

Contemporary Chinese Political Economy and Strategic Relations: An International Journal

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Notes for Contributors

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FOREWORD

Facing China's Rise: Geopolitical and Economic Imperatives

Events have been moving apace frenetically over the months since the publication of the last issue of the journal (Vol. 6, No. 1, April/May). Unprecedented over the past century, the world is again in the grip of a horrifically deadly pandemic that by September 2020 has massacred almost a million people worldwide and damaged the health of the other about 32 million people. It destroys lives; it destroys families. It destroys social fabric; it destroys values. But its deep impacts are not only medical and social, but also economic and political. From the first Wuhan outbreak at the turn of the year to today's macabre global menace, and it has indeed been pointing to a full year of living dangerously.

Nevertheless, while the pandemic might have locked down cities and paralysed societies, it has served nothing to allay the storms and calm the seas. The debilitating US-China trade war rages on, while another one between China and Australia is looming after China began to retaliate, as usual with its market power-backed coercive economic pressure, against Australian government's calls for an independent inquiry into China's handling of the Wuhan outbreak that had led to the global disaster and strong policy measures against China's political infiltration in Australia.

Meanwhile, the US-led pressure against China's tech giants based on espionage and human rights-abuse allegations has set wildfire raging in the global arena, and escalation of tensions in the Taiwan Strait with increasing frequency of provocative incursions on Taiwan's air defense identification zone by mainland China's warplanes, and in the South China Sea, including the standoff between a Malaysian-hired Panamanian-flagged drillship *West Capella* and China's government-owned research vessel *Haiyang Dizhi 8* with armed coast guard and maritime militia vessels after the incident of a Chinese vessel ramming and sinking Vietnamese fishermen's boat a month earlier as well as continued surging fishing boats from China into the waters adjacent to Indonesia's Natuna Islands as well as survey vessels deployed into the exclusive economic zones (EEZs) of Brunei, Malaysia, Vietnam and the Philippines, has been unnerving.

Nevertheless, despite these ominous clouds of conflict, there are positive signs of advancing regional economic cooperation, with the ten member states of the association of Southeast Asian Nations, along with China, Japan, South Korea, Australia and New Zealand, expected to conclude on the eight-year-long negotiations for the Regional Comprehensive Economic Partnership (RCEP) and to sign the mega trade pact – set to be the world's largest free-trade agreement encompassing will account for 30 percent of the world's economy and population (thanks to China's size) – in the coming months. India that initially participated in the RCEP negotiations had, however, opted out in 2019. Amidst all there, the world's only remaining superpower, the United States of America, is heading for an unprecedentedly savage presidential election that is set to have deep repercussions for the next four years of global stability, as well as raising the possibility of the U.S. to rejoin the massive trade deal known as the Trans-Pacific Partnership (TPP) originally negotiated by the Barack Obama administration and

signed in February 2016 by twelve countries, accounting for 40 percent of global gross domestic product, that included the U.S. that was later pulled out by the Donald Trump administration in January 2017 leaving the remaining eleven countries to renegotiate and sign the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in March 2018. With the China-backed RCEP not including the U.S. and the originally U.S.-backed TPP not including China, such mega trade deals are set to have far-reaching global geopolitical implications.

It is against the background of these alarming international uncertainties that the present journal issue (Vol. 6, No. 2, August/September 2020) has moved from the mixed Chinese foreign and domestic policies foci of this year's earlier issue to China's international strategic relations exclusively as the centre of attention, under three headings: *China and World Power Rivalry*, *China's Global Geopolitics* and *Trading with China*, followed by a commentary on the U.S. Freedom of Navigation Program as relating to the East and South China Seas. It is our hope that the ten articles included in this issue including the commentary would serve to provide our readers insightful understandings of where China's relations with the wider world is heading to during these particularly trying times.

This journal issue is structured as follows. The three papers in the first section *China and World Power Rivalry* deal with the geopolitics of global and regional power rivalry, with Seung-won Suh and Nam-eun Kim writing in their paper "Facing China Differently and Equally: A Comparison between South Korean and Japanese Policy Behaviors" on the Northeast Asian regional powers South Korea's and Japan's respective responses to the contemporary rise of China, whether hedging or balancing, Diosdado B. Lopega investigates the individual ASEAN member states' varied reactions towards China's claims to about eighty

percent of the South China Sea in his paper “Taming the Tiger: A Transgovernmental Approach for ASEAN to Engage China Regarding the Spratlys” and outlines an arrangement that could be workable for easing tensions in the South China Sea, while Hanna Samir Kassab’s article “Soft Power and Struggles for Leadership: The United States, Russia and China” focuses on American, Chinese and Russian soft power as part of a wider systemic hegemonic power transition. In the *China’s Global Geopolitics* section, three papers move beyond the China’s immediate neighbourhood of the Asia-Pacific region through the continental giant’s Wild West into Central Asia in Roy Anthony Rogers’s “New Great Game in Central Asia: The Return of China” that explores the resurgence of China’s influence in Central Asia within the context that involves power play among the major powers such Russia and the United States, prospects and challenges facing the Belt and Road Initiative as well as the role of Shanghai Cooperation Organisation (SCO) in enhancing China’s interest in that region, Reinhard Biedermann’s “The Polar Silk Road: China’s Multilevel Arctic Strategy to Globalize the Far North” that looks at the geopolitical implications of China as an important Arctic actor in recent years and the role of the Nordic states in China’s ambition through its announced “Polar Silk Road”, and Levente Horváth’s “The Geopolitical Role of China in the CEE Region” that makes a comparison of China cooperation with Central and Eastern European (CEE) countries and other multilateral networks in terms of Chinese FDI, foreign trade and Chinese foreign policy, and assesses the real concerns regarding China’s presence in the CEE region and how important the China-CEE cooperation is for China. Our focus subsequently shifts to international trade and commerce with the section *Trading with China* presenting three articles beginning with “China-U.S. Trade Friction under Trade Unilateralism and China’s Legal Responses” by Xinglong Yang and

Shuang Qu provides an analytical framework for China's legal responses to recent years' of U.S. trade policy in the current environment of China-U.S. trade friction, "When Dragon Meets Garuda in *Hutan Belantara* Energy" by Yuli Isnadi and Chin-Fu Hung investigates how and to what extent Indonesia responds to China's strategic energy actions a careful examination of archipelagic nation's regulations, liberalization, and social protection in its energy sector, and "Impact of Structural Change on China's Exports Post-WTO Accession" by Weysyee Goh and Wee-Yeap Lau investigates the structural change in China's export following its accession into the World Trade Organization in December 2001, finding a positive impact on China's export in the long term including change in export composition. This journal issue ends with a commentary by Ching Chang on the U.S. Freedom of Navigation Program in the context of the East and South China Seas.

Before ending this foreword, we would like to thank all the contributing authors of the articles in the various sections of this issue and the anonymous reviewers of these articles for their invaluable efforts in making the publication of this Volume 6, Issue 2 (August/September 2020) of *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* possible. We are also grateful to Miss Wu Chien-yi (吳千宜) for the journal's website construction and maintenance. The responsibility for any errors and inadequacies that remain is of course fully mine.

Dr Emile Kok-Kheng Yeoh

Chief Editor

*Contemporary Chinese Political Economy and
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China-ASEAN integration and the 21st Century Maritime Silk Road construction” (journal article, *The Chinese Economy*, 2018), “Environmental policy in Malaysia with reference to Taiwan’s New Southbound Policy” (book chapter, Wenzao University Press, 2018), “マレーシア——親中心理を支える構造” [Malaysia: the fundamental structure of pro-China sentiment]” (book chapter, University of Tokyo Press, 2018), “Malaysia-Taiwan relations and Taiwan’s New Southbound Policy” (journal article, *Malaysian Journal of International Relations*, 2018). <Email: yeohkk@um.edu.my, emileyeo@gmail.com / Website: <http://emileyeo5.wix.com/emileyeoh>>

China and World Power Rivalry

Facing China Differently and Equally: A Comparison between South Korean and Japanese Policy Behaviors⁺

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Abstract

Widespread rhetoric suggests South Korea's tilt toward and Japan's balancing act regarding their relationship with China. This seems based not on a systemic analysis, but superficial observation. Extensive literature highlights the two nations' response to China's rise, but very few works have conducted a comparative study. This article attempts to do that by analyzing both Seoul's and Tokyo's "China policy" behaviors from early 2013 to mid-2019. Six key topics related to threat perceptions are compared: threat perception, primary security concerns, strategy between the US and China, economy and economic security, identity politics, and domestic politics. We determine that Seoul's policy is based on "de-geo-politicization", whereas Tokyo revives a "classical or neo-classical" geopolitical game. This study concludes that the rhetoric mentioned above may be myths or temporal phenomena at best. The two

nations' rationale seems to converge into a middle-power strategy, which we predict will have a meaningful impact on East Asian geopolitics.

Keywords: *South Korea and Japan, China policy, comparative study, geopolitical consideration*

1. Introduction

Political observers theorize that South Korea (Republic of Korea, ROK) and Japan maintain opposing foreign policy behaviors regarding China, despite sharing a democratic and market economy system, common values, and a military alliance with the US. Widespread rhetoric suggests Seoul has stronger ties with China than the US, while Tokyo maintains a balancing with China and a more pro-American stance. This rhetoric, however, appears to be based not on systemic analysis or inductive reasoning, but superficial observation, and at times, political stigmatization. Miscalculation of South Korea's and Japan's policy behaviors toward China could lead to irrelevant policy planning and long-term strategic instability in Northeast Asia.

Extensive literature highlights both countries' reactions to the rise of China (Kang, 2009; Han, 2011; Heginbotham & Samuels, 2002; Hornung, 2014; Vidal & Pelegrin, 2018); however, few studies focus on the similarities and differences between their strategies toward China. Chung (2009/2010) classifies South Korea as "active hedgers" along with Thailand and Singapore, while Japan is balancing, similar to Australia and Taiwan. Pascall (2013) argues that both countries have adopted hedging, but at varying degrees; Japan is characterized by indirect balancing and dominance denial, while South Korea by indirect balancing and limited bandwagoning. Wong (2015) proposes a dual-

threat framework—"imminent" and "structural"—to explain behavioral divergence between the two. Proponents of the hedging theory accurately assume that most East Asian countries do not implement balancing or bandwagoning strategies in a strict sense of the terms, but adopt a middle position or a combination of multiple strategies or approaches (Goh, 2005: viii; Kuik, 2008: 163-166). Nevertheless, previous studies tend to regard a country's China policy as merely a response to its growth; they do not consider it as just one of the variables affecting a country's China policy. The role of political leadership and domestic politics requires further consideration. A greater understanding of practical geopolitics, that is the domain of policy making and geopolitical reasoning for concrete foreign policy actions, is necessary (Mamadouh & Dijkink, 2006: 355).

We assume that geopolitical factors have been deeply associated with both South Korean and Japanese security policies toward China. Regardless of being conservative or progressive, Seoul has a deep-rooted antipathy toward "great power politics" and "geopolitical games;" therefore, it employs an inherent "de-geopolitics" approach with China. Tokyo (Abe Shinzo's cabinet, in particular) appears to renew a kind of "classical or neoclassical geopolitical game" in its China policy, specifically with its security policy regarding Beijing. This article compares Seoul's China policy behaviors during the Park Geun-hye and Moon Jae-in administrations with those of Abe Shinzo's Cabinet from early 2013 to mid-2019. Representative topics are explored, providing analyses of both countries' China policy behaviors in Parts II and III, respectively. In each part, we focus on six key topics: (1) threat perceptions, (2) primary security concerns, (3) strategies between the US and China, (4) the relationships between economy and security, (5) identity politics relating to historical conflicts, and (6) the relationship between domestic politics and geopolitical visions of political leaders. In

conclusion, we will discuss the implications of our comparative work and make a general prediction on both countries' China policy.

2. South Korea: Middle Power Strategy on Drive

2.1. Heightening Structural Threat Perceptions

After the 1992 diplomatic normalization, South Koreans viewed China favorably, and at times, more favorably than the US. A decade later, however, the China threat emerged and gained popularity, with the honeymoon officially ending after the trade dispute over importing garlic from China, so called “garlic war” of June 2000. Following this, the 2004 historical controversy of Koguryo, which was an ancient Korean kingdom entrenched in Manchuria, raised public concern for Sino-centric hegemonism. In 2010, China's siding with the North on two incidents—the sinking of the ROK Cheonan warship and the artillery attack against Yeonpyeong Island—became another target of criticism. Seoul's decision to deploy the American Terminal High Altitude Area Defense system (THAAD) in July 2016 became the hottest dispute yet. These events contributed to the radical transformation of South Korea's perception of China from one extreme to the other.¹ Seoul's anti-Chinese sentiments remain overshadowed by its anti-Japanese sentiments. China's favorability rating has always been higher than that of Japan, except for March 2017, when a survey revealed a shift in attitude immediately after Beijing's THAAD retaliation (ASAN, 2018, 2019).

As per Yee and Storey's categorization (2002: 2-6), South Koreans did not stress about China's political system, the possibility of political and economic collapse, or China's anti-Korean sentiments.² However, there has been the perception of a significant structural threat since the late 2000s, when China surpassed Japan as the world's second-largest economy, and US-China bilateral relations began to show full-scale

military and economic competition. Although the “re-emergence” of China as a great power is rarely considered a threat to South Koreans, their position between the two giants imposes the need to choose sides. Issues like the Asia Infrastructure Investment Bank (AIIB), THAAD, Indo-Pacific Strategy have convinced South Koreans of a possible threat. South Korea tends to consider China’s rapid military modernization as a *potential* threat, rather than a real one, since its relationship with North Korea is far more troubling due to sharing the Military Demarcation Line as well as the buffer zone between ROK and China (Lee and Yoon, 2016).

South Koreans also have a deep geopolitical concern over China’s policy toward North Korea, and particularly, its general policy on the Korean Peninsula. They recognize that China has officially supported peaceful unification based on mutual consensus between the two Koreas; however, they do not believe that China would abandon their geostrategic considerations over the peninsula. The Chinese proverb: “if the lips are gone, the teeth will be cold,” is a widely known reference to the strategic importance of North Korea as a geographical security buffer. China has never agreed to discuss North Korean contingencies with its neighbors (Chung, 2012: 231). Seoul’s deep economic dependence on China can be considered another security threat. The asymmetric trading relationship gives China tremendous bargaining power. Its punitive economic measures against Seoul over the THAAD disagreement led to new revelations: that the principle of separation between security and economy is no longer valid, and that China is willing to violate South Korea’s sovereign right by hosting the THAAD system.

2.2. Korean Peninsula Reductionism

Seoul's Korean peninsula reductionism has long held sway in strategic thinking over its China policy. The North Korea issue has always been a primary concern in Seoul's security policy toward China, and is a primary catalyst for friction, and cooperation, in the ROK-China bilateral relationship. Lee (2016: 23) explains that the bilateral relations have been affected more by factors such as the North Korean nuclear development, ROK-US alliance, Japan, and the THAAD issue than core bilateral disputes. Kang (2019: 72) adds, "The focus of South Korea instantly turned inwards, to the peninsula, rather than beyond. Every external relationship was viewed through the lens of how it would affect North-South relations."

Seoul's North Korea policy coordination with Beijing has witnessed roughly three stages since early 2013. Faced with escalating regional tensions over North Korea's third nuclear test in February 2013, ROK President Park Geun-hye showed an unprecedented pro-Chinese attitude, placing policy priority on cultivating close personal ties with Xi Jinping.³ She held numerous summits and ceaselessly expressed her strong hopes for Beijing to exercise greater leverage over Pyongyang's military provocations. The Park-Xi joint communique on June 28, 2013 resulted in fruitful outcomes, with shared goals over the Korean Peninsula denuclearization, the implementation of UNSC resolutions, and resumption of the Six-Party Talks. Park's collaboration with Xi peaked in 2015 when she decided to join the controversial China-led AIIB in March, signed the ROK-China Free Trade Agreement (FTA) in June, and in September, participated in China's 70th-anniversary celebrations of the end of WWII. The animated exchanges seemed to have airbrushed Pyongyang out of the picture (Snyder & Byun, 2015: 101).

However, a rapid breakdown of the camaraderie began in early 2016, when Pyongyang increased tensions with the fourth nuclear and intense missile tests. It resulted in the toughest UN sanctions resolution, and Park's partnership shifted from Beijing to Washington due to the stronger anti-Pyongyang ROK-US coordination, including formal talks on THAAD and large-scale military exercises. The THAAD issue gravely undermined ROK-China relations, and despite North Korea's fifth nuclear test in September, Beijing pursued fierce economic retaliation against Seoul. Bilateral relations gradually improved after spring 2017, when new administrations in Seoul and Washington were established and provocations by Pyongyang's military escalated. Newly elected ROK President Moon Jae-in focused on coordinating with President Trump and urged China to play a positive role.⁴ An unexpected prospect for a "breakthrough on the peninsula" became the central focus for ROK-China relations in the Spring of 2018 (Snyder & Byun, 2018, 85). With the beginning of the PyeongChang Winter Olympics in February, Moon had a historic meeting with Kim on April 27 and agreed on the Panmunjom Declaration, stipulating that both sides pursue the denuclearization of the Korean Peninsula, and initiate peace talks to officially end the Korean War.⁵

Park overestimated China's role and willingness to resolve the North Korean conundrum (Chung, 2018: 85). This kind of over-optimism regarding Seoul's upper-hand over their relations to Beijing vis-a-vis Pyongyang came from a "befriending distant states and of antagonizing neighbors" approach. Moon took a different route to promote inter-Korean reconciliation, by boosting a direct Kim-Trump deal and expressing his support for Kim-Xi summits. The new driving force of a top-down approach between Kim, Trump, and Moon reduced the need for ROK-China coordination over the North Korea issue. To build a peaceful regime on the Korean peninsula, however, Moon's

government had to fine-tune the highly complicated coordination between both Kim and Trump, and among Kim, Trump, and Xi, who also wanted to join the Panmunjom declaration. The more Beijing returns to its traditional thinking, the more South Koreans believe a Seoul-led unification process will be out of sight (Snyder & Byun, 2018: 89).

2.3. Muddling Through Two Giants

With the regional power transition, East Asian states have increasingly encountered the evolution of the so-called “dual hierarchy;” a security hierarchy dominated by the US, and an economic one by China (Ikenberry, 2016: 10). They have every reason to want the economic benefits from China and security benefits from the US, while not having to choose between the two. However, year after year, the intense competition between the two has forced a “proxy competition,” in which Washington and Beijing keep asking regional states the same question on exclusivity: “are you with us or against us?” (Chung, 2018). Nowhere has this proxy competition been more evident than in South Korea in recent years.

Seoul has been muddling through security issues, including THAAD, the South China Sea, and the Indo-Pacific Strategy. Park’s government responded negatively to Washington’s demand to participate in the US-led missile defense system, similar to the past Kim Dae-jung and Roh Moo-hyun governments. By announcing that “there had been no request, and hence no consultation and no decision,” in February 2016, Seoul failed to satisfy Washington’s formal requests to deploy THAAD. Chinese officials voiced their fierce opposition to the deployment by saying that it can only damage the strategic stability of the region. Park’s government announced its decision to move ahead with deployment in July 2016, demonstrating a shift from the earlier

“muddling through” strategy toward a pro-American balancing strategy⁶ (Moon & Boo, 2016: 11).

China’s economic pressures on Seoul continued during and after the South Korean presidential election. Moon agreed to finalize the deployment in September, despite his opposition during his campaign. Seoul made its “three no’s” announcement in November 2017 that helped assuage China’s security concerns and restore bilateral relations. It promised that there would be: (1) no additional THAAD deployment, (2) no participation in the US-led missile defense system, and (3) no participation in a ROK-US-Japan trilateral military alliance. The announcement indicated Seoul’s persistent desire to not directly join a US-led military containment against China (Abrahamian & Son, 2017).

Seoul’s position on the territorial disputes surrounding the South China Sea has been neutral. Despite Obama’s pressures to explicitly criticize China, Seoul has maintained the stance that a peaceful resolution of the disputes and the freedom of navigation and flight should be guaranteed. The US-led Indo-Pacific strategy imposed another challenge for Seoul to regain its balance. Park’s response to Obama’s rebalancing strategy was a deviation from the strategic alliance declaration between Lee Myung-bak and Obama in 2008, which underscored common universal values (Moon, 2012). Her reluctance was mainly due to its continued geographical emphasis on Northeast Asia, China’s concern over the expansion of the ROK-US alliance, its emphasis on China at the expense of Japan, and diverging strategic visions between Seoul and Tokyo (Synder & Woo, 2015).

Moon’s reluctance to express explicit support for the Trump-initiated 2017 Indo-Pacific strategy continued for over one and a half years. In a joint press conference after the summit with Trump on June 30, 2019, Moon barely acknowledged the strategy. This appears to be a decisive turning point, but Seoul’s full-throated commitment remains

evasive. Judgments may best be reserved since Moon's description of this "harmonious cooperation" came after Abe's pronouncements of the complementary nature between the Free and Open Indo-Pacific (FOIP) and Beijing's Belt and Road Initiative (BRI) in early 2018.

ROK consistently professed "strategic ambiguity" on the US-China military competition and maintained harmonious relationships with the US and China. Seoul's story has not been very different from those of ASEAN countries.⁷ The worst scenario for Seoul must be the military conflict between the two giants over the Taiwan contingency. It explains why the former president Roh announced in early 2005 that the US Forces Korea (USFK) could not participate in the contingencies without Seoul's consent.⁸ If the situation worsened, South Korea would be inclined to comply with US demands akin to their THAAD and FOIP reactions. There are lingering concerns about the progressive governments' sympathetic attitude toward China. Roh finally agreed to the flexible use of USFK and decided to dispatch 3,600 troops to Iraq following the US and Britain (Yoo, 2012, 338). Moon has followed the suit of Roh by accepting the revision of the ROK-US FTA, purchasing a tremendous amount of US military equipment, providing payment for 90% of the US's biggest overseas base at Pyeongtaek, and with the agreement on FOIP.

There are indisputable, internal balancing behaviors in ROK's defense and military strategy, indirectly aimed at China. As Gong (2012: 316-327) says, China is an implicit and long-term target for the alliance, and the US military presence in South Korea would be intimidating and unbearable to Beijing. Particularly remarkable was Moon's hiking of its defense budget by 8.2% in 2019, and by 9.3% in 2020 (USD 58 billion). On a Purchasing Power Parity (PPP) basis, Seoul already spends more on defense than Tokyo and may rank as the sixth-highest spender in the world on its defense by 2022 (GlobalSecurity.org). Its midterm defense

plan between 2020 and 2024 represents KRW 290.5 trillion (USD 238.8 billion), a 7% increase over the previous plan. Attention should be paid to ROK's substantial investments in power projection capabilities—naval, air, missile development programs—for extra peninsula operations. If international environments surrounding the Peninsula worsen, these may provide a sort of anti-access area denial (A2/AD) framework against possible aggressions from China and Japan (CSIS, 2018; *Military Watch*, 2018).

2.4. Geo-Economics at the Center

At the Seoul summit in July 2014, Park and Xi talked about the direct trading of RMB-KRW currencies, RMB trading on the Korean Stock Exchange, South Korea's invitation to the AIIB, and completing FTA negotiations. They officially signed the bilateral FTA in June 2015, which was the largest in trade terms among all the FTAs concluded by both sides (Li *et al.*, 2016). The FTA revealed the correlation of economy and security between countries, reflected in Seoul's China policy. The primary determinants of the Korean FTA policy have been geopolitical security and economic concerns. FTAs have constituted not only Seoul's core strategy for pursuing long-run economic growth but also her reliable way of hedging against the growing strategic uncertainties in the region (Hwang 2019, 306). Seoul showed an unusual commitment to FTAs with mega economies such as the US in 2009 and the EU in 2010, labeled as "expanding its economic territory." Under the FTA with China, Seoul became the only country signed with three major economies in the world. Krieckhaus (2017: 61-65) mentions, "South Korea's FTA strategies vis-a-vis both the US and China constitute a form of active hedging in which Seoul actively engages the Chinese economy but hedges politically with a strong US security alliance."⁹

The deepened ROK-China economic relationship through the FTA was expected to contribute to stabilizing the diplomatic and geopolitical relationship between the nations. Seoul could gain leverage in seeking Chinese support for its broader regional economic initiatives, which ultimately link to North Korea's reform and denuclearization. Park's three regional initiatives—Trust-Building Policy on the Korean Peninsula (“Trustpolitik”), the Northeast Asia Peace and Cooperation Initiative, and the Eurasia Initiative—intended to improve the chances of a Korean unification (Sejong Institute, 2016).

However, Seoul's economic strategy faced backlashes, first from the US, and then from China. One of the core assumptions of the plan was the ROK's linchpin role of integrating the East Asian and the Pan-Pacific markets.¹⁰ Muddling through the narrow pathway was not easy. The Trans-Pacific Partnership (TPP) was the centerpiece of Obama's rebalancing strategy, a strategic counterweight to China's growing economic influence in the region by bolstering US leadership and strengthening its economic alliance. Park's government refrained from making a formal decision on joining the TPP, however, mainly because of China-relations. Seoul prioritized concluding a bilateral FTA with China and simultaneously engaged in talks on the Regional Comprehensive Economic Partnership (RCEP) initiated by China as a response to the US-led TPP. Washington publicly opposed the establishment of the China-based AIIB and its allies' participation in it, calling it a counterbalance to the US and Japan-led financial order. South Korea deferred its responsibility to choose sides and risk alienation, while also buying time to upgrade the governance structure of the AIIB. Seoul's considerable ambiguity was an effort to ease the tension between the two as a middle power balancer (Lee, 2016).

The THAAD retaliation exposed a negative aspect of the deepened economic relationship. Amid the ROK-China THAAD tensions, the US-

China strategic and economic competition, and an increasing “protectionist” attitude, Moon unveiled the “New Southern Policy” as an advanced version of independent, and balanced diplomacy, aimed at elevating strategic ties with India and ASEAN—similar to that with its four major partners: the US, China, Japan and Russia—and diversifying its foreign policy. It is a novel attempt to go beyond the traditional diplomatic paradigm, disproportionately focused on the Korean Peninsula and the four powers. Strategic ties with those who share geographic proximity and substantial cooperation are highly prized qualities, enabling Seoul to manage the contradictory pressures from the two major powers, decrease tension surrounding the Peninsula, and expand its strategic autonomy (Lee, 2019: 8 & 15). Although both Seoul and its southern partners still lack common security threats, security cooperation, and structural power, it might be a meaningful venture in overcoming its strategic dilemma as a middle power.¹¹

2.5. Anti-Japanese History Coalition with China

South Koreans perceive North Korea-related issues within the context of inter-Korean relations, following a broadly held belief that the peninsula will be [re]unified someday (Shin, 2008: 299). They see the US as a significant partner, shaping South Korea’s national identity in the post-1945 era (Shin 2012, 295-296). As for Japan, a collective identity has been formed through historical experiences, which is ever strengthened by the related controversies that remain a formidable hindrance (Moon & Suh, 2005: 594). South Koreans’ attitude toward China is less likely to be affected by a perceived threat from American unilateralism or Japan’s remilitarization, but more by the existing bilateral relationship (Jung & Jeong, 2016: 261). Given Korea’s previous status as a vassal state, with disputed historical legacies and economic conflicts, China’s rise may boost anti-Chinese sentiments (Porteux, 2016: 13). However,

Seoul's identity politics on China is still less potent than that of the US and Japan, which are easily subject to domestic political contestation.

The first three years of Park's government witnessed nationalist identity politics thrive in terms of ROK-China-Japan trilateral relations. In the past, three former ROK presidents, Kim Young-Sam, Kim Dae-jung, and Roh Moo-hyun had consistently rejected China's proposals to form a united front against Japan's distortion of history. However, Park boldly accepted Xi's plan, and the ROK-China anti-Japanese history alignment was formed. The trigger was the Abe Cabinet's historically revisionist words and deeds, including their willingness to recant the 1993 *Kono* statement as well as the 1995 *Murayama* statement. These were apologies to former "comfort women" (Military Sexual Slavery) and to Asian neighbors for the damage and suffering caused during World War II. Abe also made a surprise visit to *Yasukuni Shrine*, a controversial symbol of Japan's wartime militarism, in December 2013.

Arase (2016: 12-13) analyzes the Park-Xi relationship in detail, starting with Xi's offer of a bilateral FTA to Park as a lure to China's market. Xi also agreed to pressurize North Korea to denuclearize (that is, satisfy Seoul's request for security coordination regarding North Korea), and talked about the future of the Korean peninsula. In return, Xi requested Park to refuse US employment of the THAAD system, join China in denouncing Abe's efforts toward the right of collective self-defense, and criticize Japan over historical and territorial issues. Arase concludes that Xi's attempt to woo Seoul ended in failure; it damaged China's reputation as an effective manager of regional stability and worsened relations with both Koreas. Although Park propelled the anti-Japanese alignment forward, this was limited to historical issues, such as the establishment of Korean independence activist Ahn Jung Geun's memorial and the shared appeal to international public opinion. Park refused Xi's anti-Japan proposal that linked history, collective self-

defense, and territorial disputes. Seoul only expressed its concern over the issue of Japan's collective self-defense in light of domestic opinions. Seoul made no move to link the *Dokdo/Takeshima* and the *Senkaku/Diaoyu* issues.

The main battleground for Park, particularly over the “comfort women” issue, was not with Beijing, but with Washington. South Korean officials strongly criticized Abe's behaviors and urged their US counterparts to press Tokyo to take positive steps. The US intervened at pivotal points over nearly two years of disagreements to foster an environment that made it possible for the two countries to settle their grievances over the “comfort women” issue (Eilperin, 2016). Some of the results were the “Statement of Prime Minister Shinzo Abe” on August 14, 2015, and the ROK-Japan Comfort Women Deal on December 28, 2015.¹² Seoul made the best use of the ROK-US-Japan alliance to draw Abe's concessions in historical matters. Consequently, Park's identity politics against Japan played a considerable role in delaying the ROK-Japan security cooperation, strongly backed by Obama. Seoul-Tokyo relations could be repaired to help counterbalance China's growing influence and keep North Korea's aggressive behaviors in check.¹³

2.6. Middle-Power Strategy and Domestic Politics

The idiom, “a shrimp amongst whales” accurately depicts South Korean's perception of its unfortunate geographical destiny and its deep-rooted fatalism as a small-state. Since the mid-2000s, however, South Korea has had greater ambitions in playing a more prominent role in regional and international relations as well as moving beyond the small-state identity largely preoccupied with the peninsula question and the alliance with the US (Shim, 2009: 6; Sohn, 2016: 44). Seoul's ongoing drive for a middle-power strategy has had several versions, such as Roh

Moo-hyun's balanced diplomacy, Lee Myung-bak's Global Korea, Park Geun-hye's responsible middle-power diplomacy, and Moon Jae-in's New Northern and New Southern Diplomacy. Although they lack clearly defined goals, roadmaps, and consistent use of terminology between governments, it is unthinkable for Seoul to stop pursuing a strategy that helps shape the country's desired international environment (Chung, 2018: 85; Kim, 2016: 1; Ayhan, 2019: 17).

The middle-power strategy has imposed significant challenges, not only from structural constraints such as the US-China rivalry but also from various domestic restrictions. The THAAD dispute gave rise to serious domestic political debates on South Korea's China policy. *Shindonga*, a conservative monthly magazine, published a special issue titled, "Is China an Enemy or a Friend?" during a whirling vortex of THAAD disputes in September 2016.¹⁴ An article in the issue implied that the existing domestic political divide regarding inter-Korean relations could spread into ROK-China relations. Conservatives remain anti-North Korean and pro-American, whereas progressives hold a pro-North Korean, anti-American, and anti-Japanese stance (Choo, 2019). Accordingly, conservatives should have taken a pro-American/anti-Chinese position and progressives, an anti-American/pro-Chinese stance under the increasing regional rivalry between the two giants. However, the conservative Park government deviated from the tradition by tilting toward China. The progressive Moon government simultaneously remained staunchly pro-American and pro-engagement with the North, and simultaneously tried to arrive at a compromise with Beijing over the THAAD issue (Kang, 2019: 69; Milani *et al.*, 2019: 145). Domestic oppositions, primarily from a conservative camp composed of right-wing politicians, opinion leaders, and newspapers, began to launch a counterattack. They argued that China cannot replace the US; South Korea has to side with developed maritime powers; and the South

Korean grand strategy should be pro-US and independence. They regard the THAAD deployment as indispensable proof of reaffirming the alliance's commitment, which strengthens the partnership further (Choi, 2017). They criticize Moon's "three no's," claiming that it amounts to bowing to China's pressure and forfeiting Seoul's security and sovereignty.

Historical events are sometimes more important than the geographical location to understand the appeal of a specific geopolitical vision (Mamadouh & Dijkink, 2006: 358). The absolutization of the alliance has been agreeable with South Koreans' small-state identity, and this continuously feeds the so-called "destiny of the peninsula" concept. It depicts Korea as a convenient buffer zone or scapegoat, frequently invaded because of its location; therefore Korea's destiny is determined by the rise and fall of land and sea powers (Chi, 2013: 291). Here, we call on history to interpret today's events. The US-China rivalry appears analogous to the Japanese invasion of Korea in 1592, the Sino-Japanese War (1894-1895), the Russo-Japanese War (1904-1905), the Korean War (1950-1953), and the Cold War led by the US and the Soviet Union (Cho, 2012). Seoul fears that if the North Korean nuclear crisis escalates, it could find itself locked in a new Cold War between the ROK-US-Japan and DPRK-China-Russia camps.

Seoul has been very cautious about criticizing China and less vocal than the US and Japan in expressing concerns about Beijing's assertive behaviors (Reverse, 2016). Although there were some attempts at "othering" or "demonizing" China among conservatives, South Korean governments were not likely to resort to threat inflation for domestic political gains. Considering its economic dependency on China, the necessity of China's cooperation over the North Korean issue, and the expectation of a positive contribution to the Korea Unification under Beijing's aegis, Seoul must be very cautious.

Nevertheless, we cannot deny the possible rise of anti-Chinese nationalism in the future. As Mo (2016: 602-603) points out, strong nationalism in the region challenges Seoul's advancement in middle power diplomacy. He bases this on (1) the lack of trust in its neighbors, emphasizing the need for stability, balance of power, and hard power; (2) the security vulnerability that promotes great power aspirations; (3) the narrow definition of national interest, which focuses on short-term gains and hard power; (4) and ethnic orientation as a barrier in the pursuit of inclusive and universal values. According to Cha (2017: 70-75), the perception of the progressives reflects foremost their aspirations for national independence, which shook during the THAAD disputes. In compliance with the emergence of national independence and issues of sovereignty, the progressives' existing notion of a "pro-Chinese" stance equivalent to an "anti-American and independence" one has shifted to "independence vs. pro-Chinese." This implies that the majority of the progressives could change to anti-Chinese and anti-American perceptions as well.

3. Japan: Abe Geopolitics in Flux

3.1. Broader and Deeper Threat Perceptions

Japanese perceptions of China have like the South Korean perceptions did. According to public opinion polls by Japan's Cabinet Office, Japan's friendly feelings toward China peaked in the 1980s, and were more intense than those felt toward the US. After the *Tiananmen* Incident in June 1989, this favorable opinion was damaged, and instead, a 'no affinity' feeling began to predominate through the 1990s, well into the 21st century (Kotler *et al.*, 2008: 95-96). It deteriorated even further when a Chinese fishing vessel collided with Japanese coast guard patrol

boats in September 2010, and Tokyo decided to nationalize the disputed *Senkaku/Diaoyu* Islands in 2012 (Genron NPO, 2016: 9).

Japanese threat perceptions of China are deeper and broader than South Korean ones. China formally usurped its role as the world's second-largest economy in 2010, marking the end of an era for Japan, which had enjoyed leadership status representing Asia since over a century ago. This event created cognitive dissonance and alarm for Japan over its power and status, and its reaction manifested in the form of its "China threat" thesis (Moon & Suh, 2015: 445). They are likely to believe that China's rapid economic growth will quickly translate into military buildup and that its increased military capability can have negative effects not only on its national interests but also on regional security. Hardy-Chartrand (2016: 5) depicts typical threats of this kind: threats to territory, maritime and airspace; domination, hegemony, threat to regional/international order or status quo; aggressiveness, use of force; dangerous, reckless or irresponsible behavior; generic threat. Particularly worrisome is that China seems to have an actual will to exercise its military power in contingencies relating to *Senkaku/Diaoyu* islands or Taiwan Strait.

Chinese nationalism, particularly anti-Japanese feelings, have grown much stronger as we saw in the 2005 and 2012 demonstrations, which were sparked by the history textbook controversy and the nationalization of *Senkaku/Diaoyu* islands. Tokyo's hardliners criticized Beijing for allowing anti-Japanese protests to turn violent, only to carry out their domestic political goals. The Japanese are more sensitive to China's political system than South Koreans. They are more likely to identify an underlying culprit behind all of China's misconduct, to be her authoritarian socialist political system, as depicted by Hardy-Chartrand. There is fear that China will collapse because of its domestic contradictions. It will therefore result in territorial fragmentation, civil

war, vast refugee populations, and regional catastrophe (Amako, 1997: 10-12).

3.2. China Reductionism and the Revival of Geopolitical Games

Kokubun (2013: 206) said, the “Japanese are weak in strategic thinking with a global perspective, and highly disposed to see only China if something happen[ed] in its bilateral relations with Beijing.” The Abe Cabinet fell into a “China reductionism” at least during its first five years. China has become a prime talking point in Japan’s overall foreign policy, and its China policy has become increasingly security-oriented. Worse still, an unprecedented chicken game surrounding the disputed islands has unfolded since both Abe and Xi took office. Some experts even speculated the possibility of war between them during their clashes (Holms, 2012; Hagstrom, 2012; Drifte, 2013).

Abe’s so-called “detering China” slogan as part of a defense plan to Beijing’s offensives, contradicted his agreement on “A Mutually Beneficial Relationship Based on Common Strategic Interests” with Hu Jintao, in September 2006. Abe’s plans for deterrence began with his firm determination to take a hard stance over the territorial issues. His policy speech at the Diet read like the opening ceremonies for a war against China. He said, “I am determined to stand at the fore of these men and women, fully defending the lives and assets of our nationals as well as our territory, territorial waters, and territorial airspace in a resolute manner. (...) The crisis over security is not someone else’s problem. It is a crisis of the here and now!” (Abe, 2013).

While aggressively broadcasting the crisis from China, Abe pursued the extraordinary transformation of Japan’s national security policy, which can be classified as “internal balancing” measures. In the latter half of 2013, he introduced Japan’s first National Security Council (NSC), a State Secrecy Law, the first National Security Strategy (NSS),

a revised National Defense Program Guidelines (NDPG), the Three Principles of Defense Equipment Transfers, and an increased defense budget. The NSS expressed explicit concerns about China's intensified maritime activities. Both the NDPG and a new Mid-Term Defense Program also showed its new "China-focused" defense posture being strongly aware of the *Nansei* (southwestern) Islands. The most ambitious effort was the blue streak move toward collective self-defense.¹⁵ Despite large protests from Japanese citizens, Abe took the lead of cabinet resolution to reinterpret the Constitution, allowing Japan to exercise the right of collective self-defense in July 2014, and further pushed a package of security-related laws in July 2015 (Suh, 2015).

Abe's external balancing behaviors demand a closer examination. His cabinet appears to have revived a classical kind of geopolitics game from nearly 70 years prior, which aims to establish a geopolitical line of defense. The Japanese archipelago provides the core of national defense, especially the *Nansei* Islands, including *Senkaku/Diaoyu*. As a result of a several years-long efforts of Tokyo, both Obama and Trump reaffirmed that Article 5 of the US-Japan security treaty would cover the disputed islands as being administered by Japan. At the same time, Abe Cabinet tried to strengthen the trilateral security ties of ROK-US-Japan, US-Japan-Australia, and US-Japan-India, keeping pace with Obama's rebalancing strategy. Abe's surge of activity was spurred on by the Quadrilateral Security Dialogue (The QSD or Quad) between the US, Japan, Australia, and India aimed at strengthening a free and secure Indo-Pacific to counter China's assertive behaviors. This framework was supposed to establish a so-called "Asian Arc of Democracy," intended to include virtually all the countries on China's peripheral coastal area. It was initiated as the "Arc of Freedom and Prosperity" in 2007 and further elaborated as Asia's "Democratic Security Diamond" in 2012, and revived once again as FOIP in 2017 by the QSD.¹⁶

Abe's vision to encircle China seems to be a hybrid of various traditional and IR concepts (Suh, 2017). Abe, the originator of the FOIP concept allying maritime democracies, has frequently portrayed China as a continental authoritarian state, and justified democratic peace theory. This kind of political system determinism concludes that China is thus more belligerent and expansionist. It also includes the American neo-conservative thinking that authoritarianism has reemerged as the greatest threat to the liberal democratic world (Kagan, 2019). Abe's vision exemplifies traditional maritime geopolitical thinking, too. Tokyo tends to base its interpretation of China's assertive maritime strategy (like the first and second island chains) on Alfred Mahan's Sea Power concept and respond to it similarly. Nicholas Spykman's "Rimland" concept is applied to China's periphery, including the Korean Peninsula, the East China Sea, the South China Sea, and the Indian Ocean.¹⁷ Mahan's theory is applied to necessitate the maintenance of naval superiority by the US and Japan-centered alliance (Yachi, 2011: 396-397).

