally speaking, the peaceful development of China has made significant contribution to economic growth and integration process in both regional and global level, and China has gained a general trust and support for its peaceful development from the international society. And with greater economic and political strength, China is playing a more constructive and influential role in regional and international affairs. In Chapter 1, the author put forwards an assumption that China's new regionalism (multilateral and multidimensional approach) helps

significantly to resolve its strategic dilemma at the end of the Cold War, and to support its peaceful development under the influence of the globalisation. By watching and analysing China's new regionalism thinking and practice, this assumption is confirmed at the end of the research by 3 main findings:

Finding 1: China's Peaceful Development is Enhanced

Like every rising power in the world, China needs a platform to support its peaceful development. The open-mind of China's foreign policy, the new regionalist thinking, especially the economic regionalism have helped China to win its economic success. In Northeast Asia, China's trade with Japan and South Korea combined has been clearly larger than its trade with the US (Calder and Ye 2010, 131). By virtue of its population, geography, economic growth, and military power, China is already a major actor in East Asia, and by some measures it is already the largest and most powerful (Kang 2007, 12). In the twenty-first century, barring unforeseen circumstances, China, with its huge population, could have markets and production rivaling not only Japan, but also North America and Europe (Kornberg and Faust 2005, 68). Although China is unlikely to replace the US as the most technologically advanced and militarily dominant country in the world within the foreseeable future, China is already very strong and very big, and centrally situated in East Asia. By many measures China is a global economic powerhouse. As of 2011 China (Shambaugh 2013, 156-57):

- Possessed the world's second-largest economy, with a GDP of USD 5.87 trillion;
- Had the highest average annual growth rate in the world over the preceding two decades (10.2 percent in constant price terms), accounting for about 40 percent of global economic growth;
- Was the world's largest energy consumer;
- Was the world's largest merchandise exporter and second-largest merchandise importer, third-largest trader in services, and second-largest trading nation overall;
- Was the second-leading recipient of (committed) FDI in the world (USD 105.7 billion), and fifth largest global contributor of outbound direct investment (USD 60.5 billion);
- Had four of the world's top ten banks in terms of capitalisation;
- Possessed the largest foreign exchange reserves (USD 3.2 trillion)
- Had the world's largest number of millionaires (1, 020, 000) and billionaires (115); and
- Was the largest foreign holder of American government debt (USD 1.6 trillion)

Without doubt, China is rising under the support of its strategy of new regionalism. China is

seen as one of the world's main beneficiaries of globalisation and regionalisation. Since the end of the Cold War, mainly by means of regional economic cooperation, China's economy has been a success story in all aspects, and China has undeniably become one of the world economic powers (Saw 2007, 12-21). At the same time, China plays a more and more important part in international security and political affairs. In a report at the 19th National Congress of the Communist Party of China (CPC) on 18 October 2017, the Chinese President Xi Jinping further advanced a new strategic goal of 'Securing a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Embarking on a Journey to Fully Build a Modern Socialist China':

Based on a comprehensive analysis of the international and domestic environments and the conditions for China's development, we have drawn up a two-stage development plan for the period from 2020 to the middle of this century.

In the first stage from 2020 to 2035, we will build on the foundation created by the moderately prosperous society with a further 15 years of hard work to see that socialist modernization is basically realized.

In the second stage from 2035 to the middle of the 21st century, we will, building on having basically achieved modernization, work hard for a further 15 years and develop China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful.

Finding 2: 'East Asian Community' Is Building up

China's influence in East Asia can be explained by the theory of great powers elaborated in Chapter 2. In the practice of new regionalism, great powers play a key role based on their comprehensive strength. According to hegemonic stability theory, it is the enormous market scale of a hegemon that is the root of its great capacity and sphere of influence. Moreover, great powers also attempt to manipulate market forces to increase their influence over both adversaries and allies. Great powers may be hegemonic, which implies a general acceptance or at least tolerance of their leadership throughout the region, or simply dominant, which means that they are looked upon with suspicion and fear among the minor players, the policy-takers.

The 'rise of China' has been a persistent theme for well over a decade, entrancing serious analysts as well as the global public. The rise of China has met different responses from different corners of the world. It is in East Asia where China's emergence has been felt most strongly due to obvious geopolitical and economic factors and cultural and historical ties. One area where China's rise has been underappreciated, but which will potentially have profound effects, is China's success in taking a leading role within the new East Asian regionalism

(Pempel 2008, 1). During the Cold War era, China operated largely outside its regional frameworks and bargains. But in the past decades, because of rapid and sustained growth and increasingly activist diplomacy, China has moved to a position squarely inside the region, and its power and influence continue to expand (Calder and Fukuyama 2008, 222). As Shambaugh argued (2004/2005, 64): 'The traditional underpinnings of international relations in East Asia are undergoing profound change, and the rise of China is a principal cause'.

China's new regionalist engagement has had a significant contribution to Northeast Asian regional cooperation. The bilateral relations between China and Japan, South Korea, North Korea have improved persistently. Japan has acknowledged that its recent economic recovery has been due in a large part to its massive exports to the Chinese market shifting its traditional trade deficit to surplus. Japan has remained China's largest trading partner and import source as well as third largest export market for 10 consecutive years. First time in history China (excluding Hong Kong and Macao) surpassed the US and became Japan's largest trading partner in 2007. For South Korea, China (excluding Hong Kong and Macao) already became its top export market in 2003 (Li and Zhang 2009, 9). The recent 'rise of China' looks set to cement the historical divergence and reinforce the economic, political, and strategic dominance of the Northeast Asia (Beeson 2007, 9). The deepening of mutual trust and economic interdependence among China, Japan, South Korea, and North Korea has created interests opposed to interstate confrontation. Regional countries started to cooperate effectively, and closer linkages with Northeast Asian countries would give China the strength to further pursue the establishment of a comprehensive regional multilateral cooperation mechanism.

Northeast Asia is quietly coming together. It seems strongly probable that a more cohesive Northeast Asia will be emerging, and that it will be technologically and industrially powerful (Calder and Ye 2010, 265). Northeast Asia overall, is far more than the sum of its parts, with Japan and South Korea, as well as the various components of China, having key role in the emerging overall regional political-economic equation. The developed 'Triad' region have dominated trade and investment flows, they have important implications for East Asian regionalisation (Zhang 2010, VI). And those roles subtly enhance one another, pulling the locus of East Asian dynamism ineluctably northwards from its earlier ASEAN focus, a historical suspicions in the Northeast gradually fade and common interests steadily rise. China joined ASEAN Plus Three which is considered as the most successful institution for regional cooperation so far. Since the AFC, the center of gravity for regional cooperation has been steadily shifting away from APEC towards 10+3. 10+3 became a strong regional institution because three Northeast Asian countries that account for about 90 percent of East Asia's GDP joined. The 10+3 process provides a general framework for East Asian countries to be together. It gives birth to a consciousness and structure of East Asian regionalism. 10+3 members have embarked on initiatives for regional financial cooperation. These initiatives are based on three major pillars: (a) creation of a regional liquidity support facility through the CMI; (b) introduction of policy dialogue and economic surveillance; and (c) development of Asian bond markets (Yang 2008). The 10+3 process, like a moving train, is already on its way, and has been observed to be 'not as a regional trading arrangement, but rather seeking to provide

a framework for demonstrating East Asian leadership and influence on regional and international affairs' (Drysdale and Ishigaki 2001, 8).

More strikingly, China's warm embrace of Southeast Asian regional community building efforts can be described as an important achievement (Bardaro and Ponjaert 2011, 19). John Ravenhill's detailed analysis of China's impact on the ASEAN economies makes it clear that China is, in fact, fostering a new division of labour in the region and encouraging the further development of the industrialisation process there, further encouraging the growth of intra-industry trade in the process. The ASEAN-China FTA is likely to further link the economies of Southeast Asian states to China, giving the latter more influence in the region. In Southeast Asia, bilateral trade volume between China and nations in this region has reached USD 40 billion a year and the region's exports to China are bigger than those to any other place in the world (*People's Daily online*, 30 October 2006). After 20 years of cooperation, especially over the ten years of building the FTA, China's economic relationship with ASEAN has taken on two main characteristics: economic interdependence and the institutionalisation of economic cooperation. It seems that bilateral relations should be very stable with the continual growth of shared interests (Wang Yuzhu 2010, 37-44).

Through the spread of its language and films, and inveterate ties with ethnic kin, especially in the ASEAN business community, China exerts a regional influence that is unmatched by any other country. American technology, business techniques, and rock music may be admired, but they cannot compete with centuries of history and tradition (De Santis 2005, 28). Beijing's growing appreciation of soft power diplomacy is also evident in China's efforts to popularise Chinese culture throughout the region and to train future generations of intellectuals, technicians, and political elites in its universities and technical colleges. China increasingly sees higher education as an instrument of statecraft (as well a source of foreign exchange). Calculating the influence of this academic training on future generations of Asian elites will be difficult to measure with any precision, but their experiences while in China will certainly sensitise them to Chinese viewpoints and interests. In addition, they will possess knowledge of the Chinese language, as well as Chinese society, culture, history, and politics. Those who enter officialdom may be more accommodating of Chinese interests and demands. They will also share personal connections with former classmates and will move up through professional hierarchies simultaneously (Shambaugh 2004/2005, 27-28).