3.3. US-Japan-China Equilateral Triangle

The concept of a dual-hierarchy has failed to capture Tokyo's heart (Reeves, 2017: 1). Funabashi (2013: 179; 2016) said, "I don't endorse those concepts of either bigemony or G2 at all, and it's not feasible too. (...) Tokyo would welcome an approach that precludes a US-China G2 special relationship." Instead, the Japanese are conscious of the trilateral US-Japan-China relationship. In light of Dittmer's (1981: 489) strategic triangle, Japan's China policy, produced under the mainstream LDP conservatives during the Cold War and the Democratic Party of Japan (DPJ), was referred to as a "romantic triangle." In this scenario, Japan acts as a mediator amid the deteriorated US-China relations by maintaining cordial terms between the two.¹⁸ Similar to South Korea, postwar Japanese diplomacy had suffered from prolonged disputes over

its position between the US-Japan alliance and Japan-China cooperative relations. Its desire for diplomatic independence motivated the emphasis on the latter, to achieve greater equality in its bilateral relations with the US.

Japan's role in this relationship is that of a stabilizer, where it seeks to strengthen its alliance with the US when the US-China and China-Japan relations are in conflict. Abe's Cabinet was eager to commit to the "US-Japan vs. China" formula in the early stages of the relationship. This role first played out in the Anglo-Japanese alliance in which both countries were working in concert to oppose Russia's southward expansion in the early 20th century. We see strong parallels between the then Anglo-Japanese alliance vis-à-vis Russia and the current US-Japan alliance vis-à-vis China. The alliance with the US had to be upgraded to the equivalent of the Anglo-American level through the right of collective self-defense (Abe, 2006: 109-144; Okazaki, 2007: 202-207).

Alliances are seen as part of the set of incentive structures affecting foreign policy decision making, and, as a central mechanism permitting decisionmakers to overcome the geopolitical constraints of the system (Starr, 2013: 73). The strengthened alliance was thought to bring about several benefits to Japan. The aggregation of military capability for one, and in realizing a more seamless and global joint military operation with the revision of the 2015 Guideline for US-Japan Defense Cooperation. Tokyo exercises the right of collective self-defense as a realistic response to China's increased military threat against the territory.¹⁹ It was also expected to fulfill a deterrent function, that is, the full spectrum of both countries' military capabilities discourages the instigation of armed conflict by others, and reinforces the credibility of their readiness and willingness to do so on each other's behalf (Schoff & Takahashi, 2018). Currently, Abe has attempted to bolster the alliance to keep the existing political and security order resilient, or "the hub-and-spoke

alliance system,” which is now being challenged.

Abe’s Cabinet had taken the approach of befriending distant states (the US) and of antagonizing neighbors (China). Tokyo was not pleased with Obama’s first term, as he had seen China as a responsible stakeholder and had taken a conciliatory approach. In his second term, Obama criticized the provocative Chinese behavior and emphasized the freedom of navigation in the East China and the South China Seas (Christensen, 2015: 32-33). Abe’s unconditional support for Obama’s rebalancing strategy and TPP was based on Tokyo’s recognition that Washington had, at last, touched upon Tokyo’s hardline approach toward China. However, Trump forced Tokyo to face a similar but tougher challenge than before in persuading their new counterparts. Being anxious about America’s weakening interest in the region, Abe began pushing the strategic idea of FOIP on Washington and dispatched envoys with close ties to the US military establishment to promote the concept (Roissiter, 2018: 120-121). As a result of Abe’s efforts, Trump confirmed the common strategic priorities toward a shared vision of the FOIP and reaffirmed its commitment to Japan’s defense at their Tokyo summit in November 2017.

Abe’s turn toward a more pragmatic posture to China around the same period needs attention. Although Tokyo never officially presented the FOIP as an attempt to counter China, it had China’s expanding maritime influence in mind. Suddenly, however, Abe’s Cabinet began to make assertions that the FOIP was complimentary to Beijing’s BRI. In his policy speech before the Diet in January 2018, Abe said that “we will promote the FOIP strategy. Based on this overall direction, we will also work with China to meet the growing infrastructure demand in Asia” (Abe, 2018). Then, two blue-ribbon, China-Japan bilateral events occurred: the Chinese Premier Li Keqiang visited Tokyo in May 2018, and Abe visited Beijing in October 2018. At the latter summit, Abe and

Xi agreed to realign their bilateral relationship under three key principles: (1) shifting from competition to cooperation, (2) forging a relationship as partners and not as threats, and (3) developing a free and fair trade regime. Sahashi (2019: 6-7) speculated that Abe and Xi had decided to re-normalize the bilateral relations to hedge against uncertainties in the international environment stemming from Trump's "America First" agenda, and unpredictability in its foreign policy. Trump's tough stance both on China and Japan forced Beijing to recalculate its approach to Japan (Miller, 2019). Trump's withdrawal from the TPP, which claimed to reduce American commitment to international affairs, tackle the US-Japan trade deficit, and address Japan's unfulfilled alliance duty, left Japan scrambling to adjust, and emboldened internal voices that called for more independent policies in the process (Le & Midford, 2017; Sun, 2018).²⁰

3.4. Securitizing Economy in Retreat

The link between politics and economics in China-Japan relations appears very diverse and dynamic. The recent bilateral relations have veered between the so-called 'cold politics, hot economics' and 'hot politics, cold economics' (Newland & Govella, 2010; Dreyer, 2014; Yijaya & Osaki, 2019). It represents the ironic coexistence of rapidly increasing economic linkages and the political tensions stemming from historical and territorial disputes. Through these debates, however, it is easy to lose sight of the rise of geo-economic competition between the two. During a standoff over Japan's detention of a Chinese fishing trawler captain after colliding with Japanese coast guard vessels in 2010, Beijing responded with weaponized trade, placing a ban on rare earth. In retrospect, Japan also played their Official Development Assistance (ODA) trump card in a timely fashion in its China policy, not only to encourage China's desirable behaviors including modernization, but also

to discourage undesirable ones such as the *Tiananmen* incident, the underground nuclear tests, and the missile test at the Taiwan Strait (Suh, 2012).

In 2015, two mega-regional economic initiatives—the TPP and the AIIB—began to compete with each other. In contrast to South Korea’s relatively cautious attitudes, Tokyo decided early on to join the TPP and stay out of the AIIB, as far as possible. Abe’s Cabinet was surely keen on the TPP for economic reasons. It could revitalize its economy through “Abenomics,” gain market access in the member countries, and weaken China’s leading role in the regional economy (Katada, 2016: 3-4); security considerations hold primacy over Tokyo’s position. Fukagawa (2019) said, “Japan’s participation in the TPP agreement, the US-Japan FTA which is now being negotiated, and the US-Mexico-Canada Agreement (USMCA), have an integrative nature among allies in terms of both the American Pacific Strategy and the balancing China strategy.”

By analyzing the policymaking process and discourse on the TPP under Abe’s Cabinet, Mulgan (2016: 202-219) discovered calculated strategic gains from the TPP in geopolitical and security terms as well as in economic and trade terms. First, Tokyo expected that the TPP would support the strengthening of the US-Japan alliance through collective defense, and in combination with the peace and security legislation, would enable the two countries to deal with China together, henceforth. Second, the TPP would be a useful tool to establish a connection between the Asian and American continents, and preserve the US regional involvement in the Asia Pacific. Third, the TPP would become an instrument of Japan’s efforts in building the regional order, and a policy that aims to keep a check on China through diplomacy-based shared values. Fourth, the TPP would help create a rule-based order in the Asia Pacific in which China could not act as the dominant, hegemonic power.

Trump's administration brought a new set of circumstances and a shift in relationships when the TPP was formally abandoned in January 2017, dealing a severe blow to Japan's strategic paradigm. At first, Abe's Cabinet continued to uphold the trade pact without the US by modifying it to become the Comprehensive and Progressive TPP (or CPTPP) and to compete against the Regional Comprehensive Economic Partnership (RCEP) led by China. Suddenly, the Abe Cabinet made a dramatic policy shift to the China-led AIIB.²¹ In Spring 2017, Toshihiro Nikai, the pro-China Secretary-General of LDP, surprisingly participated in China's Belt and Road Forum, delivered Abe's personal letter to Xi Jinping, and publicly suggested that Japan would consider joining the AIIB. Abe publicly announced his intention to cooperate with the BRI in June of the same year. There was a significant shift in 2018, which highlighted their thawing ties: an agreement to cooperate in the third countries, such as those involved with China's BRI project and the AIIB (Olsen, 2019). It is little early to judge whether Abe's Cabinet will decide to move toward China in the economic realm against the "Trump risk," and Tokyo appears to be decoupling security and economic affairs for the time being (Sahashi, 2017).

3.5. Nationalist Identity Politics for Multiple Goals

The historical revisionism of Abe's Cabinet aroused the ire of Beijing and Seoul. The worst was Abe's official visit to the *Yasukuni Shrine*. Immediately after the visit, Chinese Foreign Minister Wang Yi summoned Japan's ambassador to China and strongly condemned the act, saying, "If Japan continues to deliberately challenge the bottom line of China-Japan relations and heighten the tension between the two countries, China will take it on till the end" (Wang, 2013). Beijing carried out massive global anti-Japanese propaganda and sought an

alignment of anti-Japanese history with Seoul. Tensions between Beijing and Tokyo over historical issues had become increasingly acute by 2015, when Abe's Cabinet had to take a rather conciliatory stance, including the Abe Statement.

Although Abe and Xi finally agreed to shift the bilateral relations from competitors and threats to cooperative partners during the October 2018 summit, Tokyo's identity politics toward China prior to the summit requires consideration. First, Abe made many efforts to counter China's criticisms over the history issue. His interview with the *Washington Post* in February 2013, just before a meeting with Obama clearly showed his basic reasoning, that is, the problem lies entirely with the dictatorial CCP and not his behavior. He said, "China is a country under the one-party rule of the Communist Party, but it has introduced market economy. (...) But as a result of introducing the market economy, China has dropped one of its pillars of legitimacy, which was equal results for all. This has led them to require some different pillars (...) As part of their effort to seek natural resources needed for their high economic growth, I believe they are moving into the sea. And the other pillar they are seeking is teaching patriotism in their education. What is unfortunate, however, is that in the case of China, teaching patriotism is also teaching anti-Japanese sentiment" (Abe, 2013).

Second, the well-advertised "value-oriented diplomacy" was considered a useful tool in forging an anti-Chinese coalition. In a strict sense, the historical revisionism seems to challenge existing international law and norms because it focuses on overturning the reforms imposed by the Occupation, the judgments of Tokyo War tribunals, and Japan's previous statements on history (Huges, 2015: 3). Tokyo, however, asserted that as a leading country, Japan will promote universal liberal values to maintain international order. In contrast, China is determined to upset the status quo. Abe himself introduced

FOIP, which aimed to constrain China's hegemonic ambitions to the south (Rozman, 2019: 2). Tokyo advanced the logic of confrontation in an international community between the authoritarian continental and the democratic maritime countries. This dichotomous approach seemed to skillfully achieve the desired result: the champion of universal values by diverting attention away from the antipathy against Tokyo's historical revisionism.

Third, domestic politics matter a lot for Abe's identity politics, too. Suzuki (2015: 112-113) clearly stated that the bilateral relationship was likely politicized in Japanese domestic politics. Whenever there is a dispute between the two countries, domestic constituents raise their voices for Tokyo to be resolute and push back against China. The most talked-about statements by the right wing involved Tokyo's departure from the previous subservient or kowtow diplomacy vis-à-vis Beijing, and China should be dealt with in a resolute manner. By depicting China as a coercive, immoral and abnormal state that bullies weak, coerced, moral Japan, Tokyo succeeded in persuading the US to reaffirm its commitment to defend the disputed territory from attack, and also domestically managed to propagate the security-related bills as a means of reconstruction of Japan as a normal state (Kolmas, 2015).

3.6. Great Power Politics Again

Pyle (2018: 71) argued that Abe's Cabinet is engineering a foreign policy revolution, that is, "Abe Restoration," which follows in the tradition of the 1868 Meiji Restoration aimed at strengthening Japan, restoring its independence, and bringing Japan into the company of the great powers again. Abe reportedly told the LDP leaders in 2014 that his cabinet's approval of the right to collective self-defense was as significant as the Meiji Restoration. Japan's conservative nationalists, as Tamamoto (2018: 179 & 197) argued, are fixated on the definition of the

Meiji state, and have the passion for restoring sovereignty by rewriting the foreign constitution aimed at preventing Japan from ever rising again as a great power. Inoguchi (2014, 31-36) named it “Abegeopolitics” which has four major goals: (1) making up for America’s isolationist mood by pursuing proactive diplomacy, (2) keeping Abegeopolitics at center stage and filling the media with his pictures (3) enhancing Japan’s exports and investment in world markets, and (4) coping with China and South Korea, which make negative noises about Japan.

How has it been possible, then, for Abe to get into a meaningful stride with domestic politics? The unprecedented weakness of opposition parties has given Abe’s Cabinet a free hand to move throughout the geopolitical game. Since two decades ago, a new domestic political geography has emerged, in which “doves” have gradually lost their power and influence, while “hawks” have taken a commanding height (Wakamiya, 2004; Curtis, 2013). Such a realignment has negative implications for regional cooperation since doves have traditionally valued close ties with China and South Korea as well as the idea of regionalism. Meanwhile, hawks have favored a confrontational foreign policy toward its neighbors, and have successfully exploited it for domestic political gains (Sasaki, 2005). They have criticized the doves’ China policy for its low-profile, submissive, and humiliating diplomacy. Doves have been criticized for their overall economic cooperation with China since the 1980s, which they believe ultimately led to China’s rise. Abe’s drive has been so overwhelming that the role of the pro-Chinese New Komeito Party, an important ruling coalition partner, was largely limited to impose a couple of conditions on Abe’s plans; for example, the permitting of the right to collective self-defense on a limited basis.

Tokyo has frequently used historical analogies in formulating or justifying its decisions. Political leaders, as May (1973: 51 & 116) suggested, are likely to test issues against history that is narrowly

selected and subjected to no deliberate scrutiny. Their historical reasoning entering into decisions is superficial at best. China has often been compared to Germany. At the Davos World Economic Forum in January 2014, Abe compared the China-Japan relationship to that of Wilhelm II's Germany and Britain before WWI. While citing the Munich Agreement as a failed act of appeasement against expansionist Nazi Germany, hawks in Tokyo asserted that Japan should not succumb to China's pressures. Shinichi Kitaoka, an advisor to Abe and the former Japanese ambassador to the UN, even said that the People's Liberation Army (PLA) of China currently played almost the same role as the Japanese Kwantung Army in the 1930s. They took independent action, often defiant of directives from above, which had the potential to cause accidental military clashes and eventual full-scale armed conflicts (Moon & Suh, 2015: 434-435).

This kind of threat inflation to China was thought to be very effective in securing wide support in election campaigns. Hardy-Chartrand (2016: 8) defined threat inflation as a deliberate attempt to increase public fears on current and future threats to pursue a particular agenda. It generally takes three forms: (1) drumbeating which raises public awareness of the threat, thereby increasing public support; (2) moral condemnation that heightens public fears; and (3) lying and misleading to convince the public that the adversary is stronger, dangerous, and has evil intentions (Rousseau *et al.*, 2012: 358-359). Japanese official sources tend to describe China as a threat more frequently than do non-official ones, and much of their concerns have to do with the difficulty in assessing China's future intentions with regard to its military and geostrategic ambitions (Hardy-Chartrand 2016, 6). Banno and Yamaguchi (2016, 127-128) made a loud statement on Japan's self-examination:

Professor Mitani Taiichiro (...) criticized the acceptance of collective self-defense as “targeting China as a potential enemy.” (...) [T]he Army supported the Imperial Defense Plan that identified Russia as a potential enemy, but after the Russo-Japanese War in 1905, it came to be China that was the antagonist. When the Japan-China War broke out in July 1937, China was already relatively strong. (...) Ishii Itaro wrote in his diary: “China, which has been thought of as a dog, has become a wolf. The Army has miscalculated this. (...) Today’s China is not a wolf, but a lion. It is essential to re-establish Japan-China relations on a realist basis.

4. Conclusion

The findings here disapprove of the widespread rhetoric mentioned above. It may be myths in general or temporal phenomena at best. Seoul’s emphasis on China’s role in North Korea was eventually replaced with a focus on the US. On the contrary, Tokyo has begun to address its intention to get close to China while pulling itself out of the exclusively pro-American attitude. Behind the scenes, there may be buried disappointments over their inflated expectations. Seoul had high expectations of Beijing’s crucial role in changing Pyongyang’s behaviors, and; Tokyo firmly believed in Washington’s unwavering commitment to the alliance. We cannot fully agree with the theory that both nations have diverging policy behaviors vis-à-vis China. We *have* seen many differences in their policy measures. We can also see, however, a few significant similarities in their policy reasoning. They include the rough path to recognizing China as a threat, a strong tendency to focus exclusively on specific issues, the cognitive framework relied on in trilateral relations, the various combinations of

multiple policy options, and the intimate association with domestic politics.

Our central point is the contrasting nature of the basic strategic reasoning between both political leaders. Seoul has made vigorous attempts to implement a middle-power strategy. Much of this is reflected in her China policy. South Korea has a deep-rooted antipathy toward geopolitical competition with a preference for geo-economics. It pursues a bridge state between maritime and continental powers, with expanding strategic horizons beyond Northeast Asia, and an ongoing shift toward a multipolar system. There are limitations, too. The core reasoning behind Seoul's de-geo-politicization still has the essence of small-state diplomacy that depends on great powers, while being free from a realistic balance of power paradigm and the continental vs. maritime dichotomy mode of thinking. Baker (2018) insightfully explained that Seoul is trying to reclaim some control over her own fates, but she remains reliant on, and thus constrained by, her primary economic and military partners. On the other hand, Tokyo has sought to return to great power politics and play a sort of classical geopolitical game. Beijing's assertiveness has provided Tokyo with a golden opportunity to play the game, which inevitably aggravated the geopolitical rivalry between the two giants. However, Abe's plan had been almost frustrated by Trump, who paid little attention to the bilateral alliance. Pyle (2018: 80-90) asserted that Japan has historically experienced rapid swings in its geopolitical positions in times of transition and that Japan is undergoing a seismic shift in its political trajectory. It is a typical pattern particularly for Japanese conservatives armed with pragmatic and a non-doctrinaire tendency to swim with the tide.

Most discourses on East Asian geopolitics are inclined to focus on US-China competition, often neglecting other countries as significant players in the geopolitical playing field. The findings reveal nuanced

perspectives that explain the complex nature of the stances taken by various governments across the two countries. Recent moves by Seoul and Tokyo particularly demonstrate the increasing breadth of their influence on geopolitics. Kaplan (2019) argues; Spykman's Asian order—a postwar alliance between the US and Japan against China—is now starting to crumble. However, we need not be too pessimistic about the beginning of a broader period of flux. Though the current bilateral relations between Seoul and Tokyo has deteriorated significantly, it is comforting to see the two distinct strategies converging into a common middle-power strategy. We believe that this paper will allow the reader to reassess long-held beliefs of the region's geopolitical dynamics through these perspectives and historical references.

Notes

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US's Pressure on Japan and Yoshida Line's Cooperative Diplomacy with the US" (in Korean 2019), and "Japan's Post-War Asianism" (in Korean 2017). <Email: nameun@korea.ac.kr>

1. Pew Research Center survey shows that South Koreans rate China's power and influence as the top threat facing their country (major threat - 83%; minor threat - 13%; and not a threat - 3%) (Silver, 2017). ASAN public opinion poll demonstrates similar results: 52.5% of respondents think China poses the biggest obstacle to Korean unification, followed by the US (18.9%), North Korea (10.2%) and Japan (4.2%) (ASAN, 2016: 11).
2. It includes: (a) rapid economic growth and its translation into increased military power; (b) an authoritarian socialist political system; (c) increasing military capability and its impact on regional security; (d) fear of political and economic collapse and plausible aftermath on the region; and (e) rising nationalism such as anti-American feelings.
3. A series of nuclear provocation by Kim Jong-un, who succeeded his father Kim Jong-il in December 2011, affected Park's inclination to China. It shows the importance of North Korea factor on ROK-China relations. The element of North Korea, such as diplomatic isolation and dependence on China, domestic hardship, and impetuous foreign policy behaviors as a result has consistently affected ROK-China relations since the ROK-Sino diplomatic normalization (Kim, 1999). These influences of North Korea factor reflect its unique political system. For North Korea, foreign policy is effective means to overcome a domestic hardship and can contribute to self-preservation of regime without any fundamental change within its system (Kim, 2002: 163).
4. ROK and China agreed to recover the relationship following a year-long dispute over THAAD in late October 2017, immediately after Pyongyang's sixth and most powerful nuclear test in September, and fierce exchanges of war rhetoric between Kim and Trump.

5. On the sidelines of the Moon-Kim reconciliation process, three summits between Kim-Xi were held from March to June as preparation and evaluation for the Kim-Trump Singapore Summit on June 12. Subsequently, the September 2018 inter-Korean summit in Pyongyang, the February 2019 North Korea-US summit in Hanoi, and the June 2019 North Korea-US summit at DMZ took place.
6. Park's decision had several reasons, such as more importance of security interests than appeasing China, American lobbying, and public opinion in favor of deploying the THAAD (Moon & Boo, 2016: 11). There have been also reports that Park was shocked when she could not hold prompt phone consultation immediately after the fourth nuclear test.
7. At the Shangri-La Dialogue conference in Singapore on June 1, 2019, Malaysian Defense Minister Mohamad Sabu said, "If anything happens in the South China Sea, the world will also suffer. We have to increase our defense diplomacy. We love America, we also love China" (*Malay Mail*, 2019).
8. After September 11 attacks in 2001, George W. Bush administration pursued the transformation of the USFK in line with Strategic Flexibility initiative, restructuring the US military's global posture to become agile and readily deployable. China has been suspicious about this initiative because it believed that the flexible use of USFK was the extension of China containment policy, which could aggravate the situation surrounding Taiwan. Seoul was concerned that this change might drag her into regional contingencies involving US forces (Choi, 2006: 88).
9. Sohn and Koo (2011: 447) regard the Korea-US (KORUS) FTA as a useful hedging strategy. They say, Seoul's policymakers "not only wanted to hedge against US abandonment by courting economic binding, but it simultaneously wanted to hedge against Chinese predation by courting US entrapment."

10. For example, Roh's Northeast Asian Cooperation Initiative highlighted a "bridge-building" state by linking continental and maritime powers to create a new order of cooperation and integration (Moon, 2012: 13).
11. ASEAN is Seoul's second-largest trading partner with a two-way trade volume of USD 160 billion in 2018. At the 2019 ASEAN-ROK Summit at Busan in November 2019, South Korean Foreign Minister Kyung-wha Kang said that it would be the biggest diplomatic event under the Moon administration and a historic milestone for both sides to draw a blueprint for an unwavering political and economic alliance (*The Korea Times*, November 23, 2019).
12. Rozman (2019: 6) comments that Americans were mostly satisfied with the Abe Statement, Chinese found few grounds for renewed anger, and Koreans thought that there were few signs of concessions.
13. The General Security of Military Information Agreement (GSOMIA) was another scapegoat in the identity politics between Seoul and Tokyo. Similar to the comfort women issue, Washington intervened in December 2014 after a failed agreement signing in June 2012. On November 2016, the GSOMIA was finally signed by both sides. In August 2019, Moon's government announced that it would leave GSOMIA in response to Tokyo's export restrictions, which allegedly went against the South Korean Supreme Court's order on the wartime forced labor issue.
14. In February 1974, *Shindonga* published a similar issue of "What is China for South Korea?" It was influenced by major historical events including the US-China reconciliation and Sino-Japanese diplomatic normalization, which suddenly made Communist China into a friend's friend, not an enemy's friend.
15. Under the Constitution drafted by the US military after the WWII, Japan interpreted that it could not exercise the right of collective self-defense when the regional contingencies occurred outside its territory. This interpretation of the Constitution continued until Abe administration's

decision despite small adjustments made after the Cold War (Kim, 2014: 305).

16. In his elucidation of the diamond, Abe said that the South China Sea seems set to become a ‘Lake Beijing’ and countries including Britain and France need to join together to shoulder more responsibility as guardians of navigational freedom across the Pacific and Indian oceans (Abe, 2012).
17. Mahan’s “Sea Power” concept is based on the superiority of maritime power, saying that “Whoever rules the waves rules the world,” and emphasizes the significance of naval power for defending merchant fleet. Meanwhile, Spykman described “Rimland” as a maritime fringe of continents, in particular the edges of Eurasian continent, and emphasized its importance, saying that “Who controls the rimland rules Eurasia, who rules Eurasia controls the destinies of the world” (Bae, 2018). These geopolitical concepts are reinterpreted for the purpose in Japan’s geopolitical thinking.
18. Dittmer conceives three different patterns: the “menage a trois,” consisting of symmetrical amities among all three players; the “romantic triangle,” consisting of amity between one pivot player and two wing players, but enmity between each of the latter; and the “stable marriage,” consisting of amity between two of the players and enmity between each and the third.
19. For example, Hughes (2016: 116) notes, “Abe’s balancing behavior is characterized by heightened Japanese concerns vis-a-vis not just China but also the robustness of US security guarantees, and especially entrapment and abandonment concerns.”
20. Kawashima (2018: 48) predicts that even though the credibility of the American security commitment to Japan is increasingly questioned by Japan, the likelihood of a joint China-Japan push-back against the US is very small.
21. It requires further consideration to answer why Abe administration changed its stance. It is noteworthy, however, that Tokyo did not

compromise on international norms and principles such as openness, transparency, and financial soundness while attempting a “cautious engagement with China” (Basu, 2018).

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Taming the Tiger: A Transgovernmental Approach for ASEAN to Engage China Regarding the Spratlys

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Abstract

This paper investigates the issue concerning the diversity of the political and economic systems of the ten member states of the Association of Southeast Asian Nations (ASEAN) and how such a situation impacts on the decisions they make in the face of China's hegemonic behavior in enforcing its claim to the whole of the Spratly Islands. To do this, an evaluation of the political, economic and social engagements of the individual ASEAN member states with China is conducted. After evaluating such engagements, this paper proceeds to explain ASEAN's reactions vis-a-vis China's claims to about eighty percent of the South China Sea as enclosed by its nine-dash line. As the ASEAN member states are not unified in dealing with China, a need to engage with their powerful neighbor is in order. This paper, therefore, outlines an arrangement that could be workable for all parties, with the end in view of easing tensions in the South China Sea. This is a qualitative study, and it applies the theory of transgovernmentalism in explaining the kind

of arrangement between the ASEAN member states and China, taking into account the realization of peaceful co-existence.

Keywords: *ASEAN, diversity, international norms, Spratly Islands, hegemony*

1. Introduction

The Association of Southeast Asian Nations, or ASEAN, which covers 1.7 million square miles, with a population of 650 million and an economy valued at \$2.8 trillion (US-ASEAN Business Council, 2019), was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand (ASEAN, n.d.). With the addition of Brunei in 1984, Vietnam in 1995, Laos and Myanmar in 1997 and Cambodia in 1999, the group started initiatives to boost regionalism (Albert, 2017). These attributes make ASEAN both politically and economically significant. As a regional group of states, its importance is acknowledged by global policymakers. The world's largest regional economy is taking shape. It includes China, South Korea, Japan, ASEAN states, Australia, Papua New Guinea and East Timor (Taggart, 2016). Economically, for the ten member-states of the regional grouping, this is rather a welcome development for it means certain foreseeable benefits that may translate into something concrete and could be directly felt by the people in the region in the form of job creation, improved infrastructures and decent quality of life. However, the member-states must realize that for such an arrangement to work in their favor, they must cooperatively act together as a group and the ASEAN integration is seen as a positive move towards that direction. Indeed, the ASEAN has

gone a long way since its inception almost five decades ago.

However, there are also criticisms calling the ASEAN as still a work in progress, and the group has yet to grow into a major multilateral actor (Ginsberg, 2009). Part of a criticism centers on the fact that in most pressing circumstances, its member-states find it difficult to immediately act as one entity especially in the face of threats from hegemonic and powerful neighbors. The case of China's unilateral actions in claiming the whole of the Spratly Islands in which some areas are subject to territorial dispute involving at least four ASEAN member-states is a case in point. At the conclusion of the 4th ASEAN Foreign Ministers Meeting in Kuala Lumpur, Malaysia on August 4, 2015 for example, the Foreign Ministers of ASEAN were not immediately able to issue a concluding statement because of different and varied opinions on how to refer to the disputed South China Sea. The delay is a sign of the divisions within the Association of Southeast Asian Nations (ASEAN) in dealing with China's assertiveness in the South China Sea, in particular Beijing's recent construction of artificial islands in the waterway (*Business Insider*, 6 August 2015). Earlier in 2012, during Cambodia's chairmanship of the regional group, the country was accused as being accountable for the non-adoption of a joint communiqué at the end of the 2012 ASEAN Defense Ministers Meeting which was the first time in ASEAN's history (*The Cambodia Daily*, 20 September 2013). Also, most Western leaders and even many of Southeast Asia's top officials do not consider the organization capable of handling any serious economic or security challenges including the current dispute in the South China Sea (Kurlantzick, 2012).

With the way things unfold, it can be said that the differences in strategic priorities coupled with weak leadership, contribute to the difficulty in immediately coming up with a consensus even on issues affecting the members. There has been no leadership inside ASEAN,

thus in times of crisis like the South China Sea Dispute, there is no leader to direct ASEAN member-states toward a united position (Tong, 2016). In fact their differences are subtly reflected in many official documents of the group. For example, Article 2 of the Association's Treaty of Amity and Cooperation (TAC) signed by the heads of states of the five original members of the Association in Denpasar, Bali, Indonesia on 24 February 1976 stipulates six basic principles that may guide the actions of each member country. These principles are: mutual respect for the independence, sovereignty, equality, territorial integrity and national identity of all nations; the right of every State to lead its national existence free from external interference, subversion or coercion; non-interference in the internal affairs of one another; settlement of differences and disputes by peaceful means and renunciation of the threat or use of force and effective cooperation among themselves (ASEAN, 1976). It is clear from these pronouncements that the ASEAN member-states recognize each other's differences and because of their differences, the need to co-exist with one another without interference in the affairs of others becomes of utmost necessity. In a layman's term, States are like persons. Since no two persons are exactly the same, no two States are exactly the same as well.

This paper tries to answer this question: Being aware of their differences, how will the ASEAN member-states act as one entity in the face of external threat or use of force, which they must renounce in the first place as enshrined in the TAC? Corollary to this, this paper argues that while the principle to renounce external threat or use of force is firmly established in the ASEAN Charter that becomes even more pressing in the face of looming incidents in using force targeted directly at some of them, an individual member-state gives more premium to its own interest rather than the interest of the ASEAN as a body. This

argument will be plotted against China's use of force in enforcing its claim to most of the South China Sea through which about \$5 trillion in ship-borne trade passes each year (Reuters, 30 November 2018). Interestingly, the actions of China involve at least four members of the ASEAN. Under this scenario, why is it difficult for ASEAN to confront China even when 40 percent of its members are affected by China's actions? Given this reality, this paper offers a mechanism for ASEAN member-states to engage China through a win-win approach that could be acceptable to all stakeholders.

This paper makes use of the theory of transgovernmentalism in order to explain the problem. This theory refers to the relations among sub-units of government between States, be they legislative, bureaucratic or judicial. Instead of traditional diplomacy between States that is channeled through foreign ministries and embassies, transgovernmentalism refers to direct relations among sub-units, operating on the basis of shared interests (Beach, 2015). Aside from sub-units of government, transgovernmentalism also takes into account, the important role in diplomacy played by non-state actors like non-governmental organizations (NGOs). As Slaughter (1997) opined, "transgovernmental networks allow governments to benefit from the flexibility and decentralization of non-state actors". These non-state actors have the advantage over State actors because of the network of contacts at their disposal which make it easy for them to work on issues in collaboration with their network of contacts. Matthews (1997) further opined that "national governments are not simply losing autonomy in a globalizing economy but they are sharing powers – including political, social, and security roles at the core of sovereignty – with businesses, with international organizations, and with multitude of citizens groups, known as non-governmental organizations". Although statist maintain that the State remains the most powerful political actor, the role of civil

society cannot be discounted. As Faulks (1999) pointed out, “States seek to share their power with other States and the institution of civil society”. The engagement between the ASEAN member-states and China seen in the context of the Spratly Islands dispute will be explored and analyzed using this approach.

This is a qualitative study. Data cited in this paper come from secondary sources like books, journals, magazines, newspapers and internet articles.

2. The ASEAN: An Archipelago of Political Systems and Historical Narratives

The present composition of ASEAN is politically and economically diverse. Here, different political and economic systems as well as historical narratives all converge within one organization. For this reason, ASEAN can hardly be called as a cohesive organization but is more of a geographical grouping of States with different political and economic systems commonly located in a particular region. Since the main argument of this paper focuses on how the differences – whether it be political, economic and historical, of the ASEAN member-states impact on their stand against China’s unilateral actions in its claim of territories in the South China Sea, such differences are highlighted in the following sections.

2.1. Brunei Darussalam: A Tiny but Rich Islamic Sultanate

Brunei Darussalam is the second smallest member state of the ASEAN in terms of land area after Singapore. The country has a total land area of only 5,765 sq. km. (*World Atlas*, 2016). It is located in the northwest part of the island of Borneo. Its 161 coastline faces the South China Sea. On the land side it is enclosed by the Malaysian state of Sarawak, which

divides it into two (The Commonwealth, n.d.).

Brunei Darussalam is an Islamic Sultanate ruled by a monarch who is both the Head of State and Head of Government. The Sultan embodies the executive, the legislative and the judicial branches of government. He both reigns and rules with assistance from a Privy Council, on matters concerning the royal household and customs and by a cabinet and bureaucracy, on most other matters (Hussainmiya, 2016). For purposes of local administration, the sultanate is divided into four daerah (districts) – Temburong in the country's eastern segment and Belait, Brunei and Muara, and Tutong in the western segment. The daerah are subdivided further into units called mukim, each of which embraces a number of kampong or villages (Damit, 2016)

Like most other countries in the ASEAN, Brunei Darussalam also came under foreign domination. For a quarter century before independence, it had been a self-governing constitutional monarchy, with the British assuming responsibility for foreign affairs and defense (*Encyclopedia.com*, 2002). Brunei Darussalam became a fully sovereign, independent state on January 1, 1984 (Hays, 2015). Six days after gaining independence, the country became a member of the ASEAN. Brunei Darussalam's membership in the ASEAN on January 7, 1984 was followed by the establishment of diplomatic relations with the Western Block - the United States, Canada, Japan, South Korea and the European Economic Community (EEC). Even then, the ASEAN remains the cornerstone of Brunei Darussalam's foreign policy. The country chaired the ASEAN and the East Asia Summit in 2013 (Department of Foreign Affairs and Trade, Australian Government, 2016).

Brunei has not yet directly and actively confronted and challenged China in any way relating to the problem of territorial claims in the Spratly Islands. China wants to project an image that it is a friend of Brunei in spite of its claim to the Spratly Islands as encompassed by the

nine-dash line. In fact it was reported by China's Foreign Minister Wang Yi that China, together with Brunei, Cambodia and Laos reached a "consensus" on the South China Sea issue, and that the four countries agreed that the territorial and maritime disputes should be resolved through consultations and negotiations, by "directly concerned parties" under ASEAN's 2012 Declaration on the Conduct of Parties in the South China Sea (*The Japan Times*, 24 April 2016). Among the four countries that entered into this agreement, only China and Brunei can be said as "directly concerned parties" to the Spratly Islands dispute, though of course Cambodia and Laos are members of the ASEAN.

2.2. Kingdom of Cambodia: China's Top Military Ally in the ASEAN

Cambodia is a middle-sized country in Southeast Asia. Looking at a map of the region, it is bounded on the northeast by Laos, on the east by Vietnam on the west by Thailand and on its southwest by the Gulf of Thailand. Officially the country is known as the Kingdom of Cambodia. As such, it is a constitutional monarchy with a monarch serving as the head of state, while a Prime Minister serves as the head of government. The current Prime Minister of Cambodia is a former Khmer Rouge fighter who has wielded power through a combination of threats, clever deal-making and sheer willpower (Wallace, 2016).

Like most countries in Southeast Asia, Cambodia also came under foreign control. It became a French colony and during the 20th Century, it experienced the turmoil of war. Between 1975 and 1979, the country was devastated by the reign of the Khmer Rouge, a rural communist guerilla movement (Overton, 2016).

Cambodia and China are friends and their relationship is cordial. Past leaders of Cambodia including some monarchs were close friends of Chinese leaders. It should be recalled for example that the former king of Cambodia Norodom Sihanouk who abdicated because of poor

health in favor of his son Norodom Sihamoni, died of natural causes in Beijing, where he had travelled for medical treatment (*The Guardian*, 15 October 2012). Militarily, China is the biggest source of assistance to Cambodia's armed forces (Chanborey, 2015)

Cambodia became a member of the ASEAN on April 30, 1999 and it is the latest country to become a member of the regional group. Although Cambodia is the newest member of ASEAN, the country has enjoyed a special status within the group because of the nature of its political system and leadership (Chongkittavon, 2012). Cambodia chaired the ASEAN in 2002, after just three years since its membership in the regional group. The country chaired ASEAN again in 2012.

2.3. Republic of Indonesia: ASEAN's Giant Both in Land Area and Population

Indonesia is the biggest country among the ten ASEAN member-states both in terms of land area and population. It is also reputed as the largest archipelagic country as well as the largest Muslim country in the world.

Like most member-states of ASEAN, Indonesia also came under colonial rule. It has been a colony of the Dutch. Before the outbreak of the Second World War, Indonesia was still a Dutch colony. In March 1942, the Japanese occupied the Dutch Indies for which Indonesia was popularly called. At the closing of the Second World War, before Japan's surrender effectively ending World War II, the Japanese gave full support to the Indonesian nationalist movement. On August 17, 1945, Soekarno and Mohammed Hatta proclaimed the independence of Indonesia, by whom the two are said to be "Made in Japan" (Sluimers, 1996).

In 1966, Soekarno was named president for life. He enjoyed mass support for his policies but a growing power struggle between the military and the Indonesian Communist Party (PKI) loomed over his

government. The Chief of Staff of the Army that time, General Suharto and his officers killed hundreds of thousands of suspected communists in a massive purge aimed at undermining Soekarno's rule (*Infoplease*, 2000a)

As to the Indonesia-China connection, it is worth mentioning here that Surahto, a former president of Indonesia engineered the killing of the members of the Indonesian Communist Party (PKI). Its leaders including the party chairman D. N. Aidit, had close association with Chinese Communist leaders. This can be gleaned when in August 1965, Aidit outlined his plans to his friend, the Chinese leader Mao Zedong (Cribb, 2015).

Indonesia, unlike its fellow ASEAN member-states Brunei, Malaysia, the Philippines and Vietnam, is not a party to the territorial dispute in the Spratly Islands with China. However, it is having problems lately because Beijing is claiming Natuna Islands as part of its territory, even though the islands lie within Indonesia's exclusive economic zone. As Indonesia is hard to budge, the islands have been the latest irritant in the relations of the two countries.

Recently, Indonesia's president, ordered an expansion of offshore oil exploration and commercial fishing in the waters near the Natuna Islands, the latest in a new campaign to assert sovereignty over the area in the South China Sea (Reuters, 29 June 2016). Although Indonesia is receiving economic aid from China through the Belt and Road Initiative (BRI) like the approximately US\$3.6 billion during the first half of 2019 (Grossman, 2020), it seems doubtful that Indonesia will just turn a blind eye to China's hegemonic posturing especially if the country considers its territory to be compromised.