China is a giant in East Asia, and the phenomenal economic growth over the past three decades has empowered the nation to play a much larger role in East Asian regional affairs (Li 2010, 121). New regionalism in East Asia has been pushed forwards by the economic rise of China. China's initiatives for regional cooperation and integration contributed a lot to the regional and countries' development and therefore China attracted regional as well as global attention. Chinese trade and direct investment are fast becoming the engine of economic growth in East Asia, and this has done much to invigorate several economies in the region (Saywell 2001). There is indeed a consensus that China's economic power especial its growing domestic market has become an important force promoting regional economic cooperation and trade growth and spurring East Asian economic recovery. The UN 'World Economic Situation and Prospects for 2003' acknowledged that China has become the

'locomotive' for Asian economic growth (Li and Zhang 2009, 8-9), and the last 20 years of rapid economic growth in Asia's emerging economies serve to underpin this statement. East Asian countries thus have a huge stake in China's continued economic growth and stability. The role of China in East Asia's recovery from the recent global financial and economic crisis of 2008-09 highlights China's position as an engine of growth for this region. Individual countries have experienced sustained growth since 2010 and the region is expected to maintain momentum for some time despite the many challenges and risks it faces. Led by China, emerging East Asian economies are now playing a more prominent role in the global economy. East Asia as a whole has become the engine of global economic growth and strengthened economic regionalism. According to a World Bank study, the economic integration of China in East Asia has a positive effect in contributing to economic and trade growth in the region (Easper, 2007):

The economic integration of China has deepened production fragmentation in East Asia to an unprecedented level. The rapid integration of China into regional production networks has countered fears that China's global integration would crowd out the opportunities of other countries for international specialisation. International production fragmentation has intensified the dynamism of East Asian economies and increased economic interdependence within the region.

If we look back to the six main positive effects of new regionalism enumerated by Fu-Kuo and Philippe (2003, 17-19), we can see clearly that China's strategy of new regionalism has realised almost all the main positive effects. By holding the Six-Party Talks as a peaceful settlement mechanism, China has united regional countries to prevent the escalation of the North Korean Nuclear Issue, to avoid the direct conflict between North Korea and the US, South Korea, and Japan, and to provide Northeast Asia with the security assurance. The stability of Northeast Asia has become the premise condition of economic development in East Asia. Through economic and financial cooperation, especially the FTAs such as 10+1, 10+3, and RCEP, China has made contribution to intra-regional trade and regional financial security, which led to the economic development in East Asia. China's effort together with the cooperation of regional countries, have shaped the regional order with a primitive security mechanism based on the Six-Party Talks and the 10+3 as the main channel of economic cooperation. All the security and economic cooperation paved the way for the formation of an 'Asian Value', and the emerging East Asia is bringing about a new world order.

Through multilateral regional economic cooperation, China gained the trust and the support from its neighbouring countries for its peaceful development, and this has further consolidated China's economic strength and influence. From an economic standpoint, although there is a ramification of ASEAN members' perception towards China, some scholars have shown that Southeast Asian countries view China as an opportunity rather than a threat. According to Cunha (1998, 115), 'in Southeast Asia ... there is a widespread perception that China will be

the new engine of growth for the entire region, displacing Japan, which had played that role for the past thirty years or more'. The role of China as an 'engine of growth for the entire region' was intensified during the 1997 financial crisis. Australian Minister of Foreign Affairs, H. Alexander Downer (2001), holds that China's effort to keep the value of its currency has greatly contributed to stabilising East Asian economics during the 1997 Asian economic crisis. Indeed, the crisis has helped China gain the trust from ASEAN and strengthened its role in East Asia cooperation.

In 2001, a report of ASEAN-China Expert Group on Economic Cooperation (ACEGEC), consisting of representatives from all ASEAN countries and China, also viewed China as an economic opportunity. Based on reports of individual ASEAN countries and the economic benefits that China may bring to ASEAN, the ACEGEC recommended the creation of an ASEAN-China Free Trade Area (ASEAN, 2001). The group was confident that '[an] ASEAN-China free trade area would represent an important move forward in terms of economic integration in East Asia ... [and would] serve as a foundation for the more ambitious vision of an East Asia Free Trade Area, encompassing ASEAN, China, Japan and Korea' (ASEAN 2001, 30). China has so far been considered as a provider of collective goods.

Another group of analysts tends to view China as an actor for stability in the region and partner for other states (Shambaugh 2004/2005). Using the liberal institutionalist approach, they focus on China's efforts in improving bilateral relations with its neighbours and intensifying economic interdependence, its moderate approach to security and territorial disputes in the region, and its active participation in regional institutions since the mid-1990s. They perceive that 'China is trying to do its best to please, assist, accommodate its neighbours'. As a result 'East Asian countries look towards China as the increasingly vital regional power, political and business leaders in East Asia' (Perlez 2003). As David Shambaugh observes, China, by its engagement policy with the wider East Asian region, is warmly welcomed by majority of regional member states as 'more benign than malign'; the consequence is 'a principal catalyst in shaping a new order in Asia' (Shambaugh 2004/2005, 65-67).

In East Asia, China's size and global standing mean it is bound to play a key role in the region's economic and political issues. Its large foreign exchange assets, the financial power it is able to project via FDI and asset acquisition, and the potential internationalisation of the RMB all signify that China is especially well placed to supply strong regional leadership. China's emergence as an important international economic actor has already had a profound impact on investment and trade flows and patterns of regionalisation, and is unlikely to become less important any time soon. China's regional rise and these changing perceptions have prompted countries along China's periphery to readjust their relations with it, as well as with one another. As China's influence continues to grow, many of these countries are looking to Beijing for regional leadership or, at a minimum, are increasingly taking into account China's interests and concerns in their decisionmaking. Although China is far from being the only consequential power or factor in the region, its desire for a larger role has become a principal catalyst in shaping a new order in East Asia (Shambaugh 2004/2005, 2).

East Asia is in the midst of a great transformation led by the rise of China (Ikenberry,

Yamamoto, and Haba 2012, 7). The region's significance has been enhanced by the remarkable, and seemingly unstoppable rise of China. China's new proactive regional posture is reflected in virtually all policy spheres - economic, diplomatic, and military (Medeiros 2003, 22-35). China's growing economic and military power, expanding political influence, distinctive diplomatic voice, and increasing involvement in regional multilateral institutions are key developments in East Asian affairs. China's reform and rapid economic growth as well as an ever-opening market have provided sufficient impetus to regional economic cooperation. China's active participation and role are crucial in pushing East Asian regionalism. The rise of China presents a fundamental challenge to the postwar East Asian order.

The most salient phenomenon in this region is a power transition. That is, Chinese economy has been very rapidly expanding with an average of 10% annual growth rates over these three decades since the opening of the Chinese economy in 1978. A 10% annual economic growth means that the economy becomes three times as much over one decade. In 2010, China surpassed Japan and became the No. 2 country in the world in terms of GDP. China was about one quarter of the Japanese size in 2000, and will be three times as much as Japan in 2020. And, many expect that the size of the Chinese economy will be the same as that of the US in the early 2020s. China has become an important hub, both as a market for capital inflow, and a market for imports of goods and services. Based on the restructuring, a new regional production and service network has gradually been established. As the economy grows, China has been increasing military capabilities roughly at the same pace as the economic growth (about 10% per year) (Ikenberry, Yamamoto, and Haba 2012, 32). China is increasingly at the economic center of the region. Countries arrayed around China all experiencing growing trade and investment ties to China. It is China that now provides expanding opportunities to these neighbouring states. The US is still an important market, but China is the economic center of East Asia - and it will be more so in the future (Ikenberry, Yamamoto, and Haba 2012, 28).

China is inhibited in exercising regional economic leadership (Sally 2010, 14). China's rapid economic growth and active regional diplomacy have already transformed East Asia in many ways. Economically, China is one of the main driving forces proliferating regional and bilateral trade agreements. Politically, it is often interpreted that China seeks to shape the region's emerging political institutional contours and to encourage movement towards an 'East Asian Community' in order to balance the declining influence of the US (Li and Zhang 2009, 6-7). For half a century, East Asia and the wider global system has been dominated by the US and its Western allies. The rules, institutions, and relationships that define world politics in the late 20th century were products of this long postwar era of American preeminence. But that era appears to be ending. The distribution of power is shifting. New ideas about rule and order are emerging. East Asia is increasingly operating under the shadow of a rapidly growing Chinese economy. The US is still the major security provider in the region, but the economic fortunes of countries across East Asia are increasingly tied to China. The 'old order' in East Asia is giving way to something new (Ikenberry, Yamamoto, and Haba 2012, 7-8).

The significance of East Asia has been enhanced by the remarkable and seemingly unstoppable rise of China. As a region, East Asia since 1979 has been more peaceful and more stable than at any time since the Opium Wars of 1839-41. East Asia is a much more

closely knit region than it was at the end of WWII or even a decade ago (Pempel 2005a, 24). East Asia has become increasingly affluent, industrialised, and economically integrated in the world. East Asia is the region that attracts the most FDI, and its economy growth rate is the fastest. The region has continued to be the most rapidly growing on earth, for more than five decades (Calder and Ye 2010, 270). As a region, it has gradually built up its common or shared interests in the economy, politics, security, society and culture, which constitute the foundation of 'East Asian regionalism'. EAC has emerged and seems to be accepted by all sides (Zhang 2010). It is both considered as a long-term goal and a gradual process for cultivating partnership among all parties in the region. The region will be influential is no longer in doubt. What exists now contrasts sharply with the fragmentation that characterised the region for most of the past century.

East Asian economies have achieved strong economic inter-dependence, particularly through external liberalisation, domestic structural reforms and market-driven integration with the global and regional economies. Expansion of foreign trade, direct investment and financial flows has created a 'naturally' integrated economic zone in East Asia. Reflecting the rising economic interdependence and in response to the traumatic financial crisis of 1997-98, East Asia has embarked on various initiatives for economic regionalism. Such initiatives include the formation of several bilateral FTAs, the beginning of negotiations for sub-regional FTAs, the establishment of a regional surveillance mechanism, the introduction of a regional liquidity support system (CMI) and Asian bond market development. These essentially entail the formal institutionalization of de facto economic integration and interdependence in East Asia in a way that complements global frameworks of the WTO and the IMF.