2.4. Lao People's Democratic Republic: Top Beneficiary of China's Economic Largesse

Laos is a land-locked country. It is bounded by China to the north, Burma to the northwest, Thailand to the west, Cambodia to the south and Vietnam to the east.

Like most members of ASEAN, Laos was also subjected to foreign domination. It has been a colony of France and it only gained its independence in 1954.

The country's president is the head of state and is elected by the National Assembly for a five-year term. The President also acts as the country's commander in chief of the armed forces or the Lao People's Army. The Council of Ministers is the country's highest executive organ, and its chairman is designated as prime minister (*GlobalSecurity.org*, 2012). Although Laos allows elections, the Communist Party dominates Lao politics, and opportunities for advancement are highly dependent on one's ranking within the party. Unlike the money politics of many neighboring countries, political success in Laos is highly dependent upon loyalty to the party and its ideology (*Encyclopedia of the Nations*, 2016).

Laos is diplomatically close China. The relationship of the two countries is made closer because they share similar ideology in running the affairs of the state. And although the former is economically weak, it finds a ready answer in the latter as loans and direct investments are made and realized. China is Laos' main source of loans for its infrastructure needs. On December 2, 2015, the two countries held the opening ceremony signaling the start of a rail project that will connect the two countries. The construction budget for the line through Laos is US\$6.8 billion, of which 40% is to be funded directly by the Chinese and Lao governments, with China taking a 70% share of this contribution. The remainder would be funded by various state

enterprises and a series of low-interest loans from China to Laos (*Railway Gazette International*, 4 December 2015). This is just one of the many Chinese-funded projects that benefit the two countries.

2.5. Federation of Malaysia: “Playing It Safe” with China

Malaysia, like the Philippines and Indonesia is an archipelagic country. A big part of the country’s territory is found on the Malay Peninsula in Southeast Asia, that is why this part is called peninsular Malaysia. The country also includes Sabah and Sarawak on the island of Borneo to the east (*Infoplease*, 2000b). Here, it has a common border with Brunei Darussalam and Indonesia. This part of Malaysia faces the South China Sea. Peninsular Malaysia, on the other hand has a common border with Thailand. Singapore is to its southeast while the Indonesian island of Sumatra is to its south.

Malaysia is a federation of 13 states and is considered as a Constitutional Monarchy. The monarch is considered as the head of the federation while a Prime Minister is the head of the government who wields real powers. The monarch has limited powers and such powers are mostly ceremonial.

Like most of its fellow ASEAN member-states, the country also came under foreign domination when Great Britain formally made Malaysia its colony in 1867. The country celebrates its Independence Day every 31st day of August as a commemoration of the Malaysian Declaration of Independence on August 31, 1957. This important date is spelled out in Article 160 of the country’s Constitution.

Like Brunei, the Philippines and Vietnam, the country is a party to the overlapping claims of territories in the South China Sea. However, as a claimant, it continues to adopt a “playing it safe” approach on the South China Sea issue, pursuing a combination of diplomatic, legal, economic, and security initiatives that can secure its interests as a

claimant state while being careful not to disrupt its vital bilateral relationship with China (Parameswaran, 2015). Its leaders are careful in dealing with this particular issue, yet proactive in staking its claims (*New Straits Times*, 2 March 2019).

2.6. Republic of the Union of Myanmar: China's Viable Business Partner in the ASEAN

Myanmar, together with Cambodia, Indonesia, Laos, Singapore and Thailand is an ASEAN member-state that is not a party to the Spratly Islands dispute.

Myanmar, also known as Burma, is bounded to the northwest by Bangladesh, to the northeast by China, to the south by the Bay of Bengal and to the southeast by Thailand. The country also came under colonial domination. It only gained independence from Great Britain on 4 January 1948 and became a democracy based on the parliamentary system.

Myanmar was considered a pariah state while under the rule of an oppressive military junta from 1962 to 2011. The generals who ran the country suppressed almost all dissent - symbolized by the house arrest of opposition leader Aung San Suu Kyi, and stood accused of gross human rights abuses, prompting international condemnation and sanctions (*BBC News*, 3 September 2018).

The present military leaders of Myanmar are close to the leaders in Beijing. Since the late 1980's, China has been Burma's major source of military equipment and training, a major investor in the Burmese economy, and a major export market for Burma's wealth of natural resources (Clapp, 2015). The relationship of the two countries is mutually beneficial in advancing their respective interests.

2.7. Republic of the Philippines: The ASEAN State that Brought China to the Permanent Court of Arbitration (PCA)

Like most countries in the ASEAN, the Philippines, considered as the oldest democracy in Asia, also experienced foreign domination. The country has been a colony of Spain for more than 300 years. This started when Ferdinand Magellan and his men arrived to the islands on March 16, 1521. Spain's more than three centuries control of the islands, making it the only Catholic country in Asia, ended after its defeat in the Battle of Manila Bay by the Americans on May 1, 1898. As a result, the Philippines came under a new colonial power when Spain ceded the country including Guam and Puerto Rico to the United States of America after it paid Spain US\$20,000,000.00 during the Treaty of Paris on December 10, 1898.

After the Treaty of Paris in 1898, the Philippines once again came under White tutelage (Coloma, 2009). Now controlled by the United States, the Philippines underwent noticeable changes in her political, economic and social institutions. The United States reinforced and strengthened democracy in the country and allowed more freedom and participation of Filipinos in governance. It was during the American occupation of the country when women were allowed to participate in elections for the first time.

The Philippines was an American colony for almost 48 years from 1898 to 1946. This period was interrupted by the Second World War when the country was occupied by the Japanese from 1941 to 1945. During the war, the Commonwealth government of the Philippines was exiled to the United States. Eventually, the Philippines was granted independence by the United States on July 4, 1946.

The form of government of the Philippines is patterned to that of the United States of America. It has a presidential type of government in which the President and Vice President are separately elected by the

people, by plurality vote. Unlike the United States however, this means that a President and a Vice President may come from different political parties.

Historically, the Philippines is a close ally of the United States and considers China not a very close friend. In fact, successive Philippine governments since the Marcos Administration until the former President Benigno Aquino III Administration consider China as a supporter of the Communists in the Philippines who are waging a war in the country to establish a Mao-inspired government. To make matters worse, a lot of incidents happened in between that contributed to the souring of relations between the two countries.

One of the factors that impedes the smooth conduct of relations between the Philippine and China is their conflicting territorial claims in the South China Sea. In fact, the Philippines and China has a long history of maritime squabbles (*The Japan Times*, 21 January 2018). As is known, the Benigno Aquino III Administration lodged a complaint against China at the Permanent Court of Arbitration (PCA) in The Hague, The Netherlands on January 22, 2013. This complaint centered on the Philippines' claim under the United Nations Convention on the Law of the Sea (UNCLOS) regarding China's occupation of Scarborough Shoal. Scarborough Shoal is not part of the Spratly Islands, but located in the South China Sea and enclosed within China's drawn nine-dash line. The shoal is 124 nautical miles from Zambales Province in the Philippines and 550 nautical miles from Hainan Island, the closest Chinese port (Wagner *et. al.*, 2012). Until November 2012, Scarborough Shoal was occupied and controlled by the Philippines, but since then, is now controlled by China.

After about more than three years of hearing the case, which China did not participate even once, the PCA issued its award in favor of the Philippines. It ruled that there was no legal basis for China to claim

historic rights to resources within the nine-dash line. Such rights were extinguished to the extent they were incompatible with the exclusive economic zones provided in the UNCLOS (PCA Press Release, 2016).

2.8. Republic of Singapore: Message to China – Respect the Rule of Law

Singapore is a city-state at the southern tip of the Malay Peninsula. It is bounded to the north by Peninsular Malaysia and to the south by Indonesia's Riau Islands. Geographically, the city-state is composed of one main island and 62 other islets. In order to increase its land area, Singapore underwent a massive reclamation program which increased its land area by 23 percent around 130 square kilometers or 50 square miles. The total land area of Singapore is 699 square kilometers including the small islets (The Commonwealth, n.d.).

Singapore was once a colony of Great Britain and so it is a member of the Commonwealth of Nations. As a former British colony, its form of government is patterned to that of England. It has a parliamentary form of government having a President as Head of State and a Prime Minister as Head of Government, who has real powers. The functions of the President are mostly ceremonial. It is the Prime Minister, together with the Cabinet who runs the affairs of government.

The Constitution of Singapore states that there are four commonly used languages in the country – Malay, English, Chinese Mandarin and Tamil. The use of Mandarin language in Singapore keeps it culturally close to the Chinese as many citizens of Singapore are in fact of Chinese descent.

The Republic of Singapore and China enjoy a meaningful economic and political relations. However, as a member of the ASEAN Singapore tilt more towards the interest of the association. Although the city-state is not a party to the territorial disputes in the South China Sea, Singapore

finds it to its best interest to settle the disputes through the use of peaceful means and a rules-based approach (*South China Morning Post*, 16 August 2016) as this has important implications to the ideals that the country subscribes like the freedom of navigation and principles of peaceful co-existence.

2.9. Kingdom of Thailand: The Only ASEAN State Untouched by Colonizers

The Kingdom of Thailand is the only country in ASEAN that did not come under foreign domination. The country is bounded to the northeast by Laos, to the southeast by Cambodia, to the west and northwest by Burma and to the south by Peninsular Malaysia.

Thailand is a Constitutional Monarchy wherein the Monarch is the Head of State as stated in Section 2, Chapter 1 of the Thai Constitution, and is aided in its official functions by a Privy Council. The real powers of government rests in the hands of a Prime Minister. The Monarch commands wide respect among the Thais. Like most monarchies in other parts of the world, the Thai Monarch is also vested with ceremonial powers, while the power of running the affairs of the State is vested in the Prime Minister. As a member of parliament, the Prime Minister is elected by simple majority of the members from among them and nominated for the King to give his royal assent. However, there had been instances when the head of government is installed to office through extra-constitutional means like military coups. The most recent was on May 2014 when the Royal Thai Army staged a coup d'état and established the National Council for Peace and Order (NCPO) which installed General Prayut Chan-o-cha as the leader of the caretaker government.

Thailand is not a party to the territorial disputes in the South China Sea. The country maintains close relation with China. The relations of

the two countries is also a result of some internal political developments in the region. Thailand's relations with China became closer and warmer in the 1980's as a result of the strategic convergence between the two countries over Vietnam's invasion and occupation of Cambodia in 1979 (Chinwanno, 2008).

2.10. Socialist Republic of Vietnam: War Knows No Ideology

Vietnam like most of the ASEAN member-states also came under foreign colonialism. The country has been a colony of France together with Laos and Cambodia and called it French Indochina. Vietnam came under French control for more than six decades (*Alpha History*, n.d.)

It is interesting to note that although Vietnam and China have more or less similar ideology in running their governments, the two countries remain at odds on so many issues. Like the Philippines, Vietnam is also a major challenger of China regarding the territorial disputes in the South China Sea.

Vietnam has been locked in territorial disputes with China not only regarding the Spratly Islands but with other islands in the South China Sea within its EEZ that it calls its own. The latest friction which many observers feared could escalate into an armed confrontation between the two socialist-inspired governments was in July 2019 when China sent a ship for a seismic survey to an area internationally designated as Vietnam's EEZ, but also claimed by China (*Reuters*, 8 November 2019). This was yet another reminder that the conflict between China and Vietnam is a sword of Damocles that can fall anytime. Barely 5 years before this seismic survey incident, in 2014, the two countries were also brought to a near war scenario over the Chinese oil rig HYSY-98 in an almost two-month-long standoff near the Paracels (Koh and Ngo, 2018).

The problem of territorial conflict between Vietnam and China is not new to them. In fact, even before this problem of territorial conflict

between some ASEAN member-states and China figured out as highlighted by the Philippines' memorial against China when it brought its case to the PCA in 2013, then South Vietnam and China already engaged in a historic war over the Paracel Islands in 1974. During that war, three of the four Vietnamese warships had to retreat while the fourth sank with its captain on board (*BBC News*, 15 January 2014). That war between the two states which took place more than four decades ago is a reminder that territory is always a non-negotiable issue between and among States. The overlapping territorial claims especially between Vietnam and China, regarding some parts of the Spratly Islands and the Paracel Islands, which are all located in the South China Sea, are potential causes for another military confrontation between the two communist-led governments.

3. Engaging China: From Strategic Alliance to Research Consortium

Given the fact that ASEAN as a regional group is not that cohesive due to so many factors, it is rather difficult for the group to come up with a common agenda to engage China. Some of the ASEAN member countries like Laos and Cambodia are close friends of China even before they joined the regional group. Other members like Singapore, Thailand, Myanmar and Indonesia who are not claimants and are not parties to the territorial dispute in the South China Sea, seem more to be just observers rather than partisan actors. And among the four ASEAN member-states that are party to the dispute, Brunei, Malaysia, the Philippines and Vietnam – only the Philippines and Vietnam are very vocal in opposing China's aggressive maneuvers in its claim to the South China Sea. Although Vietnam appears unperturbed by China's forceful posturing and even sending to it “an eye for an eye and a tooth for a tooth”

message, the Philippines on the other hand tries to be civil and takes the diplomatic path by invoking the rule of law in dealing with China. The country has filed a case in the UN-backed PCA in The Hague, with the end in view of letting the court decide the validity of China's nine-dash line, which released its decision on the case on July 12, 2016.

In the face of China's threat, which sent the ten ASEAN member-states scampering away seemingly lost for a better answer to their giant neighbor's saber rattling, some member-states nonetheless do not fail to subtly remind China to behave. For instance, the Indonesian President ventured on a symbolic journey to the vicinity of Natuna Islands which China is eyeing as its own after enclosing it within its nine-dash line but is within Indonesia's EEZ. However, even in the midst of this great animosity, certainly, the 10 ASEAN member-states can pick the pieces together and engage China in a win-win situation.

In order to engage China, this paper proposes the Joint Development Strategy (JDS), Joint Development Agreement (JDA) or Joint Development Method (JDM), particularly Strategic Alliance (SA). JDS, JDA and JDM are one and the same - the heart of the matter is joint development. SA refers to a co-operative business activity, formed by two or more separate organizations for strategic purposes, that allocates ownership, operational responsibilities, financial risks, and rewards to each member, while preserving their separate identity or autonomy (*Kaplan Financial Knowledge Bank*, 2012). The concept of SA aimed at engaging China by ASEAN as a group may work in favor of all stakeholders and all parties concerned. SA has also been called as Economy First Model (EFM). Whatever the name, the essence of the model remains the same and that is the setting aside, for the time being, of the sensitive issue of sovereignty. Such arrangement is plausible and in fact being practiced not only by the claimant states in the Spratly Islands dispute but also elsewhere. Becker-Weinberg (2014) for example

even pointed about the Timor Gap Treaty as the first wide-ranging joint development regime of offshore hydrocarbon deposits and has been an example for other similar arrangements. All such agreements are designed to minimize and at best avoid tensions in contested territories. The replication of such arrangement in the South China Sea particularly concerning the Spratly Islands dispute among the claimant countries, will be a welcome development that can possibly bring about an eventual peaceful solution to the problem.

Since not all the ten member states of the ASEAN are party to the Spratly Islands dispute, countries that are not affected by the problem seem not to take the matter very seriously. This state of event is compounded by their close economic relationships with China. Ironically, the countries that have close economic ties with China are not claimants or parties to the dispute, so it is very easy for them to decide and favor China as against their fellow ASEAN members who are party to the dispute. There had been several instances in the past when the ASEAN as a body, did not act singularly especially on issues where China is involved. Cambodia has close economic ties with China. The latter is the former's primary trading partner, largest source of foreign direct investment and top provider of development assistance and soft loans (Chanborey, 2015). Laos is another ASEAN member that has a very close economic ties with China. Their close relationship results to some economic benefits for both countries. Recently the two countries signed the Joint General Scheme of Mohan–Boten Economic Cooperation Zone which is the first cross-border economic cooperation zone that China has established in Laos and, for that matter, in the whole of Southeast Asia (Ku, 2016).

This paper argues that one of the reasons why ASEAN as a body cannot commonly act against China even if some of its fellow member-states are involved in the problem is because of China's "money

diplomacy". Apparently, Cambodia and Laos which are beneficiaries of China's economic largesse have every reason not to offend China. While the SA is believed to be a model that will make headway between ASEAN states and China as seen and implemented elsewhere, all the ASEAN member-states do not participate simply because they are not directly affected and some have greater stake in keeping silent than offending China as in the case of Cambodia and Laos.

And so, in order to engage every ASEAN member-state and China, this paper is taking a step further by proposing and establishing what I may call the Joint ASEAN-China Research Consortium (JACREC). This proposal will not abandon the SA Model altogether. JACREC will just serve as the icing so that everyone can enjoy his or her piece of the cake. Conventional wisdom dictates that when everyone is given the privilege to enjoy the delicious food available, discord is somehow lessened.

The JACREC will be composed of researchers from the academe coming from the different ASEAN States and China. ASEAN as a regional body will serve as a ready venue and will be partly responsible in the recruitment of researchers in cooperation with the best and top universities in the region and the world from where researchers will be pooled. Selection of researcher-scholars will be based on research experiences and fields of study. Those with ample research background about the South China Sea will be given primary consideration and they must be apolitical. Any research output in line with pre-agreed rubrics and mechanics among the members of the consortium, must be published for international consumption. After the publication of the research output, the researcher-scholars will endeavor to engage the respective governments of the JACREC to discuss the results and talk on how to thresh out a viable solution to the problem of territorial claims with advice from the researcher-scholars and the research results serving as a ready reference. The bottom line of this approach is the expressed

agreement and permission of every State in the consortium before such undertaking starts. For obvious reasons, the States that could be members of the consortium will be the 10 ASEAN member-states and China. However, researcher-scholars may be recruited internationally, based on their knowledge and expertise.

4. From SA to Research Consortium: Why the Leap?

Why is this paper taking a step further from the SA to research consortium particularly the JACREC? There are many reasons and the shortcomings of the SA or the EFM call for a more acceptable and easier-to-implement approach to diffuse tension in the region and the JACREC may just do the trick. As already pointed out, one obvious weakness of the SA or the EFM, as applied in this particular case is that, not all ASEAN member-states are involved or are party to the territorial dispute in the South China Sea. So, without abandoning the SA or the EFM, the JACREC is proposed so that all states that have immediate stake in the smooth resolution of the problem must be involved. The following realities are noted why JACREC is postulated:

First, there had been concerns about the sincerity of the parties in entering into such agreement. Although the SA approach is famous, some of the claimant states remain lukewarm to the idea simply because of trust and sincerity issues. For instance, since 2017, China has actively proposed a number of joint development schemes in the South China Sea with the Philippines and Vietnam (Qi, 2019), but it just fell on deaf ears because of the Philippines and Vietnam's distrust of China. So, having already taken such an initiative, it will not be difficult to engage China to join the consortium, after all it already floated the idea in the past. But even with this Chinese initiative, some countries in the ASEAN like the Philippines and Vietnam, view the SA as just another

lip-service which is not accompanied with concrete steps, to show China's sincerity and therefore ignored. Since all claimant states on the side of the ASEAN came under colonial rule during a particular period in their history or another, the sensitive issue of sovereignty must be given primordial consideration. The Philippines for example although willing to a peaceful settlement of its territorial conflict with China as reinforced by the pronouncements of the newly-elected President of the Philippines Rodrigo Duterte who said that he is not going to a war against China, is wary to enter into a JDA with that country. Senior Associate Justice Antonio Carpio for example said that "joint development of the Spratlys with China is not possible without violating the Constitution because China's offer of joint development in the Spratlys has one pre-condition – that the other State concedes to China's indisputable sovereignty over the Spratlys. No claimant State has accepted, or will accept China's offer because acceptance means the accepting State must immediately vacate any island it occupies in the Spratlys since that is the consequence of admitting China's sovereignty over the Spratlys" (Tordesillas, 2015). And China is not keeping secret about its claim to the South China Sea as defined by its nine-dash line. Quondam Chinese Foreign Minister Wang Yi has suggested four principles to guide the South China Sea dispute and he said that, "the dispute over the sovereignty of some reefs in the Nansha (Spratly) Islands is a leftover problem of history and historical facts should come first in handling the dispute" (Kim, 2014).

Second, unlike other personnel, researchers and scholars are apolitical and objective in their craft. With this, their ideas and findings are more or less devoid of bias and lend credence of objectivity that favors no one. Therefore, JACREC will be much easier to implement and attain than the JDA, JDS or JDM.

Third, such undertaking entails lesser budget requirements and the abundance of researchers and scholars in each of the ten ASEAN member-states and in China will make the undertaking easy to organize and manage. The utility and importance of research outputs among researchers and scholars makes this approach doubly appealing.

Fourth and most important, the researchers and scholars will serve as ambassadors of goodwill, they being on constant travel to and from the different countries that are members of the consortium. Such research travels will therefore be good steps toward confidence building activities between and among the countries especially those that are party to the dispute. This is transgovernmentalism at work, with the scholars and researchers serving as bridges that could narrow the river of distrust, insincerity and animosity between and among the disputants and non-disputants alike, thereby hopefully creating a peaceful region and an informed people.

5. Precedents of Transgovernmentalism among the Claimants

Since researchers and scholars are apolitical, they are not easily swayed by political considerations. They are oftentimes objective in their arguments, an attribute that makes them credible to the public. Even researchers or professors in state colleges and universities, who to some extent are employees of the State, cannot easily be swayed by political incentives, especially those who are already tenured, lest the reputation of the research institutions or higher educational institutions be compromised. In the event that State actors will use political vendetta to harass researchers and scholars, with the end in view of influencing and twisting research results to favor a desired outcome, such action could backfire because educators may have all the reasons to expose such high-handedness, which State actors may not be so willing to risk. Since

the consortium will be composed of researchers from all member-states of the ASEAN plus those from China and elsewhere, the possibility of a twisted research result to come out is nil. This makes this approach not only doable but appealing.

The JACREC, envisioned by this paper will be an international NGO. Clothing JACREC with such a persona can possibly help ease tension in the Spratly Islands dispute and in some other areas of concern. In fact, it is not only among the ASEAN member-states and China where NGOs take active role in the affairs of the State. Their ready presence in the community makes them a big help to the State in the furtherance of social, economic and political objectives, especially in situations when the apparatus of the State is weak, or when the direct involvement of the State will worsen the situation. Of course this may not sound good and may not sit well among statist but this makes the NGOs an important entity in helping the State realize some of its avowed goals and objectives like the preservation of peace and the realization of mutual trust and understanding between and among nation-states. The JACREC may just play a pivotal role in that direction.

In China even if the number of NGOs is few, their influence is nonetheless felt by the people both inside and outside the country. This is because the breadth of transgovernmentalism knows no boundary and the presence of like-minded individuals or organizations makes the arrangement easy to realize. In fact it is not only in the field of research that problems among States can be eased through the efforts of NGOs and private individuals. There are many different areas of concern that NGOs can fit into the picture. For example, in terms of realizing investment and inviting investors to a country, NGOs can do something to make a big difference. In other words, cooperation among members of NGOs of different colors can step into the scenario to help ease State concerns and problems. Therefore, the likelihood of a research

consortium having an NGO persona to succeed in this enterprise is great. This will also be a good and viable way to bring the official representatives of the different claimant-states face-to-face with JACREC researcher-scholars, who are apolitical and whose research outputs could benefit all stakeholders.

On a bilateral level concerning the Philippines and China for instance, NGOs can also be influential and can help greatly in advancing friendship and in narrowing distrust between the peoples of the two countries. Although the relationship of the Philippines and China at the state level soured as a result of the territorial dispute in the Spratly Islands, exchanges and interactions at the civil society level have been vibrant and unaffected by the territorial spat between the two countries. The relations of the Philippines and China spiked to a high cooperative level after the election of Rodrigo Duterte as Philippine President, who saw an ally in China after most leaders in the West and elsewhere, censured him for his draconian style in curbing the illegal drug problem in his country. But even before then, the problematic Philippine-China relations has been kept sanguine by the NGOs from both countries. For example, during the first half of 2015, a small delegation from the China NGO Network for International Exchanges (CNIE) visited Manila on a three-day mission to explore the possibility of holding a “high level regional people’s dialogue” (*The Manila Times*, 8 February 2015). Also, Shi Xueqin (2008) pointed out that from December 2000 to January 2001, members of a well-known NGO in China – the Shaanxi Research Association for Women and Family, visited the Philippines and examined rural development projects. On June 3, 2013 the China – Southeast Asia People to People High-Level Dialogue was held in Nanning, Guanxi Province. With the theme of “Peace for Development and Cooperation for Win-Win – Common Dream and Aspiration of the People,” the dialogue brought together government officials, political

leaders, former senior politicians, first ladies, academies, business leaders, and representatives from non-governmental organizations (ASEAN, 2013). It is clear that the realization of other state functions may well be addressed by NGOs and the civil society. The JACREC therefore is a push forward, towards that direction particularly in easing tensions in the South China Sea.

6. Conclusion

The simmering territorial disputes among Brunei, Malaysia, the Philippines, Vietnam and China in the Spratly Islands are a cause for alarm. This is because China has been very assertive in its claim. The country enclosed about eighty-five percent of the South China Sea with its so-called nine-dash line and went further by constructing artificial islands even those that are subject to disputes.

The ASEAN as a regional grouping is composed of ten member-states with different political systems. They also have different levels of interaction in their relations with China. Some of them are beneficiaries of China's economic largesse in forms of soft loans and direct investments, reasons enough for them not to offend the government in Beijing. With this scenario, it follows that the ten member-states of ASEAN will not and cannot act with one voice especially if China is involved in the problem. This is also due to the fact that the ASEAN itself only allows for policy statements that are agreed upon by all member-states. And who will expect all ASEAN member-states to condemn China when some of them are beholden to it economically and militarily?

The different approaches taken by the individual ASEAN member-states, to China's unilateral actions in claiming some territories in the South China Sea, as enclosed by its nine-dash line is expected, given the

fact that in Section 2 of the TAC of ASEAN, mutual respect for the independence, sovereignty, equality, territorial integrity and national identity of all nations and the right of every State to lead its national existence free from external interference, subversion or coercion are clearly stipulated. This reality which is outwardly manifested by the ASEAN member-states in their actions towards China's hegemonic posturing in claiming parts of the territories in the South China Sea even those subject to disputes, will have an impact on how the ASEAN as a body will address similar problems in the future. As every member-state is guaranteed to be free from external interference, the prospect of an ASEAN that is unified in the face of similar problems of even milder scale remains doubtful.

As postulated in several literatures, China uses the divide-and-rule tactic or salami tactic towards the ASEAN member-states in relation to the territorial disputes. In dealing with Brunei for instance, China brought into the fold, two ASEAN member-states, which are not even party to the territorial disputes, but China is closest with – Laos and Cambodia, by entering into an agreement among the four of them – China, Brunei, Laos and Cambodia, stipulating among other things “that the issue of the territorial dispute must be resolved through negotiation with countries directly involved in the problem” (*The Japan Times*, 24 April 2016). And although not heeded by the two fiercest challengers of China in its hegemonic ambition to occupy and control some islands in the Spratlys – the Philippines and Vietnam, China floated to them since 2017, the joint development scheme (Qi, 2019) if only to silence the two. In between, China's money diplomacy is unabatted especially among the ASEAN member-states which are not party to the dispute, like the US\$3.6 billion aid Indonesia received through the BRI (Grossman, 2020), not to mention Cambodia that counts on China as its largest source of foreign direct investment and top provider of

development assistance and soft loans (Chanborey, 2015). Laos may not be far behind as in 2016, it signed an agreement with China for the establishment of an economic cooperation zone (Ku, 2016).

China's use of the divide-and-rule tactic or the salami tactic implies an easy-to-disintegrate ASEAN. As it exists today, the regional group is not that cohesive even without the usual problems that could cause its break-up. And with China's posturing, it appears even easier for the ASEAN member-states to bow to the pressure of money and influence. The ASEAN member-states must recognize this challenge if they want to exist as a reputable and principled regional association.

With their differences, SA as an approach to engage China is advanced. However, it is foreseen that the SA Model will not merit the participation of all members as some of them have their own vested interests. So, a further approach is advanced not to replace SA but to reinforce it. The approach that is further proposed is the JACREC that will be clothed with an NGO persona. This is based on the theory of transgovernmentalism wherein the role of NGO's in the performance of governmental functions is given premium, on the belief that State objectives like the preservation of peace and the realization of peaceful co-existence will be attained.

Note

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Soft Power and Struggles for Leadership: The United States, Russia and China

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Abstract

This article argues that struggles for global leadership and soft power are at the center of gaining consent of the ruled. The United States once led the world in leadership. It is now facing serious challenges because of its own doing. The Iraq War (2003) was a disaster, not just for American power projection, but for its global standing. The political soft power vacuum was an opportunity for great powers. The rise of China and the resurgence of Russia opened new fronts in their quest for global leadership. Without followers, one cannot be a leader. This makes the battle for weak states part of the international system.

Keywords: *foreign policy, culture, Iraq, Russian soft power, Chinese soft power, American soft power*

1. Introduction

Leaders need followers. Followers can be coerced but it is far more economical and wiser to simply gain consent. Gaining consent of the ruled requires soft power. This article argues that struggles for global

leadership is currently at the center of international relations and reflects the new multipolar international order (Brooks and Wohlforth, 2016; O'Hanlon, 2019; Haass, 2017). This might be due to the vacuum left by the United States due to its relative reputational decline after the Iraq War (2003). The Iraq War was a disaster, not just for American power projection, but for its global standing. The United States once led the world in leadership, but now is facing serious challenges because of its own failures. The political soft power vacuum is an opportunity for great powers to expand their influence. This fact is essential in China and Russia's own quest for global leadership. Without followers, one cannot be a leader. This makes the battle for weak states part of the international system. All cultures have something special and unique about them, and this is true for Russia and China. Exporting culture around the world is necessary to seduce potential followers away from the United States. This article will analyze soft power as it relates to the United States and illustrate its loss during the 2003 Iraq intervention. Next, it will illustrate Chinese and Russian soft power as it relates to the loss as part of a wider strategy of systemic transition. China has an incredible history and will have great success exporting its culture to the rest of the world. The same can be said about Russia. These two states must increase their soft power in order to replace the United States as a hegemonic power.

2. Soft Power Defined

Niccolò Machiavelli warned leaders against worrying about being liked. He suggested that it was better to be feared than to be loved. He also says, that "a wise prince should establish himself on that which is in his own control and not in that of others; he must endeavor only to avoid hatred..." (Machiavelli, *The Prince*, XVII). With reputation costs (costs to soft power), lack of evidence proving Iraq had Weapons of Mass

Destruction, growing discontent for the prolonged Iraq war and the growing U.S. debt, the Bush administration adopted a softer, more multilateral and cooperative approach. This approach is closely related to the theory of Neoliberal Institutionalism. This theory (discussed by Robert Keohane in his book *After Hegemony*) understands that even the strongest states benefit from cooperation, citing the Ricardian theory of comparative advantage. Going alone is not an optimal approach. Rather, multilateral cooperation that allows for some burden sharing forces actors from their comfortable free rider position. Leadership, or Soft Power, is fundamental to this strategy. It is a novel and inventive way to deal with violent actors within the global sphere.

Soft power is an important part of protecting state interests. Also known as reputational power, states must be able to maintain a positive perception. It is “...the ability to affect others through the cooptive means of framing the agenda, persuading and eliciting positive attraction in order to obtain preferred outcomes” (Nye, 2011: 21). The United States provides an excellent example, with its political and economic system, but also its entertainment (movies, music and celebrities). Today’s revisionist powers like Russia, Iran and China boast great histories, cuisine, culture, literature and so forth. All states, even the ones that we have come to know as aggressive, have soft power to some degree; something of value and a source of pride. This article will define soft power in relation to these actors. It will argue that the blunders and perceived crimes against international law hurts the United States and its projection of power as a global leader. Specifically, the disastrous war with Iraq in 2003 led to this degradation in American reputation and influence. Like all power, soft power may dwindle if not used correctly to maintain specific political goals in the defense of state interests. The reduction of American power creates a vacuum, a soft power political vacuum, for competing states. While the likelihood of the United States

losing its soft power completely is highly unlikely (it is intangible after all), we must understand the ramifications of vacuums within an international system in transition.

Joseph Nye defined the term soft power as it relates to achieving foreign policy objectives. In his book *Soft Power: The Means to Success in World Politics* Nye asserts that soft power "...rests on the ability to shape the preferences of others" and is integral to "...shape the preferences of others" (Nye, 2004: 5). It is the ability to influence and attract others so that they in turn will follow. Nye argues that it is better to gain without using carrots and sticks, instead first relying on admiration. Nye argues that "seduction is always more effective than coercion and many values like democracy, human rights and individual opportunities are deeply seductive" (*ibid.*: x). Power is therefore not simply military capability, but rather, is the ability to seduce other actors to follow.

Edward Hallett Carr, a Classical Realist also understands soft power to be a valuable tool of foreign policy. He refers to Soft Power as "power over opinion" and acknowledges that it "...is therefore not less essential for political purposes than military and economic power and has always been closely associated with them" (Carr, 1978: 132). This kind of power is crucial to gather allies, to pursue interests, and to delegitimize enemies.

Soft power may be promoted through history and culture, music and movies, or through institutional political example, such as American democracy or Scandinavian socialism. Nye ultimately illustrates this in the powerful example of the Czech response to the American film *Twelve Angry Men* and its critical portrayal of the American judicial system: "If that country can make this kind of thing, films about itself, oh, that country must have a pride and must have an inner strength, and must be strong enough and must be free" (*ibid.*: 17). In that case, all

states have some soft power, something a state has as a point of pride. This will be discussed later.

The United States prides itself on its reputation. People around the world admire its constitution and separation of powers, modeling their own system to the United States (Blaustein and Sigler, 1988: xiv). Other states call upon it for assistance in troubled times. The United States is a frontrunner in commerce, music, movies, technology, and education among other major items that make a state a world leader. Education is the most important factor. The best and brightest foreign students are attracted to the United States to study. They then choose to go back to their home countries to work and spread their positive (in this case at least positive) experiences or stay in the United States. In all, the United States boasts cultural values enshrined in political institutions that help project an overall positive reputation in the international community; especially those states who are not antagonized by the United States due to conflicts of interest.

The United States also has a very bad reputation, a more reprehensible side. Those states that are on the opposite end of the international system's balance of power will at times face its wrath. In 2019, the United States implemented tariffs on China, sanctions on Russia, and is threatening to act militarily against Iran. The United States reputation in the Muslim world is also low. It is safe to say that the 2003 Iraq War decreased the United States' standing with the rest of the world, especially in Islamic majority states. The United States is seen as an imperialist nation (Ahmad, 2004). United States action was predicated on its expansion in the world since the end of the Cold War. Most importantly, soft power is about accomplishing political goals without spending military or economic resources. It is about gaining through consent and attraction without coercion. Nye argues against the danger of arrogance saying "...attraction can turn to repulsion if we act

in an arrogant manner and destroy the real message of our deeper values (Nye, 2004: x). He argues that while the Iraq War in 2003 did remove a tyrant from power, it was immensely costly to United States' soft power. Morgenthau argues that "good motives...do not guarantee the moral goodness and political success of the policies they inspire" (Morgenthau, 1985: 6). The following section will discuss the ramifications of this war on American soft power.

3. Soft Power Vacuum: The Impact of the 2003 Iraq Invasion on American Reputation

To understand the impact of the Iraq War (2003) on American soft power, one must first understand the identity of the United States throughout its foreign policy history. Indeed, soft power is about identity, not simply self-perception, but the perception others have about you. People only consent to follow if they like or approve of the leader. If not, they will seek out others to lead. This section will argue that negative actions done by the United States provide an opportunity to other great powers seeking the position of global leader.

Ironically, bringing democracy to Iraq is a violent imposition of American soft power on Iraq. But did this signal a departure from American projection of power? Historically, the United States interprets its action as inherently good for themselves and the world. The belief in exceptionalism, the idea that American ideals are ultimately beneficial to all, is the chink in the armor of American soft power. The trauma of 9/11 led many to believe that the United States had a moral duty to convert the world to democracy for their own security. President Bush's Neoconservative Realist "Fukuyama plus Force" made examples of Afghanistan and Iraq, isolating traditional allies: it is defined by unilateralism, preemption and idealism. This was seen as Bush's

transformation and contribution of U.S. Grand Strategy. However, given the history of the United States, it was not so much a revolution or a change in doctrine, but rather a continuation of history. This sentiment can be seen as far back as the birth of the United States, specifically the post-independence settler movement into Transappalachia. As historian Walter Nugent describes: “Stubbornness, conviction that the West belonged to them, and a willingness to double-cross their allies helped the American team greatly. Idealism in rhetoric from the start, this was the American contradiction. This deep belief that that America had a right to all that land – the sense that America was exceptional – was already in [their] minds...” (2008: 40).

Since its inception, the United States has fundamentally transformed itself from a unilateral isolationist power to unilateral global policeman due to threats, real or imagined. New formulations which take into consideration new threats, continuing to shape U.S. foreign policy. Acting as a world policeman may seem in the best interests of the world, but when put to the test, the unintended consequences harm American identity and reputation. The Bush Revolution failed to establish permanence due to the costs, but also because of this tendency. Given this, and growing unpopularity of Bush’s actions, one can conclude that the Bush Doctrine was simply a traumatic response to an act of terrorism relatively unknown to the American people.

The violent imposition of soft power can be understood as a neoconservative strategy, one that combines Offensive Realism and Wilsonian Liberalism. Offensive Realism, (coined by John Mearsheimer in his book *Tragedy of Great Power Politics*) dictates that every state’s purpose, regardless of size, is to dominate others to avoid domination. This, combined with Wilsonianism, the theory which postulates that the world can be remade through the impartation of domestic Western

liberal values, created the Bush Doctrine. The U.S. faced no other superpower, presenting ample opportunities to form a democratic world by any means. This is a particularly ugly foreign policy strategy as it shows the hypocrisy of the United States. On one hand, you have the gross use of force to implement American interests under the guise of democracy. Said differently and more precisely: "...it becomes apparent that it is the policies of successive US governments that are so hated: the manner in which the world's sole superpower tends always to get its way; its sometimes brutal foreign policy and profitable project of globalization; its support for tyrants while mouthing the language of democracy and human rights; and the way it uses local proxies to dominate the world order" (Booth and Dunne, 2002: 2).

The high costs of the war forced the Bush administration to change its tactics to improve American reputation. The 2003 Iraq war also hurt American reputation with traditional allies like France and Germany. President Obama hoped to restart relations with the world by recovering the soft power lost by the United States. His aim was to "rebuild alliances, partnerships and institutions necessary to confront common threats and enhance common security" (Obama, 2007: 5). He wanted to work with other states, not against them, making compromises over unilateral action. However, even this strategy resulted in strategies that degraded American soft power. The multilateral yet violent interventions in Libya is a case in point. In the case of Syria, Obama sounded more like Bush than himself:

I'm confident in the case our government has made without waiting for U.N. inspectors. I'm comfortable going forward without the approval of a United Nations Security Council that, so far, has been completely paralyzed and unwilling to hold Assad

accountable...failed to pass a resolution with a similar goal, even as the Prime Minister supported taking action.

(Lindsay, 2012: 765)

There remain elements of neoconservatism in Obama's foreign policy, regardless of his desires to engage with enemy states and personalities like Muammar Gaddafi (Walt, 2011). Such a fact cannot go unrecognized by the states of the international system. It is a continuation of Bush's strategy.

In 2019, the President of the United States is Donald J. Trump. His reputation is not the kindest and the full effect of his behavior and policy cannot be truly understood or appreciated yet. He seems to be taking a defensive realist position. He has not carried out any new interventions and is seeking to wind down American presence in the world. He uses economic power, not military power, to achieve his international political goals. As a result, Trump marks a departure. Within this departure from global affairs, there may be an opportunity for China and Russia to expand their own influence and leadership in the world. The following sections will discuss the soft power of both China and Russia, while maintaining that the history of American interventionism has caused a vacuum in soft power. All great powers see themselves as exceptional, as inherently good and made for global leadership. In this regard, soft power must be studied as part of the wider struggle to strengthen material interests.

4. Chinese Soft Power: Filling the Vacuum

In 1997, a representative from the Asian Development Bank, described Chinese soft power saying, "when it comes to soft power, it will take much longer before it can make a an impact close to what the United

States enjoys now” (quoted in *Emerging Asia* 1997: 11). This time has come. It seems plausible now due to the vacuum left by the United States and the abundant wealth China now enjoys from its prolonged period of economic growth. Now, China has become a major revisionist power in the international system. It hopes to change the rules of the international system to gain for itself a leadership position in the world (Gilpin, 1988). Its soft power will be a major part of filling the void left by the United States, this requires going on the charm offensive. To its credit, it has been quite prolific in this department. The current geopolitical context of Chinese foreign policy is a world away from the Mao era. China is no longer the insular Maoist state but has opened up to the rest of the world. As China increased its presence in the world, we begin to understand the need to protect and enhance the reputation of the country.

China’s reputation began to improve in the mid-1990s (Cho and Jeong, 2008: 454). It was understood that in order to be a world leader, a state would need to have some cultural presence in the world (*ibid.*: 457). In 1999, Huang Shuofeng wrote and published a book called *Theory on Comprehensive National Power*. In it, Huang describes all aspects of state power (military, economic, diplomatic, etc.) and its coalescence into a coherent state strategy (described in *ibid.*). Another scholar, Ye Zicheng argues that the Soviet Union collapsed not due to economic reasons, but because of its weakening soft power and influence in the world. Ye also argues that all sources of power must be increased together for the state’s own longevity (*ibid.*: 458). Pang Zhongying, another scholar from China, proposes improving reputation at home through institutional building and may also correspond to current international institutional building (*ibid.*).

Soft power expounds on the exportation of culture. Such an endeavor was first mentioned by a major leader in 2007 when then

Premier Hu Jintao declared “The great rejuvenation of the Chinese nation will definitely be accompanied by the thriving of Chinese culture” (quoted in Albert, 2018, *cfr.org*). Chinese soft power is predicated on these areas: “cultural attractiveness, political values, development model, international institutions, international image, and economic temptation” (Li & Worm, 2009: 1). There are now many cultural enterprises led by the Chinese government to extol the goodwill of the Chinese state. The *One Belt, One Road* project is one, but more importantly is the cultural aspect of power. There is also something to be said about the Chinese economic model called the Beijing Consensus. This strategy combines the developmental model with foreign policy like the Washington Consensus (*ibid.*: 462). Exporting a model of development will unite much of the world attracted to state led development strategies.

The focus on culture is the real area of concentration for China; and China boasts a beautiful history that once dominated much of the world economy centuries ago. There are three major ways China is exporting their culture to the rest of the world:

- *Confucius Institutes*: China opened the first Confucius Institute in 2004 in Seoul, South Korea. As of January 2018, there were more than five hundred institutes scattered around the world. The centers, nonprofit organizations affiliated with China’s ministry of education, provide Mandarin language courses, cooking and calligraphy classes, and celebrations for Chinese national holidays. The institutes echo cultural associations like the United Kingdom’s British Councils, France’s Alliance Française, Germany’s Goethe Institute, and Spain’s Cervantes Institute. The Confucius Institute partners with universities, typically with a minimum of \$100,000 in annual support for

programming, while Confucius Classrooms are established with primary and secondary institutions.

- *Educational exchanges*: China has become a top destination for international students. It ranked third among the world's most popular study destinations in 2017, according to the Institute of International Education. The majority of international students pursue self-funded courses of study; however, the China Scholarship Council provides student financial aid to not only Chinese students going abroad, but also to foreigners coming to China. More than 440,000 international students from 205 countries studied in China in 2016. They came primarily from South Korea, the United States, Thailand, Pakistan, and India, based on statistics from the China Scholarship Council, which is affiliated with the Ministry of Education.
- *International media*: Beijing has thrown its weight behind its foreign language news outlets to establish greater control over narratives about China. This allows Beijing to reach a broader audience for not only high-profile summits between Chinese leaders and their foreign counterparts but also for China's more underreported activities around the world. The government's primary news agency, Xinhua, has grown to 170 foreign bureaus and has plans to reach 200 by 2020. *China Daily* and *Global Times* publish English language editions available worldwide. CCTV, the state television broadcasting news service, rebranded itself as China Global Television Network in December 2016 and broadcasts six channels, two in English and others in Arabic, French, Russian, and Spanish, with reporting teams in more than seventy countries. China Radio International broadcasts 392 hours of programming a day in thirty-eight languages from twenty-seven overseas bureaus (*ibid.*).

China is thus bolstering its standing around the world by offering the best of itself to the world. This actively competes with the United States as well as Russia's own charm offensive. As we will see, Russia's soft power offensive has more to do with justifying its actions of expansion around the world and less about the beauty, intellectualism and charm of Russian culture (see below). China wants to offer its best self to the world and this is most demonstrated by one of the world's favorite animals: the panda bear.

For decades, the People's Republic of China has used their national animal, the panda, to promote good relations with states globally. The United States received a pair of pandas in 1972 as part of President's Nixon's diplomatic trip. In 1975, China also gave two pandas to Mexico: Shao Shao and Qiang Qiang. Their three cubs are still alive and living there. States do not own these beautiful animals, rather they are lent or leased as part of the Chinese goodwill program. In the 1980s, the cost was \$50,000 per month, per panda or \$600,000 a year (*The Economist*, 18 January 2019). Today, the cost has risen significantly and vary from country to country, some costing up to \$1 million a year (Chughtai and Maglio, 2017, *Al Jazeera*). The Panda may be part of a coercive diplomacy strategy. In 2010, then US President Obama visited the Dalai Lama. In response, China took back the Pandas (*The Economist*, 18 January 2019). This intended to punish the United States by taking away the popular creature.

Of national animals, the panda is the most loved. Unlike other animals like the American eagle and the Russian bear, the panda is warm, cute and even clumsy. Videos on YouTube show the panda, and panda babysitters, as part of an endearing and charming culture. While other animals, eagles and bears, tend to kill and devour less powerful creatures, the panda eats bamboo and really wants to be left alone.

Making the connection then, the identity of China and Chinese power is benign. When the panda is used as part of Chinese diplomacy, these connections are also made. According to Wang (2017), the panda has a multiplicity of meanings:

Pandas have become a symbol of China and they are really significant to the Chinese culture. From the eyes of the Chinese people, pandas are like warriors because of the qualities they possess. Pandas are able to find food for themselves, climb trees, and withstand extremely cold temperatures. It has even been said that pandas are as strong as tigers. This proves that they are tough, like warriors, and China wants to be seen in that way as well. In addition to symbolizing strength, the panda also symbolizes peace and friendship because they have a gentle temperament and aren't known for attacking others. Also, the black and white color of the panda is seen as the physical representation of Yin and Yang, and how the balance between these two bring about harmony and peace. Furthermore, pandas are significant to the Chinese people because they are seen as neighbors, since both Chinese people and pandas resided in China in the early ages of time. Many works of literature include the panda. This animal is also believed to have powers to combat evil spirits. Therefore, news of pandas being born is really exciting for the Chinese because the panda is really significant in both Chinese history and culture.

(Wang, 2017, *thedailychina.org*)

These creatures are important to the state and this specific description is meant to inspire those to follow. Like any national symbol, it is designed to promote Chinese soft power around the world. Promoting their significance also encourages Chinese citizens to be proud of their heritage.

To many, China's foreign policy presence does not resemble a panda, but an aggressive dragon, flexing its muscles in the South China Sea (Harris, 2015). China's island building in the South China Sea is a direct threat to other states in the region like Japan and Taiwan (Ross, 2017). Its claim over the entire nine-dash line brings it into conflict with states Japan, the Philippines, Taiwan, Vietnam, Brunei, and Malaysia (*ibid.*). The sinking of Vietnamese fishing boats also points to this aggression (*ABC News*, 8 April 2020). So even as China tries to create a peaceful image through soft power projection, its aggression toward its neighbors paints an entirely different picture.

5. Russian Soft Power: A Long, Exceptional History

Like China, the history and culture of Russia is one of greatness. From Catherine the Great to Vladimir Putin, the state of Russia has strived to communicate strength in adversity. Russia enjoys a unique position in the world, and like the United States, Russia thinks itself an exceptional power. The state is not European yet not Asian; it sits on the crossroads (Slobodchikoff and Davis, 2017: 21). It is the older brother that leads other Slavs to the promise land and sees itself as the protector of the Orthodox Christian church. Russia also presents itself as an alternative to Western modernity and the nihilism associated with it (*ibid.*: 22). Russian soft power thus espouses a more traditional sense of belonging, a nationalist pride that combines Russian Christian Orthodoxy, philosophy, language and history. Russia hopes to use this soft power for leadership purposes.

Russia spreads its soft power through bilateral relations with neighbors like Belarus, Armenia and Kazakhstan. Further, institutions like the Commonwealth of Independent States and the Eurasian Customs Union greatly assist Russia in its protection of its interests. These

organizations are led by Russia and promote proper relations with regional players. Globally, Russia implements several enterprises that help protect its interests and reputation. The Institute for Democracy and Cooperation forwards good Russian acts and, simultaneously, any desecration of democratic values and norms done by Western powers. This is a continuation of Soviet *whataboutism* developed to illustrate the double-standard presented by the United States and European powers (*ibid.*: 31). It is a method of deflecting, to show that while Russia breaks international norms and laws, the Americans do the same. As a result, it is acceptable.

Russia is also increasing economic aid like the United States and China albeit on a smaller scale. Russian aid quadrupled since 2010, from USD\$231 million to USD\$902 million in 2015 (Asmus, 2018, *Aiddata*). This aid goes to states in East and Central Europe, but also Latin America and Africa (*ibid.*). Aid was sent to Serbia after flooding left many homeless (Robinson, 30 November 2014). This aid was distributed through the Serbian-Russian Humanitarian Centre, meant to improve Russian standing with the rest of the world, but also consolidate good relations with Serbia.

Russia is also installing think tanks around the world to help improve its image worldwide. The Swedish Defense Agency published a report in 2017 entitled “Russian Think Tanks and Soft Power” which made the connection between Russian money to improve global reputation. The funding for these think tanks is directly and indirectly funded by the government of Russia, from government grants to private enterprise seeking to gain good standing with the government (Pallin and Oxenstierna, 2017: 17). The major finding of the report follows:

...the think tanks that take on less of an advocacy role in their messaging tend to be the ones with the best relations with Western

researchers. Their experts are sought after as speakers at conferences and roundtables around the world and their access to Russian government circles adds to their attraction as cooperation partners. The think tanks that are more propagandistic tend to end up creating networks with experts, organizations and institutes in the West that are less mainstream.

(*ibid.*: 4)

The report concludes that the Russian state is indeed attempting to bolster its standing with the rest of the world as part of an overall battle for global influence against major American and European players. One such think tank, the Russian Institute for Strategic Studies, is entirely state funded and provided a state perspective for the current Ukrainian conflict. It is involved in several states including those of the BRICS: Brazil, India, China and South Africa (*ibid.*: 30). It also has a scholarly journal called *National Security Strategy* which encourages all to participate with one caveat: “The RISI team feel free to express their patriotic positions and invite everyone for cooperation. Everyone who is fond of Russia” (quoted in *ibid.*: 30). There are nine other cited think tanks, all presenting a certain interpretation of Russian foreign policy (*ibid.*: 22).

As part of an overall strategy, Russia understands that its foreign policy goals are counter to the status quo. It is seeking to stop its containment by the United States and Europe. One article in *National Security Strategy* (see above) understands this and tries to defend Russian action in Ukraine as part of a reaction to aggressive anti-Russian sentiment: “The support of United States and the European Union for an anti-constitutional coup d’état in Ukraine resulted in a deep-going divide in Ukrainian society and that an armed conflict began” (*National Security Strategy*, 2015: 17). Another Russian state-sponsored

publication is *Foreign Policy Concept* which argues similarly in its defense of Russian reputation:

Delivery to the international community of unbiased information about Russia's perspectives on key international issues, its foreign policy initiatives and efforts, processes and plans of its socioeconomic development and Russia's cultural research achievements is an important element of foreign policy activities of the Russian Federation. Russia seeks to ensure that the world has an objective image of the country, develops its own effective ways to influence foreign audiences, promotes Russian and Russian-language media in the global information space, providing them with necessary government support, is proactive in international information cooperation, and takes necessary steps to counter threats to its information security. New information and communication technology is used to this end. Russia is intent on promoting a set of legal and ethical forms regarding the safe use of such technology. Russia asserts the right of every person to access unbiased information about global developments and various points of view. Greater participation of Russia's academics and experts in the dialogue with foreign specialists on global politics and international security is one of the areas of public diplomacy development.

(Foreign Policy Concept, 2016: 46-48)

Here, one can see that Russia's main aim is to communicate its position relative to others in the fight to protect its reputation. Many in the Western world see Putin as an evil man. American media portrays Putin as a Hitler of sorts, annexing states without any known appreciation for reasons. For many, Putin is the main reason Trump is in office due to his "hacking" of the election. *CNN*, a media source that describes itself as

the “most trusted name in news” is one media outlet that pushes this specific story (*CNN*, 2 May 2019). One notation described the interference: “Putin ordered a multifaceted influence campaign that included spreading pro-Trump propaganda online and hacking the DNC and Podesta. Bracing for a possible Clinton win, Russian bloggers were prepared to promote a hashtag #DemocracyRIP on election night. Paid social media users, aka “trolls,” shared stories about Clinton controversies to create a cloud of scandal around her campaign” (*ibid.*). Russia thus feels it necessary to defend its reputation against these, and other such accusations, to protect itself and its soft power.

Russian soft power is all part of a wider grand strategy. Bolstering soft power must be done alongside any military action. The identity of Russia is carefully intertwined with any narrative formulation. For instance, while Russia boasts this long history, it is one that presents itself as a victim. Russian action in Chechnya, although in Russian national interest and part of a defensive strategy safeguarding Russian territorial integrity, was seen as particularly brutal by the Western world (*BBC News*, 7 December 1999). The 2008 war with Georgia also hurt Russian reputation. In this case, the Russian state argued for the intervention to protect the lives of minorities and separatists in Georgia. These minorities (South Ossetians and Abkhazians) sought Russian citizenship. Simultaneously, Georgia was attempting to get membership in the North Atlantic Treaty Organization (NATO) alliance. This alliance was designed to contain Russia, an act that could not be tolerated from the Russian perspective. This led to the war.

Turning away from Russian soft power may come with a price. Georgia and Moldova, for instance, decided it would be in their best interests to gain closer relations with the European Union. The patterns we saw in the Georgian war were repeated in the case of Ukraine. From the Russian perspective, Russia acted against Ukraine annexing Crimea

because of Ukraine's increasingly closer relations with the European Union. The European Union is not just an economic union; it is a political one as well. Russia perceives itself as caged. If Ukraine became part of the European Union, then their buffer with the Western world would be eradicated. This vulnerability could no longer be tolerated. Also, Ukraine had Russian minorities, any intervention could be predicated on their needing protection.

While these matters seem to be in Russian self-interest from their perspective, the international community widely came out against Russia. Specifically, the United Nations General Assembly passed resolution 262 which argued for the territorial integrity of Ukraine. This resolution "Calls upon all States, international organizations and specialized agencies not to recognize any alteration of the status of the Autonomous Republic of Crimea and the city of Sevastopol on the basis of the above-mentioned referendum and to refrain from any action or dealing that might be interpreted as recognizing any such altered status" (UN Resolution 68/262, 7 March 2014). In response, Putin has argued that the world, more specifically the United Nations, is against him:

We all know that after the end of the Cold War — everyone is aware of that — a single center of domination emerged in the world, and then those who found themselves at the top of the pyramid were tempted to think that if they were strong and exceptional, they knew better and they did not have to reckon with the U.N., which, instead of [acting to] automatically authorize and legitimize the necessary decisions, often creates obstacles or, in other words, stands in the way...

(The Washington Post, 28 September 2015)

While there may be some value in presenting itself as a victim in all this, Russia has indeed hurt its soft power reputation around the world. You are not going to win any hearts and minds with great power politics from the 19th century.

6. Analysis and Synthesis

Since the 2008 financial crisis, scholars have argued that the international system is shifting from a unipolarity to multipolarity (Brooks and Wohlforth, 2016; O'Hanlon, 2019; Haass, 2017). Multipolarity argues that the United States is in relative decline and that China and Russia are rising absolutely. As a result, China and Russia may expand their influence at the expense of the United States. The Chinese state in the past forty years has invested billions of dollars to improve their media projection including a positive online presence through comment policing, hosting the Olympic Games in 2008 and funding Confucius Institutes and Chinese language speaking schools globally. Panda Diplomacy fits into this effort as an integral part of Chinese foreign policy and soft power reputation. When it comes to competing for global leadership, China has a better chance of taking the helm than Russia. Russia lacks the charisma, the economic power, and the overarching, long-term strategy of China. If Russia does not get its way, it is willing to use military force regardless of the cost. This is, in the short term, incredibly damaging. For this reason, this section will focus on Chinese soft power and foreign policy. China is far more willing to bide it's time to do the more controversial tasks such as reunification with Taiwan, although that strategy has changed recently with Xi Jinping (*The New York Times*, 1 January 2019). Further, China is increasing its presence in the world to accustom many of its key actors to their leadership and prepare for its peaceful rise to dominance.

The United States and China are engaged in a fight for global institutional leadership. China's *One Belt, One Road* scheme is an effort to supplant the United States and its Bretton Woods Institutions as the global hegemon. This effort is carried out through economic means through loans and aid. In response, the United States is increasing its aid efforts. The US BUILD Act (Better Utilization of Investment Leading to Development) is an effort to balance against China's strategy and defend its position as hegemon (Runde and Bandura, 2018). The battle is thus not violent but based on economic means and reputation.

Despite its origins, the People's Republic of China has experienced remarkable growth for several decades and has considerable political clout. The *One Belt, One Road* venture gained members across the world from Asia, Europe, Africa and Latin America. This comprises the Middle East (the Saudi Arabian-China refining deal) as well as Europe (Deutsche Bank, 2 April 2019). Italy is now a signatory to this program. China's main objective is to open markets to its exports to decrease any exposure to the United States. Given the current trade war climate, it is in China's interest to find new buyers for its goods. There are other purposes such as access to energy resources such as coal, oil and gas (Lelyveld, 2019).

By opening markets and lending, China now enjoys global influence. Loans are in yuan (*Financial Times*, 29 November 2015). This is also beneficial because it may and may weaken the United States dollar, possibly replacing it as world's reserve currency. Further, if a state does default on its loan, China may undermine that state's sovereignty through different readjustment policies. Examples include:

- In 2011, China reportedly agreed to write off an unknown amount of debt owed by Tajikistan in exchange for some 1,158 square kilometers of disputed territory.

- In 2011, with Cuba in a desperate economic situation and seeking debt relief, China, its largest single creditor agreed to restructure between \$4-6 billion of the debt...it reportedly included an agreement by China to extend additional trade credits and financing for port rehabilitation.
- Sri Lanka was unwilling to service an \$8 billion loan at 6 percent interest that was used to finance the construction of the Hambantota Port. China agreed in July 2017 to a debt-for-equity swap accompanied by a 99-year lease for managing the port (Hurley *et al.*, 2018).

China is thus gaining political power through the failure of states to pay back loans. Weak states need financing to develop, pursue state goals and protect interests. The International Monetary Fund (IMF) may offer the same loans but they come with structural adjustment programs which are unpopular (Kassab, 2015). This has proven difficult for ruling regimes and may increase social instability. Chinese loans do not come with any structural adjustment programs. In terms of political hegemonic pursuit, China's strategy may be more successful.

Using economic power, China is maintaining control over the economies of weak states in the international system. By doing so, it could have a global position and push aside the United States. To consolidate its position further, China is creating its own international banks to rival the United States' Bretton Woods institutions. This is in part because of the United States' rejection of increasing China's voting rights at the International Monetary Fund (*Reuters*, 12 December 2014). Playing the great power game of Go, China is dominating the board of international relations (Kassab, 2017).

In total, China's *One Belt, One Road* leads 65 states, 4.4 billion people and approximately 40 percent of global GDP (Wade, n.d.). In response, the United States perceives this strategy as a threat to its own hegemonic position. The US BUILD Act is an effort to defend this position. It aims at fighting China's influence. Secretary of State Mike Pompeo states: "The Act provides opportunities for American companies to compete overseas and create jobs here at home, a critical component of the President's national economic strategy. BUILD strengthens the U.S. government's development finance capacity, offering a better alternative to state-directed investments and advancing our foreign policy goals" (quoted in Runde and Bandura, 2018). The term "state-directed investment" is directed at China and its model of state development which marries state goals with economic policy to increase and project global power and influence. In other words, without mentioning China, the United States is trying to curb Chinese influence and loan practices by offering alternatives. Hence, countering Chinese economic influence is a major goal for the United States.

The US BUILD Act fundamentally balances against China's *One Belt, One Road* project. By granting financing to weak states, the United States may lure weak states away from China. The institutional competition will be an ongoing part of international relations albeit rather than multilateralism, bilateralism may be the future of hegemonic activity.

China has a very long way to go when it comes to global standing. Several issues stand out as very serious. The first is its chronic pollution and environmental degradation issues. China has surpassed the United States and currently sits as the world's number one polluter. Scholars from the Chinese University of Hong Kong estimate that 1 million people die per year in China due to pollution (*South China Morning Post*, 2 October 2018). Second is its treatment of minorities, both

religious and ethnic. The Falun Gong continues to be persecuted alongside Christians and Muslims. Most serious is the recent internment of one million Uighur Muslims (*BBC News*, 24 October 2018). There is also monitoring of Uighurs in their own homes by government security forces (*NPR*, 7 May 2019). Connected to this is Hong Kong's own struggle against China's extradition laws (*BBC News*, 10 June 2019). Hong Kong was promised that there would be no change to its internal politics for 50 years. This proposed extradition bill seems to renege on that promise. Of course, the argument could be that Hong Kong is under Chinese jurisdiction and must accept changes to its laws. This does hurt the reputation of China and does damage to its trust.

Internationally, states are developing trust issues with China which might hurt its ability to lead in the future. Around the world, states are defaulting on Chinese loans and states must surrender some sovereignty to China in return. A 2019 Lowy Institute Poll measuring Australian's attitudes toward the world placed trust with China at a fifteen-year low (*South China Morning Post*, 26 June 2019). All of these issues will play an important role in determining the viability of Chinese global leadership. Yet, as long as China balances its coercion with consensual power, there may be success. Any great power must be able to demonstrate power and seduction. Power, even soft power, is about dominance and, as a foreign power, states and nations will always hate outside interference. Chinese exceptionalism may become a major force in global politics on par with the United States in the future. If the United States insists on strategies like Iraq in 2003, Libya in 2011, etc., then Chinese dominance may be welcomed.

Like the United States and China, Russia has failed to see the reputational costs that come with aggression. Those states and peoples in support of Russia are those already with a pro-Russian mindset. In 2019, a poll concluded that a majority of Russians approve of the annexation

of Crimea. However, Russian citizens are concerned with the harmful economic consequences of sanctions and other costs associated with negative reactions (*Radio Free Europe*, 3 April 2019). Hence, the Russian people are worried about their state's overall standing with the rest of the world. Soft power and the battle for public opinion is at the forefront of state interests in this century. Russia and China must perform a sort of "sleight of hand" when it comes to any expansionist adventure. To recall, the status quo as we know it today is a product of American power. This means any violation of international law such as sovereignty must be done with an equal and proportionate good deed. To overturn these rules would be in any revisionists' best interests. Thus, the United States, Russia and China might be able to maintain a positive reputation in the world.

7. Conclusion

As a superpower and former unipolar hegemon, the United States has global interests; it is everywhere. This is going to be an issue for states like Russia and China, states that are seeking to themselves expand to protect their economic and political interests. This presents a real problem for the international system. Both Russia and China seek to change certain parts of the system through soft power means because they see the system as unjust, and not in their interests. The United States does not want the system to change because it suits its interests. These issues might instigate a war, but it also presents an opportunity for slow change. However, since weak states are essential to control the international system, and these three great powers are trying to win their hearts and minds, there may be an opportunity for weak states to extract as much gains from the system of competition as possible (Kassab, 2015, 2017). This might finally be the century for weak states.

Note

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China's Global Geopolitics

New Great Game in Central Asia: The Return of China

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Abstract

This paper focuses on the evolution of China's relations with Central Asia. The region has been of strategic importance to China. Prior to the discovery of the maritime route, Central Asia used to connect China to the outside world. The region was part of the ancient "Silk Road" that linked China with the Middle East and Europe. Therefore, various Chinese dynasties had made it a point to ensure the security and stability of Central Asia. For centuries China has been engaging the Central Asian kingdoms. However, the Chinese influence started to decline in the 19th century and eventually Russian influence monopolized the region. This study explores the resurgence of Chinese influence in Central Asia. It also discusses the growing influence of China in Central Asia within the context of the new great game which involves the power play between the major powers such as Russia and the United States. The paper focuses on China's contemporary interest in the region especially in view of the Belt and Road Initiative (BRI) and the revival of the "Land Silk Road". In addition, this study also looks into the prospects and challenges the Chinese BRI encounters in contemporary

Central Asia, and analyses the role of Shanghai Cooperation Organisation (SCO) in enhancing China's interest in the region. In conclusion, the study will look into China's interests and challenges in Central Asia.

Keywords: *Central Asia, China, Belt and Road Initiative (BRI), Shanghai Cooperation Organisation (SCO), Xinjiang*

1. Introduction

Central Asia has been a major concern of China in terms of trade and commerce, security, diplomacy, religion and culture for many centuries. In fact, prior to the development of the ancient maritime route, Central Asia was the gateway for China to the outside world. For centuries, the Chinese dynasties had established diplomatic missions and military outposts in the region.

Therefore, it is not surprising for China to continue focussing its attention on the political, security and economic development of the Central Asian states. This paper argues that China had already demonstrated a keen interest towards Central Asia prior to the disintegration of the Soviet Union in 1991 and it continues to do so till now. The Chinese started to explore the region as early as 2 BC; in fact, it was very much earlier than the Russian expansion into Central Asia in the 18th century.

This study aims to answer the following questions – first, historically what was China's interest in Central Asia? Second, what were the strategies adopted by the Chinese dynasties in the early dealings with the Central Asian kingdoms? Third, why is contemporary China still keen on Central Asia and how is China managing its relations with the current Central Asian republics. Fourth, what is the role of SCO

in the region? Fifth, what are the challenges contemporary China needs to overcome, especially in Central Asia specifically in promoting the New Land Silk Road via the Belt and Road Initiative (BRI)? This paper demonstrates that China has been an important player in Central Asia's politics and economy. Therefore, this study argues that it is not a new phenomenon for contemporary China to return as a revisionist power in the region.

The presentation of this paper is divided into four sections. It begins with a brief background of Central Asia. This section will primarily deal with the geo-strategic and economic importance of the region. Section 2 discusses the historical links of the Chinese dynasties in Central Asia. This section also focuses on China's past interest and strategies towards the kingdoms of Central Asia.

Sections 3 and 4 deal with the contemporary issues and challenges in the relations between China as a member of the SCO with the Central Asian republics. The objective of this paper is to analyse the continuity of China's engagement in Central Asia and identify the factors that influence China to return to the region in post-Soviet Union. In addition, this study analyses the strategies adopted by China in dealing with Central Asia. Lastly, this study concludes by highlighting the link between the past and present Chinese concerns in the region.

2. Geo-Strategic and Economic Importance of Central Asia

Central Asia is also known as Inner Asia or Middle Asia. The idea of Central Asia originated from the Russian concept of *Tsentral'naya Azia* or Central Asia which comprises Uzbekistan, Turkmenistan, Tajikistan and Kyrgyzstan (Dani and Masson, 1992). It is a landlocked region – bordering Russia to the north and west; China to the east; Iran and Afghanistan to the south. The concept of *Tsentral'naya Azia* was used by

the Russians to refer to the non-Slavic areas of Eurasian continent. The idea of Central Asia as a distinct region in the world was first mentioned in the works of Alexander von Humboldt, a German geographer in 1843.

Central Asia occupies an area of over 1.5 million square miles. Almost 60 per cent of the area is covered by desert. Kazakhstan is the largest state in Central Asia with over a million square miles whereas Tajikistan is the smallest state with only 55,000 square miles (McCauley, 2002). Central Asia has a large amount of oil deposit estimated at 200 billion barrels of oil or 20 percent of the world's total oil deposit (Shimizu (ed.), 1998).

The early inhabitants of the Central Asian region consisted of Huns, Turks, Indo-European ethnicities such as Scythians, Saka, Persians, Tocharians, Yuezhi, Wusun (Valerie, 2012). In addition, there are ethnic Mongols in Central Asia. However, the Turk population is among the largest in Central Asia. Hence, it is unsurprising that the region is also known as Turkestan or “land of the Turks” (Ahmed Rashid, 2003). Language and religion are the two factors that unite the peoples of Central Asia. Almost all the Turks in Central Asia speak the Turkic language. However, it is noteworthy to mention that apart from the Turkic language, other languages such Russian, Persian and Arabic are also spoken in the region.

Islam is the dominant religion in Central Asia. It was first introduced to the region by Arab traders in the 7th century. However, it was not until the 14th century that Islam was adopted throughout the entire region (Muhammad Anwar Khan, 2001). Prior to the arrival of Islam, other religions such as Buddhism and Zoroastrianism were practised in Central Asia.

In the past, the Turks established their empires, however, the Mongols led by Genghis Khan invaded the region in the early 13th century. Ever since then, the region had been under foreign occupation

until the late 20th century. By the 18th century, during the decline of the Mongols, the Russians started to expand its territory into Central Asia. Peter the Great from Russia invaded Omsk (modern Kazakhstan) in 1716 (McCauley, 2002).

By the end of the 19th century, the Russians were able to capture the entire region. After the Bolshevik Revolution in 1917, Central Asia was incorporated into the Soviet Union. With the disintegration of the Soviet Union in 1991, the five Central Asia republics gained independence. It is noteworthy to mention that although they are Muslims, administratively they practise secularism and have no intentions to establish an Islamic state.

Through the Belt and Road Initiative (BRI) launched by President Xi Jinping in 2013, China aspires to reconstruct the ancient Silk Road in Central Asia by sponsoring the building of modern highways and railroads that will connect China with the Central Asian republics. Similarly, China has forged trade agreements with the Central Asian republics. Caravans that travelled the ancient Silk Road have been replaced by pipelines, highways and railroads on the modern Silk Road.

In the past, China always considered Central Asia to be an important region for its security against foreign invaders such as the Mongols, Arabs and Russians. Similarly, at present China is concerned about the security and stability of Central Asia because it is challenged by the rise of Islamic militancy. China regards its security interests as advancing by its economic well-being (Ahmed Rashid, 2003). Unlike the Russians in the 18th century, China has never intended to establish any colonies in Central Asia. In fact, China continues the policy of peaceful co-existence and promoting joint development with its Central Asian neighbours.

3. Historical Links of the Chinese Dynasties in Central Asia

Geographically, Central Asia has always been a strategic region for China which is surrounded by the Gobi Desert and steppe-land to its northwest and the Tibetan Plateau at its Southeast borders. These two landmasses are obstacles for China to India and the Middle East. Therefore, prior to the advancement of ship-making and navigation techniques, Central Asia was the only way for the Chinese to get connected with the outside world.

China defines its interest in Central Asia in terms of security and economy. China sees itself as a historically active international player in Central Asia. Relations between China and Central Asia can be traced back to the Han Dynasty about 2000 years ago (Yom, 2005). The Chinese Emperor Han Wudi (141–187 BC) who expanded his empire into Central Asia had commissioned Zhang Qian, a Chinese explorer, to make official visits to Central Asia and seek out tributaries from the Central Asian kingdoms

Although Zhang Qian took almost 13 years to complete his tour of duty, he was one of the first Chinese to travel across Central Asia. The route taken by Zhang Qian later came to be known as the “Silk Road” which resulted in many historians regarding Zhang Qian as the “Father of the Silk Road” (Wild, 1992). The Silk Road was an ancient highway that connected China with the outside world; traders and merchants used the Silk Road to enter China (*ibid.*). China established and maintained its influence in Central Asia until the rise of the Russian Czarist Empire in the 19th century.

Zhang’s mission combined with Emperor Han Wudi’s military and diplomatic skills enabled the Chinese to exercise control over Central Asia and protect its interest in the Silk Road. It is noteworthy to mention that the tributary system in Central Asia initiated by the Han Dynasty continued despite of the collapse of the dynasty in 221 AD. In aftermath

of the fall of Han Dynasty, China was divided into several kingdoms. Though China was reunited under the Sui Dynasty in 581 AD, it was short-lived due to internal uprisings (Wright, 1979). Li Yuan, an aristocrat of the Sui Dynasty managed to defeat the uprisings and eventually established a new regime known as the Tang Dynasty in 618 AD.

The new dynasty faced serious external threats from the Eastern Turkish Empire (modern day Xinjiang) that constantly attacked the Chinese borders. However, in 630 AD under the command of Li Shimin, the second emperor of the Tang Dynasty (618-907), the Eastern Turks were defeated during the Battle of Yinshan. In order to further secure the Chinese interest along the Silk Road, the Tang Dynasty established Protectorate General of Pacifying North as an approach to control the vast steppe (Xiong, 2009). In addition, the Tang Dynasty expanded its military and political influence over the western region (Central Asia). The Tang Dynasty also set up the Protectorate General of Pacifying West which enabled the enhancement of its influence into Central Asia and secured Tang's control over Silk Road.

After the fall of the Tang Dynasty, the Silk Road remained as a major trading route connecting China with other civilizations. The Mongols succeeded in ruling China and established their own dynasty known as the Yuan in 1271 AD. In the same year, Marco Polo visited China via the Silk Road and met with Kublai Khan. The Yuan Dynasty lasted for less than a century, whereby in 1368 AD the local rebels, led by Zhu Yuanzhang successfully expelled the Mongols out of China and established the Ming Dynasty (1368-1644). It is interesting to note that during the early years of the Ming Dynasty, China conducted active diplomatic relations with neighbouring kingdoms in Central Asia and Southeast Asia. In fact, Emperor Yongle of the Ming Dynasty despatched Chen Cheng as his emissary to Central Asia. For example,

between 1414 to 1420, Chen Cheng led three diplomatic missions to the court of the Timurid Empire in Samarkand (modern Uzbekistan) (Tsai, 2002).

It is noteworthy to mention that during the early Ming Dynasty, China was politically skilful in dealing with the Central Asian kingdoms. It used diplomacy and established alliances with its former enemies such as the Mongols to establish a balance of power and safe guard its interest in the region. For example, Emperor Yongle defeated the Mongol Khanate and established the tributary system. It enabled the Ming Dynasty a safe access to the Silk Road. As mentioned earlier, the Ming Dynasty also established alliances with the Mongol Khanate and it acted as a buffer kingdom between the Ming Dynasty and the Timurid Empire. It was a strategic move which prevented the direct military confrontation between the Ming and the Timurid forces.

The strategy of tributary system adopted by the various dynasties had demonstrated the Chinese ancient method of international relations. Neighbouring kingdoms in Central Asia had paid tributes such as horses, gem stones, bows and arrows to the Chinese courts in exchange for China's gifts (Rossabi, 1975). These gifts from the Chinese dynasties such as silk, porcelain, lacquer, tea and medicine were usually much more valuable than the tributes received by China. By paying tributes to China, these kingdoms were granted the permission to trade with China (*ibid.*).

In addition, the tributary states, in return, received recognition and protection from the Chinese dynasties. This clearly shows that the tributary system was a win-win situation for both China and the Central Asian kingdoms. Through the tributary states in Central Asia, the Chinese dynasties such as Tang and Ming were able to balance the threat from the Turks and Mongols. It is noteworthy to mention that the tributary system was guided by loose agreements consented between the

Chinese dynasties and the tributary kingdoms in Central Asia. These agreements encompassed peace and trade with the Chinese dynasties which involved sending tributary gifts to the imperial court in China, sending top officials such as princes to the Chinese capital as special envoys, arranging royal marriages and creating military alliance against threats from the Eastern Turks and the Timur Empire towards Chinese economic and security interest in Central Asia.

In return, the Chinese dynasties would recognise the legitimacy of these kingdoms and provide them with military protection against threats from other local rulers. It is necessary to stress that these rules were based on the Chinese military capabilities. In other words, when the dynasties were strong, these rules would be implemented and adhered to. However, during the decline of the Chinese dynasties, these rules were not fully implemented. The Chinese dynasties also exercised influence in the domestic affairs of tributary states. Local rulers who challenged the rules were replaced with local princes who were pro-China.

Nevertheless, the Chinese dynasties still recognised the legitimacy of these kingdoms unlike the Western style of colonialization in the 19th century. Compared to Western colonization, the Chinese tributary system provided much freedom to the tributary kingdoms to conduct their own political systems and diplomacy. Another crucial point to highlight is that the aim of the Chinese tributary system was to maintain peaceful and harmonious relations with the Central Asian kingdoms as well as to protect the Chinese interest in the Silk Road. Unlike the Russian imperialism in Central Asia in the 19th century which aimed to maximize economic profit for Russia. It is noteworthy to mention that historically the Chinese dynasties had never ruled Central Asia directly, but these dynasties focused on getting local rulers, military leaders to cooperate with Chinese rules.

The decline of Chinese dynasties influence in Central Asia began in the 19th century during the Qing Dynasty (1641-1912). It was due to both internal and external turmoil that had contributed to the dynasty's withdrawal of its attention on Central Asia. These internal challenges included the constant uprisings of anti-Qing rule over China such as the Taiping Rebellion (1850 - 1864), Dungan Rebellion (1862-1877), and Nian Rebellion (1851-1868). In addition, the Qing imperial court faced issues of conservatism. The conservative Qing officials were persistent in retaining its ancient traditional practices. Their refusal to conduct any reforms led to the decline of China's power. This factor also deterred the Chinese from acquiring Western technology and scientific knowledge.

Some progressive Chinese officials within the Qing court embarked on efforts to conduct reforms and changed in accordance with time. It was initiated as a result of various humiliating defeats at the hands of the European powers. The effort was known as the Self-Strengthening Movement in China that occurred roughly during 1850-1890. The objective of the movement was to emulate Western science, technology and administration. Its ultimate aim was to transform China into a modern country like its contemporaries in European states.

However, this movement failed to gain the support of the conservative high officials of the Qing Dynasty such as the Empress Dowager Cixi (1836-1908). Emperor Guangxu (1871-1908) attempted another similar initiative of reformation and strengthening. Unfortunately, the reforms only lasted for hundred days. In addition, the external factors that caused the decline of the Chinese power were the attacks by foreign powers such as the British, French, Germans, Japanese and Russians. The Qing Dynasty suffered a series of military defeats such as the Opium War I (1839- 1842), and Opium War II (1856-1860), Sino-French War (1884-1885), and Sino-Japanese War

(1894-1895). Subsequently, China was forced to sign unequal treaties and give away territories to foreign powers.

The combination of both internal and external factors contributed to the withdrawal of Chinese influence in Central Asia as it had to re-direct its resources to fight foreign invasions and counter internal rebellions. Moreover, the Russian Empire had advanced into Central Asia in the early 19th century. At that time, the Qing Dynasty was too weak to pose any powerful opposition to the Russians that it had to relinquish its strategic presence in the region. There were confrontations and tension between Russian and British in India over the control of Central Asia. It was known as the “Great Game” due to their worry of each other’s incursion in respective territories (Ewans (ed.), 2004). The British were concerned by the Russian expansion into Central Asia which could threaten its colony in India. By 1895, the Great Game came to a close when the Russians took control of almost the entire Central Asia (Ewans, 2012).

4. Contemporary Rise of China in Central Asia and Challenges

Despite the temporary withdrawal of China’s influence from Central Asia, the region continued to be of concern to the Chinese government. During the Sino-Soviet Union rivalry in the 1960s and 1970s, Central Asia was one of the most militarized region the world. Both the Chinese and the Soviets were ready for war and had fortified their respective borders in Central Asia. However, the tension eased in 1991 after the disintegration of the Soviet Union.

The disintegration of the Soviet Union had created a political and economic vacuum in Central Asia which contributed to the return of Chinese presence in Central Asia. Despite the passing of time, Central Asia remains relevant to China. In the modern era, the importance of

Central Asia to China can be divided into three main points. First, China is aware that Central Asia is a region rich in natural resources such as natural gas, petrol, gold, bronze, and uranium which are indispensable to meet the industrial and economic development needs of China, especially for cities like Shanghai, Shenzhen, and Guangzhou which are located on the East coast. According to Kubanychbek Toktorbayev, a senior analyst at the National Institute for Strategic Studies (NISS) of the Kyrgyz Republic, “The Chinese leadership quickly realized that the Central Asian region would play a role of a ‘strategic home front’ for China, and Beijing has recognized the importance of Central Asia as a resource provider for the Chinese economy” (Sukhankin, 2020).