Under the guidance of new economic regionalism China is engaging actively with East Asian countries bilaterally and regionally, which is believed to be a useful way to cultivate the regional identity that East Asia has lacked. A more integrated East Asia will necessarily steer the focus away from just the economic elements, and give attention to the social and political aspects (beyond the security dimension) of cooperation. If the number of emerging diplomatic initiatives, grouping and proposed institutions is any indication, East Asian regionalism is, in the words of former Indonesian foreign minister Ali Alatas (2001), 'an idea whose time has come'. And East Asia as a region will be increasingly shaped by China (Ikenberry, Yamamoto, and Haba 2012, 17). And China, for better or worse, is likely to exert the greatest influence over the course of East Asian development in the foreseeable future (Sachs 2005). Kang (2007) provides a provocative view on East Asia's future by saying that East Asia's future will resemble its past: Sino-centric, hierarchical, and reasonably stable.

The region's enormous economic and demographic potential is increasing the autonomy of East Asia's regionalism process in the context of relations with the countries of the West (and from the perspective of the framework of their principles). It mainly applies to democratisation processes, human rights and the principles of the rule of law. Therefore, it can be stated that East Asia, although divided and diversified, is the world's only economic and political region capable of reducing the key role played by the West. West European countries can be stimulated by the fact that all East Asian nations (with the exception of Japan) belong to a group of developing countries within 'a developing Asia'. It implies that the East Asian nations

which aspire to a leadership position among developing countries (especially China) can rely on the support of the other countries of the region in an international arena. This, in turn, can translate to the transformation of the global institutional architecture (Klecha-Tylec 2017, 325).

The integration process in East Asia supported by China has made contribution to world multilateral trading system. RTAs in East Asia seem to compete with the WTO, but often they can actually support the WTO's multilateral trading system. The WTO agreements recognise that RTAs can benefit countries, provided their aim is to facilitate trade among its parties. RTAs have allowed countries to negotiate rules and commitments that go beyond what was possible multilaterally. In turn, some of these rules have paved the way for agreement in the WTO. Services, intellectual property, environmental standards, investment and competition policies are all issues that were raised in regional negotiations and later developed into agreements or topics of discussion in the WTO (WTO, 15 June 2017).

Finding 3: A New World Order is Forming

As discussed in Chapter 2, the emergence of new political and economic power may bring changes in the recent international system. The 'Go Global Strategy' of China and a more united East Asia have triggered the transformation of the recent world order. China has been enjoying increasing global influence with the active participation in the process of regionalisation and globalisation, and a more powerful China is one of the main factors that could cause the change of the world order. China's economic development has been largely caused and deeply influenced by its integration into the wider international system. Indeed, China's participation in this order - most notably in the world's trading system - had allowed it to achieve its remarkable growth and progress. In this sense, China is already a stakeholder in the liberal international order - and it will become more so (Ikenberry, Yamamoto, and Haba 2012, 11). Since it joined the WTO in 2001, China has experienced spectacular growth and an unprecedented transformation towards a modern market-based economy. This growth has been underpinned and accelerated by expansion in trade and investment. China's signing up to multilateral trade rules has not only ushered a period of high growth in China, it also benefitted the global economy (OECD, 2014). There is still hope that China's FTAs can contribute to multilateral trade liberalisation, because China regards regional groups as a platform to raise its voice at global arenas. China may use its increasing influence to push forwards the WTO negotiation process, while making concessions needed on its part (Jiang 2010, 126).

The rise of China is one of the most critical development in the world (Saw et al. 2005, foreword). China's emergence on the world stage is accelerating dramatically in pace and scope. China has become not just a leading engine of economic growth for East Asian countries, but also one of the major drivers of world economic growth. China accounts for roughly half of overall economic activity in East Asia and has become the world's largest merchandise trader (Rosen and Thilo, 2011). Between 2000 and 2010, China became the top contributor to global GDP growth, and China's contribution exceeded that of the US by 4

percentage points. On account of its sheer size and scale, China's levels of production, consumption, imports and exports carry significant global implications. Apart from being an important source of global economic growth, China has also operated as one of the world's most significant integrating forces. China's astounding growth has forcing a major reconfiguring of international relations both within East Asia itself, and between East Asia and the rest of the world. In the early twenty-first century, China has become the nexus of the world's economy (Hale and Hale 2003, 46):

China has become a manufacturing hub for the rest of the world in low-end labour-intensive goods - and the rest of the world is becoming a manufacturing hub for China in high-end, capital intensive goods....China may be a threat to certain parts of the global supply chain that rely on low cost labour, but it represents an even greater opportunity via production efficiency gains, economic welfare gains and long-term dynamic potential. Its booming exports are more than matched by booming industrial imports and foreign investment opportunities. It has become the new engine of global growth.

The global economic crisis of 2008-09 has further transformed perceptions of China. Once viewed in the West as an unruly and disruptive pupil, it is now courted as potential global paymaster. Although, after sailing through the first stage of the crisis, signs of stress are appearing in its economy and financial system, it still exhibits strength and vigour compared to most of the industrialised world. Politically, in Europe - if not the US - hopes of inducing China to play by western rules have given way to grudging acceptance that Beijing holds many of the high cards and owns the biggest pile of chips. Power, it seems, is steadily shifting to the east (De Jonquières 2012, 1). In September 2009 back-to-back summits at the UN and the Pittsburgh G-20 meeting reshaped global institutions in a manner favourable to China. The role of the UN was reinvigorated, and the G-20 was eclipsing the G-7 (Rozman 2010, 115).

More than that, With Japan refocusing on the US alliance and Russia generally following in China's wake as the EU failed to become a strategic force, China increasingly found itself facing the US on matters of global significance. While twenty states met at the G-20 to restructure the world's financial architecture, it was China and the US that drew the most attention, leading to the G-2 image. In advance of the Copenhagen summit on climate change in December 2009, most eyes were fixed on these two powers as well (Rozman 2010, 115). The world witnesses China's leaders sitting at the 'high table' of intergovernmental gatherings, acting as global power brokers and playing the pragmatic role of an engaged and responsible power (Shambaugh 2013, 14). At the beginning of the 2000s, China was still wrestling with how to achieve multipolarity, but at decade's end it was being tested on how seriously it took the new image of the G-2. At the 2011 Asia Economic Policy Conference hosted by the Federal Reserve Bank of San Francisco, Justin Yifu Lin, then Chief Economist and Senior Vice-President of the World Bank, made an unambiguous statement about China's vital role in

the global economy (*East Asia Forum*, 29 September 2012):

Whether we are on the verge of an 'Asian Century' or not, one thing is clear: there has already been a dramatic shift in the geographic centre of the global economy. China is now front and centre, and its role as a leading dragon can be beneficial for growth prospects for the world economy. The world desperately needs engines of growth right now, and fortunately - with continued strong and pragmatic economic policy making - China can provide that impetus.

China's global cultural and social presence is also diffuse. It includes a variety of elements: history, high culture and popular culture, the fine and performing arts, film, literature, intellectual achievements, inventions and innovation, product brands, tourism, sports, music, science, education, language teaching, religion, social values, major international events such as the 2008 Olympic Games or the 2010 World Expo in Shanghai, and even animals (pandas), all part of China's global 'persona' (Shambaugh 2013, 239). More Chinese intellectuals won the Nobel Prize. In 2012, Chinese candidate Mr. Mo Yan won the Nobel Prize in Literature. And in 2015, Chinese candidate Ms. Tu Youyou won the Nobel Prize in Medicine. Indeed, some of these dimensions are promoted and marketed by the government and thus fit into its public diplomacy, but other elements are more autonomous and better fit Nye's definition of soft power.

China has become the world's most important rising power. In two decades, China has moved from the periphery to the center of the international system. Every day and everywhere, China figures prominently in global attention. Wherever one turns, China is in the news - gobbling up resources, soaking up investment, expanding its overseas footprint, asserting itself in its Asian neighborhood, being the sought-after suitor in global governance diplomacy, sailing its navy into new waters, broadening its global media exposure and cultural presence, and managing a mega-economy that is the engine of global growth. China's global impact is increasingly felt on every continent, in most international institutions, and on many global issues. By many measures, China is now clearly the world's second leading power, after the US, and its aggregate economy is due to surpass that of the US sometime around 2025 (Shambaugh 2013, 4-5).

Rapid economic growth in China has led to that country's growing international influence (Kim and Jones 2007, 167). The country has enjoyed a more secure place in the world than before, yet it has remained dissatisfied with its international status (Deng and Wang 2005, 1). As China's power rose rapidly, more signs appeared of a state expecting to become a superpower and to be recognised as such in East Asia and the world (Rozman 2010, 30). Lee Kuan Yew (2011) states that It is China's intention to be the greatest power in the world. For the past three decades, observers have watched how the world has impacted China; now the tables are turning and it is necessary to understand how China is impacting the world. China is

such a demographic colossus, and the economic and strategic implications of its rise are so immense, that it demands greater attention as it has the capacity to 'shake the world', as Napoleon Bonaparte famously put it (Beeson 2007, 129). Because of China's ascendancy, the tectonic plates of the international political system are shifting for a second time since the end of the Cold War (De Santis 2005, 35). The course charted by China's reemergence as a great power over the next few decades represents the primary strategic challenge for the US-Japan security alliance and for the East Asian security landscape writ large. If China's economic, military, and geopolitical influence continues to rise at even a modest pace during this period, we will witness the largest shift in the global distribution of power since the rise of the US in the late 19th and early 20th Centuries. And, if China in the next 10-15 years surpasses the US in purchasing power parity (PPP) terms as the world largest economy, it will mark the first time in centuries that the world's economic leader will be non-English speaking and non-Western (Johnson 2014, 1).

China's growth trajectory is expected soon to give it the political and economic heft to realistically lead a 'governance block' independent of the West and of existing Western-led governance institutions (Calder and Fukuyama 2008, 143). Ramo's sensational pamphlet: *The Beijing Consensus* stated that the China's pattern has a gigantic effect outside of China and even to be a power center of gravity.⁷¹ Ramo viewed that China has designed a new path to confront Washington Consensus. China is becoming an appealing partner for Africa, Latin America and Middle East, and they welcome China's development assistance and contributions to security stabilisation and peacekeeping (Li, 2007). Developing nations also tend to view China as a fraternal developing nation and one that, like them, was historically subjected to colonial and imperialist exploitation and incursions at the hands of Western powers. South-South fraternalism binds Beijing together with many other developing nations that are suspicious of the whole concept of global governance, viewing it as a ruse for Europe and the US to intervene in sovereign affairs and perpetuate their underdeveloped status (Shambaugh 2013, 128). Many democratic regimes in the developing world, like India, Brazil and South Africa, also positively assess China's development model in order to meet their own objective of establishing a more multilateral world order.

Now, with Beijing's own growing international influence, along with the reality of other rising powers and the fluidity of the international system, the world is beginning to witness some modest steps by China that are attempting to redistribute power and influence from North to South (Shambaugh 2013, 126). The world has generally witnessed China evolving from a passive actor to a selective activist, but most observers now agree as to a recent shift in China's behaviour as a more proactive shaper in international institutions, reflecting both its growing power and confidence. As Canadian scholar Gregory Chin (2010, 100) aptly describes it, 'Beijing is not looking to overturn the international system; rather, it is acting more like a moderate revisionist power one that prefers gradual reform of the international order'. Chinese scholar Ren Xiao (2012) similarly describes China's role as a 'reform minded

⁷¹ The notion of 'Beijing Consensus' by Ramo (2004) is referred to the 'Chinese developmental model'. This model is coined with distinct attitudes to politics, development and the global balance of power. It is driven by China's success in economic development with a strong belief in state role and sovereignty and global multilateralism.

status-quo power', which has benefited from the existing global system and international institutions but still seeks to change 'unjust and unreasonable components' of the system.

The success of China's regional strategy of cooperation in establishing a comprehensive Northeast Asian cooperation mechanism further raised the position of China and the East Asia at global level. If China, Japan, and Korea come together in a substantially more cooperative relationship than at present, they would constitute a political-economic mass nearly equivalent to either North America or Europe in scale, with both nuclear weapons and other advanced technology, as well as a huge population and formidable organisational capabilities. Their influence would also be magnified by the dissipation of the bitter conflicts that have estranged these huge and dynamic nations from one another for most of the past century. Northeast Asia, as a unit, could very well, in short, be one of the few serious challenges to US global preeminence (Calder and Ye 2010, 265). If the East Asian Community can be realised, it will form with the NAFTA and the EU a new triangle in international politics, or a new world order. Northeast Asia's rising cohesion will take place within a a multitiered global system (Calder and Ye 2010, 127).

Chinese IR scholars actively discuss and debate the structure and nature of the international structure (*guoji geju*), international system (*guoji tixi*), or international order (*guoji zhixu*) (Shambaugh 2013, 21). Both official policy and Chinese scholars have long posited that the international order is inexorably moving towards multipolarity over time. Differing views exist, but a consensus emerged among most analysts in the late 1990s that still prevails: the global structure is simultaneously unipolar and multipolar (*yichao duoqiang*). Yet another group argued just the opposite during the first year of the Obama administration - that the potential for US-China global cooperation meant that a pseudo G-2 world order could emerge - although this minority viewpoint soon disappeared. One variant was the view of 'two superpowers, many powers' (*liangchao duoqiang*), with the US and China acting globally with other powers acting regionally. A smaller segment of opinion argues that the international system is in transition from unipolarity to multipolarity (Yu 2010, 1-12).

Finding 4: Problems with New Regionalism

The empirical study shows that China's new regionalism approach made a certain achievement, but is still facing many obstacles. At the end of the research, the author intentionally join an official delegation visiting Southeast Asia in September 2016, and had interviews Mr. Xie Feng, Chinese Ambassador in Indonesia and former Director-General of the Department of North American and Oceanian Affairs, Ministry of Foreign Affairs, People's Republic of China, Mr. Xiong bo, Ambassador in Cambodia, and former Deputy Director-General of the Department of Asian Affairs, and Mr. Guan Huabing, Ambassador in Laos, and former Minister in North Korea and former Minister Counsellor in South Korea. All of them worry about the future of regional cooperation. Mr. Xie Feng talked about the security future of Northeast Asia with the North Korean missile tests and the deployment of the THAAD, an advanced US missile defense system in South Korea. For him, the future of Northeast Asia

is uncertain. Mr. Xiong bo is more concerned with the Sino-Japanese relationship, which was good for a certain period, but has been deteriorated for the moment. The economic ties are loosened between these two Asian giants, and security issues are more evident. This situation has formed the main obstacle for regional cooperation. Mr. Guan Huabing presented the recent EAS held in Laos. For him, the main issue of the summit is South China Sea, and China handled it well. There is trend that the US and Japan want to politicalise the EAS, and to bring more security issues inside. However, China and other regional countries are willing to focus on economic cooperation, and will not allow external powers to influence the regional integration process. Whatever how difficult to build an EAC, the EAS is already there and will continue. The integration process of regional cooperation cannot be reversed.

The Six-Party Talks is pending, the EAC is far from completion. In comparison with many other regions, the level of regional cooperation in Northeast Asia and in East Asia is relatively low, not to mention European Union. East Asian regional cooperation and relevant activities remain mostly ad hoc and informal, especially when compared to regions such as Europe. Recent development in East Asia has inspired discussions over whether a rising China could play a leadership role in building an institutionalised architecture for regional cooperation in East Asia. Mr. Huang Xiaomin, Professor in the Victoria University of Wellington even said that the regional multilateralism is ceding to bilateralism, the fields of cooperation are narrowing down, and the effort of regional integration made by China and East Asian countries is returning to zero.⁷² Why this situation happened? We can see clearly that China's strategy of new regionalism is not fully successful. The discussion of these problems will help up to have a full understanding of China's new regionalism, There are several problems with new regionalism which impede China's regional strategy and they are classified in three levels (national level, regional level and global level):

(1) National Level

China is a emerging power but is not fully developed whether in the global level or in the regional level. Beijing's regionalist approaches do not ambitiously target presumable regional leadership. Actually, the volatility of its relations with the US and Japan will not disappear over night. Taiwan issue, disputable territorial issues and its unstable domestic situations are daunting ones and will predominantly restraint its capability to lead the regionalisation in East Asian in the way it desires. On particular, growing nationalistic sentiments would dangerously backfire the CCP's government in future. Shrunk regional engagement will certainly produce new national resentment and in return fuel its unnerving nationalism (Zhu 2006). The complexity of the relations among regional countries and the presence of the US are also impediments for China to overcome. Since China has its own weakness, its new regionalism approach in Northeast Asia is not a easy task.

China's new regionalism is more government led than a spontaneous process. In the

⁷² Interview with Professor Huang Xiaomin during the Second Conference of the CICA Non-Governmental Forum in Beijing on 28 Jun 2017.

theoretical discussion of Chapter 2, the new regionalism is more led by non-governmental actors. In fact, China's new regionalism is led more by the government than by the non-state actors. This is due to its special political configuration, and China is still a very centralised country. This special feature explains how China's new regionalism can be implemented at a high speed but cannot easily succeed, because it has not motivated sufficiently the initiative of non-state actors. However this situation has been ameliorated with time, and China's new regionalism has more and more participation from outside the government.

China's regional cooperation is still narrow. Although China has established links with neighbouring countries in various areas such as the military, politics, trade and finance, it is trade that has achieved the most progress, reflected in preferential trade agreements and their forceful implementation. It is also an area that is closely associated with China's efforts at reform and opening, one that not only brings revenue but also has adverse impacts on domestic constituencies in China or those of its trade partners. Although China has also participated actively in East Asian financial cooperation, such as the CMI and its multilateralisation, such cooperation still stays at a shallow level: China needs only to commit a certain amount of foreign reserves to the regional reserve pooling and does not have to bind itself in exchange policy or domestic financial reserves. As Mr. Zhang Yunlin said, China's regional cooperation remains in a low level. China did not join the TPP not because of the opposition from the US and Japan, but because it is not yet qualified.⁷³

China is not viewed by its neighbours as a source of collective good in the security area. So far China has been actively participating in East Asia regional cooperation through its participation in different multilateral institutions and cooperative mechanisms. However, what has China provided or what will it potentially provide as collective goods which attract other states into regional arrangements? Such collective goods of China may stimulate East Asian countries to enter into regional cooperation. China is not seen as a benign power in terms of security. Long disputes relating to the South China Sea between China and some ASEAN countries still exist. Most ASEAN countries are still suspicious of China in the security area. Moreover, the US' military engagement in East Asia through its military alliance with several regional countries including Japan, South Korea and the Philippines has constrained the role of China.

(2) Regional Level

As a process of regional cooperation and integration in East Asia, there are still many unfavourable factors. Political disarray separates many countries and fosters distrust. For example, there is still a long way to go before China and Japan can become real partners. Proposals for Northeast Asian economic cooperation involving China, South Korea, and Japan face many obstacles such as agricultural protectionism and the complex and shifting political relations in Northeast Asia. At the same time, confrontation and tension in the Korean Peninsula and the Taiwan Straits leave the East Asia region in a situation of uncertainty and

⁷³ Interview with Mr. Zhang Yunlin on 25 May 2015 during the First Annual Conference of CICA Non-governmental Forum in Beijing, China.

instability. To some extent, East Asia is still divided in its regional security. Economic convergence will surely help to bridge the gap and create new ties, but political distrust and security issues, if without special effort, may slow down or even obstruct the cooperation process.