Second, China also recognizes the importance of the Central Asian geo-strategic position in connecting China with other regions such as South Asia, the Middle East, the Caucasus and Eastern Europe. Hence, Central Asia plays the role of a land corridor. This is not something new because Central Asia has long played this role in the Silk Road. However, now it is becoming increasingly important for China because Central Asia has the capacity to reduce China's level of dependence on maritime routes, especially in the South China Sea and the Straits of Malacca. Currently, China is involved in overlapping claims in the South China Sea. At the same time the United States has expressed interest in the South China Sea and always calls on China to abide by International Law as well as freedom of navigation. Thus, the tense situation in the South China Sea is likely to lead to an armed conflict between China and the United States. China is concerned about the possibility of the United States launching a sea blockade to block China's trade network and trade routes abroad. Therefore, Central Asia is the ideal alternative route for China to go abroad.

China, through the efforts of the Belt and Road Initiative (BRI) has launched the construction of a complex network of highways and

railways for the purpose of connecting China with manufacturers and markets in Central Asia and other regions. Among the network projects are the New Eurasian Land Bridge (NELB), the China-Mongolia-Russia Economic Corridor (CMREC), the China-Central Asia-West Asia Economic Corridor (CCWAEC), China-Pakistan Economic Corridor (CPEC) (Belt and Road News, 2020); (Xinhua, 2017); (Sukhankin, 2020). For example, the China-Central Asia-Western Asia Economic Corridor connects China to the Arabian Gulf via Iran and the Aegean Sea / Piraeus Port via Turkey. At the same time, the BRI railway line to Turkey's Middle Corridor via Kazakhstan and the Caspian Sea reduces the travel time to the Middle East and European countries (Li & Aminjonov, 2020).

Third, Central Asia is crucial for China's national security. Beijing is deeply concerned about the development of terrorist groups such as the Uzbekistan Islamic Movement (IMU), Jamaat Ansarullah and Jihad Union which operate in Central Asia. China fears Central Asia, will likely be the centre of terrorist activities especially for the Xinjiang Uyghur Autonomous Region (XUAR) that will threaten its national security and stability. Tajikistan serves as a buffer for China with terrorist groups in Central Asia and the Talibans in Afghanistan. As such, China has conducted military exercises with Tajikistan known as "Cooperation 2019" and anti-terrorism exercises in August 2019 (Sukhankin, 2020).

Based on these arguments, it is clear that China is a "reactionary state" in Central Asia. As in the past, Central Asia today is still important for China's survival. Although China had to reduce its influence in Central Asia during the occupation of Russia and the Soviet Union, it has actively returned to the region.

In 1996, China initiated a regional grouping known as the Shanghai Five (SF) consisting of China, Russia and three Central Asian States

which were once part of the Soviet empire, Kazakhstan, Kyrgyzstan and Tajikistan. The group specifically focused on border demarcation, confidence-building measures (CBM) and resolution of common problems such as terrorism and transnational crime (SCO, 2004). In addition, it also focused on battling the terrorist threats emanating from Afghanistan by ensuring regional stability. In June 2001, Uzbekistan was invited to join the group, and subsequently the official name was changed to Shanghai Cooperation Organization (SCO) (Saha, 2014).

As a regional organisation, the SCO has been able to create a collective identity for its members. Although it is premature to evaluate the success of the SCO, it is undeniable that their relations have definitely improved since its establishment in 1996. Five years later in 2001, the regional grouping was transformed into a regional organisation. Member states can share opportunities and deal with new challenges and threats more effectively.

Although the Shanghai grouping has only been established for 23 years (1996-2019), it has managed to bring former enemy states like Russia and China to reconstruct their identities. It is also a way for the Central Asian republics as well as Russia and China to positively build relationships. It is hoped that through this affiliation process, individual states can reconstruct their own identities. As a first move towards a collective identity, all the members of the SCO have agreed to abide by the principles of the Charter of the United Nations. Currently, the SCO has eight states members including India and Pakistan that joined in 2017. In addition, there are also four Observer states: Iran, Afghanistan, Belarus and Mongolia, and six Dialogue partners: Turkey, Nepal, Cambodia, Sri Lanka, Armenia and Azerbaijan.

It should be highlighted that SCO is very crucial for China's foreign policy towards Central Asia. Member states of SCO have agreed to cooperate with the Chinese security to fight against the "Three Evils",

i.e. terrorism, separatism and extremism. SCO member states have shown commitment in combating violence and transnational crime in Central Asia. Among the commitments include Agreement on Regional Anti-Terrorist (RATS) Structure between the Member States of the Shanghai of Cooperation organisation, Agreement on RATS Databanks, Separatism and Extremism, Agreement on Cooperation in Combating Illicit Traffic of Narcotic Drugs Psychotropic Substances and Precursors, Joint Anti-Terrorist Exercises within Territories of Members States of the SCO. These activities aim to preserve security and stability in Central Asia in line with China's security interests in the region as China does not wish violence and extremism to spread to its Western region, especially Xinjiang.

Several joint military exercises such as "East-2014," "Norak Anti-terror," "Solidarity," and "Tianshan" have been held for the purpose of anti-terrorism between China and Kyrgyzstan. All these were part of China's multilateral efforts with SCO member countries to curb terrorism and transnational crime in Central Asia. China is aware that it needs cooperation from Central Asian countries to overcome the problem of terrorism, especially in terms of preventing them from supporting the Uyghur separatist movement in Xinjiang (Zhao, 2018).

Besides, the SCO has been collaborating with the United Nations in combating terrorism and transnational crime in Central Asia. Some examples of this effort are "The United Nations and Shanghai Cooperation Organization: Jointly Countering Challenges and Threats" in New York in 2016 and "The United Nations and Shanghai Cooperation Organization in Fight Against Drugs: Common Threats and Joint Actions", in Vienna in 2017 (Alimov, 2018).

Apart from the security issue, SCO is important to China in terms of economic cooperation with the Central Asian countries. For example, as early as 2004 the Economic and Trade Ministers Meeting of the SCO

Members States implemented an Action Plan for the Implementation of the Program of Multilateral Trade and Economic Cooperation among the SCO member states which included 127 projects in 11 areas (Zhao, 2018).

Since then, various agreements such as the Agreement on Interbank Cooperation, Resolution of the Conference for the Establishment of the SCO Business Council have been signed. In 2016, the SCO Heads of Government Council approved the 2017-2021 List of Measures to continue developing SCO Project Activities as a guide for SCO economic cooperation for a period of five years. Among the areas that have been identified for cooperation include trade and investment, finance, science and technology, agriculture, transportation infrastructure, and nature conservation.

In addition, the SCO members cooperate in the social areas. These include the Agreement on Cooperation in Education between the Governments of the SCO Member States, the Agreement between the Government of the SCO Member States on Cooperation in Health, the Tourism Cooperation Program of the SCO Member States and the SCO Network University. However, compared to the security and economic areas, social cooperation among SCO members is still comparatively low. It is important to note that SCO is not just a regional organisation that focuses on security aspect alone, it also covers the economic and social areas where China considers it can play a major role in contributing to their success.

However, SCO is not free from the various challenges. Among them are the existence of other regional organisations that have the similar objectives such as Central Asia Japan Dialogue of Foreign Ministers, Korea-Central Asia Cooperation Forum, the Eurasian Economic Community, the Eurasian Economic Union, the Greater Eurasian Partnership and the Turkic Council. These not only pose as alternatives

to the SCO, more importantly, they threaten China's credibility and its importance in the Central Asian region. With the existence of more forms of cooperation with other major powers such as Japan, the United States as well as middle powers such as Korea and India, Central Asian countries have more options to cooperate with since they are not limited to China and Russia.

The main challenge of the SCO is to ensure the unity and integrity of its member states. despite efforts to attract SCO member states towards other organisations. In 2009, the United States together with several members of the North Atlantic Treaty Organisation (NATO) sponsored the establishment of the Central Asian Regional Information Coordination Center in Kazakhstan. This was followed by the establishment of the Central Asia Counter-Narcotic Initiative in 2012 which was also supported by the United States.

Similarly, the existence of the Turkic Council which aims to foster cooperation among Turkish-speaking countries in Central Asia. These efforts have posed a challenge to the unity of SCO members. In fact, President Putin was aware of this challenge faced by the SCO. In 2006, during the SCO Summit, he stated that Russia opposed the formation of other organisations in Central Asia that shared the same ambitions as the SCO.

Another challenge for the SCO especially among the Central Asian countries is the increasing level of dependence on China and Russia. In addition, India's and Pakistan's participation in the SCO since 2017 could disrupt the harmony among these SCO members as both these countries have been in conflict with each other since 1947. Their membership in the SCO could drag other members into the India-Pakistan conflict and divide the SCO (Desai, 2017). Moreover, the presence of India in the SCO could be considered as a counterbalance to the Chinese leadership in the SCO. The United States as well as other

European countries plan to make India a defence partner for China's counterbalance. The United States sold weapons worth 15 billion USD to India, and in 2016, the Ministry of Defence of India and the United States signed a Memorandum of Agreement on Logistic Support which allowed the sharing of military bases for logistic purposes.

According to former Secretary of State, Rex Tillerson in his speech “Defining Our Relationship with India for the Next Century” at the Center for Strategic and International Studies, stressed that India is a “Pivotal State” for the United States and has a greater function in security and the stability of the Indo-Pacific region (Zhao, 2018). Clearly, China's interest in the SCO is definitely challenged by India. It is noteworthy to mention the SCO has often been criticised for being an anti-Western bloc by Western countries. The SCO has also received criticism for supporting China and Russia's efforts in balancing the United States and NATO. This is especially so when the Declaration of the SCO Heads of State supports Iran on the issue of nuclear power and opposes US efforts to intervene in Syria.

Another crucial event which marks the return of China to Central Asia was President Xi Jinping's visit to the region in October 2013. During this historical visit of President Xi to Astana, Kazakhstan, he launched the “Silk Road Economic Belt” of the global Belt and Road Initiative (BRI). It is interesting to note that the “belt” area covers Central Asia, Middle East and Europe. China helps in constructing rail roads and highways which connect China to Europe via Central Asia through the BRI (World Bank, 2018).

The region has once again become a vital area for the Chinese economy. Unlike in the ancient period, China no longer practises the tributary system with the modern Central Asian republics, but rather creates connections through agreements. Contemporary China hopes to create a network of transportation and communication through the BRI

to enhance business and social connectivity. The rail roads and gas pipelines in the “New Silk Road” have replaced the ancient caravans used by traders in the past.

Central Asian countries also welcome the BRI organised by China because they consist of countries that do not have direct access to the sea and are located far from shipping routes. Therefore, they support China's plan to create a network of highways and railways that consists part of BRI's “Belt” for connectivity purposes. According to President Xi Jinping, China and Central Asian countries are working together to build “the Belt” as a compliment to “the Road” which is the maritime route. The “the Belt” area covers China, Central Asia and the southern Caucasus.

Most of the roads and railways in Central Asia were built during the Soviet Union and some even had been in operation since the time of the Russian Czar period. Hence, they were obsolete and old. The construction of highways and railways by the Chinese Belt plan has been well-received by Central Asian countries. For example, the Wahdat-Yovon railway in Tajikistan was built by China in May 2015 and completed in August 2016. Similarly, the construction of the Angren-Pap railway tunnel in Uzbekistan built by China has started operating since June 2016 (Yellinek, 2020).

In addition, BRI is expected to provide employment opportunities as well as increase taxes through the implementation of infrastructure construction projects. For example, Kazakhstan has the potential to receive 5 billion USD as payment for goods being transported through its territory to other countries' markets. In addition, BRI programmes are predicted to help in enhancing greater cooperation and ties among Central Asian countries (*ibid.*).

Central Asia has about four percent of global energy deposits (Chen and Fazilov, 2018). It is estimated that the oil and natural gas in the

region amount to 17 to 33 million barrels per day with more unexploited deposits. This makes the region to be extremely important to China's demand for energy (*ibid.*). China produced an estimated 4.3 million barrels per day of oil in 2011 and it was expected to increase to 4.5 million per day in 2013, but its consumption rose by 16.4 metric tons (379.6 million barrels per day) in 2014 due to the rapid industrialisation in China. Its domestic energy could no longer sustain the ever-growing demand. Hence, China resorted to expand its energy sources from Central Asia, the Middle East and Africa.

Compared to other regions, Central Asia is geographically closer to China. Therefore, China invests heavily in the oil and gas industry in order to secure the supply of energy besides establishing its "energy diplomacy" with the Central Asian republics. To demonstrate the energy diplomacy, China has adopted two strategies.

First, China built oil and gas pipelines linking China with the major producers in the region. For example, Kazakhstan-China oil pipeline is already operational. Second, through Chinese energy companies' investment in oil and gas industry in Central Asia. In addition, China aims to improve the relations with the peoples of Central Asia through economic and energy diplomacy to deter them from supporting separatist movements in Xinjiang Uyghur Autonomous Region (XUAR).

China has always considered Central Asia to be an important region for its security against foreign invaders such as the Mongols, Arabs and Russians. Currently, China is also concerned about the security and stability of Central Asia as it fears the rise of religious extremism in Central Asia that will eventually spread to XUAR. Therefore, China is working closely with the Central Asian republics in its fight against religious extremism and terrorism.

Kazakhstan is the largest Central Asian republic and it has estimated 37 billion barrels of oil and 3.3 trillion cubic meters (tcm) of natural gas (Chen & Fazilov, 2018). This makes Kazakhstan one of the world's largest oil producers. Hence, Chinese energy companies have shown interest in investing in Kazakhstan even prior to the establishment of the BRI. For example, in 1997 China National Petroleum Cooperation (CNPC) already acquired 60.3 percent shares of Kazakh oil company Aktobemunaigaz (Blank, 2009). Furthermore, CNPC also acquired 49 percent of Kazakhstan's MangistauMunaigaz Company which enabled China to control over 15 percent of Kazakhstan's total oil production (*ibid.*).

China considers Kazakhstan as an important strategic partner especially as a source and link in its energy security. On top of that, Kazakhstan also provides cooperation to strengthen its north-western borders against terrorism and extremism in Xinjiang. It is clear that China's interest in the oil and gas industry of Central Asia is driven by its domestic economic growth. The close geographical proximity and construction of pipelines enable China to secure its energy for its rapid economic activities in cities such as Shenzhen and Shanghai.

Through the BRI, China aspires to reconstruct the Silk Road Economy in Central Asia by sponsoring the building of modern highways and railroads that connect China with the Central Asian republics. In addition, China has also constructed long-distance railroads linking China to Europe via Central Asia. It is interesting to note that the first long distance China-Europe railroad was launched in March 2011 connecting the city of Chongqing in southwestern China to the German city of Duisburg via the province of XUAR, China, Kazakhstan, Russia, Belarus and Poland.

The building of railroads and highways enables inland cities such as Chengdu and Chongqing to develop and receive foreign investment. For

example, the US computer company Hewlett Packard set up one of the largest laptop factories in Chongqing. The China-Europe long-distance railroad enables millions of China-made laptops and notebooks to be transported to Europe in a faster and cheaper way compared to shipping.

In addition to the Chongqing-Duisburg railroad, on 18 July 2013, the railroad from the city of Zhengzhou in central China to the port city of Hamburg, Germany via Kazakhstan (Central Asia), Russia, Belarus and Poland was historically launched. This achievement enabled more Chinese products to be transported to the European market. It is a clear evidence of the importance of Central Asia to the Chinese economy. Similar to the past, the region is still a gateway for China to the outside world. Kazakhstan, in particular, is the most crucial state among the Central Asian republics for bringing China and Europe closer and increasing the overland trade (Chen and Fazilov, 2018).

With the launch of the BRI in 2013, the border town of Horgos in XUAR was upgraded to a modern city. The city is now part of the China-Kazakhstan International Center for Boundary Cooperation. Horgos is one of the major railroad port cities that connects China with Central Asia via Kazakhstan. China has invested millions to build modern infrastructure such as huge shops and wholesale markets. It has attracted many traders and tourists from Central Asia, especially Kazakhstan to visit Horgos for business and shopping (Wade, 2016).

BRI still has its own challenges. Among the key challenges is the extent to which BRI truly benefits the locals in Central Asia. For example, in the China-sponsored Kyrgystan-Osh-Sarytash-Irkeshtan and Bishkek-Naryn-Torugut road construction projects, 70 percent of its workers were brought in from China while only 30 percent were locals. Similarly, in terms of the use of goods for construction, 60 percent was imported from China (Li & Aminjonov, 2020).

Feelings of “Sinophobia” are on the rise throughout Central Asia as there are Anti-China demonstrations in Kazakhstan and Tajikistan. There are concerns that the sovereignty of Central Asian countries has eroded due to the presence of workers from China. What is even more worrying is the presence of China's private security forces located in some strategic locations in Central Asia to protect China's economic interests. According to Bakhtiyor Ergashev, Director of Ma'no Research Initiative Center in Uzbekistan, “We can see that Chinese private military companies are securing deposits of natural gas in Turkmenistan... It is now openly discussed that Chinese special forces are to protect zones of the Kashgar- Gwadar route. This is a blow against national sovereignty... I hope that this will not happen in Uzbekistan, and that Chinese workers will not be allowed to work on our territory” (Sukhankin, 2020).

To further complicate matters is the spread of news on the ill-treatment received by the Turkic Muslim population in Xinjiang under Chinese rule. In addition to the Uyghur population, Xinjiang is also inhabited by other Turkic peoples such as Kazakhs, Uzbeks, Tajiks, and Kyrgyz. The news of the existence of detention camps in Xinjiang has created negative implications. Although the Chinese government has been attempting to correct the negative perceptions by insisting that the so-called detention camps are actually re-education and vocational centres. However, it fails to change the perception of the Turkic population in Central Asia as anger still lingers among them. For example, there were large-scale demonstrations in Kazakhstan, Tajikistan and Kyrgyzstan protesting China's actions in Xinjiang (Standish, 2019).

The next challenge of the BRI in Central Asia is the allegation of irregularities and lack of transparency in Chinese investment. According to Oliver Stuenkel, a political analyst, Chinese officials have personally

acknowledged that BRI's investment in Central Asia has suffered a 30 percent loss due to corruption. China is also promoting non-tender procurement, such as the exclusive right granted to Chinese company of TBEA to repair Bishkek Power Plant for \$385 million as well as Dushanbe-Chanak highway repair work to a Chinese highway contractor with a \$300 million loan (Li & Aminjonov, 2020).

In addition, there are irregularities in the BRI subsidy given by the Chinese government to encourage the use of railways. According to the *Chinese Business Journal*, there were reports that many Chinese exporters have used train carriages supposedly to transport goods from China to Europe, but the carriages were found to be empty (Standish, 2019). This is done to obtain subsidies. The Chinese government is aware of the increasingly serious problem of malpractice and corruption in BRI projects. Thus, during the Second Annual Belt and Road Forum in April 2019, Chinese leader Xi Jinping signalled that his administration would tighten the oversee of the BRI infrastructure project network as well as ensure transparency within the terms of the agreement. Xi also stressed that his administration would adopt a “zero tolerance” policy for corruption.

In addition, there are criticisms that BRI has created a serious dependence and indebtedness of Central Asian countries to China. The biggest concern about BRI is the problem of debt burden similar to what happened in Sri Lanka where the government of Sri Lanka was unable to repay the debt of 8 billion USD to the Chinese construction firm that developed the port of Hambantota. So, in 2017, the Sri Lankan government had to pass over a 99-year lease for the port facilities to China as a means to repay the debt. Central Asian countries are likely to suffer the same fate if they are unable to pay off debts, and this could result in the countries' income stream or assets to be handed over to China's management and ownership, thus threatening national

sovereignty. Therefore, BRI could be more of a “debt trap” for participating countries, and not a “golden opportunity” as claimed by President Xi.

Unlike loans and grants provided by the EU, the United States and Japan which include conditions to encourage countries to implement political, economic and human rights reforms, those offered by China to Central Asian countries do not impose such conditions. Critics state that loans provided by China through BRI have been used by autocratic governments in Central Asia to strengthen their patrimonial regime without any reform efforts. Hence, BRI loans only benefit the elite as well as their cronies.

As mentioned earlier, China has encountered two major challenges in its quest to return as an active power in the region. The first challenge is facing the threat posed by religious extremists that threaten China’s economic and security interests. The second challenge is the rise of other regional powers such as India, Iran and Turkey which threaten China’s position in the region. At the same time, China cannot ignore the Russian’s bid to strengthen its position in Central Asia. There is a possibility that Russia will re-establish its former hegemonic position in the region. All these challenges leave China with no alternative than to strengthen its economic position through the BRI and the SCO in order to safeguard its interest and strengthen its influence in Central Asia.

5. Conclusion

This article has demonstrated that China’s influence in Central Asia has been in existence since the ancient times. Central Asia has remained a core region for the Chinese security and economy. China has adopted various strategies in dealing with the region from tributary system used by the Chinese dynasties in the medieval period to the current economic

and infrastructure diplomacy. It can be said that the Chinese interest and involvement in Central Asia predates the Russian colonialization. The domestic and external challenges it had encountered in the 19th century led to China's temporary withdrawal from the region.

The disintegration of the Soviet Union in 1991 and the independence of the Central Asian republics enabled China to return to the region. Ever since then, China has continued to engage with the Central Asian states through bilateral and multilateral. These include the BRI and SCO, but it must be pointed out that China has never shown any intentions to dominate the region. Unlike the previous Great Game between the Russians and British in the 19th century, contemporary China has always emphasised on cooperation while maintaining its economic and security interests. Regardless of the challenges, China's position in Central Asia through the BRI is here to stay.

Note

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The Polar Silk Road: China's Multilevel Arctic Strategy to Globalize the Far North

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Abstract

China has become an eminent Arctic actor in recent years due to its resource investments and bilateral diplomacies towards Russia and the Nordics. However, its arrival in the Arctic also aroused suspicion in foreign media and politics, which are distressed about China's goals in the Far North and the Belt and Road Initiative in general. This article assumes that the precondition for an effective and welcome Arctic diplomacy is how China manages and approaches the different levels and actors involved in Arctic governance. It argues that it is the small but wealthy European Arctic states that are indispensable for China to increase and accommodate its Arctic status and to complete the announced Polar Silk Road (PSR) in the years to come. Russia is mainly a conduit for China in connecting the PSR with Western Europe. However, Beijing's primary interests lie in robust and cooperative bilateral relations with the Arctic European states, enabling it to flexibly react to future external developments and opportunities, to promote the

globalisation of, and China's access to, the Arctic. Hence the Nordic societies should be aware that China's Arctic rise may also entail severe environmental costs in the fragile Arctic environment. The article concludes that China has adapted to the Arctic governance system peacefully so far, although this system needs to react flexibly to the new challenges that arise.

Keywords: *Barents, international political economy, foreign policy, multilevel governance, resources, Belt and Road Initiative*

1. Introduction

In January 2018, China's Belt and Road Initiative (BRI) (一带一路)¹ had finally reached the Far North when the People's Republic's State Council Information Office published the white paper titled 'China's Arctic Policy' (CAP) (中国的北极政策) (Ministry of Foreign Affairs, PRC, 26th January 2018). The white paper introduced the Polar Silk Road (PSR) (冰上丝绸之路), a northern maritime dimension of the 21st Century Maritime Silk Road (21世纪海上丝绸之路). Like the BRI, the concurrent Maritime Silk Road was also proposed by the General Secretary of the Communist Party and President of China, Xi Jinping (习近平), namely during a speech to the Indonesian Parliament in October 2013. China also made explicit commitments to global, regional, multilateral and bilateral mechanisms to build a well-organised 'Arctic Governance System' (北极治理体系) (Ministry of Foreign Affairs, PRC, 26th January 2018: 4), which should help to increase international confidence and trust in China's Arctic ambitions. However, to the contrary, China's Arctic enthrallment aroused suspicion in Western media and politics for years. *Newsweek* titled an article '[H]ow China's Arctic Empire Will Upset the Global Balance of Power' (14th

July 2017). *The New York Times* published an article 'Latest Arena for China's Growing Global Ambitions: The Arctic' (May 24, 2019). *CNBC* has highlighted how 'Russia and China vie to beat the U.S. in the trillion-dollar race to control the Arctic' (February 6, 2018). The British newspaper *The Independent* has perceived China as being in a 'race for Arctic dominance' (April 20, 2019). Furthermore, in May 2019, the United States Secretary of State, Mike Pompeo, accused China of 'aggressive behaviour' and warned that the Arctic might become a 'New South China Sea' (*The Guardian*, 6th May 2019).

China's approach towards Arctic governance, and especially towards the Nordic states, is still underexplored. Most studies on China's Arctic policies explore China's Arctic interests or certain issue areas of engagement. In contrast, this article explores how China approaches and potentially shapes the emerging system of complex interdependence in the Far North and, in doing so, attempts to figure out China's primary Arctic goals. Oran Young's description of an Arctic Governance Mosaic (AGM) (Young, 2005) – emanated since the 1990s – inspired the research framework of this article, since this framework closely resembles China's proclamations about Arctic governance. A governance mosaic is non-hierarchical and displays a variety of connected issues. This dynamic and flexible, coordinated cooperative arrangement consists of global and regional rules, policies and fora, national governments, private actors and Arctic societies.

The next section introduces China's approach to this assumed AGM and presents an overview of the literature. Then, the empirical analysis explores China's Arctic policies and diplomacies towards Arctic governance at global, regional, bilateral and informal levels. It concludes that strong bilateral relations with the Nordics are indispensable to build the PSR and therefore are China's primary goal. Meanwhile, Russia acts as a significant Arctic hub and transit state for China's presence and the

commercialisation of the Arctic and its resources. China, in turn, is the primary driving force of the resulting globalisation of the Arctic, which could challenge the idea of an ‘Arctic distinctiveness’ compared to other regions and highlights the need for protection concerning the environment and its resources amidst rapid changes in the Arctic.

2. China and the Arctic Governance Mosaic

China committed itself to the global, regional, multilateral and bilateral mechanisms to build a well-organised ‘Arctic Governance System’ (北极治理体系) (Ministry of Foreign Affairs, PRC, 26th January 2018: 4). Tonami (2016: 19) has observed the ‘omnidirectional Arctic diplomacy’ of China, which also applies its primary foreign policy principles there: to avoid confrontation, build comprehensive national power and advance incrementally. Yang and Zhang (2016) have noted that Arctic governance consists not only of bilateral but also of multilevel, global and regional governance mechanisms. Yang (2015) has also stated that essential variables in China's Arctic approach include how the Arctic states and how non-Arctic states perceive it and how it sees itself. Hong (2014) and Peng and Wegge (2015) have affirmed that bilateral diplomacy is also an essential instrument for China in the Arctic. For many years, the Nordics were also regarded as more receptive and positive concerning China than the USA, Russia and Canada (Lunde *et al.*, 2016; Tonami, 2016).

The multilevel diplomacy approach comes close and is oriented towards what Young termed the Arctic Governance Mosaic (2005, 2016). A governance mosaic is related to a spatially geographic area and international and transnational issues that refer to that specific region. At its core is a differentiation of levels of analysis, as applied in the international relations methodology, and by China's practical diplomacy

as well. Young (2016) has identified six elements of an AGM, which are as follows:

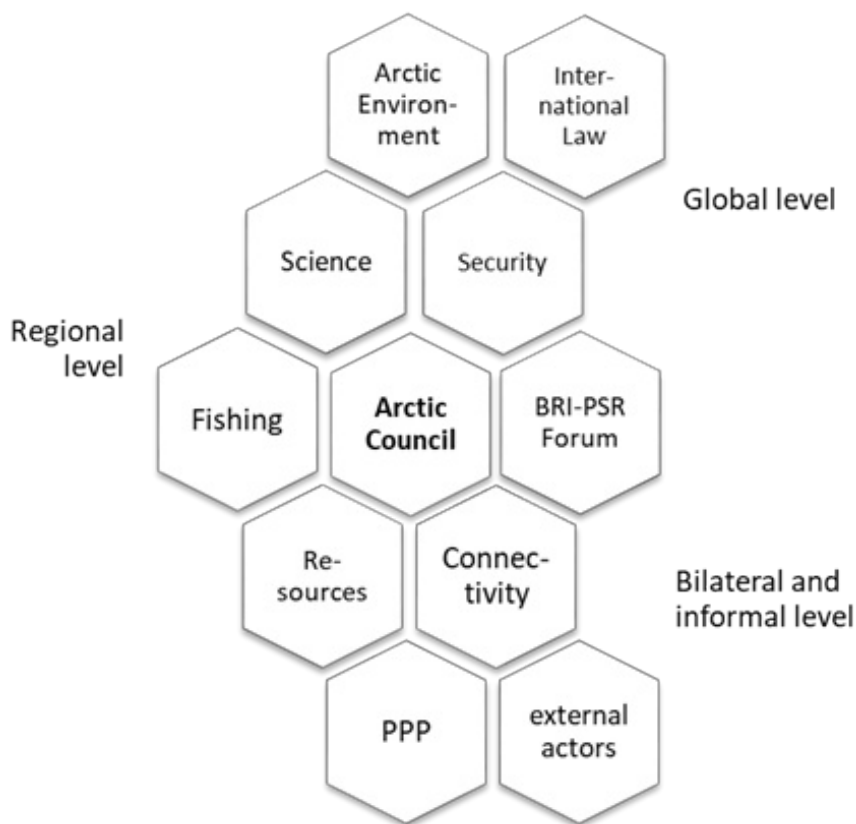
- global treaties and regimes developed by international organisations that also apply in the Arctic;
- the Arctic Council;
- locally based variable management systems;
- public-private partnerships;
- informal fora or meetings regarding Arctic matters of common concern; and
- 'all-hands' meetings.

The main criterion for successful Arctic governance is actors' flexibility because the Arctic is changing fast. Some global issues additionally have a regional dimension, such as climate change and regional adaptation. When issues have an extraterritorial impact, such as sea pollution, it is the regional actors who must remind extraterritorial actors to take their responsibilities seriously. Therefore, the single governance mosaic blocs must be related to one another without a hierarchy and an overarching arrangement, such as an 'Arctic treaty', which would be too inflexible in a situation of rapid change, as Young (2005, 2016) has argued.

This paper modified these elements concerning China's participation and explores China's policies and emphases towards this governance mosaic. Young gave five recommendations regarding how rising China should engage with the Arctic (Young, 2016: 30-32). China should adopt a proactive attitude towards the Arctic but should not expect too much. China should encourage business activities but not regard them as a political strategy, and it should contribute to the construction of infrastructure needed to support responsible development in the Arctic

as a public good. China should treat the concerns of the Arctic's permanent residents in a sensitive manner, and finally, China should strengthen the science-policy interface to support the co-production of Arctic knowledge and policy.

Figure 1 China's Multilevel Arctic Governance



Source: Diagram by the author.

Figure 1 presents the relevant political and economic issues at the global, regional, bilateral and informal levels of analysis regarding China's approaches. These different levels are not separated in practical diplomacy because they blend. At the global level, international law such as the United Nations Convention on the Law of the Seas (UNCLOS) and environmental conventions apply in the Arctic Ocean, for instance, the United Nations Framework Convention on Climate Change (UNFCCC), or conventions on shipping and pollution. Science and climate research are also part of the global level, blending into the regional level as well as into spheres of security.

At the regional level, the Arctic Council (A.C.) is the most relevant Arctic organisation, comprising all states that have Arctic territory within the Arctic Circle (see Figure 2). The A.C. was founded in 1996 and assumed an essential role in promoting action on topics like pollution, fishing, raw materials, tourism and science. These are Canada, Denmark (via Greenland), Finland, Iceland, Norway, the Russian Federation, Sweden and the USA (via Alaska). Particularly, the Nordics view the A.C. as a whole policy-shaping body and believe that many of the Arctic's challenges require global as well as regional solutions (Khorrami, 2019; Prime Minister's Office, , Finland, 2013: 44). Non-Arctic states are not eligible for membership but have observer status only. Being an observer does not give them a special status. Also crucial for China at the regional international level are fishing negotiations and agreements, which are currently in the making. Moreover, China has engaged actively in cooperation with the Nordic countries of Iceland, Norway, Denmark, Finland and Sweden. In sum, this article assumes that only when China manages the AGM well with its approaches from the global to the bilateral levels will China be able to build fruitful relations with those actors that are indispensable for the PSR and the globalisation of the Arctic.

Figure 2 Arctic Political Map (UNEP, 2006).



Source: Cartographer Hugo Ahlenius, <<https://www.grida.no/resources/7845>> (open source).

3. China's Governance Approach towards the Global Level

3.1. Commitment to Global Regimes

CAP states, '[t]he Arctic is gaining global significance for its rising strategic, economic values and those relating to scientific research,

environmental protection, sea passages, and natural resources. [...] It is an issue with global implications and international impacts' (Ministry of Foreign Affairs, PRC, 26th January 2018: 1). China's government perceives China as 'near-Arctic' (近北极国家), although the shortest distance between China and the Arctic Circle is 900 miles, similar to that of Poland. Also, scholars like Yang and Zhang (2016: 223) deem China a near-Arctic country, which is situated in the peripheral region near to yet outside of the Arctic Region.

Nevertheless, China's jurisdictional rights in the Arctic region are that of an Arctic outsider within the system of Arctic governance (Gayazova, 2013). Ecological changes in the Arctic region influence China's climate, environment and agricultural production, as well as its economic and social development. Chinese studies have claimed that climate change in the Arctic has contributed to exceptional snow and drought disasters in China. Therefore, Arctic issues have become global (Jiang, 2014).

Chen (2012) and Hong (2014) argued that China had adopted a low-profile tactic by avoiding confrontation from major littoral states. China's official engagement with the Arctic began with the signing of the Svalbard Treaty in 1925 (formerly called the Spitsbergen Treaty, in force since 1925) before the establishment of the People's Republic of China in 1949. That remains the only global-level governance arrangement for the Arctic region (Yang and Zhang, 2016). The treaty granted Norway sovereignty to the Svalbard archipelago but also afforded parties equal rights to undertake fishing, hunting, mining, trade and industrial activities in this area (Jakobson and Peng, 2012).

In 1996, China ratified the UNCLOS treaty system. UNCLOS was adopted and signed in 1982 and replaced the four Geneva Conventions from 1958, which respectively concerned the territorial sea, the contiguous zone, the continental shelf and the high seas fishing and

conservation of living resources on the high seas. The treaty gives Arctic nations an exclusive economic zone that extends 200 nautical miles (370 km) from land to marine resources. In the high seas, states outside the Arctic have rights in terms of scientific research, navigation, overflight, fishing, laying of submarine cables and pipelines as well as to resource exploitation in the area, under treaties such as UNCLOS and general international law. China has committed itself to UNCLOS and ‘plays a constructive part in the making, interpretation, application and development of international rules regarding the Arctic, and safeguards the common interests of all nations and the international community’ (Ministry of Foreign Affairs, PRC, 26th January 2018: 9).

However, the *Ilulissat Declaration* of May 28, 2008, affirmed that the five Arctic coastal states do not accept changes to the legal regime of the Arctic and that their sovereign rights have to be respected (2008 *Ilulissat Declaration*). Political representatives of these five countries met during the Arctic Ocean Conference in Ilulissat, Greenland to discuss the Arctic Ocean, climate change, the protection of the marine ecosystem, maritime safety and division of emergency responsibilities due to new shipping routes. Besides, one of the foremost intentions written into the Declaration was to block any ‘new comprehensive international legal regime to govern the Arctic Ocean’. Also, by ‘virtue of their sovereignty, sovereign rights and jurisdiction in large areas of the Arctic Ocean, the five coastal states are in a unique position to address these possibilities and challenges’.

In contrast, Brady (2017: 195) observed that Chinese state media often use the phrase ‘the North Pole belongs to all humanity’, intending to internationalise Arctic issues. Rainwater (2013) argued that the language of ‘common heritage of mankind’ shall expand China’s legal rights concerning shipping and resources in applying a sort of ‘*lawfare*’, which misuses the law as a replacement for military means to achieve an

operational goal to circumvent its weaker status as a non-Arctic state through asymmetrical means. Brady wrote that China wants to lobby the 'court of international public opinion' (2017: 195) with language such as Arctic resources as 'global resources' at a time when delimitation of territory in the Arctic is not yet adequately concluded. In 2015, China's foreign minister Wang Yi (王毅) expressed that 'China believes that the rights of non-Arctic countries under international law in the Arctic and the collective interests of the international community should be respected' (Ministry of Foreign Affairs, PRC, 17th October 2015). However, the renewal of the *Ilulissat Declaration* from 2018, in the year of China's issuance of its first Arctic strategy paper, confirmed the previous Declaration and again provided an explicit statement of the Arctic Five concerning sovereignty.

China is a party to the Convention for the Protection of the Ozone Layer, the International Convention for the Prevention of Pollution (MARPOL) and the International Convention on Oil Pollution Preparedness, Response and Cooperation. China is also party to the Minimata Convention on Mercury (2013), which applies mainly to mining and resource extraction. These conventions are all applicable to the Arctic region. China has also committed itself to relevant rules of the International Maritime Organization (IMO), including the International Code for Ships Operating in Polar Waters (Polar Code). The Polar Code, in force since 2017, is mandatory under both the International Convention for the Safety of Life at Sea (SOLAS) and the International Convention for the Prevention of Pollution from Ships (MARPOL). It protects ships and the people aboard them (both seafarers and passengers) in the harsh conditions of the waters surrounding the two poles. The Code requires ships in the Arctic to apply for a Polar Ship Certificate, intended to cover the full range of shipping-related matters on navigation, including ship design, construction and equipment;

operational and training concerns; search and rescue; and the protection of the environment and ecosystems of the Polar Regions.

Given that 80% of transarctic shipping currently goes through Norwegian waters, potentially higher Arctic regional standards may affect shipping in the future: if crude engine oil were more strongly regulated or even prohibited, Arctic transport might become uneconomical. To date, no infrastructure can deal with contamination or accidents in Arctic waters. China is not a party to the Convention on Environment Impact Assessment in a Transboundary Context, signed in the Finnish Espoo in 1991, which entered into force in 1997 (Espoo Convention). China is also not a party to the Convention on Long-range Transboundary Air Pollution, Geneva (1979). All Arctic states have ratified these two conventions, while Iceland, Russia and the U.S. have only signed but not yet ratified the Espoo Convention. This lack of Chinese commitment to these environmental conventions only hints to speculate on China's future attitude concerning Arctic shipping. However, so far, one may rationalise that China rather supports global minimum rules instead of higher requirements in the Arctic, which would make shipping more expensive.

3.2. China and Arctic Security

Tonami (2016) wrote that China began to consider the geopolitical dimension of the Arctic when Russia sent a research expedition to plant a Russian flag on the Arctic seabed next to the North Pole in 2007 (see Figure 3). In 2015, Beijing passed a new security law emphasising that China must defend its national security interests, including its assets in the deep sea and the polar regions, and enhance safe access, scientific exploration, utilisation and development capabilities and international cooperation. Also, in 2015 and in line with this policy, five Chinese warships were sailing along the Alaskan coast, which led observers to

Affairs, PRC, 26th January 2018: 3). Nevertheless, how welcome is a security role of China in the Arctic region?

Under President Barack Obama, the White House described the Arctic region as peaceful and stable. The June 2018 report of the U.S. Navy aligns with the U.S. Pentagon that the ‘Arctic is at low risk for conflict’ (GAO 2018). A Defence Agreement has bound the USA and Iceland since 1951. Although Iceland is a non-military country, it is a North Atlantic Treaty Organization (NATO) member. Furthermore, Denmark, Norway and Canada are all NATO members. Since the Cold War, the USA has military facilities and satellite platforms to detect potential incoming missiles in Greenland. Sweden is a militarily non-aligned country but cooperates closely with NATO and in 1994 joined the Partnership for Peace (PfP) programme and the Euro-Atlantic Partnership Council. NATO is currently stepping up cooperation with Sweden and Finland amidst the growing military presence of Russia in the Baltic Sea. In October 2018, the largest NATO manoeuvre since the end of the Cold War, ‘Trident Juncture 2018’, practised for a Russian invasion. All 29 NATO members, as well as Finland and Sweden, participated in the war games in Northern Norway, the North Atlantic and the Baltic Sea.

U.S. President Donald Trump declared to work together with the Arctic Nations ‘to advance stability, freedom of navigation and respect for national sovereignty in the Arctic’, and that the region must be ‘free from external intrusion, interference, and coercion’ (*Newsweek*, 3rd October 2019). Trump regards China's rise as an Arctic actor with considerable suspicion, additionally owing to China's flouting of international law in the South China Sea. A Chinese security role, that is, military presence in the Arctic, is, therefore, less than welcome. Also, the United States Coast Guard has named China as a threat to American interests in the Arctic (Havnes and Seland, 2019). Besides, the European

Commission's in-house think tank suggested that the European Union should 'exercise caution' in its Arctic engagement with China, 'as China's long-term aspirations remain unknown' (EPSC, 2019: 13). Furthermore, numerous bilateral and regional security agreements in the Arctic limit a Chinese security role facilitated or supported by Arctic countries.