The collective improvement in East Asia's international standing economically has not been accompanied by the rapid eclipse of national self-interest and Westphalian sovereignty. Beyond the issue of capacity, the need for a community to create binding decision-making mechanisms, so as to ground its legitimacy at the regional level rather than remaining an amalgam of state interests, will challenge existing regional norms of non-interference and the maintenance of state sovereignty. The enduring commitment to these norms suggests that organisational development - from being an informal, consensus-driven 'talk shop' to something more institutionalised and binding - remains problematic in the prevailing political culture of East Asia.

In contrast with Europe, East Asia lacks well-institutionalised frameworks for regional cooperation. Although frequent mention is made of the APT grouping, the prospect that East Asia will develop something similar to the European Union remains as dim as ever (Pempel 2005a, 101). APT does not seem to have proven its continued viability as a substantive international institution playing the role more of a 'talk shop'. This is not to say that there is not evidence of regional programmes delivering concrete results, nor is it imply that there is not a demonstrated commitment on the part of East Asian states to continue and deepen their various modes of engagement, but rather that the ratio of concrete outcomes that have a direct, positive impact on the states, markets, and societies in East Asia to policy pronouncements remains small.

The grand vision of EAC is not without challenges which call into question both the ability of the region to build a community as well as its underlying willingness to do so (Curly and Thomas 2007, 22). These problems relate to (Sally 2010, 13): (1) wide disparities in the capacity of East Asian states to contribute to the community in a sustainable fashion; (2) an urgent need to address historical and contemporary tensions; (3) the role of extra-regional states and institutions in regional affairs; and (4) a still under-articulated regional identity. EAC seems not to have a clear concept and identity yet. The integration process in East Asia is still partial and skewed. It is nowhere near being a single market; financial and monetary cooperation are still in their infancy; and regional institutions are little more than talking shops.

Yang (2008) argued that there is no doubt that East Asian economies with their strong export orientation, solid base of human capital, and several decades of extraordinary growth behind them, can be expected to thrive in a political and economically well-integrated environment, especially if this environment helps the region to align well to globalised markets and internationally accepted standards. Weak institutions in East Asia have held back the pace of progress, especially in financial integration. We can expect that East Asian economies will face several challenges as the integration process further evolves and matures.

The first of the challenges is the political dynamics. The political dynamics and rationale for integration differ substantially from Europe. After World War II, European motivation for regional cooperation was driven by the desire to foster political and social cohesion. Building political and economic interdependence within the EU was seen as a way to address security conflicts in the region. In contrast, East Asia lacks a common vision and mandate for regional cooperation. Some countries are still struggling with political stability, retain historical grudges and sensitivities, and have serious poverty concerns. Different attitudes of East Asian countries diversify their political aims which lead to be the lack of a common political vision.

The second of the challenges is the regional role of main economic entities. Since the end of WWII, East Asia has experienced a relatively long period of peace, which provided some spaces for economic prosperity. Historically, all countries have had divergent interests and position on economic matters. They tried best to promote their domestic economic growth by the advantage of globalisation. Until now, a common political and economic agenda has not yet defined among the main economic heavyweights, including China, South Korea and Japan.

The third of the challenges is lack of an institutional framework for regional integration. The only formal institutional mechanism at the regional level. ASEAN, is a sub regional initiative that lacks members of key East Asian nations and has a voluntary approach to policy implementation. This has at times undermined its effectiveness as a regional institution. With the inclusion of the larger players. ASEAN+3 now operates as a loose alliance that is deliberating on all key issues of financial architecture and coordinating activities related to regional surveillance and exchange of key vulnerability data. Concrete outcomes of these working groups have included the CMI that led to establishment of swap arrangement among a number of countries. These efforts under ASEAN+3 require coordination to develop a regional financial integration blueprint. As for enhancing and expanding free trade and factor mobility. The only regional free trade and investment agreement, supported by ASEAN, has yielded limited results. While average tariffs may be lower in the region, there continues to be protection in selected sectors and unnecessary barriers to trade, capital and labour mobility. As a result of delays in the latest WTO negotiations, East Asia has now resorted to a multitude of bilateral trade and investment arrangements. For example, despite its strong preference for multilateral trade liberalisation, Japan entered into a partnership agreement in 2002 with Singapore. In addition, China and Japan are working on a free trade agreement with ASEAN that will take them beyond WTO agreements and open up more sectors of the economy. These arrangements are good start on the dialogue, but their consistency with WTO guidelines and consistency among them is critical for an eventual formation of an East Asia Community.

(3) International Level

It is not clear whether RTAs can achieve deeper and faster liberalisation than can a multilateral approach. Negotiations of RTAs have arguably been no more successful than multilateral negotiations in dealing with sensitive sectors and issues, and they have also tended not to

cover sensitive sectors such as agriculture. Further, regional arrangements may divert attention and resources away from multilateral and unilateral efforts to liberalise and facilitate trade. Especially in small economies, concentration on negotiating regional agreements could have dire implications if it slows down progress on these fronts (Pangestu and Gooptu 2004).

Integration can confer substantial institutional benefits, but only if real authority is delegated to central institutions. As long as multilateral institutions are weak, and regional arrangements allow for a greater surrender of national autonomy, regionalism may paradoxically remain attractive to reforming governments. However, strengthened multilateral institutions would provide greater benefits than regional ones as they will present a larger political community and a greater scope for the preference-dilution effect⁷⁴ (De Melo, Panagariya, and Rodrik, February 1993).

Preferential agreements also carry risks, one of which is that trade may be diverted away from more efficient nonmembers to less efficient members. If a preferential agreement diverts more trade than it creates, it will yield smaller efficiency gains than would multilateral liberalisation. The larger the difference between the preferential RTA tariff and the external tariff imposed on imports from nonmembers the greater the trade diversion effect. Trade may also be diverted if members of a FTA impose rules of origin, since these may cause imports to be redirected through the member country that has the lowest external tariff (Pangestu and Gooptu 2004).

China's strategy of new regionalism is deeply influence of outsiders, especially the US. The American factor in East Asia regionalism is undeniable but does this factor stimulate the development of regional cooperation? The influence of the US in East Asia regionalism has been emphasised by many scholars. Gilson (2007, 146) contends that 'the US continues to play a significant role in East Asia' and Kim (2004, 45) even emphasises that 'the US is of central importance to all the East Asian states'. However, the US has not supported the development of East Asia regionalism (Yip 2001, 108). One major objection of the US to East Asia regionalism was its disfavour of ASEAN Plus Three. The US views ASEAN Plus Three as a vehicle for China to expand its influence in the region and to enable an anti-American bloc. The influence of the US in East Asia regionalism is undisputable but it has not increased the momentum towards regional cooperation as neorealists would expect. In contrast, the US has held back East Asia regionalism. In fact, the US has been 'fracturing the [East Asian] region and making any region-wide integration or identity impossible' (Beeson 2003b, 254).

7.2 Theoretical, Methodological and Policy implications

Despite the great significance of the new regionalism for China's peaceful development, there is no research going through the history and analysing China's regional cooperation in Northeast Asia and East Asia by using the theory of new regionalism. That is the origin of this research paper. The author intends to make up this gap, show the importance of new regionalism, persuade Chinese officials, scholars, and people to persist in its Good Neighbour

⁷⁴ The losses of having to share its original FTA preferential market with the new member.

Policy, assure regional countries about China's peaceful intention, encourage China and its neighbouring countries to work together in building up an EAC, and make contribution to a more balanced world order. This research has some theoretical, methodological and policy implications which contribute to the significance of the study and make this study distinctive from the other researches:

(1) Theoretical Implications

In Chapter 2, the operational definition of new regionalism is made by the 'UNU/WIDER approach' as a comprehensive, multi-dimensional, political phenomenon including economics, security, environment and other issues which challenge the nation states today. It is thus 'new' in a qualitative sense as it is an integral part of current global transformation, often called globalisation, and it can only be understood in that context, and within an interdisciplinary framework (Hettne, Inotai, and Osvaldo 1999, Xiii). China's strategy of regional cooperation is different from the general definition of new regionalism discussed in Chapter 2. For this research, new regionalism is an multilateral and multidimensional approach of great power to cooperate with regional countries in order to build up an regional cooperation mechanism and counterbalance the influence of globalisation. The indicators of multilateralism and multidimensionality are influence of great power in the region, number of regional countries and number of cooperative areas in regional cooperation mechanism, development of the region relative to the other regions, and importance of the region in the world order.

With comparison to old regionalism, new regionalism is a more comprehensive process. It has been expanding to more areas of the world than ever before, and involves more regional countries to cooperate multilaterally. It covers economic, cultural, political, security and environment aspects, and incites more in-depth and detailed development of each aspect. It is a reflexion of globalisation, and is also marked by the prevalence of multilateralism. The multidimensional new regionalism and the multilateral new regionalism promote mutually, and bring the regional cooperation in a higher level. Since region is small than the world, new regionalism seems more practical than globalisation in promoting international cooperation. However, its size, objectives, institutions, organisation and process of the formation are quite different in each region. China's new regionalism has its own characteristic and these characteristics formed the addition of this research to operational definition of new regionalism.

7.1 Diagramme Comparing the Operational Definition of New Regionalism and New Additions

Operational Definition of New Regionalism	New Additions of this Research
More comprehensive, multidimensional process and multiple regionalism.	China's new regionalism is a comprehensive (multidimensional and multilateral) approach. It includes economic regionalism and security regionalism. The security regionalism and

	economic regionalism promote mutually, and realise together the political goal of new regionalism: the regional identity.
North/South regionalism.	<p>A mixture of South/South regionalism and South/ North regionalism;</p> <p>China's regional cooperation is mainly with its neighbouring countries. Most of them are developing countries or emerging economies, only some are developed countries such as Japan, South Korea and Singapore.</p>
Extroverted and open regionalism.	Extroverted and open regionalism but emphasises on regional identity.
Led by great powers.	China does not take the leadership, prefers ASEAN in the driving seat, and emphasises the equality among regional countries.
The role of outsiders is not fully discussed.	The role of outsiders, especially the US, is considered.
Starts from the trade and emphasis lays on trade.	Emphasis lays on trade and finance as well; East Asian new regionalism started from the financial cooperation instead of the building-up of FTAs
The transformation of the regional strategy to the global strategy is not fully discussed.	The new regionalism of regional power is in the intention to become global power.
Main participants are non-state actors.	China's new regionalism is government driven. It is efficient but need the support of NGOs and civil societies to be more effective.
Regional cooperation is induced by economic interests or political gains.	<p>East Asian new regionalism is crisis-driven. It is a response to the 1997-98 AFC and to the European and North American economic regionalism.</p> <p>Another conclusion relates to economic and diplomatic rivalry among East Asian countries as the main driver of initiating regional trade liberalising agreements (Klecha-Tylec 2017, 322).</p>
New regionalism is effective.	<p>New regionalism is effective but has its own weakness, and some problems can not be resolved in the regional level or some kinds of cooperation are more beneficial in the international level;</p> <p>China's new regionalism has brought new</p>

	problems of development such as the environmental deterioration and pollution
New regionalism cooperation has brought binding rules and institutional process.	China's new regionalism and the new regionalism in East Asia have resulted in low-institutional organisations, they are sometimes defined as a 'East Asian Way'; It is argued that China prefers low-institutional regional organisations and avoids to be hijacked by regional cooperation.

(2) Methodological Implications

The author highlights the importance of new regionalism for China's peaceful development mainly by qualitative research method, especially by informal interviews with many government officials, scholars, and peoples from the civil society. The first-hand primary sources are precious to the literature of China's strategy of regional cooperation, and reflect the perspective of both China's new regionalism and the future of the EAC.

China's strategy of new regionalism is complicated and comprehensive. As a result, the theoretical framework of this research is a combination of new regionalism, neorealism and neoliberalism. New regionalism is the main theory applied to this study, but neorealism and neoliberalism are also important. Neither one cannot explain thoroughly China's strategy of new regionalism. Particularly, the methodology of discourse analysis (the discourse-historical approach) is used in Chapter 6 to highlight China's new thinking of regionalism. Thus, this research used Interdisciplinary explanations.

(3) Policy implications

This research proved that new regionalism helped China not only to break through the blockade at the end of the Cold War, but also to develop peacefully together with Northeast Asian and East Asian countries in the background of globalisation. The integration in Northeast Asia and in East Asia is a precondition for a more powerful China. China should continue its strategy of new regionalism in order to shape its peripheral geopolitical pattern, to secure its external environment, to deepen economic cooperation, and to develop the 'Asian value'. The continuity of China's peaceful development also has great significance to 'East Asian Community' Building and a more balanced world order. Otherwise, if China reverses its new regionalism thinking, China's peaceful development will not be sustainable.

After the Cold War era, China's new regionalism thinking and behaviour clearly show that China tends to be more cooperative and responsible. But when China is rising up, the nationalism in China is also growing. Nationalist sentiments remain conspicuously stronger in Northeast Asia, where they have been particularly detrimental to the development of closer

institutional connections (Moon 2003). Actually, there are possibilities about this reversion caused by nationalism in both China and Japan, regional competition, and intervention of outsiders. During the writing period of this research, the author witnessed the escalation of North Korean Nuclear Issue, the South China Sea dispute between China and Philippines, the China-India border dispute, the 'pivot to Asia' of the US. All these dangers threat China's regional effort for decades. If dangers become true, China will lose its rising influence in the region and in the world. China will not accept this kind of situation. The real 'China threat' in the world will come from a isolated China and divided East Asia. For this reason, China and regional countries have to work together and dispel the dangers which hamper China's new regionalism.

Just like China is a partial power, China's new regionalism is also a partial new regionalism. In order to have a full success of new regionalism, China needs to do some internal reforms in order to adapt himself better to the regional and global situation. First, China's new regionalism is most led by the government, and needs to introduce more non-state actors such as private companies and people from civil society. Second, China should promote its level of cooperation, and push forwards a higher-institutional mechanism of regional cooperation. Third, China should manage the new issues of regional cooperation such as pollution and immigration. China also has to resolve the problem of protectionism when negotiating FTAs with regional countries. Particular attention will be paid to the area of agriculture, since the agricultural sector is a sensitive area in most countries of the region, and is universally regarded as the one which should be granted a preferential status (Klecha-Tylec 2017, 323). Fourth, in order to really enhance the regional cooperation, China should stabilise and strengthen its relations with the US, the outsider and the global hegemon, and Japan, one key regional player especillay for the security and financial cooperation.

At the regional level, Yang (2008) stated that facing the slow progress of the WTO/Doha liberation process and the perceived loss of steam of the APEC progress, East Asian Economic Integration has become a particularly urgent issue. In fact, market-driven East Asian economic integration has been really developed, but compared to that of Europe and North America, the institutional support to such integration has been limited. In this sense, East Asia has great potential for further economic integration through various types of institutional cooperation. These include creation of an Asia-wide FTA, establishment of a stronger mechanism for regional financial stability, relative stability of intra-regional exchange rates and provision of various types of regional public goods, all of which would be a basis for a future 'East Asian Community'. Otherwise, due to the differences in political and economic systems, the pace of institutional cooperation for Asian economic integration may be slow and the multi-speed approach may be needed. Its structure ought to be flexible and open until a stronger political and economic convergence is achieved.

Kawai (2005) argued that East Asia should respond to several challenges, and these advices are still applicable for a deeper regional cooperation. First, the regional economies should accelerate negotiations on bilateral and sub-regional FTAs which provide a critical basis for further integration and interdependence. Such regional trade agreements need to avoid the

counterproductive 'spaghetti bowl' effect⁷⁵, by ensuring that rules, standards and procedures are coherent across different FTAs in the region, and by maintaining WTO consistency - and even by strengthening the WTO framework through pursuit of an outward-oriented, 'WTO-plus' approach. Second, the regional economies need to make further progress in the area of money and finance, by strengthening the liquidity provision mechanism (CMI), the policy dialogue and economic surveillance process, and Asian bond market development initiatives. Third, it is time to initiate exchange rate policy coordination because there has not been much progress in this area. Finally, it is important to overcome various impediments to closer economic regionalism. The region must nurture the sense of mutual trust and community by developing a long-term vision for the political and economic future of East Asia and having such a vision shared by the general public in the region. One vision for a future EAC would be a full-fledged economic and monetary union with a single currency like the euro zone. Japan and China must assume joint leadership towards East Asian economic integration by permanently resolving, and putting behind, the 'history' issue.

Pangestu and Gooptu (2004) studied which type of regional arrangements will best serve the East Asia region? First, they should not become a 'stumbling block' to multilateral liberalisation. Second, they should focus less on easing market access and more on facilitating trade measures and achieving cooperation on external issues of common interest and mutual benefit, such as some of the negotiating issues in the WTO. Third, they should contribute positively to the multilateral trade liberalisation process, for example, by including standstill provisions on further barriers to trade and investment; by implementing a simultaneous programme of reduction of barriers to nonmembers; by allowing the most liberal rules of origin possible; and by avoiding the spaghetti bowl outcome for other issues. Broader liberalisation on a multilateral basis will lead to greater net benefits, but East Asia is likely to realise net gains if it pursues complementary regional approaches simultaneously with multilateralism. One further benefit from stronger regional cooperation could be a more effective stance at the WTO on issues of common interest - for example, in achieving further discipline on antidumping. China plays a critical role in this regard, given its growing economic dominance in the East Asian region if not the world, and hence the type of regional cooperation arrangement it chooses to participate in will have a lasting impact on the course of events and pace of development in the region. Economic development in China can only strengthen the perception of East Asia as a 'good neighborhood' and place to be within the global community.

7.3 Further Research Questions

This research studied China's strategy of new regionalism since the end of the Cold War,

⁷⁵ The Spaghetti Bowl Effect is a concept which refers to the multiplication of FTAs, supplanting multilateral WTO negotiations as an alternative path toward globalisation. The term was first used by Jagdish Bhagwati in 1995 in the paper: 'US Trade policy: The infatuation with free trade agreements', where he openly criticised FTAs as being paradoxically counter-productive in promoting freer and more opened global trades. According to Bhagwati, the too many crisscrossing FTAs would represent a costly complication of World trades, and would allow countries to adopt discriminative trade policies which would, in turns, reduce trade welfare.

analysed its performance and weakness, and has introduced further research questions as follows:

Question 1: How to Deal with 'China Threat'?

In terms of interests, rising powers present opportunities as well as threats. China's positive and open attitudes and new image are welcome but also raise some doubts. There is doubt about China's real strength and its peaceful meaning of development. The Chinese economic opportunity and military threat for its regional neighbours are both potentially huge. China's neighbouring countries are suspicious of the possibility that a stronger China could build modern military forces, undertake much more adventurous policies, bring a dangerous arms race, and lead to potential conflicts. The 'China threat' has already had significant impact on the relations among the major regional countries, for example in shaping recent development in the US-Japan security relationship which is unhelpful for China's peaceful development. China's future security role in East Asia is an increasing concern to its neighbours, especially because of the large increases in Chinese military expenditures since the 1980s (Kim 1993, 47). Although military expenditures decreased in the world as a whole during the 1990s, they increased in East Asia as a region and especially in China. Samuel Huntington (1993, 47), a Harvard expert on military affairs, believes that China's military buildup has important implications at both the regional and global levels:

Centrally important to the countering of western military capabilities is the sustained expansion of China's military power and its means to create military power. Buoyed by spectacular economic development, China is rapidly increasing its military spending and vigorously moving forwards with the modernisation of its armed forces. It is purchasing weapons from the former Soviet states; it is developing long-range missiles; in 1992 it tested a one-megaton nuclear device. It is developing power-projection capabilities, acquiring aerial refueling technology, and trying to purchase an aircraft carrier. Its military buildup and assertion of sovereignty over the South China Sea are provoking a multilateral arms race in East Asia.