It is instead the global power shifts, insecurity about China's Arctic ambitions, cooperation with Russia in the Arctic, and China's aggressive claims in the South China Sea rather than real dynamics in China's security presence in the Arctic that create suspicions about China. Could China mitigate such concerns with a rather obscure concept like science diplomacy?

3.3. Science Diplomacy as a Threat Mitigation and Trust-building Measure?

Su and Mayer (2018) elaborated on the possibilities of trust-building in international relations created by science diplomacy. The four mechanisms that produce trust would be the sharing of resources and infrastructure, personal interactions, science-based institutions and spillover effects. Su and Mayer also find that the inherent potential of science diplomacy illustrates an opportunity for the rising power of China to integrate into regional politics while alleviating threat perceptions.

Scholars have argued that China should aim to avoid sensitive issues such as resource exploration and focus instead on climate change considerations, 'which will allow China to constructively participate in global cooperation' (Jakobson and Peng, 2012: vi). Young (2016) recommended that China strengthen the science-policy interface to support the co-production of Arctic knowledge and policy. China's activities in polar science already began in the 1980s, while climate

research has been a priority of the Chinese government since the 1990s. China founded the Polar Research Institute of China (PRIC) (中国极地研究中心) in 1989. In 1994, the icebreaking research vessel Xuelong (雪龙) began its first Antarctic expedition.

Five years later, China sent its first official Arctic research expedition (Tonami, 2016). China established its first Arctic research station in Ny Alesund on Svalbard in December 2013, the China-Nordic Arctic Research Center (CNARC) (中国-北欧北极研究中心). Two Norwegian scientists were part of the team during a diplomatic crisis between the two nations. Major research institutions on Arctic matters from all the Nordics became partner organisations. The objective was to provide a common platform to research with researchers from the Nordics. Between 1999 and 2017, China made nine Arctic research expeditions, always with the participation of foreign researchers. Since 2017, China has planned to conduct a research expedition each year. Also, Chinese researchers regularly participate in foreign Arctic research programmes and expeditions. China has become a leader in Arctic research, supported by a multi-discipline observation system covering the sea, ice and snow, the atmosphere and the biological and geological system of the Arctic. China has created nautical maps for open use and takes part in international meteorological research to map Arctic ice levels and monitored the region from space in 2018. The icebreaker Xuelong conducted several Arctic missions under the Chinese National Arctic Research Expedition.

However, there are limitations. These investigations also serve to find resources and more manoeuvrable sea routes. Given that China might also use this Arctic experience for future submarine navigation in the Arctic, it will additionally have security implications for the Arctic and beyond. Besides, China's enhanced science activities are more and more eyed with suspicion by Western states. For instance, the Danish

Defence Intelligence Service expressed that China's military is increasingly using scientific research in the Arctic as a way into the region and has a 'dual-purpose', warning of intensifying geopolitical rivalry in the High North (Reuters, 29th November 2019). Scientific and technological endeavours, therefore, blend into the sphere of security. China's scientific expeditions are not regarded as apolitical by the Arctic environment anymore but viewed with increased suspicion.

4. The Regional Level: The A.C., Fisheries Agreements and BRI Cooperation

4.1. China, the Arctic Council and Fisheries

The A.C. is central to the AGM. Its goal is to coordinate joint action on all vital issues in the region. It has eight member states and six permanent participants, which represent the indigenous peoples of the Arctic. Roughly ten per cent of the four million Arctic inhabitants are indigenous people. The Council focuses on issues of sustainable development and environmental protection in the Arctic. The A.C. demands, that observers recognise Arctic states' sovereignty, their sovereign rights and jurisdiction in the Arctic; recognise that an extensive legal framework applies to the Arctic Ocean including, notably, the Law of the Sea and that this framework provides a solid foundation for responsible management of this ocean; and respect the values, interests, culture and traditions of Arctic indigenous peoples and other Arctic inhabitants (Arctic Council – Observers, updated 31st July 2019). The Arctic Council members decided on three relevant legally binding agreements under the A.C. auspices. These are the Agreement on Enhancing International Arctic Scientific Cooperation (signed 2017), the Agreement on Cooperation on Marine Oil Pollution Preparedness and Response in the Arctic (signed 2013), and the Agreement on

Cooperation on Aeronautical and Maritime Search and Rescue in the Arctic (signed 2011) (Arctic Council – Agreements, updated 6th December 2018). Observers seek to contribute to environmental issues of global importance and develop the economic potential of the Arctic, although they are weak actors (Chater, 2016).

China initiated its official application for observer status at the A.C. in 2006 and was accepted not before 2013 by the Kiruna Ministerial meeting, together with India, Japan, Singapore and South Korea. As of 2019, the A.C. has 13 national observers. The USA and Canada remained indecisive about or opposed China's presence (Lunde *et al.*, 2016). Russia, for years, obstructed Beijing's attempts to become an observer (Flake, 2013). The Nordics, however, supported Beijing's bid. Denmark has been the most consistent backer in China's quest to gain observer status. After acceptance in 2014, President Xi, for the first time, characterised China as a 'polar great power' (Sorensen, 2018: 3). China regarded this as a significant diplomatic success and an essential step towards becoming a maritime nation.

China took part in most working groups and every A.C. meeting possible. Havnes and Seland (2019) conclude that the A.C. provides the principal outlet for China's multilateral Arctic efforts. China proclaimed to respect the interests of the indigenous people when it writes that '[...] all stakeholders in this area should pursue mutual benefit and collective progress in all fields of activities' and that 'such cooperation should ensure that the benefits are shared by both Arctic and non-Arctic states as well as by non-state entities, and should accommodate the interests of residents including the indigenous peoples' (Ministry of Foreign Affairs, PRC, 26th January 2018: 3).

However, in May 2019 for the first time in A.C.'s history, the meeting ended without a final statement because the U.S. delegate rejected the concept of climate change. In an era of sharp geopolitical

shifts, including in the Arctic, this coordinated organisation may require institutional reform. Oran Young once described the Arctic region as fundamentally different from other regions like Western Europe or the Middle East (2005). However, in 2019 he not only questioned the effectiveness of the A.C. but also that the Arctic was still a 'low-tension region that fits the description of a zone of peace'. (Young, 2019: 5). Young suggested a profound rethinking of membership rules in the Arctic to find a more robust representation; otherwise, the A.C. will dwindle. For China, the most significant success indeed was to achieve observer status, which contributes to China's self-understanding as a maritime power. However, whether the A.C. also remains China's primary focus of Arctic orientation is questionable, since, on many vital issues, like fishing, it is the 'Arctic Five', not the A.C. that makes the rules. Fisheries is an excellent example of the limitations of the A.C.

Currently, no fishing takes place in the central Arctic region; commercial fishing occurs in the North Atlantic and within the exclusive economic zone of the Arctic coastal states. China has by far the world's largest fishing fleet and is naturally interested in tapping the Arctic maritime resources. The North Atlantic oceans, the Bering and the Barents Sea, belong to the planet's most fertile fishing grounds. Climate change will open new areas to fishing, necessitating further negotiations for binding agreements to prevent unregulated fisheries. In 2015, the 'Arctic Five' (Canada, Denmark, Norway, Russia, USA) signed the Declaration Concerning the Prevention of Unregulated High Seas Fishing in the Central Arctic Ocean (CAOFA, see Figure 4). China is participating in the 'Arctic 5+5' process together with the E.U., Iceland, Japan and South Korea. That is the first agreement to take a legally binding, precautionary approach to protect an area from commercial fishing before it has begun. Only a small part of the agreement falls under the North-East Atlantic Fisheries Commission (NEAFC),

Figure 4 Agreement on Unregulated Fishing in the Arctic Ocean



Source: Government of Norway, Agreement on unregulated fishing in the Arctic Ocean, 1st December 2017, <<https://www.regjeringen.no/en/aktuelt/agreement-on-unregulated-fishing-in-the-arctic-ocean/id2580484/>>.

rendering CAOFA very substantial. China's general Arctic fishing rights are therefore limited to UNCLOS and the Svalbard Treaty. As a result of climate change in the coming decades, Atlantic cod will migrate towards

the coasts of Greenland and Labrador and into the Barents Sea off the coast of Norway and Russia, which will become the most abundant fishing ground in the Arctic region. The cod stock in the Barents Sea has already increased in recent years, as has salmon off the Alaskan coast. However, China has no access to them so far. The NEAFC almost wholly covers the Barents Sea. The E.U. currently leads the Head of the Commission and Presidency. Contracting parties are Denmark, the E.U., Iceland, Norway and the Russian Federation. There are currently six 'cooperating non-contracting' parties, but China is not among them. The stocks are fully regulated and allocated by the NEAFC as of 2019 and for the foreseeable future (NEAFC, 2003).

4.2. The Belt and Road Forum and the Nordics

Another significant example, in which the A.C. lacks meaning for China, is in investments in infrastructure. Therefore, China uses other venues to discuss such issues and claims a leading position. The Arctic Investment Protocol provides guidelines for responsible and sustainable development, published by a broad range of stakeholders. The white papers indicate that 'China, [...] is ready to participate in the governance of the Arctic, and advance Arctic-related cooperation under the Belt and Road Initiative' (Ministry of Foreign Affairs, PRC, 26th January 2018: 6). The year 2017 saw the 'Vision for Maritime Cooperation under the Belt and Road Initiative' issued by China's National Development and Reform Commission (NDRC), while the State Ocean Administration (SOA) aimed to 'synchronise development plans and promote joint actions among countries along the 21st Century Maritime Silk Road' (Gudjonsson and Nielsson, 2017a) with three planned Arctic routes. Accordingly, the China-Nordic Research Center (CNARC) held its fifth annual China-Nordic Cooperation Symposium in Dalian, with the BRI the critical topic. CNARC also organises economic roundtables on topics

such as Arctic shipping and port cities and has contributed to a joint Nordic dimension of China's Arctic policy (Sverdrup-Thygeson, 2016).

President Xi announced the upgrading of the China-Finland partnership to a future-oriented form of cooperative partnership and enhanced economic cooperation in the fields of investment, innovation, environment and urbanisation in 2013. In 2017, Xi and Finland's Prime Minister Juha Sipilä again exchanged visits in Helsinki and Beijing, where the latter declared an expansion of their joint Arctic affairs and cooperation under the BRI framework, as well as calling for the active cooperation of Northern European countries with China. China has a large 'Arctic Corridor' railway project in mind to link the PSR and connect the Arctic with the Baltic Sea and continental Europe. This project would connect Kirkenes, Norway's northernmost town, with Helsinki in the south of Finland, and – via a multi-billion US\$ project underneath the Baltic Sea – with Tallinn, the capital of Estonia and the end station of the PSR. A Finnish entrepreneur heads this €15 billion project, up to 70% of which shall be funded by unknown Chinese investors (*China Daily*, 2nd March 2018).

In addition, negotiations of a 10,500 km cable through the Arctic have taken place in Finland to provide a faster data connection between Europe and China from as early as 2020.

China invited the five to the International BRI Forum in Beijing in 2017 and 2019, with weak representation from European nations. No representatives of a Nordic country participated, except for the Minister of Transport and Communications of Finland in 2017. At the second BRI Forum for International Cooperation in Beijing in 2019 within the Maritime Silk Road Port Cooperation Mechanism, 13 countries participated, among them only one Nordic country – Denmark. However, the only BRI-related issue was the signing by the Chinese government of tax treaties and protocols with Sweden, Kenya, and

Chile. In sum, the E.U., but also Nordics, have taken a reluctant attitude towards the BRI, especially concerning the involvement of China's vertically integrated state-owned enterprises.

5. Bilateral Level: Cooperation 'Under' the BRI

5.1. Connectivity Cooperation with Russia

China's interests in shipping and Russian resources place Chinese-Russian negotiations at the centre of contemporary Arctic connectivity. Tillmann, Jian and Nielsson (2018) have provided a rich account of China's cooperative implementation of the PSR with the Nordics, but especially with Russia. In 2017, President Xi and Russia's Prime Minister Dmitry Medvedev agreed to jointly develop the PSR and expand the use of the NSR. Central concerns are energy, shipping and infrastructure projects, mostly financed by Chinese investors in Russia. China's interests and considerable investments in Russian carbon results in the refurbishment of harbours and security and emergency facilities, while facilitating further investment in Arctic research, shipping and vessel construction. An essential step in this endeavour was the joint project on refurbishing and expanding the Russian port of Zarubino, from a capacity of 1.2 million tons per year to 60 million tons per year. Zarubino is close to Rason in North Korea at the Sino-Russian border. These investments additionally increase Russia's (necessary) amenability to regular Arctic trans-shipping to Europe. Energy may also be exported by Chinese ships to Europe in the future, rendering the PSR more economically viable to the latter. Russia is, therefore, a hub and transit state for the PSR.

In 2013, during his first state visit to Russia, Xi agreed with the Russian government that the state-owned Rosneft would borrow US\$2 billion from the China Development Bank and in return guarantee 25

years of oil supplies to China, a total of up to 620,000 barrels of oil per day. Rosneft offered China National Petroleum Corporation (CNPC) access to three offshore Arctic areas for oil exploration. The most significant BRI-related Arctic investment to date was the China-Russia Yamal liquid natural gas (LNG) project between China National Petroleum Corporation, Russia's Novatek and French Total. The expected annual output will be 16.5 million tons by 2019. For Russia, Chinese investments are helping to revive the Russian Arctic and may double its share in the global LNG market. This Russian majority-owned US\$27 billion project outshines the China-European Arctic projects so far.

Nevertheless, this project has brought China closer to the European Arctic states, where the majority of smaller as well as significant investments may take place in the coming years. This project is a precondition and steps towards further globalising the Arctic, with China's policies moving Siberia to the central European Arctic. Lastly, all Nordic states became members of the Asian Infrastructure Investment Bank (AIIB), the primary finance tool China has established since 2015 for BRI projects.

5.2. China's Leading Role in Arctic Shipping

Beijing can only achieve its Arctic goals with the cooperation of a variety of state and non-state actors. Given that 90% of international trade takes place among countries in the Northern Hemisphere, shipping across the Arctic Sea would prove much quicker and cheaper, at least during summer. There are three possible major sea routes through the Arctic for the PSR. The Northwest Passage traverses the internal waters of Canada (due to Canada's numerous islands off its northern coastline). The other passage, the Northeast Passage, goes along the Russian coast. The transarctic route through the middle is mostly ice-covered, but

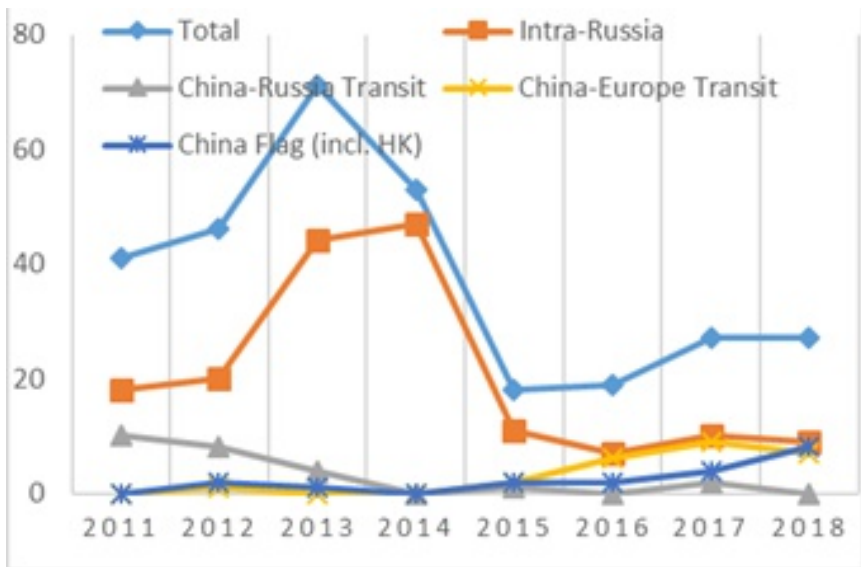
China has also been testing it in recent years. In June 2017, China put forward plans for three ocean-based 'blue economic passages' to connect Asia with Africa, Oceania and Europe to advance maritime cooperation under the BRI. The 'blue economic passages' are central to the 21st Century Maritime Silk Road.

In 2017, China became the only country to send ships across all three routes. The Northern Sea Route (NSR, see Figure 5) is the most substantial trade route between the North Pacific and North Atlantic and the shortest route available; at 4,000 miles it is approximately 40% shorter than the Suez Canal. In September 2013, the MV Yong Sheng became the first commercial vessel to reach Rotterdam using the NSR. COSCO has accumulated more experience in sailing the NSR route than any other company. In 2015, COSCO announced the launch of regular shipping to Europe through the Arctic Ocean. Tonami (2016) argues that COSCO has implicitly helped China to become a great polar power. COSCO Shipping has already established itself as a leading Arctic shipping company in the NSR. In 2017, at least six Chinese-flagged commercial vessels made use of the shortcut to Europe. COSCO alone has announced 14 transit voyages along the NSR in 2019, nearly twice the number of 2018 (Humpert, 2019). However, the overall number of ships traversing the NSR is stagnating. In 2018, there were 27 transit voyages and 27, again, in 2019. The record was in 2013 when 71 trips via the NSR carried 1.3 mln tons of cargo (CHNL Information Office, 31st December 2019).

In contrast, the Danish Maersk is not convinced about the economic viability of the route. Russia represents a steppingstone to the PSR via the Nordics. That is also signified by the statistics of the NSR in recent years, as China-Russia transit has reduced, while China-Europe transit is increasing. The announced building of a nuclear icebreaker will further enhance China's ability to navigate the Arctic Ocean even during the

winter (Gupta, 2018). China will become only the second country to operate a nuclear icebreaker, after Russia (Humpert, 2019). This icebreaker will prove essential to opening shipping lanes and reducing China's transit dependence on Russia, as it will be able to integrate the Transpolar Sea Route (through the central Arctic Ocean) into the Polar Silk Road. However, Moe and Stokke (2019) claimed that Japan, South Korea, but most recently also China exhibited less diplomatic activity concerning Arctic shipping than indicated by earlier studies, which leads to growing concerns about the future economic feasibility of Arctic shipping (see also Figure 5).

Figure 5 China and the Northern Sea Route



Source: NSR transit statistics, modelled after figures from Nord University information office <<https://arctic-lio.com/>> data by the author.

5.3. Bilateral Relations with the Nordics: China's Central Arctic Gateways?

According to Hellström (2014), the Nordics – Norway, Iceland, Denmark, Finland and Sweden – are easy to deal with from China's perspective. Numerous high-level state visits in recent years have demonstrated keen Chinese interest in the Nordics. China tried to develop dense relations, especially with Iceland, Denmark and most recently with Norway, which was ignored by China in most years of the last decade.

In 2002, China's President Jiang Zemin (江泽民) made the first visit by a head of state to Iceland, which became the entry point to reaching the Nordics (Tonami, 2016). In 2007, both countries commenced negotiations on a free trade agreement (FTA), which was signed in 2013, the first between China and a European country, covering shipbuilding, fishing, geothermal power and tourism. China today has the most significant foreign embassy in Reykjavik. Arctic narratives have both reinforced Iceland's Western foreign policy identity and non-Western possibilities, such as increased ties with China (Ingimundarson, 2015). The Arctic region has become a core component of Iceland's foreign policy, in which China plays a vital role. Iceland was the first country in Western Europe to recognise China's market economy status. The Chinese ambassador to Iceland, Zhang Weidong (张卫东), has expressed that 'China and Iceland have broad space for more cooperation in the Belt and Road framework' (Embassy of PRC in Iceland, 1st June 2017).

For China, Iceland appears to be a natural partner by which Asia and Europe can connect and cooperate (Ministry of Foreign Affairs, PRC, 8th June 2018). Both the Icelandic and Chinese governments encourage joint efforts with other Arctic states to build the ocean-based

‘blue economic passage’ linking China and Europe. Iceland may become a trans-shipment centre for Chinese commodities and raw materials. Chinese tourism to Iceland in the Pre-COVID-19 era had sharply increased. Both sides also plan to expand existing cooperation projects regarding geothermal exploration and clean energy, joint research and technical cooperation in glaciers, volcanoes, earthquakes and other geological areas. In 2016, Sinopec and Iceland signed the cooperation agreement of the China-Iceland Geothermal Research and Development Center (Economic and Commercial Office, Embassy of PRC in Iceland, 31st May 2019). China has the ‘Northern Lights research station’ (极光观测站) in Iceland. Moreover, the Chinese fishing fleet will be allowed to catch fish from Iceland and sell it as Icelandic.

Since 2008, Denmark has become a key European player for China through the ‘China-Denmark comprehensive strategic partnership’, celebrated in 2018. President Hu Jintao’s (胡锦涛) visit to Denmark in June 2012 was the first in 62 years of history of bilateral diplomatic relations, accompanied by critical media speculation: ‘Greenland’s huge mineral wealth may have been the elephant in the room’, and the explanation for President Hu’s visit (Reuters, 12th June 2012). To expand the scope of its cooperation, China emphasises strategic partnership in the fields of innovation and entrepreneurship, green economy, high-end manufacturing, education and elderly care services and anti-corruption. That may also enable China to debate BRI issues in Greenland. Forsby and Jiang (2016) claim that Denmark’s BRI participation will remain limited to Copenhagen’s membership in the AIIB. Although Greenland enjoys resource autonomy (in contrast to foreign and security policy, which Copenhagen determines), an understanding with Denmark is indispensable, because large infrastructure projects like airports also have a security component. Kluth and Lynggaard (2018) opine that Denmark may also have the

normative goal to enmesh China into a liberal Arctic order to legitimise its advance into the Arctic.

The relations between Norway and China had the most substantial potential of improvement: '[I]n 2013, China and Norway had no high-level official exchanges, and cooperation in all areas further decreased' (Ministry of Foreign Affairs, PRC, 2013). Improvements happened when Chinese bilateral relations with other Arctic states also broadened. Norway – China cooperation focuses on hydroelectricity, offshore oil and gas development and the investment and liberalisation of global trade. Norway is authorised to seek licences awarded by the Icelandic government as part of a 1981 treaty between the two countries and to seek outside partners. The China National Offshore Oil Corporation (CNOOC) with local firm Eykon Energy received two licences in 2017.

Norway also possesses unique cold climate technology. Norway joined the AIIB to lure future Chinese investments to the Norwegian Arctic. Beijing has claimed that Norway will 'actively' respond to BRI and plans to make Kirkenes a focal point of the PSR. Kirkenes is located 400 km north of the Arctic Circle and is very close to the Russian border. It became a friendly town with the northeastern Chinese city of Harbin and was dubbed the 'World's Northernmost Chinatown' at a multicultural event in the winter of 2019. That 'Barents Spektakel', a five-day event, also highlighted a 'golden age of China' (Xinhua, 14th February 2019).

The Barents region is vital for connectivity and the PSR also because it has a comparatively high population density. Like Iceland, Norway opportunistically recognised China's market economy status. China suggested the launch of negotiations of an FTA and to cooperate in fields including agriculture, fishery, the ocean, shipping, environmental protection, finance, taxation, social security, investment, people-to-people and cultural cooperation. Since 2018, China has sought

to learn from Norway's proficiency in winter sports, being the worldwide leader in Olympic gold medals.

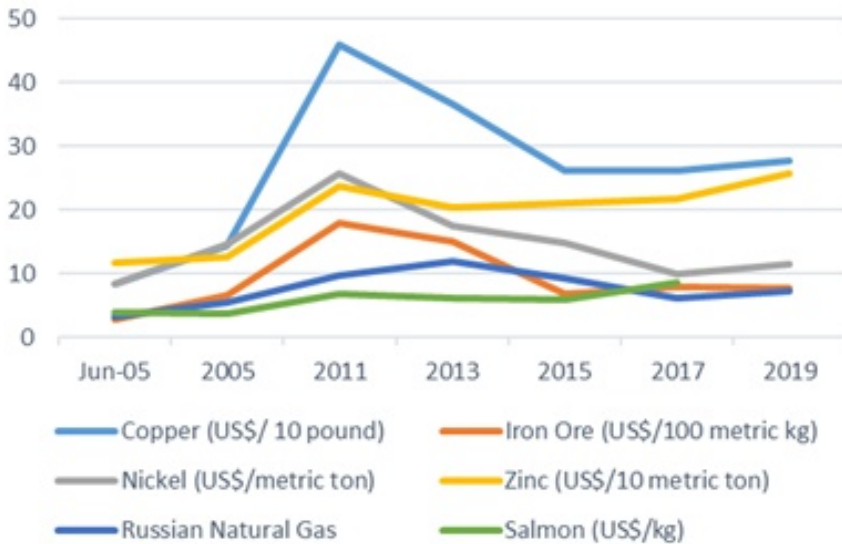
These broadened negotiations with the Nordics may increase the Nordics' trust and confidence in China's Arctic policies. Additionally, strong bilateral relations may offer Chinese actors access to public-private partnerships in the economic field and political exchanges at the sub-state level. However, there are also limitations in China-Nordics bilateral relations. The Nordic countries pusillanimity in China is shown by Norway's, Sweden's, Finland's and Denmark's decision from the end of 2019 to exclude Huawei from the construction of the 5G networks for security and other reasons and prefer Ericsson and Nokia instead, two homegrown Nordic companies. That this is pushback for China was also signified by media reports that China would threaten to step back from a trade agreement with the Faroe if Huawei were excluded.

6. The Informal Level: Raw Materials and East Asian Coordination

6.1. Raw Materials Projects

The United States Government Accountability Office (GAO, 2014) estimates that around \$1 trillion in minerals such as gold, zinc, nickel and platinum lie in the region. It also holds an estimated 13% of the Earth's oil and as much as 30% of its natural gas (Gautier, 2009) as well as plenty of other desirable raw materials like rare earth elements. Scholars generally view China's raw material interests as its dominant concern (see Alexeeva and Lasserre, 2012; Humpert and Raspotnik, 2012; Huang *et al.*, 2014; Jakobson, 2010; Jakobson and Peng, 2012; Rainwater, 2012). However, all these studies were conducted under conditions of high raw material prices and before China revealed its PSR plans. A more recent study conducted in a period of lower global commodity prices has interpreted China's mineral interests as being

Figure 6 Selected Raw Materials' Global Prices



Source: Modeled after data from <www.indexmundi.com> by the author.

rather moderate (Weidacher Hsiung, 2016). Based on the eleventh Five-Year Plan from 2006, the Ministry of Land and Resources identified copper, zinc, aluminum and nickel as resources of which China is short in supply, and it hence seeks to promote the exploration of mines domestically and abroad. The Twelfth Five-Year Plan of 2011 (中华人民共和国国民经济和社会发展第十二个五年规划纲要) included a 'Go Out' (走出去) with a particular financing scheme from China's Development Bank for resource development projects abroad. These plans coincided with high global raw material prices and China's broadened Arctic policies in the early 2010s. When global raw material prices fell in 2012, Arctic mining projects were deemed uneconomical by private actors, and media attention regarding Chinese interests in

Greenland's resource riches calmed down. Greenland is rich in rare earth minerals, copper and zinc, and has moderate levels of nickel and tungsten, materials that China needs for its economic security. In Greenland, five projects with Chinese participation in raw materials and infrastructure were under development (Yang, 2018), all initiated by the Greenlandic government or Western companies. Greenland proactively searches for Chinese investments at trade fairs, China's government or companies in mining, construction, harbour engineering and hydropower. Chinese companies have accordingly purchased licences or invested in the original company or construction for the project. These projects came without the intervention of the Chinese government. However, Chinese companies always try to align with governmental policies, as Yang (2018) explains. Investments are seldom purely private, as they require political, societal and financial backing by governments. Private companies also seek governmental financial support. Of the five projects, private Chinese companies (Jiangxi Zhongrun) own the Isua Iron Ore and the Wegener Halvo Copper projects, while the Kvanjefeld rare earth project is co-funded by the local Chinese state-owned company Shenghe, which acquired 12.55 of Greenland Minerals and Energy in 2016 (Yang, 2018). In contrast, the Chinese state-owned company CCCC has withdrawn its bid to build airports in Nuuk and Ilulissat, after Greenland chose Denmark over Beijing to finance the projects. Several Chinese state-operated enterprises have signed agreements with Iceland, among them Sinopec.

In 2015, Nonferrous Metal Corporation (NFC) signed an agreement with Klappir Development to conduct a feasibility study of Klappir's aluminium smelter project in Hafursstaðir in northern Iceland. The Chinese privately held carmaker Geely Group signed an agreement for investment in Carbon Recycling International of Iceland, a private company that has developed a process to convert CO₂ from industrial

sources into liquid fuel. A Chinese firm obtained a licence to carry out oil and gas exploration in the Dreki region, located between Iceland and Jan Mayen Island. In sum, much fewer Chinese investments went into Euro-Arctic resource extraction projects compared to Chinese-Russian cooperation. China's rush or race to the Arctic resources, as portrayed in some media outlets, has still not fully materialised.

6.2. Coordination with Extra-Asian States

China, Japan and South Korea are involved in Arctic development through resource interests, scientific research and international shipping. Beijing has initiated a multilateral forum with its East Asian neighbours. China wants to coordinate its Arctic interests and policies with South Korea and Japan and increase Asia's standing in Arctic governance. Both South Korea and Japan were accepted as observers in the A.C. at the Kiruna meeting in 2013, and geographically they are as near-Arctic as China (Gong, 2016). Like China, they are also party to UNCLOS, the UNFCCC and the various agreements developed by the International Maritime Organisation. China is more strongly coordinating on Arctic issues with South Korea than with Japan. In 2008, the two countries signed the 'Memorandum of Understanding on Polar Science and Technology Cooperation'. All three jointly initiated the Asian Forum for Polar Sciences, which is the only regional scientific cooperative organisation in Asia. Asian stakes are in the fields of management and use of natural resources, Arctic shipping and shipbuilding (especially South Korea) and environmental protection (Stokke, 2014). All three also have a keen interest in LNG imports from Russia. In 2015, the three nations officially acknowledged the global importance of Arctic issues in a joint declaration. They launched a 'trilateral high-level dialogue' to share Arctic policies, explore collaborative projects and search for ways to deepen cooperation over the Arctic (Bennett, 2017).

The Third Trilateral High-Level Dialogue on the Arctic took place in Shanghai in June 2018 (Ministry of Foreign Affairs, PRC, 8th June 2018). The joint Declaration reiterated the intention to contribute to promoting peace, stability and sustainable development in the Arctic, and stressed the importance of policy dialogue and facilitating their cooperation in the Arctic. The common denominator on Arctic affairs is research, which may contribute to mutual trust-building. Together with other Asian nations, China may embed and increase its Arctic influence and rationalise concerns against China's rising impact. Furthermore, even if coordination proves merely superficial, Beijing may attempt to eschew notions that China was only interested in resources. In 2012, the Japanese newspaper *Sankei Shimbun* (産経新聞) published an article titled 'Greedy eyes of China never left the wealth of Arctic'. China's Xinhua News Agency immediately refuted this statement (*People's Daily*, 3rd February 2012).

Also, within the BRICS state group (Brazil, Russia, India, China and South Africa) plans for cooperation on polar issues and the Arctic were discussed on several occasions (Lagutina and Leksyutina, 2019). However, these five states have different statuses regarding Arctic governance and are at very different stages in their engagement with the Arctic region, while South Africa is not engaged in Arctic affairs. Therefore, it remains to be seen whether BRICS can add to the China-Russia bilateral relations in the Arctic.

7. Conclusion

China's primary goal to build the PSR is contingent on several factors and conditions that it is seeking to influence and manage at different levels of Arctic governance. A precondition for the success of China's Arctic diplomacy is how it institutionalises its policies towards the

Arctic in a multilevel approach. At the global level, China must accept international law, the territorial sovereignty of the Arctic nations and a limitation of its role in Arctic security if it wants to make progress with its PSR since suspicions are also growing. Probably, China will be defensive on significant higher environmental standards in the Arctic and favour global minimum standards over (higher) regional standards. Higher standards on shipping compared to other regions may make the PSR uneconomical. For that goal, strong bilateral relations with the Nordics and Russia and investment prospects are helpful.

China indeed adopted a proactive attitude towards the Arctic but did not expect too much from the A.C., which may lose its central position in Arctic governance for China. Hence, China also looks for alternatives to promote its goals. While China encourages business activities more than any other actor, activities that have potentially geopolitical content, like airbases or shipping ports, are regarded with suspicion, especially from the U.S., but more and more also from the Nordics. Concerning its science diplomacy, China uses it implicitly as a way of trust-building, not only towards the Arctic but also with its East Asian peers, Japan and South Korea, which have similar Arctic interests. However, China's intensive Arctic science has met suspicion in the Arctic.

Russia is currently an ideal partner for China's strong political will since China has the funds and the means to negotiate significant investments in infrastructure. Investments in ports and energy supplies also make trade shipping and sea routes more viable and cost-efficient, while increasing China's energy security, thereby laying the economic foundation for comparative advantages in future exploration and investment in the Arctic. However, it is the small but wealthy European Arctic states that are indispensable to China's goal to globalise the Arctic region and to complete the PSR in the coming years and decade(s). Russia is a conduit to connecting the PSR with Western

Europe. Beijing's main interests lie in robust and cooperative bilateral relations with the Arctic European states, enabling it to flexibly react to future external developments and opportunities, which even it can scarcely influence directly.

China has broadened its diplomatic interactions with these small states so that from a negotiation theory perspective, collective value creation supersedes mere value distribution. That also adds to trust-building. A broadening of policies reduces suspicions that China is only interested in resources, while, nevertheless, the Nordics have become more reluctant concerning China's Arctic policies. At the informal level, public-private partnerships and fora, such as with the East Asian developed economies, may contribute to China's socialisation with and the economic development of the Arctic region. Amidst rapid ecological changes in the Arctic, the Nordic societies nevertheless should be aware that China's geopolitical and geoeconomic interests of globalising the Arctic are not identical with the Nordics strong interests of environmental protection and sustainable development ('Arctic distinctiveness'). In sum, however, China has adapted to the Arctic governance system peacefully so far, although this system needs to react flexibly to the new challenges arising.

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Notes

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1. President Xi Jinping launched the Belt and Road Initiative (BRI) project in Astana, Kazakhstan in 2013, where a route of the old Silk Road connected China and Europe 2000 years ago. Xi described the BRI as the new silk road and the 'Project of the Century'. The BRI comprises a massive collection of development and investment initiatives that stretches from East Asia to Europe and other continents. Since 2013, more than 130 countries and 30 international organizations have signed BRI cooperation agreements and received ca. US\$100 billion in Chinese Foreign Direct Investment. However, there has been continuous international critical

academic and political debate about the essence of the BRI, its strategic purposes and the sustainability of the initiative.

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The Geopolitical Role of China in the CEE Region

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Abstract

In 2018, China celebrated the 40th anniversary of the “Reform and Opening” policy. 40 years ago, China began to build new international relationships and facilitated Chinese companies for stepping out into the international arena, as well as encouraged Chinese students to study abroad. In 2019, the country celebrated the 70th anniversary of the establishment of the People’s Republic of China and also celebrated the 70th anniversary of establishing diplomatic relations with several Central and Eastern European countries. Although China had friendly ties with the countries of the CEE region since 1949, the formal multilateral relations of the 16+1 cooperation network was only established in 2012, while various forms of multilateral cooperation has already existed between these countries from the 1990s and early 2000s onwards. Western Europe looks at China’s regional expansion in Central and Eastern Europe with concern and refers to the 16+1 cooperation as a *Trojan horse* fearing the possible division of Europe or that China might buy political influence. In my study, I make a comparison of the China-

CEE cooperation with other multilateral networks in terms of Chinese FDI, foreign trade and Chinese foreign policy in order to consider 16+1 cooperation in the multilateral relations system of China. Furthermore, I compare the amount of Chinese FDI and trade to European countries in order to quantify the Chinese presence in the CEE region. With these comparisons, I am searching for what the real concerns about China's presence in the region are and how important the China-CEE cooperation is for China.

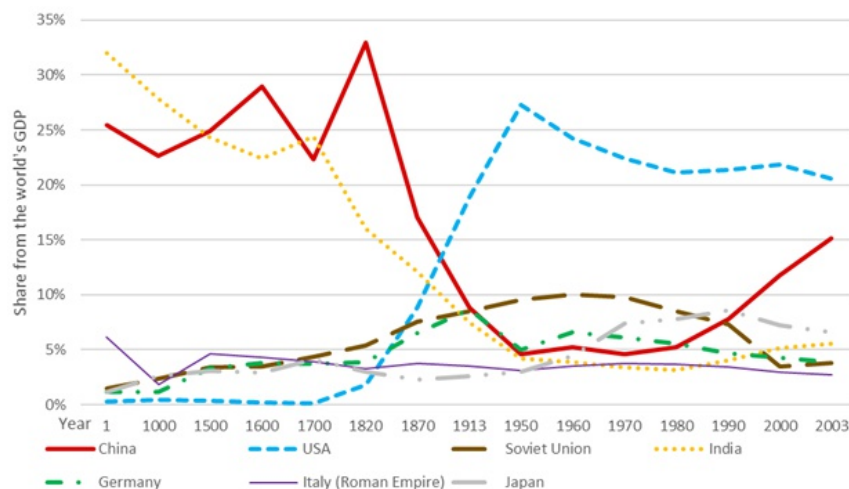
Keynotes: *China, CEE countries, 16+1 cooperation, geopolitics*

1. Introduction

By the 21st century, the US-dominated unipolar world order has been transforming into a multipolar world order, in which China is playing an increasing role. China, with 5,000 years of culture and continuous history, led by the current Communist Party of China, in both 1921 and 1949, set itself the goal in its 100-year strategic plans of restoring China's previous position held historically in the world economy, that is, of making the country a leading economic great power again by raising the economy and living standards (Figure 1).

By the 21st century, China has become one of the most important economic power in the world, as a result of the 2008 global financial crisis, China displaced Japan as being the second-largest economy in August 2010, in addition to in 2012, China became the number 1 cross-border trading nation worldwide. By the end of 2014, China's gross domestic product, as measured by purchasing power parity, amounted to USD 17.6 trillion, slightly exceeding the USD 17.4 trillion achieved by the United States, which served as the globe's largest economy since 1872. These results have been achieved mainly due to its "*Reform and*

Figure 1 Development of the World Economy from the Beginning of the Common Era until 2003



Source: Edited by the author based on the database of Angus Maddison's *The World Economy: Historical Statistics* (OECD, Paris 2003).

Opening” policy launched in 1978. The policy associated with the name of Deng Xiaoping was feasible by opening up to the world and establishing a number of multilateral relations, as a result of which it also gained geopolitical power in some regions.

In addition to its numerous multilateral relations, China also strengthens her EU relation. The trade and investment links between the EU and China are very important. The EU markets and China have strategic relevance to each other, with an average daily trading value of over a billion euro. China’s growing domestic market and economic weight represent significant business opportunities for the European companies. At the same time, the Chinese market is considerably less

open than of the EU. China decided to develop a closer cooperation with countries of the Central and Eastern European region from 2012 onwards. Many in the West did not like the idea and characterized Chinese investments and trade relations towards the CEE region as a “Trojan horse”. According to certain diplomatic presumptions, China aims to gain political leverage in the EU in exchange for providing economic benefits to its CEE members.

In 2013, China launched the worldwide initiative of “*One Belt, One Road*” (OBOR), which, according to the Chinese approach, is based on a common, peaceful, win-win cooperation.

In the historical mindset of China, there is no motivation for colonization but a China-centric world order, as we can see it from the Chinese name of the country: Zhongguo 中国 – Central country/empire – in which China cooperates with the surrounding countries, but does not influence their domestic politics (Kissinger, 2014: 27).

However, the Western world has a different view of China’s rise, seeing the OBOR initiative as a kind of colonizing operation (Sirohi, 2017; Kleven, 2019), and considering China’s developing other multilateral relations as a threat. Mostly the USA and the Western European countries are on the opinion that China has built up a closer trade and FDI cooperation with each countries of every region via these multilateral cooperation networks, which is considered as a comprehensive geoeconomical plan China is working on, that is practically about using the Foreign Direct Investments and trade relations as economic tools to conquer the World. However, throughout the whole human history there are several precedents that makes it clear that it is the US and Western Europe that wanted to conquer other regions of the world, they are those that had established countless colonies and settlements, even in China they also detached some cities from the Chinese Emperor.