ASEAN wishes to continue to play the pivotal role in the future since it worries that it may be sidelined if the community is led by the big powers, i.e., either China or Japan. For Southeast Asia, China is a competitor to its labour-intensive manufacturing industries. China has taken great strides in technology absorption and improvements in industrial capacity, and has been moving not only into production areas ASEAN has left behind, but also into newer areas ASEAN markets only recently entered. The biggest 'threat' from China is its advance into production areas where ASEAN still has significant interests, before ASEAN producers can shift into higher value added production (Curly and Thomas 2007, 22). Some in the region

have continuing reservations that China's comparative advantages in labour and capital, combined with the business acumen of Chinese companies and government negotiators, will never permit a level playing field in which smaller Asian countries can compete with China. While Premier Wen describes China as a 'friendly elephant' interested only in win-win commercial ties with its neighbours, other Asian nations worry that an elephant, no matter how friendly, will still leave trampled grass in its path (Vatikiotis 2004, 15-18).

China's growing presence in the region has characteristics of a classic 'power transition', that is, a moment when a rising state confronts an older and established international or regional order, such moments are fraught with danger (Calder and Fukuyama 2008, 222). There are three main players: the US, Japan and China. Rising China is a major concern of the other two (Wang Yuzhu 2011, 208). There may be fierce competition for regional leadership. The US wants to keep its leading role in the Asia-Pacific region through the so-called 'Asia pivot'. Although the Chinese side repeatedly claims that the Pacific Ocean is wide enough to accommodate China and the US, there is a lack of strategic mutual trust between the Chinese and American sides. Japan also wants to become the leading power in East Asia and wants to lead East Asian integration. The idea of a distinct East Asian region dominated by either China or, more recently, Japan, is not a new phenomenon. What is different about the new East Asian regional order, however, is that both the regional giants are strong at the same time and actively competing to assert themselves. These factors have serious negative impacts on the role of China in East Asian integration (Zhang and Li 2014).

The main objective of China's international strategy is to realise its peaceful development. China can contribute little to East Asian cooperation while its neighbourhood maintains vigilance towards its rise (Wang 2011, 207). Beijing was essentially concerned that some other small neighbours might be tempted to closely engage with Washington to constrain China's security role and influence in the region (Li 2010, 126). Over the years, Beijing steadfastly continues to remind the world that it will 'never seek hegemony' once it emerges as a major international power, and sought to publicise a variety of messages to foreign audiences: that its military modernisation is 'purely defensive' and threatens no one, China is a 'peace loving country', it is a developing country, it is a 'responsible power'. What will be the future of the 'China threat'? Some analysts highlight China's charm offensive, its preference for soft power, its increasing public diplomacy, and multilateral engagement; whilst others stress the potential conflicts inherent to future developments resulting from China's rapid rise (Yee and Storey, 2002). The way that China has been handling with the 'China threat' will decide the efficiency of China's new regionalism. In order to gain the full trust and cooperation of regional countries, China has a long way to go.

Question 2: Is China Powerful Enough?

Shambaugh (2013) states in the *China Goes Global: The Partial Power* that most global citizens are well aware of the explosive growth of the Chinese economy. Indeed, China has famously become the 'workshop of the world'. Thirty years ago, China's role in global affairs

beyond its immediate East Asian periphery was decidedly minor and it had little geostrategic power. However, China's expanding economic power has allowed it to extend its reach virtually everywhere. But by many measures, China remains a partial economic power. China's MNCs are still taking baby steps in global business. A lack of global management experience and skills is a fatal weakness of Chinese companies in going global. Cross-cultural understanding is a huge gap. China's global presence is more broad than deep and that China still lacks the influence befitting a major world power - which is termed a 'partial power'. China may better be thought as a 'middle power' and regional power like Australia, Brazil, Britain, France, India, Japan, or Russia. China is not ready for global leadership, and the nation is far from possessing the tools to be a global great power.

Buzan and Foot (2004) states in the *China in the Asian Economy* that China might be more important for the East Asian regional economy than for the world at large. This importance was often overstated. For example, while the growth rates of Chinese trade with regional neighbours were indeed large, these growth rates did not show the real significance of China as they had grown from a very low starting level. Furthermore, China's massive FDI boom, especially in the past decade was often built on recycled investment from within China itself seeking to benefit from tax breaks and other incentives for foreign investors. In effect, China mattered to the region much less than initial impressions (and statistics) seemed to suggest. Taken as a whole, China clearly does matter in the regional economy – but while China's growth presents an opportunity for some in the region, it also poses serious challenges to others.

Li (2009) argues in the *China and Asian Regionalism: Pragmatism Hinders Leadership* that China has not yet developed a grand vision for regional multilateralism and regional integration. China's behaviour in Asian regionalism has largely been driven by pragmatism - a pursuit for short-term national interests in accordance with changes in regional political and economic circumstances. This pragmatism is revealed in China's super-activism in economic multilateralism, enthusiasm in non-traditional security cooperation, and differentiated approaches to conflict prevention in East Asia and Central Asia. China's pragmatic approach is likely to be a barrier for the further growth of its influence and quest for regional leadership position.

In the *La Politique Internationale de la Chine Entre Intégration et Volonté de Puissance* (China Foreign and Security Policy: Between Integration and Will to Power), Cabestan (2010) analyses the transformations of China's foreign and security policy since the early 2000s, and presented China's relations with its major partners: the US, Japan, Russia and Central Asia, India, the European Union and finally the developing world. His conclusion is that, spurred by the globalisation of its economy, China has gradually integrated the international community and has more often accepted its norms. However, China's authoritarian domestic polity, its assertive nationalism and its growing selfconfidence tend to prevent this integration from being comprehensive. In addition, more powerful, China sees also itself as more vulnerable because more dependent upon the outside world.

China, with a substantial nuclear-weapons capacity, and a broad range of conventional weapons, is no doubt formidable militarily. Yet its power-projection capabilities are constrained by US bases in Japan and South Korea, and also by Japan's own vastly underestimated high-tech military machine (Calder and Ye 2010, 127). Despite the impressive progress in its military modernisation in recent years, however, China's global military footprint actually remains very limited. Other than cyber warfare, its space programme, and intercontinental ballistic missiles, it has no real global power projection capabilities. Air and ground forces cannot operate away from China's immediate periphery, and naval forces have very limited deployment capacity away from China (Shambaugh 2013, 269-70).⁷⁶

China's soft power and global cultural appeal remain very limited (Shambaugh 2013, 266-67). Contrary to those who promote 'China hype', China too faces binding constraints on its ability to lead externally. It lacks a tradition of external leadership, and its recent opening to the world is simply too new for it to exercise leadership assuredly. Rather the Chinese governing elite is too preoccupied with domestic political and economic issues to be willing and able to wield external power strongly and responsibly. Its main concern is to help keep its external environment safe for China's economic development, not to act as a regional or global policeman (Sally 2010, 14).

What does China need to do? Ye (2010) explains in the *China's Regional Policy in East Asia and its Characteristics* that China has not so far articulated a clear vision for East Asian cooperation. There is no real regional integration at present in East Asia. China strongly prefers low institutionalisation in regional cooperation. This attitude will not change fundamentally as long as the Taiwan Issue and the South China Sea disputes are not resolved. China's policies towards East Asia can be characterised by national interest driven, great power mentality and moralism. China needs to cure her past victimhood mentality and reconcile her self-identity with the expectations of others. China has to learn to be more confident and to enhance her economic strength and soft power. It can learn to understand and negotiate the misgivings other countries have against her. China needs to consider how to cooperate with the US and Japan to maximise the common interest in the region.

Question 3: What is the Perspective of the EAC?

This research analyses China's role in regional integration in East Asia as a new engine in promoting economic growth and security cooperation. On the one hand, China's closer integration with economies in the region, along with a trend towards more assertive political and diplomatic manner, has contributed to great optimism for the economic and political regionalisation in East Asia. On the other hand, China's rise has raised a leadership problem that may constitute an unknown factor on the process of increased regional integration in East Asia. Regional integration has reached such a historical stage in East Asia where more

⁷⁶ Even though China's first aircraft carrier, the Liaoning, entered service in 2012, China's naval force still needs to be improved. See: 'China's First Aircraft Carrier Enters Service', *Al Jazeera Media Network*, 25 September 2012, <http://www.aljazeera.com/news/asia-pacific/2012/09/20129259349782969.html>.

structure and leadership is needed. China's future role is vital but hard to define. However, one thing is sure that China will continue to act as a facilitator and enforcer of regional cooperation (Li and Zhang 2009, 19).

The regional dynamic would persistently keep Beijing taking an increasingly important but not dominant role. That comports to Beijing's interests at the best (Zhu 2006). In sectors and products with increasing returns to scale, China will continue to be the most significant player in this regional production network due to its sheer size, as emphasised by Tong and Zheng (2008). Despite the significance of China's regional rise, it is tempting - but premature - to conclude that the East Asian regional system has become Sinocentric or dominated by China. However, This is decidedly not the case. China shares the regional stage with the US, Japan, and ASEAN. The US remains the region's most powerful actor, although its power and influence are neither unconstrained nor uncontested. Japan's economic weight and ASEAN's normative influence are also significant elements in the emerging East Asian order, and regional multilateral institutions are becoming more firmly rooted.

The evolution of social, economic, and political ties among China, Japan, and South Korea has fateful importance for global affairs in the twenty first century. China and Japan are the largest economies on earth, apart from the US, and together hold well over half of the world's foreign-exchange reserves. South Korea is an advanced nation in its own right. Japan, China, and South Korea are all technological powers of consequence in different political-economic spheres. A more unified Northeast Asia will play significant and constructive role in the regionalisation and globalisation process, and serve as a platform for regional countries including China to pursue a higher standing in international arena.

Under the guidance of economic regionalism, China is engaging actively with East Asian countries bilaterally and regionally, which is believed to be a useful way to cultivate the regional identity that East Asia has lacked. From China's position, what kind of norms and principles should guide East Asian regionalism? For reasons discussed earlier, China sees the APT process as the main vehicle for East Asian cooperation. Within the APT framework, China encourages ASEAN leadership because the complicated nature of East Asian relations makes unrealistic either China's or Japan's lead in strengthening regionalism. While each of the 13 nations involved can play an important role in different areas, it is undeniably helpful to have the well-established ASEAN presence facilitate negotiations between the three Northeast Asian nations that normally suffer from historical and political tensions (Wu 2009, 59).

The relationship between China and Japan will be the key to the region's future development. EAC will not be built up if China and Japan fail to share common interests and strategy, and to consolidate each other in the areas of EAFTA, financial cooperation, security strategy and regional institution-building (Zhang 2010, 9). If East Asian regionalism is to amount to anything more than a series of reports and mission statements, then it will need to find a way of accommodating an increasingly powerful China and an economically colossal, but politically marginal, Japan. This may be even more difficult than it may seem at first glance: not only does Japan's single most important relationship lie outside the 'East Asian region' with the US, but its relations with China are poisoned by an often violent, invariably acrimonious history that

threatens permanent derailment of the chances of developing an inclusive regional grouping. China and Japan will find greater difficulty in managing their relations in a changing situation of 'a rising China' and 'a normalised Japan' if there is no common framework binding the two countries together. The two may find a larger space to be together under the EAC-building, and pressure from the others will also help to prevent the two from competing for its own influence or leadership.

The interaction between Japan and China, and their capacity to accommodate or adjust to the ambitions and development of each other will be one of the defining dynamics of the East Asian region in the twenty-first century; but it is a dynamic that will be overlaid by the influence of an international order that remains dominated by the US (Beeson 2007, 227-28). Evelyn Goh and Amitav Acharya suggest that East Asian regionalism requires the central participation of the US as it remains the key security player in the region (Curley and Thomas 2007, 4). The hegemonic position of the US is evolving - and, generally speaking, it is weakening. Growing intra-Asian integration and a new center of economic gravity in China could culminate in a regional economy and institutions from which the US would be excluded. Worse still, deepened economic integration with China could provide the basis for the exercise of 'soft power', Chinese style. Yet the future will not be a simple story of China rising up and pushing the US out of the region. The opposite may be the case. The rise of China is in fact serving to draw the US into the region in new ways - particularly in Southeast Asia. The American entrance into the East Asian Summit and the closer ties between ASEAN and the US on issues relating to the South China Sea reflect this growing American involvement (Rathus 2010). Moreover, to make the region even more complicated, East Asia is increasingly divided between its two spheres - economic and security. China is the dominant economic power in the region while the US is the dominant security power. How these divergent spheres interact will also help shape the long-term character of the region (Ikenberry, Yamamoto, and Haba 2012, 9). The future of Asia will be shaped to a significant degree by how China and America envision it, and by the extent to which each nation is able to achieve some congruence with the other's historic regional role (Kissinger 2011, 376-77).

Talking about the future of regional cooperation mechanism in East Asia, Mr. Wang Sheng said the US wants to retain the APEC as an economic organisation with the TPP under it, and change the EAS to a security organisation.⁷⁷ Mr. Fengshuai indicated that even though there are many security mechanisms in East Asia, most of them are included in three models: one is the US + alliances. Second is the ASEAN, but ASEAN is too weak to lead security affairs in the region. Third is the ARF. All the three models are led by the US. For China, it is leading the SCO and the CICA. The SCO is relatively mature but cannot handle security affairs in the region, because its size is limited and the economic strength of member states is weak. The CICA is vaster, but is just a forum but not a security mechanism. The best security model in the region is the G-2.⁷⁸ The conclusion may be made by the Chinese Premier Li Keqiang at the 12th East Asia Summit and at the 20th ASEAN Plus China, Japan and ROK Summit in

⁷⁷ Interview with Mr. Wang Sheng, Counsellor, Department of African Affairs, Ministry of Foreign Affairs of the People's Republic of China in the Chinese Foreign Ministry on 30 September 2016.

⁷⁸ Interview with Mr. Feng Shuai, Researcher in the Shanghai Institutes for International Studies (SIIS) in the Chinese Foreign Ministry on 29 September 2016.

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Since its inception 12 years ago, the East Asia Summit has, with its commitment to regional development, security and stability, grown into an important platform for dialogue and cooperation for countries from within and outside the region. We should maintain the nature of the EAS as a 'leaders-led strategic forum', uphold ASEAN centrality, and advance economic development and political and security cooperation in parallel, as the two wheels driving EAS forward. We need to keep to the right direction, enhance overall planning and improve institution building to bring about sound and sustained development of the EAS.

Building the EAEC has been one of the strategic objectives of APT cooperation and serves the long-term and fundamental interests of the people in the region. We now enjoy a rare opportunity, advantageous conditions and extensive support for advancing this worthy cause. And we should do so expeditiously. In China's view, EAEC building needs to serve one purpose, follow two principles, and be advanced in three spheres. The 'one purpose' is to promote regional economic integration to deliver integrated development and common progress. The 'two principles' are the centrality of ASEAN and the ASEAN Way featuring consensus-building, openness and inclusiveness, and accommodating each other's comfort level. It needs to be advanced at the 'three spheres' with APT cooperation serving as the main channel, the three 10+1 as the basis, and subregional mechanisms such as China-Japan-ROK, Lancang-Mekong and BIMP-EAGA as useful supplement. All this will help put EAEC on a track of sound, steady and sustainable development.

In 2008, when the author was studying international relations in Malaysia, he took part in a seminar attended by scholars and IR students. The topic of the seminar is 'What will be the future world order in the 21st century?' The author made a assumption that with China's rise and the joint effort of Northeast and Southeast Asia, the EAC under construction will be on a par with North America and European Union. East Asia, North America and European Union will form a stable triangle in the world map. After almost 10 years observation, China's new regionalism has had great achievement, and regional cooperation in Northeast Asia and in East Asia are much more active. But the perspective of the EAC remains unclear. For the author, if the process of regional cooperation is reversed, the worst situation of East Asia would be the same as things happened in Middle East: regional countries lack the spirit of cooperation and let outsiders dominate.

Generally speaking, East Asian regionalism is still in its early stage. ASEAN has spent 40 years in its effort towards becoming the ASEAN Community, while East Asia cooperation has

began only more than 10 years since. Compared with Europe, the history of regional cooperation in East Asia is still short. New East Asian regionalism is still weak due to its short history and embryonic structure. East Asia may need a longer time to realise its dream of building an EAC compared to Europe. But economic cooperation and integration provides a fundamental stake for East Asian regionalism. It seems that increasing common interests in the post-crisis era will lead to some kind of institutional arrangement (Wang Yuzhu 2011, 210). The train of regional cooperation has started to move and the moving process itself has its value. East Asian cooperation and integration will come up against a variety of difficulties and setbacks (Zhang 2010, 44). Despite the fact that there are formidable obstacles confronting either the development of an EU-style regional organisation in East Asia, or the sort of close relationships that have made the EU possible, East Asian regionalism is an idea that refuses to go away (Beeson and Jayasuriya 1998).

Considering great diversity of East Asian region and complexity of the relations among the countries, the process of East Asian cooperation and integration can only follow a pragmatic approach. High-level economic integration can only be achieved step by step.⁷⁹ East Asia may not go to a European-style union, but gradual institutionalisation is absolutely necessary. It is necessary to encourage multi-layered arrangements and gradually move to a unique regional framework. East Asian countries need both confidence and wisdom to drive the train of the regional cooperation movement rightly. Scholars such as Calder and Ye (2010, 254) are relatively optimistic about future prospects, for both Northeast Asian economic interdependence and for deepening regional policy integration. In the best of all possible worlds, the East Asian success story continues, and East Asians find ways - possibly through effective regional institutions - of dealing with their common development, environmental and security problems (Beeson 2007, XiX). The future of China's new regionalism and of the EAC is difficult to predict. However, there is tendency that China's new regionalism is more liberal, and China is ready to overcome all the difficulties.

⁷⁹ Interview with Mrs. Piao Yangfan, Counsellor, Department of European and Central Asian Affairs, Ministry of Foreign Affairs of the People's Republic of China on 29 September 2016 in Chinese Foreign Ministry.

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APPENDIX A

Map of China in the World



Source: 2002 Perry-Castañeda Library Map Collection
http://www.lib.utexas.edu/maps/world_maps/world_pol02.jpg

APPENDIX B

Map of China in East Asia



Source: 2004. Perry-Castañeda Library Map Collection

http://www.lib.utexas.edu/maps/middle_east_and_asia/asia_east_pol_2004.jp

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APPENDIX C

Map of China in Northeast Asia



Source:

http://image.cn.yahoo.com/searchdtl_v3.html?p=Map%2BChina&b=5&pe=&p=p=&t=&c=&u=&sf=&sel=8&ori=http://www.china-holiday.com/english/images/China_Map_Guide/Highways.jpg&thu=http://tn6.cn3.yahoo.com/image/100e/d8073d0f8686213b7.jpeg