In my study, I review the regions China has developed multilateral cooperation with and the level of the geoeconomical tools applied, the investment and trade relations built with these countries by China in this context, and by making a comparison with the China-CEE Cooperation, I examine how much effort is being made from the Chinese point of view to gain geopolitical ground in the CEE region. Do we really have to worry about the increasing presence of China in the CEE region?

2. China's Multilateral Relations

The 1978 “*Reform and Opening*” policy brought about a big change in all areas of China, opening up markets and launching trade and economic cooperation with foreign countries. Over the past 40 years, China has joined the globalizing world economy, not only in terms of trade but also with respect to investments.

In the 1980s, huge changes took place in China. However, at the end of the decade, the Tiananmen Square incident portrayed China in a negative light on the international platform, leaving the country diplomatically isolated. To alleviate the negative effect of this event and to eliminate the “*enemy image*”, China established a number of multilateral relations based on economic cooperation:

In 1991, the country joined the Asia-Pacific Economic Cooperation (APEC), and the China-Association of South East Asian Nations (ASEAN) Dialogue was launched (MFA PRC, 2020a; Lu, 1997; MFA PRC, 2020b; Yu and Fan, 2018). In 1992, the Greater Mekong Subregion Cooperation was initiated, and in 1996, the “Shanghai Five” group – the later Shanghai Cooperation Organisation – was created (MFA PRC, 2020c; Chai, Lu and Yang, 2007; MFA PRC, December 2019a; Li, 2011). From 1996 onwards, China participated in the negotiations of the inaugural “Asia-Europe Meeting” (ASEM), and the

Central Asian Regional Economic Cooperation was started (MFA PRC, 2020d; Pan and She, 2004; MFA PRC, December 2019b; Qin, 2010). In 2000, China established the China-Africa Forum (MFA PRC, 2020e; Zhang, 2012), and since then China has been considered the largest investing country in Africa. In 2001, it joined the international organization: WTO, and since 2002, China has been actively involved in the initiative of Asia Cooperation Dialogue (MFA PRC, 15th June 2004). In 2004, even beyond the regional and old relations, it launched a dialogue with the Arab states in the framework of multilateral cooperation (MFA PRC, 2020f). In 2010, the China-Gulf Cooperation Council Strategic Dialogue was started (MFA PRC, 2020g).

Following the 2008 global financial crisis, China placed an ever-growing emphasis on the Central and Eastern European countries and initiated the 16+1 Cooperation in 2012 (MFA PRC, 2020h). In 2013, Xi Jinping, the Chairman of the People's Republic of China held two speeches that were of special importance: the first one was delivered in Kazakhstan, and was titled to "Working together to build the silk road economic belt" (Xi Jinping, 2019: 46), the second speech was delivered in Indonesia and was subject to "Working together to build a 21st-century maritime silk road" (*ibid.*: 56). These occasions served as a start for China to develop the initiative of "*One Belt, One Road*" involving the numerous multilateral relations, and then, in 2014, it also began building relations outside Eurasia, for example, by establishing the China-Latin America and Caribbean Forum (MFA PRC, 2020i).

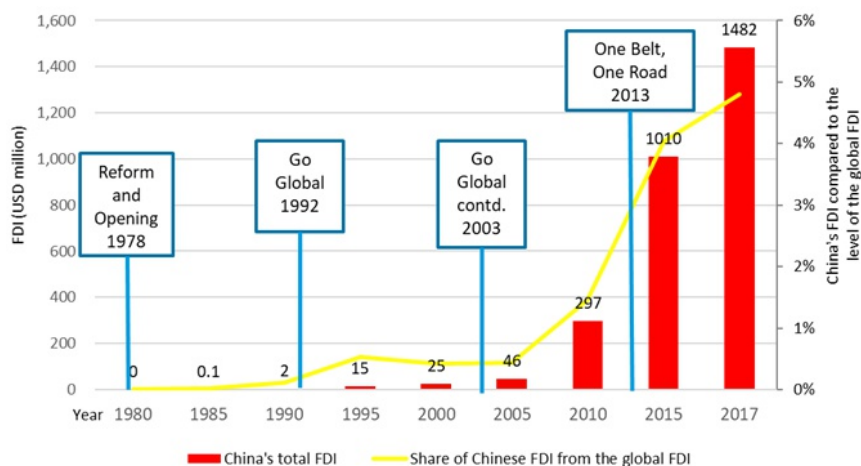
At the top of building up a huge regional multilateral cooperation network during the past 30 years, the People's Republic of China announced the "*One Belt, One Road*" initiative in 2015, that is a worldwide multilateral cooperation network built up from the above mentioned regional multilateral cooperations, and being so it serves as a kind of comprehensive cooperation in the globalized world, in other

words in the “global village”. China has successfully engaged 138 countries and 30 international organizations in the “*One Belt, One Road*” initiative, thanks to which it includes a huge volume of FDI and trade cooperations through several infrastructure projects in relation to ports, railways, highways, power stations, aviation and telecommunications (*Belt and Road Portal*, 9th September 2019).

2.1. Chinese Foreign Direct Investment

In the context of economic multilateral relations, China allocated more and more foreign direct investment (FDI) abroad every year (Figure 2). After examining the distribution of Chinese FDI around the world, we can see which regions China considers as being of special importance from an economic and political point of view.

Figure 2 Changes in China’s Outward Direct Investment between 1980 and 2017



Source: Edited by the author based on statistics from the *World Investment Report* issued by the UN between 1990 and 2017.

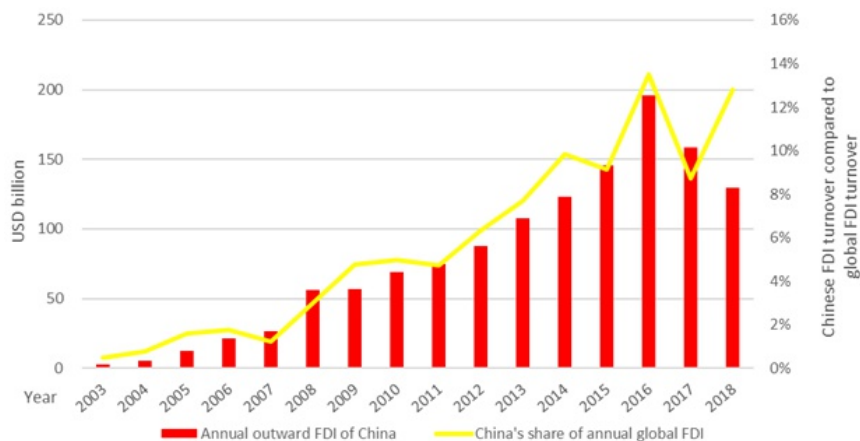
Figure 2 clearly shows how the foreign economic policy initiatives announced by the Chinese government supported Chinese companies' foreign investments in a bid to strengthen multilateral relations and the “*Reform and Opening*” policy announced by Deng Xiaoping in 1978.

In 1992, at the 14th Party Congress, Chinese Head of State Jiang Zemin announced the “*Go Global*” foreign economic strategy, under which the state assured the Chinese companies of its support in the international cooperation, giving the Chinese firms a new impetus for expansion. In 2003, Premier Wen Jiabao and Vice-Premier Wu Yi spoke on several platforms about further developing and elevating the “*Go Global*” strategy and supported the establishment of foreign cooperation of Chinese firms.

Due to these state subsidies, multilateral relations and FDI investments, Head of State Xi Jinping announced the initiative of “*One Belt, One Road*” in 2013. In addition, the Silk Road Fund, the Asian Infrastructure Investment Bank (AIIB) and public financial institutions were set up to support the internationalization of Chinese state-owned companies and private firms, and to stabilize economic growth and alleviate the problems of Chinese industry struggling with domestic overcapacity.

Over the past 15 years, China has increased its turnover of foreign direct capital investment in a truly spectacular way. Following the 2008 global economic crisis, the country was able to maintain its development and economic plans, while the Western countries' outward foreign investments declined. From 2012 onwards, 10–20% more investment was made annually in areas outside the country, which is outstanding in the world (Figure 3). This was given a new impetus by the initiative of “*One Belt, One Road*”, under which China's outward foreign working capital investment started to rise again exponentially, with China

Figure 3 Turnover of China's Foreign Capital Investment in Relation to World FDI Turnover

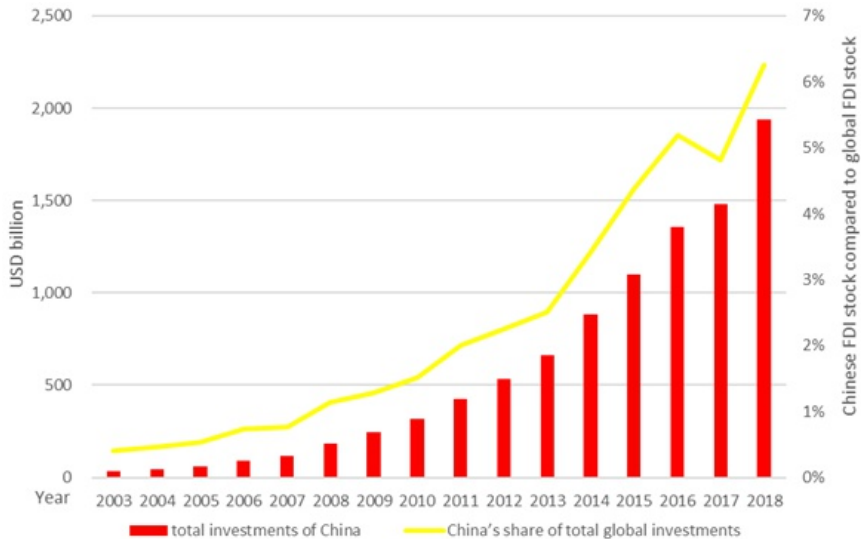


Source: Edited by the author based on statistics from the *World Investment Report* issued by the UN between 2003 and 2019.

accounting for more than one-tenth of the world's total annual investment turnover from 2013 onwards. In 2017, the turnover of working capital investment increased to a lesser extent, due to the newly introduced, stricter government rules that scrutinized the investment market (MOFCOM PRC *et al.*, 2018: 6).

Meanwhile, China gained an increasingly dominant share of the world's total working capital investment stock. While in 2003, China had only a 0.41% share of the world's total outward foreign direct investment, by 2016 this had already exceeded 5% (see Figure 4).

It is clear, that China, in support of the “*Reform and Opening*” policy of 1978, set up an internationalization plan, and thereby, it has created multilateral relation systems in a number of regions. Furthermore, it has a growing working capital stock in the world.

Figure 4 China's Foreign Capital Investment Stock

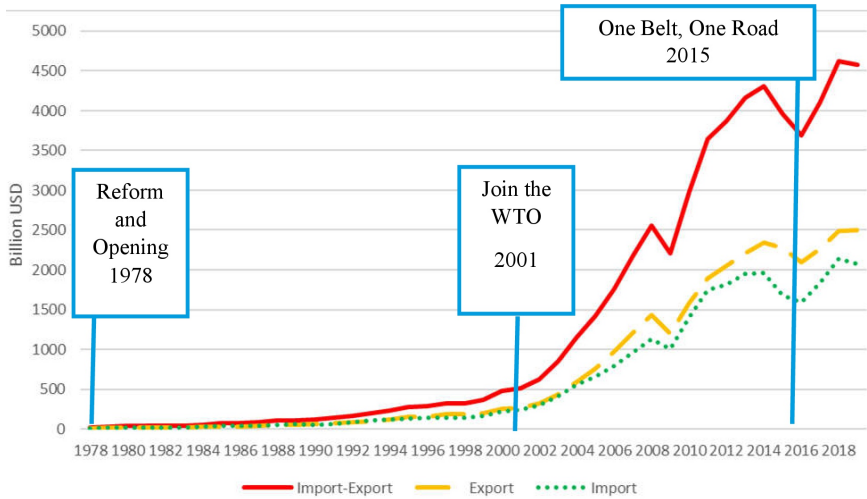
Source: Edited by the author based on statistics from the *World Investment Report* issued by the UN between 2003 and 2019.

In summary, 35 years after the opening-up of the country, the initiative of “One Belt, One Road” was established, the policy at the same time supporting Chinese companies to go abroad for investment and trading purposes.

2.2. Chinese Trade Relations

Trade plays a key role in the Chinese economy. While after the establishment of the People's Republic of China, the Chinese economy was politically-driven, and wasn't considered as efficient enough, at that time the volume of foreign trade did made up a significant part of the Chinese economy, during the “Reform and Opening” policy, foreign

Figure 5 China's Foreign Trade from 1978 to Today



Source: Edited by the author based on statistics from the Ministry of Commerce of the People's Republic of China.

trade was reconsidered and modernized by introducing economic reforms (Figure 5). The 70-year history of the Chinese foreign trade can be divided into 5 periods: the years between 1949-1978 was highlighted by planned management of foreign trade (计划管理阶段); between 1979-1991 was the era of Pilot reform stage (试点改革阶段); years of 1992-2001 was characterized by expanding the Opening-up reform (扩大开放阶段); during the period of 2002-2012 China was going deep into the globalized system (深入全球贸易体系阶段); from 2013 onwards until today China improved its position from a significant trading country to a powerful trading country. In the Chinese economic history, we can see that the foreign trade (FDI) – as mentioned above– was connected to the policy of China. From 1978, Deng Xiaoping and

the government were working together hard to enlarge the volume of trade between China and other countries. During the past 70 years, the volume of the Chinese foreign trade has increased 7300 times, and for today China has already 200 trading partners all around the World, and in the meantime the country also became the 1st biggest trade partner of more than 100 countries (Yu and Wang, 2019).

For the 21st Century, China already became the largest trading nation in the world that is at the same time playing a very significant role in the globalized world: in 2001 China joined the World Trade Organization, 2013-2015 China was the first biggest foreign trade country. In 2018, China became again the largest trade country. According to the WTO statistics, China foreign trade is making up the 13.2% of the world trade. In 2019, 48.1% of the Chinese foreign trade was produced by the four big trade partners, EU, ASEAN, US and Japan (*ibid.*). The “*One Belt, One Road*” initiative is also greatly supporting the Chinese trade via several infrastructure investments, that further facilitates the trade relations between regions and countries. In 2017 during the One Belt, One Road Forum, President Xi Jinping also announced that China was going to hold China International Import Expo (CIIE) every year “*to provide companies with further support to trade liberalization and economic globalization and actively open the Chinese market to the world*” (Xi Jinping, 2019: 452-453; China International Import Expo, n.d.).

Through its trade partnerships China also could build up new relations with other countries, and later on the foreign trade relations became an important part of its multilateral relations networks, too. Western researches often refer to Chinese trade relations as “*one way for China to “buy” influence in Europe is through access to its growing and increasingly lucrative market*” (Karindi, 2020).

3. The Importance of the China-CEE Cooperation in China's Multilateral Relations

As we have seen above, China began to build multilateral relations with Asia and Africa in the 1990s, and by 2004, the country had also established cooperation with Western Europe. However, the development of the China-CEE multilateral relations only started much later, in the 2010s.

In June 2011, during his visit to Hungary, Chinese Premier Wen Jiabao participated in the first Economic and Trade Forum of China-Central and Eastern European Countries, which was followed by the formation of the “China-CEE 16+1 Cooperation” with the participation of 16 Central and Eastern European countries¹. The first Prime Minister Summit was held in Warsaw in 2012, and since then the leaders of countries of the CEE region have met annually to discuss economic cooperation.

Thus, in 2012, China launched another multilateral relationship in order to establish close ties with the countries of the CEE region simultaneously and rapidly. China's new system of relations has often been referred to by the Western media and Western researchers as a “*Trojan horse*”, and they express their concern about the excessive Chinese presence (Turcsányi, 2014) in the CEE region.

But has the Chinese presence in the region really become excessive? It is worth comparing China's major multilateral relations with the China-CEE Cooperation to see how much money and energy China is investing in it. Then, it is useful to review, how China is present in the CEE region and other Western European states in terms of FDI and the volume of trade between China and these regions.

3.1. Comparison of the China-CEE Cooperation with Other Chinese Multilateral Relations

Table 1 Comparison of the China-CEE Cooperation with Other Chinese Multilateral Relations

Cooperation	Start	Number of countries	Population (million ppl.)	Area (million m ²)	Chinese FDI	FDI/capita relative to China-CEE	FDI/area relative to China-CEE
China-ASEAN Dialogue	1991	10	654	4.49	102,854	8.15	13.14
China-Africa Forum	2000	53	1,300	29.7	46,103	1.84	0.89
Shanghai Cooperation Organization	2001	8	1,758.3	24.8	37,483	1.1	0.87
China-Arab States Cooperation Forum	2004	22	326.9	13.3	18,313	2.9	0.79
China-CEE Cooperation	2012	16	117.5	1.3	2,267	1	1
China-Latin America and Caribbean Forum	2014	33	651	20.7	406,771	32.37	11.27

Source: Edited by the author

China has developed multilateral relations with a number of regions on all continents. Therefore, I have compared the China-CEE Cooperation with the China-ASEAN Dialogue countries in South Asia, the Shanghai Cooperation Organization in Central Asia, the China-Arab States Cooperation Forum in the Middle East, the China-Africa Forum as well as the China-Latin America and Caribbean Forum. In terms of region area and population, the CEE region lags far behind, and thus, based on the Chinese FDI Annual Report, I have examined GDP per capita and

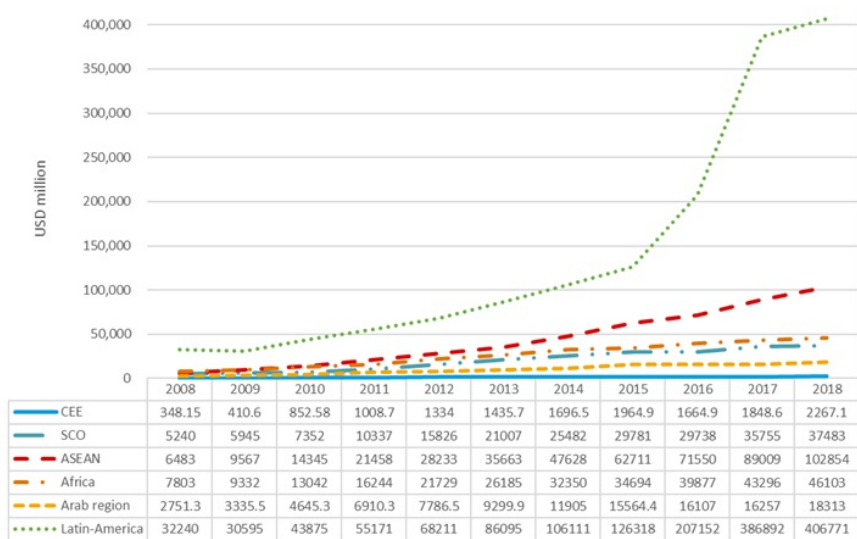
the distribution of Chinese FDI at territorial level (Table 1). Also, I have made a comparison on the volume of trade based on data provided by the Ministry of Commerce of the People's Republic of China in relation to the mentioned multilateral cooperations.

The FDI comparison shows that according to the Chinese FDI per capita, the CEE region receives the least Chinese capital. The most outstanding result is the cooperation with Latin America, which is only 6 times larger than the CEE region in terms of population, but there, the Chinese FDI per capita is 32.37 times higher. In the ASEAN countries, which also have a population 6 times larger, the Chinese FDI per capita is 8 times higher.

When compared at territorial level, the CEE region shows a better picture: in terms of area and FDI, it is ahead of the Shanghai Cooperation Organization having a less dense population, the African countries and the Arab states, but lags far behind the ASEAN countries and the Latin and Central American countries.

Looking at these data and the extent of FDI, we can see that the CEE region, although strategically important with regard to the “*One Belt, One Road*” initiative in connecting Europe and Asia, is not among the most outstanding cooperation from an investment and economic point of view.

Looking at the value of Chinese FDI over the past 10 years, there has been a large increase in the Latin and Central American and the ASEAN country groups among various regions. Chinese FDI has grown 15-fold in the ASEAN region and 12-fold in Latin America. Other multilateral relations also show major growth in 10 year-terms, while as early as 2008, these regions already had 10 times bigger Chinese FDI than in the CEE region. It is also worth noting that the stock of Chinese FDI recorded in the CEE region in 2018 is below the 2008 data of other multilateral relations.

Figure 6 Chinese FDI Stock Change in the Regions of Various Multilateral Relations between 2008 and 2018

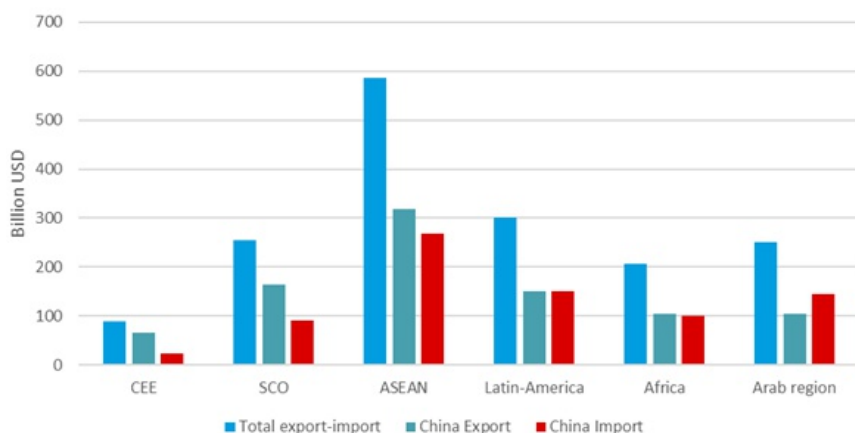
Source: Edited by the author based on the *2018 Statistical Bulletin of China's Outward Foreign Direct Investment* (2018 年度中国对外直接投资统计公报).

According to statistics on China's outward foreign working capital stock, China prioritizes the Latin American and Asian regions over the Central and Eastern European region. From a geopolitical point of view, this is understandable: as the US has started its “*Pivot to Asia*” policy in Asia, China is working to build close economic relations with the surrounding countries in its own region of Asia, in terms of defense. In addition, in Latin America – from which America has distanced itself in recent years – China can also take an offensive stance. America's presence is also strong in the Arab states, and therefore, China is looking

for cooperating partners in that region as well. The CEE region, on the other hand, is currently not a key “battlefield” among the great powers.

In the comparison of trade volume between the examined six multilateral cooperations we also can realize significant differences between the trade relations of China. In Figure 7 we can see the import-export between China and the regions. As I have mentioned above, the ASEAN is the 2nd biggest trade partner of China, so in the six regions, ASEAN is the first biggest trade partner, than one after another comes Latin-America, Shanghai Cooperation Organization, Arab region, Africa and finally the Central-Eastern European countries.

Figure 7 China’s Foreign Trade from 1978 to Nowadays



Source: Edited by the author based on data provided by the Ministry of Commerce of the People’s Republic of China.

According to available statistics of the Ministry of Commerce of the People’s Republic of China, it is clearly visible that China is trading the least with countries in the Central Eastern European Region comparing

to other multilateral cooperations. This is mostly due to China's export trading relation: in its other relations the volume of export and import is much more balanced, while there is no significant purchasing activity can be seen in the CEE region by the Chinese, sending a great amount of "made in China" items to the CEE region is much more typical. In Latin-America, the African and Arab regions the volume of export and import is almost the same level, due to the fact that China imports a great amount of oil resources from the Arab region, a significant amount of minerals from Africa and Latin-America. At the same time the CEE region is not so rich in natural resources so that to export a significant volume to China, which shows that from this point of view, Africa, the Arab region and Latin America play a more important role to China than the CEE region. This on the other hand determines the geopolitical significance of the CEE region for China, since the country prefers stronger relation with the countries possessing a very high and important source of raw materials.

Above we have already seen that these multilateral cooperations cover different size of markets, so it is worth to examine the trade value per capita so that to get a more comprehensive picture. From this point of view the CEE region is the 3rd strongest trade partner of China after the ASEAN and Arab region cooperation, while in terms of market size, the CEE countries represent only a more than 100 million inhabitant market for selling the Chinese products.

After the economic comparison it is worth to examine the Chinese diplomacy a bit more closely: since the establishment of the Xi Jinping administration, the Chinese diplomacy was going through significant changes. The foreign diplomacy doctrine of "*Xi Jinping Thought on Diplomacy*" became an important for the People's Republic of China, that is also reflected by the measure taken by the Foreign Affairs Ministry of the Republic of China, since it established "Xi Jinping

Thought on Diplomacy Studies Center”. Xi Jinping’s international movements serves as the main basis for China’s foreign policy. As regards Head of State Xi Jinping’s official visits abroad, we can see that while he attends the Shanghai Cooperation Organization Forum every year and visits the ASEAN countries and the African and Latin American countries almost every year, until now, the 2016 was the only occasion he came to visit the Central and Eastern European countries (Czech Republic, Poland and Serbia), although he visits Europe practically every year. Even other leaders of the People’s Republic of China have spent more time in countries of the ASEAN, the African and Latin American or SCO region than in the CEE region. This is very much reflected by the fact that for example the foreign minister of the People’s Republic of China in the last 30 years, every year choose to visit an African country for the first time.

3.2. Chinese FDI and Foreign Trade in the European Region

As the Chinese government has already stated on several platforms, it is in China’s economic interest to have a strong, united European Union, but the EU sees Chinese investments in the Central and Eastern European region as a geopolitical gain and has expressed its concerns that China is trying to divide the European Union.

During his 7-year leadership, Head of State Xi Jinping travelled twice to the CEE region in the same year, in 2016. In connection with the event, the *Financial Times* wrote that the Chinese had launched the typical “*divide-and-rule*” tactics in Europe, taking advantage of the tensions between the West and the East (*Financial Times*, 15th June 2016).

Following the Prime Minister Summit of China-CEEC organized in Budapest in November 2017, the *Financial Times* wrote about the West’s concerns under the title “Brussels rattled as China reaches out to

Eastern Europe”. According to this, while in Hungary the Chinese cooperation is described as “*part of the Eastward Opening*”, in Poland as a “*tremendous opportunity*” and in Serbia as a “*reliable friendship*”, the EU diplomats see the 16+1 Cooperation as a threat (*Financial Times*, 27th November 2017). The German *Süddeutsche Zeitung* also published writings about the Budapest meeting in a negative tone under the titles “A lot of influence for not much money” (*Süddeutsche Zeitung*, 27th November 2017) and “China takes control of Eastern Europe” (*Süddeutsche Zeitung*, 28th November 2017).

Many representatives of the Western press refer to the China-CEE 16+1 Cooperation as a “*Trojan horse*” in the European Union (*Politico*, 27th July 2018). In fact, some news portals today describe any kind of Chinese investment in the big world as a “*Trojan horse*” (Lee, 2018).

According to them, their concerns about Central and Eastern Europe are supported by the fact that, in the EU, the countries of the CEE region – in particular Hungary as a CEE member state and Greece as an observer – have repeatedly sided with China (Stanzel, 2016): in 2016, Greece blocked the EU vote on the South China Sea dispute, and in 2017, due to a veto by the Greek government, the EU was unable to make a statement condemning the People’s Republic of China before the UN Human Rights Council (Reuters, 18th June 2017).

Furthermore, Western studies point out that in addition to Hungary’s “*Eastward Opening*”, other CEE countries are also opening up to China through various political programmes: in Poland the “*Go China Strategy*” has been started, the Czechs have initiated the “*China Investment Forum*” platform and in Slovakia the “*(2017–2020) Strategy for Development of Economic Relations with China*” has been prepared (Butler, 2018).

The question arises: What can we say about the Chinese “*expansion*” in Western Europe?

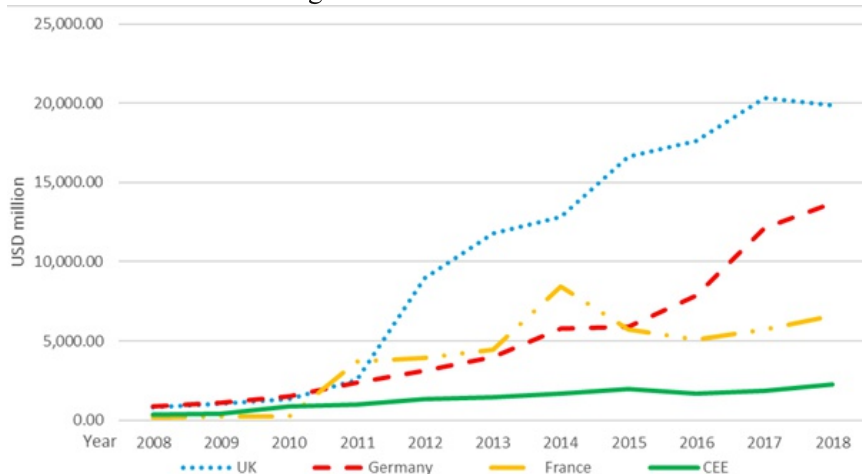
Based on the World Investment Report data issued by the UN Conference on Trade and Development in 2019, by 2018 China had USD 1,938,870 million in working capital allocated abroad², of which, according to Chinese statistics, only USD 112,797, i.e. 6% of total FDI comes to Europe, which is disproportionately distributed between Western and Eastern Europe. Much of the Chinese capital directed to Europe is still focused on the developed Western European economies, where China has acquired some 360 companies (*Portfolio.hu*, 23rd April 2018). The largest investments flow to Great Britain, Italy, Germany, and France. The CEE region has received relatively small part of such investments.

If back to 2008, the total Chinese FDI stock in the 16 CEE countries would have been compared to the Chinese FDI stock invested in certain Western European countries, it could have been a cause for concern, at the same time over the past 10 years, Chinese FDI stock in the Western European countries has surged quite high, while it has produced only slow growth in the CEE region, as shown in Figure 8.

By 2018, the 16-country CEE region has ranked 9th in Europe in terms of Chinese FDI stock (Figure 9). Chinese FDI in the CEE region accounts for 2% of all Chinese working capital investment coming to Europe, while 17% of FDI goes to the UK, 12% to Germany and 6% to France.

Furthermore, it is also worth mentioning that Chinese Head of State Xi Jinping has visited France 3 times, Germany twice and England one separate occasion. In addition, he has met with leaders of Western European countries on numerous occasions provided by several international platforms.

In 2015, the leaders of the CEE countries were received in Beijing by Head of State Xi Jinping, and at summits in the CEE region China is represented by Premier Li Keqiang.

Figure 8 Growth of Chinese FDI stock in Western European Countries and the CEE Region between 2008 and 2018

Source: Edited by the author based on the *2018 Statistical Bulletin of China's Outward Foreign Direct Investment* (2018 年度中国对外直接投资统计公报).

Figure 9 Chinese FDI Stock in Western European Countries in 2018

Source: Edited by the author based on the *2018 Statistical Bulletin of China's Outward Foreign Direct Investment* (2018 年度中国对外直接投资统计公报).

Not only is the distribution of Chinese FDI between Western and Eastern Europe disproportionate, but we also find very large differences between some countries in the CEE region. In 2018, from the entire CEE region, 3 countries (Poland, Hungary, and Romania) received 50% of the Chinese resources³. Hungary receives the second largest amount of working capital from China after Poland.

In addition, there are ongoing negotiations on China-CEE trade promotion. The goal of reaching USD 100 billion by 2015 set at the first China-CEE summit was not met.

After having a closer look at the FDI we should examine the volume of trade between China and the European countries. China is now the EU's second-biggest trading partner behind the United States of America and in parallel to that the European Union is the biggest trading partner for China. The main import products of the EU from China are industrial and consumer goods, like machinery and equipment, as well as footwear and clothing. In parallel to that the EU mainly exports are machinery and equipment to China, like motor vehicles, aircraft, as well as chemicals. While comparing the CEE region to other Western-European countries we can find that the CEE regions performs better than in the FDI comparison: the China-CEE trade volume is the second largest between the EU members and China, while the first largest trading partner of China from the EU is Germany. At the same time the CEE region is a 2 times bigger market according to the number of population than Germany, England, France, Italy etc. Even if we examine the amount of trade per capita, we realize that the CEE region as a whole could be ranked on the 7th place, as other countries excluding Spain, produce a higher amount of trade per capita.

Table 2 European Countries Trade Amount with China

		Total (billion USD)	Chinese export (billion USD)	Chinese import (billion USD)	Population (million ppl)
1.	Germany	199.3	106.17	93.13	83
2.	CEE	89.05	65.5	23.53	117.5
3.	Netherland	85	72	12	17
4.	England	80.4	56.6	23.9	56
5.	France	62.9	32.22	30.68	67
6.	Italy	54.24	33.17	21.06	60
7.	Switzerland	42.54	4.02	38.5	8.5
8.	Spain	33.7	24.9	8.8	47

Source: Edited by the author based on data provided by the Ministry of Commerce of the People's Republic of China.

In this part of my paper I made a comparison of the amount of Chinese trade and the FDI in the European countries with the data find to CEE region. Though, the Western European countries are concerned of that China bribed the CEE countries through the amount of trade and FDI, in contrast we can see that the CEE 16 countries together has received less Chinese FDI to their countries than the Western European countries, and has a smaller trade turnover with China than the Western European countries.

4. Summary

China started to build up its multilateral cooperation networks in the 1990's, starting from the nearest region to most distant ones, until all regions were covered. China began to familiarize itself with the Central and Eastern European region after 2008, and from 2012 onwards,

concrete multilateral cooperation started under the name China-CEE 16+1. The 16 Central and Eastern European countries are very mixed, both economically and culturally. Among the countries, there is not necessarily a harmony, on which the China-CEE Cooperation does not always have a positive effect, as the 16 countries are not working together to achieve large-scale economic and trade goals with China but they compete with each other in an attempt to establish the best possible bilateral cooperation with China.

Meanwhile, the Western European states typically refer to that they are trying to protect their own countries, they are afraid of the CEE region becoming a “*Trojan horse*” in the EU, and the EU economy from many Chinese acquisitions, and have initiated a screening regulation to allow the acquisition of a third-country investor in strategic sectors to be vetoed by the state (Council of the European Union, 13th June 2018). Nevertheless, in doing so, the Western great powers are visiting China and discussing opportunities for cooperation: In September 2019, the Chancellor of Germany, Angela Merkel went to China, where 11 contracts were signed between Chinese and German firms (The Federal Government of Germany, 7th September 2019), and in November 2019, the President of the French Republic, Emmanuel Macron, visited China, where the two countries signed trade and investment cooperation contracts totaling USD 15 billion (MFA PRC, 6th November 2019; Reuters, 6th November 2019). As I mentioned in the study, Xi Jinping was visiting Western European countries couple of times. Even very recently, just after the COVID-19 pandemic broke out, in September 2020, Wang Yi state council and foreign affair minister visited to Germany, France, Italy, Norway and the Netherlands. In addition, this study points out that the Chinese FDI stock in Western European countries one by one is much higher than in the 16 countries of the whole CEE region. Just as the amount of trade between China and the

CEE region is not as high as between China and the Western European countries.

Following the announcement of the “*One Belt, One Road*” initiative, China made no secret of the fact that it envisioned the 16+1 Cooperation as related to the OBOR (MOFCOM PRC, 2nd January 2018). Several logistics routes have been planned through the CEE region, but their development is not progressing as anticipated by the Chinese. The projects face many obstacles and difficulties due to EU regulations. Thus, the expansion of the Overland Silk Road in the Central and Eastern European region is hampered, but the Maritime Silk Road has almost been given the green light, as Chinese shipping companies are buying up ports and investing huge sums of money in the Western European countries: the COSCO, the China Merchants Port and the Qingdao Port International have gained a significant share in several ports in Belgium, France, Spain, the Netherlands, Italy, Malta and Greece. The Greek Port of Piraeus is already 100% owned by the state company COSCO, and since April 2019, Chinese investments in Greece have been strengthening the CEE region, because at the 2019 Prime Minister Summit of China-CEE, the accession of Greece was accepted, and thus, the 16+1 Cooperation was expanded to 17+1 (MFA PRC, 2020h; China-CEE Institute, 2018). This could increase the level of Chinese FDI in the CEE region by USD 240 million, but even this growth does not justify the dread felt by the West.

Based on the economic, investment and trade data as well as the route of the official foreign trips by the Head of State of the People’s Republic of China – which is China’s main diplomatic line – we can see that cooperation with the CEE region is important for China but, compared to other multilateral relations, the importance of China-CEE Cooperation is dwarfed by other multilateral cooperation. The Prime Minister Summit of China-CEE was scheduled to take place in Beijing

in April 2020, where – like in 2015 – Head of State Xi Jinping will also receive the prime ministers of the 17 countries, however due to the COVID-19 pandemic, the meeting has been delayed. It is possible that in the future Head of State Xi Jinping will also attend the annual summit to raise the importance of China-CEE Cooperation, which may be much needed, as one of the key partners, the Czech Republic, made tough statements about China in January 2020: “*I think that China did not fulfil its promise. I speak of investments.*” (*Expats.cz*, 13th January 2020) In the course of the COVID-19 pandemic and the US-China trade war, the CEE countries also had to express their attitude, but only Serbia and Hungary were those who were thankful to China for the assistance provided during the pandemic fight, while for example the Czechish-Chinese relations became more and more cold.

Despite all that, the West remains concerned about China’s gaining political influence through CEE investments (*The Economist*, 4th October 2018), and there are fears that China is trying to divide Europe through the China-CEE Cooperation. China is expressing on every platform that a strong, united Europe is in China’s economic and political interests (Government of PRC, 27th June 2016). Moreover, excessive worries are unnecessary at the moment because, although China’s emergence in the region does indeed elicit a conflict of interest with Western European countries, especially with Germany, due to the geographical distance and the new economic situation created after the end of the Soviet Union, Germany has an advantage over China; the German economy is intertwined with the economies of the CEE region countries in many areas. Furthermore, it is paradoxical that, while the Western European countries worry about investments in the CEE region, the leaders of Germany and France will decide on larger amounts of trade and investment transactions in a single meeting than there are in the entire CEE region.

One might be more concerned that Chinese firms are buying up big Western companies, and that China quite simply buys know-how, acquires European ports, etc. China's emergence in the CEE region can be a regional geopolitical contrast, but China's push in the Western countries may alter the geopolitical state of the world.

During the 21st century China became one of the superpower states, which is that the United States of America from 2009 onwards started to work against China's rise through the "Pivot to Asia" policy. While the big "fight" between the 2 superpowers has actually just started with the Trump administration in office, and were embodied in many ways from the US-China Trade War, through the COVID-19 issue, or closing consulates etc. China needs more Western partners; whose statements have big impact on the rest of the World. While the countries of the CEE region or the Visegrad 4 countries are getting stronger and stronger, still Germany and France are playing the role of the most important partners to China in EU so that to reach their political goals, and so China becomes more open to cooperate with Western European countries than with those of the CEE region.

Western European do not need to be afraid about the Chinese Trojan Horse in the CEE region.

Notes

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about the years spent in China. Before starting his career in the Central Bank of Hungary as the Head of the Education Directorate, later as Chief Advisor to the Governor, he served as the Consul General of Hungary in Shanghai, at the Ministry of Foreign Affairs and Trade of Hungary. The main research fields of Levente Horváth are the Sino-EU relations, China-CEE 16+1 cooperation, the Belt and Road Initiative and the Chinese geopolitical concept. <Email: horvathle@mnbb.hu>

1. Of the 16 CEE countries, 11 are EU member states (Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Romania, Bulgaria), 4 are candidate countries (Serbia, Montenegro, Albania, Northern Macedonia), and Bosnia and Herzegovina is a potential candidate country.
2. According to the data from *2018 Statistical Bulletin of China's Outward Foreign Direct Investment*, total Chinese FDI abroad amounted to USD 1,982,265 million.
3. In 2008, Poland, Hungary and Romania received 80 per cent of Chinese resources!

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Trading with China

China-U.S. Trade Friction under Trade Unilateralism and China's Legal Responses⁺

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Abstract

Since the ascendance of Donald J. Trump to the U.S. Presidency, the Trump administration relies on the doctrine of unilateralism to implement the “America First” policy and initiate trade frictions with its major trading partners, particularly Mainland China (China). Against this backdrop, the article endeavors to offer an analytical framework for China's legal responses to U.S. unilateralist trade policy. First, China should fully utilize the current World Trade Organization (WTO) rules to constrain unilateralist measures imposed by the U.S. Second, considering that the world economy is undergoing profound changes and the multilateral trading system is severely undermined by the rising unilateralism and protectionism, a scientific and reasonable proposal regarding WTO reform should be carried out by China and those WTO members supporting multilateralism and free trade. Third, it is clear that there will not be a once-for-all scheme to resolve the China-U.S. trade friction. Confronted with the severe challenge, it is therefore suggested that China should unswervingly promote its national economic strength

through a new round of reform and opening-up with greater determination and efforts.

Keywords: *China-U.S. trade friction, dispute settlement mechanism, multilateral trading system, unilateralism, World Trade Organization*

1. Introduction

With the rapid development of China's comprehensive national strength and international influence, the competition between China and the U.S. has become increasingly fierce. For the past two years, to safeguard U.S.'s hegemonic position in the world, President Donald Trump has taken China-U.S. trade issues as a breakthrough point, launching a comprehensive competition against China in the fields of security, politics, aerospace, and international cooperation (Wang, 2020). With regard to security, China has comprehensively promoted the modernization of its national defense and army, so as to adapt to the global development trend of the new military revolution and meet the needs of its national security. The Trump administration, however, sees China's growing military power as a key concern for the national security of the U.S. To that end, to maintain U.S.'s strongest military advantage, the Trump administration has increased defense spending year after year, even as the U.S. budget deficit remains high (*Defense News*, 19th October 2018). For instance, to weaken China's influence in the South China Sea, the U.S. has strengthened its military presence in Asia (*The Diplomat*, 12th June 2020). In the political sphere, the U.S. has voiced concerns over China's repression of its population, especially that of religious and ethnic minorities in Muslim-majority Sinkiang and the Tibet autonomous regions, and called for decisive measures to protect fundamental freedoms in the country (Reuters, 25th September

2019). To achieve the independence of Hong Kong, Sinkiang and Tibet, the U.S. Congress has even enacted the Hong Kong Human Rights and Democracy Act 2019, the Uighur Human Rights Policy Act 2019, and the Tibet Policy and Support Act 2019, creating a big obstacle to China's rise. As for the field of aerospace, on January 3, 2019, the Chinese-developed Chang'e spacecraft successfully completed the first human landing on the far side of the moon (*National Geographic*, 2nd January 2019). Not to be outdone, the Trump administration reversed the Obama-era strategy of focusing on Mars and signed Space Policy Directive 1 in December 2017, announcing its return to the moon (NASA, 12th December 2017). Alongside the competition for 5G technology, the U.S. and China are also competing in the construction of satellite networks (*Bloomberg News*, 24th June 2020). In the area of international cooperation, China's Belt and Road Initiative (BRI) (CLSA, 2017) has created a new model of international cooperation. Since the implementation of BRI, remarkable achievements have been made in China and countries along the BRI. Intending to suppress the rise of China, the U.S. launched the "Indo-Pacific strategy"¹, adopting containment policies towards BRI. The U.S. also constantly attacked and discredited the BRI based on the remarks of debt growth, environmental destruction, economic plunder and geopolitical expansion (Zhao, 2018).

Since China's accession to the World Trade Organization (WTO) on December 11, 2001, the U.S. has held the firm belief that the current WTO system and the Dispute Settlement Mechanism (DSM) failed to constrain China's market-distorting economic model. China has gained unjust benefits from the multilateral trading system and posed a serious threat to the U.S. economy and the international trading system (Patch, 2019: 898-900). Although China and the U.S. have had different views on the size of the trade deficit for a long period of time, it is undeniable that there is a growing trend of trade imbalance between both sides

(Chow and Sheldon, 2019: 20). Many U.S. critics believed that the rise of China was not due to its market efficiency or excellent marketing and manufacturing technology. Instead, according to their perspectives, the trade deficit with China resulted from the unfair trade practices adopted by China to increase exports, including currency manipulation, dumping, and state subsidies (USTR, 2017; Schoenbaum and Chow, 2019: 180; Chen, 2019: 108). At present, though China has a large volume of manufacturing industry, the actual technological level is not high and China's economic structure is unreasonable. For this reason, China has made every effort to promote industrial upgrading for recent years and the project "Made in China 2025" has been put forward (*China Daily*, 20th April 2017). However, the U.S. considered that "Made in China 2025" is an innovation led by the Chinese government (Shen, 2019: 43). During the implementation of "Made in China 2025", China may restrict the scope and scale of foreign investment in China through joint venture requirements and shareholding restrictions. This may reduce the value of U.S. technology and U.S. investment in China, thereby weakening the global competitiveness of U.S. enterprises (Schoenbaum and Chow, 2019: 181).

Regarding the above-mentioned problems, in March 2018, the U.S., based on the findings under the Section 232 of the Trade Expansion Act of 1962 (1962 TEA), imposed ad valorem tariffs on Chinese imports of steel and aluminum on the ground of national security (U.S. Department of Commerce, 16th February 2018). Parallely, the U.S. launched a Section 301 investigation and further adopted unilateral sanctions against China under the Trade Act of 1974 (1974 TA) (USTR, 2018). The international community widely believed that the multilateralism represented by the WTO system was seriously threatened by the U.S. unilateralism (Patch, 2019: 899; Chow, 2019: 31; Sun, 2019: 181). The European Union (EU) pointed out that the Section 232 measure adopted

by the U.S. is ostensibly a national security measure but essentially a safeguard measure, and constitutes an abuse of national security measures under the WTO framework (*International Trade Law*, 3rd April 2018). In September 2018, the State Council of China published the Facts and China's Position on China-U.S. Trade Friction (IOSC, 2018). The report pointed out that after the inception of WTO, the U.S. government issued a Statement of Administrative Action in 1994, stating that the U.S. intends to use Section 301 under the WTO rules, and that it would only impose sanctions under Section 301 with authorization from the WTO Dispute Settlement Body (DSB) (*ibid.*: 55).

At first glance, the issue of China-U.S. trade relation is due to the huge trade deficit caused by the unfair trade practices of China (Chen, 2019: 108). However, one underlying reason considered by the U.S. is that the WTO rules fail to curb China's unfair trade practices resulted from non-market-oriented policies and practices. (Patch, 2019: 898-900; Shaffer and Gao, 2018: 179). Second, to safeguard the development interests of developing countries, the WTO grants them special and differential treatments. The U.S. believed that China and other emerging market economies acquire a huge advantage in trade with the U.S. because of the special and differential treatments (Ouyang and Qiu, 2019: 33). Finally, the U.S. pointed out that the WTO DSM has serious deficiencies. However, WTO Members have disagreements over the reform of the DSM, and the progress of negotiation is very slow. To compel the WTO reform towards U.S. expectations, the U.S. has repeatedly blocked the selection of members of the Appellate Body (AB) based on the WTO principle of consultation and consensus (Patch, 2019: 883; Lo, 2019: 333). On December 11, 2019, the AB was shut down due to the insufficient number of judges, which was a serious crisis encountered by the WTO in its history (*China Daily*, 10th December 2019).

The U.S. changed the development and the future prospect of economic globalization promoted by the WTO through the disruption of the AB, and regressed the multilateral free trading system into a bilateral negotiation mechanism (Liao, 2019: 44). A most direct manifestation is the United States-Mexico-Canada Agreement (USMCA). The USMCA, as a template for future trade deals of the U.S., reflects the increasingly prominent tendency of “America First” and the unilateralist position held by the U.S. during the negotiation and construction of trade rules. During the agreement amendment process, the phrase “free trade” was deleted from the name of North America Free Trade Agreement (NAFTA). The finally-signed USMCA was called “agreement” without the word “free”, placing greater emphasis on “fairness” and “reciprocity” of trade (Ouyang and Qiu, 2019: 26-7). This change also objectively reflects the Trump administration’s basic attitude towards international trade. The ultimate goal of current U.S. unilateralism is not to return to isolationism or “de-globalization”. Instead, the U.S., relying on its economic strength and huge domestic market, is seducing negotiating opponents one by one into accepting the trade rules it advocates. During this process, the U.S. bilateralizes their unilateral standards, and then multilateralizes the unilateral standards through accumulation of its trade relations, in order to achieve the ultimate goal of reshaping the rules-based global trading system (Liao, 2019: 43). The most obvious manifestation of this is the poison pill under the USMCA, that is, the signing of a free trade agreement between any contracting party and a non-market country will trigger the termination of the USMCA (USMCA, Article 32.10). The poison pill has become the “Sword of Damocles” hanging over Canada and Mexico, severely restricting their autonomy to negotiate and sign free trade agreements with China in the future (Liao, 2019: 55). Putting the non-market country clause under the USMCA into the context of China-U.S. trade

frictions and the WTO reform, the U.S. intention to isolate and block China through renegotiating trade agreements with its major trading partners and updating existing rules is obvious.

On December 13, 2019, through the joint efforts of China and the U.S., the two sides reached an agreement on the text of the Economic and Trade Agreement Between China and U.S. (China-U.S. Phase 1 Trade Agreement) on the basis of equality and mutual respect (*China Daily*, 13th December 2019). The conclusion of China-U.S. Phase 1 Trade Agreement shows that only dialogue on an equal basis that takes into account the balance of interests, rights and obligations between China and the U.S. could resolve differences and problems, and contribute to resolve the crisis of the multilateral trading system (*China Trade News*, 17th December 2019). However, trade friction between China and the U.S. is of a long-term and severe nature, and is only suspended but far from over. This article will first analyze the deep-rooted reasons for the unilateralism and the trade protectionism of the U.S. in the background of stagnant WTO reform. Second, this article will discuss in detail the manifestations of U.S. trade unilateralism at the multilateral, bilateral and U.S. domestic levels. Finally, with the objective recognition of the fact that the U.S. has turned to unilateralism as a means of exerting pressure to its trading partners and conducting bilateral negotiations under the tendency of de-globalization (Schoenbaum and Chow, 2019: 193-194), this article will analyze China's considerations in responding to the rise of U.S. unilateralism.

2. The Emergency of U.S. Unilateralism - the Deficiencies of the WTO Rules

Since the ascendance of Donald J. Trump to the U.S. Presidency, WTO reform has been the most important multilateral trade policy agenda in

the U.S. The U.S. believed that the WTO had issues in the DSM, trade negotiations, the identification of developing countries and its response to China's unfair trade practices, all of which require a radical and breaking reform (Sun, 2019: 183-188).

2.1. The WTO Failed to Provide the Rules Needed to Address Unfair Trade Practices Resulting from the So-Called Non-Market-Oriented Policies and Practices

The General Agreement on Tariffs and Trade (GATT) and the WTO do not give consistent, clear and widely accepted definitions to non-market economy and market economy. The U.S. argues that the WTO's framework of rules was established without adequately anticipating the disruptive impact of state-led economies on global trade, leaving Member States with insufficient tools to deal with the corrosive dynamics of these problems (USTR, 2019: 26). For example, in the case *United States — Definitive Anti-Dumping and Countervailing Duties on Certain Products from China*, the U.S. believed that one effective standard to identify an enterprise as a public body is that the government holds a majority share, since the government can control the management of the company. However, China pointed out that its commercial banks adopt independent criteria to judge whether to provide loans to applicants and to determine the level of interest rates as well as the duration of loans. In this case, the AB held that government control alone was not sufficient to prove that the enterprise was a public body. The core issue was whether the enterprise was vested with governmental authority. Whether China's state-owned-enterprises (SOEs) are public bodies depends on whether the government grants them government functions, something the U.S. has not proven. Therefore, the AB rejected the U.S. assertion that ownership control could prove that the SOEs are performing the authority of public bodies.

Due to the ambiguity of relevant WTO rules, the U.S. and other WTO Members are unable to find corresponding WTO rules to address the challenges brought by China's unique economic system (Sun, 2019: 186; Wang and Chen, 2019: 28). While taking advantage of its WTO membership to become the biggest beneficiary of economic globalization, China has failed to open its market in accordance with its WTO obligations. In particular, as a non-market economy, China relies heavily on SOEs and government subsidies to practice unfair trade (Chow *et al.*, 2018: 69). On May 23, 2019, in order to create fairer competitive conditions for workers and businesses, the U.S., the EU and Japan jointly issued a tripartite statement, suggesting they are working on the formulation of new rules on industry subsidies and SOEs (Kong and Guo, 2019: 387).

2.2. Special and Differential Treatment Allows Developing Countries to Gain Advantages in Trade with the U.S.

The original intention of the GATT/WTO to establish a special and differential treatment mechanism was to safeguard the development interests of developing countries, coordinate differences among countries with various levels of economic development, and ensure that international trade rules are relatively fair (Khan, 2018: 48). Based on this principle, the WTO grants special and differential treatments to developing countries in terms of market access, tariff reduction, subsidies, technical assistance and other aspects to support the development of economy and trade of developing countries. However, the WTO agreements only clarify the scope of the least developed countries according to the definition of the United Nations. There is no clear definition or classification of the developing countries. The identity of developing countries is determined on the basis of self-declaration (Ouyang and Qiu, 2019: 33-34). Developed economies such as the EU

and the U.S. believe that the total GDP and the total import and export of goods and services of the developing Member States account for a rapid increase in the global share. As a result, allowing developing countries to continually enjoy the special and differential treatment through self-declaration not only makes the developed Member States encounter with unfair competition, but also hinders the smooth progress of multilateral trade negotiations under the WTO framework (General Council of WTO, 14th February 2019: 10). Therefore, it is necessary to reclassify WTO Members through the reform of special and differential treatment. In particular, the U.S. regards China as a primary target and strongly denies the rationality of China to be continually identified as a developing country. The U.S. has repeatedly stated at the General Council of WTO that the special and differential treatment for a large number of developing countries including China should be withheld.

2.3. Slow Progress of the Negotiation on the WTO DSM Reform

As the most central and unique function of the WTO multilateral trading system, the DSM safeguards the authority of the WTO and its normal and effective operation. Since the 1990s, the WTO Members have long realized that there are problems and deficiencies in the DSM that need to be reformed and improved. In 1994, the Members decided to complete a full review of the new WTO dispute settlement rules and procedures within four years after the inception of the WTO and to take a decision on whether to continue, modify or terminate such dispute settlement rules and procedures. However, the review was not completed as scheduled due to the difficulty to reach an agreement among Members. The Doha Round also included the reform of the DSM as one of the negotiating topics, but so far, no substantial progress has been made. The U.S. believed that the DSB mainly has the following problems. First, according to the Understanding on Rules and Procedures Governing the

Settlement of Disputes (DSU), the proceedings of the AB to submit its report shall in no case exceed 90 days. The U.S. pointed out that the AB often disregarded this deadline (Payosova *et al.*, 2018: 3). The latest figures indicate that the average time for the AB to process an appeal takes as high as 163 days (Yu, 2019: 14). In that case, the U.S. argued that the DSB should not approve an AB report issued after the 90-days deadline. Second, the U.S. believed that the AB often carries out *ultra vires* review or even overturns the panel's factual findings (Sun, 2019: 184-186), adding to the complexity, repetitiveness and delay of WTO dispute procedures. This is also against Article 17.6 of the DSU, which stipulates that "an appeal shall be limited to issues of law covered in the panel report and legal interpretations developed by the panel" (DSU, Article 17.6). Third, the U.S. argued that part of the interpretation of the AB constitutes an extensive interpretation of the WTO treaties, exceeding the original agreement of Member States and creating a great binding force on the contracting parties (Payosova *et al.*, 2018: 8-9). The orientation of policy and value behind the specific legal interpretation of the panel and the AB may have an impact on the subsequent negotiations or even infringe upon the sovereignty that is not alienated by the Members. This practice deprives the Members of the right to provide authoritative interpretation for WTO rules (Patch, 2019: 890).

3. The Manifestations of U.S. Trade Unilateralism and Protectionism

Regarding the above-mentioned problems of the WTO, the U.S. advocated replacing "free trade" with "reciprocity" (Chow and Sheldon, 2019: 9-11). Also, the U.S. adopted extreme measures to protect trade through its domestic laws, and vigorously promoted WTO reforms. In order to retain the hegemonic position of the U.S. in the global

multilateral trading system and actively practice the policy of “America First”, the manifestations of U.S. trade unilateralism at the multilateral, bilateral, and domestic levels (Chow, 2019: 11-29) are as follows:

3.1. Refusal to Appoint AB Members Based on the Unanimous Consensus Mechanism of the WTO

In the context of economic globalization, multilateral trade negotiations have become increasingly difficult, and it has been hard to reach consensus by seeking for convergence of interests. The reasons behind this phenomenon include the gradual increase in the number of WTO Members, the continuous expansion of the number and content of negotiation topics, as well as the many deficiencies of the WTO that are not conducive to the advancement of international trade (Yu, 2019: 12). At present, the impasse of the AB came from the unanimous consensus mechanism established in Article 9 of the 1994 Marrakesh Agreement Establishing the World Trade Organization (Marrakesh Agreement), which stipulates that the appointment of the AB members must be approved by all Member States. Based on the unanimous consensus mechanism, the Trump administration has long disrupted the selection of members of the AB (World Trade Organization, 28th May 2019). On December 10, 2019, the AB was completely halted and could not continue to process appeal cases because potential nominees were not able to be supplemented in time after former members left their due. In addition, the U.S. believed that the WTO DSM lacks the capability to fully address the problem of China’s economic model (Patch, 2019: 887). Commentator has even suggested that “China, Inc.” has distorted global trade and is destroying the whole system of WTO (Wu, 2016: 261). For this reason, if the WTO rules cannot be reformed in a way that is beneficial to the interests of the U.S., the U.S. will continue to threaten, destroy, and hinder the normal operation of the WTO’s

multilateral DSM (Sun, 2019: 181). Peter Van den Bossche, a former AB Member, pointed out that this situation will lead to the result that any losing party could prevent the pass of a panel report by submitting the report to the paralyzed AB, stepping back to the GATT era. If the AB is unable to handle the dispute, the parties can only resolve trade disputes through diplomatic consultations or rely on national strength (World Trade Organization, 28th May 2019).

3.2. Use of Bilateral Trade Negotiations to Formulate Rules Against Non-Market Countries and the Principle of Special and Differential Treatment

An inevitable consequence of the stranding of the Doha Round is that major trading economies will shift their focus to regional or bilateral free trade agreements (FTAs). Regional or bilateral FTAs are of an exclusive nature and conflict with the WTO's principle of most-favoured-nation treatment. However, developed economies such as the U.S. and the EU are often in a more favorable position in regional and bilateral negotiations (He, 2019: 11). After Trump became the President, the U.S. even abolished the regional trade agreement, the Trans-Pacific Partnership Agreement (TPP), and began to focus on one-to-one bilateral trade agreement negotiations, starting the bilateralization of trade policies (Chow *et al.*, 2018: 39). As an important diplomatic achievement of the Trump administration, the USMCA is known as a new template of the U.S. trade agreements in the 21st century (Ouyang and Qiu, 2019: 24). The characteristics of the USMCA reflect the new strategy of the U.S. in trade negotiations, that is, to replace multilateralism with bilateralism and to replace the most-favoured-nation treatment with reciprocity (Liao, 2019: 52).

The biggest achievement of the USMCA lies in the promotion of the poison pill clause by the U.S., targeting non-market countries. Article

32.10 of the USMCA provides that if a non-market country, as identified by any of the contracting parties, concludes a FTA with any party among the U.S., Mexico, and Canada, the other two parties have the right to withdraw from the existing agreement and to conclude a bilateral agreement that excludes the concerned party. In other words, if Canada or Mexico wishes to sign a FTA with China in the future, the objectives and the full text of the FTA all need to be reviewed by the U.S. government (Shen, 2019: 44). If the U.S. government believes that the bilateral agreement between Canada or Mexico and China has any adverse impact on it, the U.S. can use the USMCA as a “bargaining chip” to urge Canada and Mexico to abandon terms that will harm the interests of the U.S. Scholars predict that this provision will become an obstacle if China intends to join the TPP in near future (Shen, 2019: 44; He, 2019: 11, Liao, 2019: 53-4). At the same time, the poison pill clauses targeting non-market economies are likely to be replicated into the U.S. FTA with the EU, Japan, and South Korea.

Second, in dealing with trade and investment relations with developing countries, the Trump administration has adopted the principle of reciprocity instead of the principle of special and differential treatment. Under the USMCA framework, differences in the level of development of Member States and economic diversity are no longer considered legitimate reasons to circumvent the obligations under the agreement. National treatment and most-favored-nation treatment apply to all contracting parties without discrimination (Liao, 2019: 52; Ouyang and Qiu 2019: 33-4). Especially, in some areas where the developing countries often enjoy special and differential treatments, the USMCA does not provide distinctive arrangements or apply lower standards because of differences in the level of development of the parties and economic diversity. All contracting parties have the same obligations and enjoy the same rights (Ouyang and Qiu, 2019: 34).

Third, for the dispute settlement mechanism under the USMCA framework, the agreement does not establish a final adjudication body similar to the WTO AB. The claimant actually needs to make its own final judgement with reference to the panel report, including the determination of whether the respondent has failed to or inadequately fulfilled its obligations under the USMCA, and the assessment of the degree of losses that it has suffered due to the respondent's failed or inadequate performance of its obligations (USMCA, Chapter 31). Furthermore, under the WTO mechanism, the claimant must receive authorization from DSB before launching retaliation against the respondent. No Member can decide for itself whether it has suffered from the measures of other Member States or whether to retaliate against other Member States. However, under the USMCA mechanism, if the parties of the dispute cannot reach an agreement on the conclusions of the panel report, the claimant can directly retaliate against the respondent without any authorization (USMCA, Chapter 31).

3.3. Imposition of Unilateral Tariffs based on U.S. Domestic Legislation

Considering the potential damage to the U.S. caused by the WTO DSM, the U.S. enacted the Uruguay Round Agreements Act (URAA) after its accession to the WTO. The Act insists that U.S. domestic law prevails over WTO rules to ensure that U.S. sovereignty and laws are not violated. The URAA stipulates that the U.S. Trade Representative (USTR) and the President must evaluate the performance of the WTO, particularly that of the DSM, and the USTR must submit a report to the Congress on an annual basis. A comprehensive evaluation of the impact of the WTO is conducted every five years, and the Congress decides whether the U.S. is to remain in the WTO (Wilson, 1997; Yu, 2019: 15). As noted earlier, since the current WTO rules and the DSM were

considered to lack a binding force on the China's market-distorting behaviors, the U.S. began to deploy the domestic legislation, namely Section 232 of the 1962 TEA and the Section 301 of the 1974 TA, instead of multilateral trade agreements, to punish states unilaterally identified by it as engaging in unfair trade.

On March 8, 2018, the U.S. announced that it would impose national security tariffs on steel and aluminum from the EU, Japan, South Korea, Canada and China under Section 232 (Chow, 2019: 19). Section 232 of the 1962 TEA provides that the U.S. Department of Commerce may initiate an investigation to determine the effects of imported goods on U.S. national security, and the President shall decide whether to adopt unilateral import restrictions. To date, it becomes more difficult for the U.S. to prove that exports from China and other countries would constitute a violation of WTO rules, thus the U.S. cannot impose sanctions based on anti-dumping and countervailing measures. While safeguard measures are used for pursuing fair trade, the U.S. has to bear a more stringent burden of proof. More importantly, safeguard measures must be applied simultaneously to all relevant exporting countries. However, under the shield of Section 232, the U.S. can apply sanctions selectively, which is how the Trump administration exempted Canada, Mexico and South Korea, Argentina, Australia, Brazil, and countries of the European Union, representing 63% of U.S. steel imports (Schoenbaum and Chow, 2019: 138). In effect, the use of domestic law by the U.S. to impose sanctions on China and its disruption to the AB are complementary. Only if the AB of the WTO has been disrupted can the U.S. successfully implement its unilateral measures. Otherwise, the U.S. would suffer from retribution under the WTO DSM.

In addition, on May 29, 2018, pursuant to the Finding of the Investigation into China's Acts, Policies, and Practices Related to

Technology, and Innovation under Section 301 of the Trade Act of 1974 (301 Report) released by the USTR, the Trump administration proceeded to impose 25% tariffs on 50 billion dollars of Chinese products importing into the U.S.; in addition, President Trump imposed another 10% tariffs on an additional 200 billion dollars' worth of goods from China (Patch, 2019: 892-893). The legal basis for the imposition of the tariffs is section 301 (b) of the 1974 TA, which allows the president to impose tariffs in retaliation for a foreign country's unreasonable or discriminatory acts, policies or practices that burden or restrict the U.S. commerce (Schoenbaum and Chow, 2019: 140). The 301 Report found that the China's unreasonable or discriminatory practices include "a technology transfer regime that forces U.S. companies to transfer their intellectual property to Chinese entities; a technology licensing scheme that discriminates against U.S. companies; a scheme to invest in U.S. companies for the purpose of acquiring U.S. intellectual property assets; and a scheme of cyber intrusions into U.S. commercial networks for the purpose of acquiring U.S. intellectual property assets" (Chow, 2019: 13; USTR, 2018).

As pointed out by a commentator, being a domestic law of the U.S., Section 301 would not constitute a violation of WTO obligations, as long as it does not conflict with WTO rules, or it is not implemented if there is any conflict (He, 2019: 9). In 2000, in the landmark case *United States — Sections 301-310 of the Trade Act 1974*, the European Communities instituted a claim in the WTO to challenge the unilateral nature of Section 301. After the panel performed a textual analysis of Section 301, it tentatively concluded that since Section 301 enabled the U.S. authorities to take unilateral action before a DSB report was issued, Section 301 violated Article 23 of the DSU (Patch, 2019: 896), which "explicitly prohibits Members from invoking unilateral measures that are not based on the WTO dispute settlement procedures." To fully respect

the WTO rules and its DSM, the U.S. committed to suspend the application of Section 301 in the direct conflict with WTO rules. Subsequently, the U.S. hastily implemented a Statement of Administrative Action (SAA) during the pendency of the case, stating that it would refrain from taking unilateral action under Section 301 before receiving a WTO panel report authorizing such an action. As a result, the DSB panel ruled that “Section 301 was not inconsistent with WTO law, so long as it was applied consistent with the SAA.” (*ibid.*) However, the Trump administration invoked Section 301 again. In the current case involving China, the Trump administration officially imposed unilateral tariffs on China on July 6, 2018, before the “U.S. had even requested the establishment of a panel of the WTO, which it did later on October 29, 2018.” (*ibid.*) Scholars suggested that the unilateral sanction adopted by the U.S. against China is inconsistent with its prior commitment in the SAA, and constitutes a clear violation of Article 23 of the DSU because the U.S. has not received an authorization from the DSB to impose tariffs (Patch, 2018: 896; Chow, 2019: 14). In contrast, the U.S. has always claimed that the application of Section 301 to China is a derogation of interests outside the rules of the WTO system. This not only reflects the political intention of the U.S. to explore the application scope of Section 301 outside the WTO system, but also poses a serious challenge to the existing multilateral trading system centered on the WTO (Liu and Liu, 2019).

4. Legal Responses to the U.S. Trade Unilateralism

The formation and development of international economic law system is the outcome of economic globalization. Although the system of international economic law is greatly influenced by developed countries, once the body of international economic law, including treaties, rules of

international economic organizations and customary international law, etc., is formed, it becomes stable and irreversible. The system serves as the legal safeguard in the era of economic globalization. Once the system was undermined by trade unilateralism and protectionism, countries would inevitably suffer great loss of interests, making the current international economic model of mutual benefit unsustainable. Regarding the rise of the U.S. trade unilateralism, China could respond from the following three aspects:

4.1 Utilization of Current WTO Rules to Constrain Trade Unilateralism

In face of the sanctions imposed by the U.S. pursuant to Section 301 and Section 232, China has always considered the overall interests and has adopted corresponding retaliatory tariffs in accordance with the fundamental principles of international law (Ministry of Commerce of China, 2018). Commentators pointed out that the retaliatory actions taken by China were necessary, appropriate, and in good faith. These actions did not constitute a violation of the multilateral trading system, but were a necessary means to bring the U.S. back to negotiation and an effective safeguard of the multilateral trading system (Wang, 2018: 20-2). In the meantime, China has filed two WTO proceedings, namely the *United States — Tariff Measures on Certain Goods from China* (DS543) and the *United States — Certain Measures on Steel and Aluminum Products* (DS544), on April 4, 2018 and April 5, 2018 respectively, claiming that the unilateral tariffs imposed by the U.S. are in violation of relevant WTO rules. The latter approach adopted by China also shows China's full respect and trust for the DSM and the multilateral trading system represented by the WTO.

In addition, the poison pill clause embedded in the USMCA could bring China and the U.S. into a predicament of direct competition,

forcing all trading partners of the U.S. to pick a side between China and the U.S. Considering the possibility that more WTO Members will incorporate the regulations on non-market country into their bilateral or regional FTAs in the near future, it is suggested that the poison pill clause would seriously undermine the process of legalization and multilateralization of international economic governance established after the World War II (Shen, 2019: 44). The current multilateral trade agreements are enacted to ensure that FTAs could fully perform the function of upgrading the WTO rules, rather than in effect weakening the WTO system. With regard to unfair rules in FTAs, all Members are obliged to amend or modify these rules for them to be more consistent with the WTO regulations. To date, Chinese scholars have raised at least two reasonable grounds to confute the use of poison pill clause that constrains WTO Members from concluding FTAs with other Members unilaterally defined as non-market countries by the U.S.

First, pursuant to Article XXIV (4) of the GATT 1994, the contracting parties “recognize that the purpose of a customs union or of a free-trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories”. Thus, any rules designated to prejudice a particular country or enterprise by WTO Members in their FTAs should be subject to strict scrutiny and restraint under Article XXIV (4) of the GATT 1994, as they are likely to create new non-tariff barriers to the global free trade market (Sun, 2019: 190). Second, the Parties to the Marrakesh Agreement is resolved to develop an integrated, more viable and durable multilateral trading system. Any existing FTAs aimed at preventing certain countries from participating in global trade is obviously contrary to the above goal promoted by the WTO. The poison pill clause would hinder the development of the market economy model of China, restrict the legitimate right to trade of SOEs, and is against the

goal of the WTO to establish an integrated global trading system. It is therefore suggested that this clause not only undermines the authority of multilateral trade rules, but also hinders the further development of global free trade (Sun, 2019: 190). Consequently, China should strongly require the WTO to rigidly strengthen the constraint on any clauses under bilateral or regional FTAs that can be determined as a violation of the WTO rules.

4.2. Efforts should be Put Forward to Conduct a Necessary Reform of the WTO System

Confronted with the fact that the world economy is undergoing profound changes and the multilateral trading system is severely undermined by the rising unilateralism and protectionism, China supports a necessary reform of the WTO. The Chinese government has illuminated its three basic principles and five suggestions towards the WTO reform through the China's Position Paper on WTO Reform (Ministry of Commerce of China, 2018) released in November 2018 and China's Proposal on WTO Reform submitted to the WTO (General Council of WTO, 13th May 2019) in May 2019. China believes that the WTO reform should be guided by the following principles, namely to preserve the core values of the multilateral trading system, to safeguard the development interests of developing Members as confirmed by the Marrakesh Agreement, and to adhere to the practice of decision-making by consensus (Ministry of Commerce of China, 2018). China puts forward that the crucial issues, including the blockage of AB member appointment, the unilateralist measures based on national security exception or inconsistent with WTO rules, and the infringement upon inclusiveness of the multilateral trading system, must be resolved in priority for the forthcoming WTO reform (*ibid.*).

To be more specific, as noted earlier, the WTO AB was temporarily shut down due to the contentious blockage of the appointment of AB members by the U.S. Up to date, there is no clear-cut sign showing that the impasse will be immediately resolved. Such a situation would severely threaten the proper functioning of the DSM and therefore poses an imminent and institutional risk to the WTO (General Council of WTO, 13th May 2019: 3). Against this backdrop, China should promptly initiate discussions with other WTO Members to seek for a feasible plan that fully addresses the appointment process of AB members without any further delay. According to the Reform Proposal, China and several WTO Members have already made constant efforts to address the concerns of “the transitional rules for outgoing Appellate Body members, 90-day timeframe for appellate proceedings, the status of municipal law, findings unnecessary for dispute resolution and the issue of precedent” before the General Council of the WTO (*ibid.*). Some commentators further suggest that a new plurilateral AB should be established under the negotiations of the WTO Members if the U.S. continues blocking the appointment of AB Members in the future. The new plurilateral mechanism should be similar to the original one in most respects, but allows the 164 WTO Members to opt in or opt out. This proposal not only largely preserves the role and functions of the WTO as a multilateral trading system, but also effectively resolves the impasse of the appointment process of AB Members (Kong and Guo, 2019: 204-7).

Second, the U.S. argued that the WTO rules on the identification of developing countries are so ambiguous that WTO Members can “self-declare” as developing countries to enjoy special and differential treatment within the framework of the WTO. Given the fact that development is a core objective of the WTO, the reform should primarily resolve the difficulties of developing members in integrating into the economic globalization, and provide them with the necessary

flexibility and policy space to realize their economic development. China pointed out that, as the largest developing country in the world, it is willing to undertake adequate obligations commensurate with its level of development and capacity under the future WTO reform. However, China does not allow other WTO Members to deprive its entitlement to special and differential treatment as a developing country (Ministry of Commerce of China, 2018). On February 15, 2019, the U.S. submitted its reform proposals to the WTO, one of which is to slash the number of developing countries eligible for special and differential treatment (General Council of WTO, 14th February 2019). The U.S. argued that the WTO reform should refuse to grant the special treatment to Members that are classified as “high income” countries by the World Bank, Members of the Organization for Economic Cooperation and Development or the Group of 20, and countries accounting for 0.5% or more of world trade (*ibid.*). The issue of the developing Member status under the WTO system is so highly politicized that it is difficult to be addressed by technical methods, such as the graduation standards raised by the U.S. (Qi and Fan, 2019: 103). Since China's GDP per capita only accounts for one seventh of that of the U.S., it is unreasonable to determine China as a developed country. However, as the world's second-largest economy, China is a leader in many technologies such as 5G and is highly industrialized. Accordingly, Chinese government acknowledged that it should bear more responsibility than other developing countries. The Reform Proposal also made a similar statement, encouraging developing Members to actively assume obligations commensurate with their level of development and economic capacity (General Council of WTO, 13th May 2019: 7).

Third, as noted above, in the absence of a clear definition of the national security exception under the WTO rules, the U.S. relied on such exception as a pretext to impose unilateralist tariffs on imports from

China. Hence, China suggests that WTO Members shall only invoke the national security exception provisions in good faith and with restraint, and the contentious provisions need to be further clarified and regulated within the WTO framework, so as to tighten disciplines and curb the abuse of national security exception (*ibid.*: 4). Also, it is clear that the Section 301 sanctions adopted by the U.S. have deeply shaken the foundation of the WTO. Since the current WTO rules fail to provide timely or effective disciplines and remedies, China proposed that the future WTO reform should “effectively curb such unilateralist measures, reinvigorate the efficiency and authority of the WTO, safeguard the rules-based multilateral trading system and protect the legitimate rights of the WTO Members.” (*ibid.*) In addition, the U.S. believed that, due to the control of Chinese government, China’s SOEs have an advantage in bank loans, taxes, government subsidies and capital injections, thereby distorting international trade system. As a result, the U.S. has formulated relevant provisions against non-market countries in the TPP, the Comprehensive Economic and Trade Agreement (CETA), and the USMCA. The purpose of identifying China as a non-market country is to maintain a powerful tool to conduct anti-dumping investigation and to impose high tariffs against China. However, China rebutted that the U.S. accusations were baseless because there was no definition of market economy within the framework of the WTO. The socialist market economy model was the choice of self-development of China, and the forthcoming WTO reform should respect the development model chosen by China (Ministry of Commerce of China, 2018). In the Report of the Working Party on the Accession of China, China is committed to ensuring that all purchase and sell of SOEs must be made based on commercial considerations only. The Chinese government would not directly or indirectly influence the commercial decisions of SOEs. Therefore, to address the concern raised by the U.S. against China that

the socialist market economy model lacks a clear bound between the Chinese government and SOEs, it is proposed that China should comply with the rule of “Competitive Neutrality” in the WTO reform (Shen, 2019: 49). On the one hand, China should open the market up to private and foreign-funded enterprises in protected areas such as telecommunications, electricity, railways and energy, entitling all types of enterprises to a fair access. On the other hand, the Chinese government should eliminate interference in SOEs to achieve the goal of truly separating Chinese government and SOEs, and promote the professionalization and marketization of the management of SOEs (Sun, 2019: 191).

4.3. Establishment of Binding Mechanisms for Honoring International Agreements and Promotion of China's National Strength

Recently, in order to achieve the goal of “America First”, the U.S. has been exerting great pressure on its trading partners and has forced them to return to bilateral negotiations. In that case, China will be likely to make necessary concessions and compromises if a reasonable deal can be reached between the two sides (He, 2019: 12-3). The China-U.S. trade negotiation has returned to the right track after more than a year of tense confrontation. On December 13, 2019, on the basis of equality and mutual respect, the final text of the China-U.S. Phase 1 Trade Agreement has been confirmed due to the joint efforts put forward by both sides. The issues covered by the Agreement include intellectual property, technology transfer, food and agricultural products, financial services, exchange rate and transparency, trade expansion, bilateral assessment and dispute settlement. As commentators pointed out, by now, the China-U.S. trade tension is just temporarily relieved. In fact, even though the Phase 1 Trade Agreement was reached, it cannot be said

that the Agreement will be fully implemented by the two sides. It is worth noting that a core issue of the earlier negotiations between China and the U.S. is to search for a mechanism ensuring that both sides could comply with the trade commitments they made. On 26 April 2019, President Xi Jinping addressed at the Opening Ceremony of the Second Belt and Road Forum for International Cooperation that China would work harder to ensure the implementation of trade agreements. As President Xi highlighted:

“We Chinese have a saying that honoring a promise carries the weight of gold. We are committed to implementing multilateral and bilateral economic and trade agreements reached with other countries. We will strengthen the building of a government based on the rule of law and good faith. A binding mechanism for honoring international agreements will be put in place.”

(Xi Jinping, 2019)

The above speech demonstrates that China will actively set up relevant binding enforcement mechanisms to ensure that the commitments made by Chinese government will be fulfilled. Since China has adequate sincerity in accepting the restraint and supervision of the enforcement mechanism, other countries, including the U.S., should also be subject to the binding mechanism.

According to the current text of the China-U.S. Phase 1 Trade Agreement, any trade disputes between China and the U.S. will be mainly resolved through bilateral evaluation. Under Article 7.4.1, where a Party (the Complaining Party) believes that the other Party (the Party Complained Against) fails to act in accordance with the Agreement, the Complaining Party may submit an appeal to the Bilateral Evaluation and Dispute Resolution Office of the Party Complained Against. If the appeal cannot be settled by the Office or relevant officials from both

sides, the dispute shall be forwarded to a meeting between the USTR and the designated Vice-Premier of China for final determination. If the Parties fail to reach a consensus on the underlying dispute, the Complaining Party may resort to taking an action in accordance with the facts provided during the meeting, including “suspending an obligation under this Agreement or by adopting a remedial measure in a proportionate way that it considers appropriate with the purpose of preventing the escalation of the situation and maintaining the normal bilateral trade relationship.” (China-U.S. Phase 1 Trade Agreement, Article 7.4.4) If the above action is not adopted in good faith as considered by the Party Complained Against, the only remedy for the Party Complained Against is to withdraw from the Agreement. The above regulations indicate that China and the U.S., as the two largest economies in the world, may not rely on the current rule-based WTO DSM to resolve their disagreement if a trade dispute occurs during the implementation of the Agreement, and national strengths of both countries will become a key element in deciding how the dispute will be resolved in the future. Such a mechanism is far from perfection, but it indeed reflects the reality of the current international trade structure.

There will not be a once-for-all scheme to resolve the China-U.S. trade friction, thus China has to make corresponding plans and necessary preparations for all kinds of outcomes. Scholars pointed out that the realization of the normal China-U.S. trade relationship ultimately depends on the improvement of China's own comprehensive strength (Shen, 2019: 50; He, 2019: 13). A scientific and reasonable response to trade unilateralism and protectionism to be given by China is to unswervingly promote a new round of reform and opening-up with greater determination and efforts. The ongoing trade friction reveals the huge gap between China and the U.S. in terms of technology innovation, high-end manufacturing, financial service, opening-up, rule of law

construction and other areas. Only upon being aware of the above shortcomings, can China push forward a new round of reform, opening-up and technology innovation. Meanwhile, based on its own national conditions, China has to raise its claims in a reasonable, beneficial and polite manner to engage in the reconstruction of the international trade governance system. As pointed out by a commentator, the U.S. cannot prevent international trade from moving forward, nor can it curb the rise of China (He, 2019: 13). Accompanying with the constantly improvement of its international economic status, China will become a more active participant in the global governance and strive for a greater voice on behalf of emerging economies and developing countries. To date, the interdependent world requires more international mechanisms. A growing number of China's plans, including a community with a shared future for mankind, the Belt and Road Initiative and the Asian Infrastructure Investment Bank, are designed to effectively supplement the existing multilateral mechanisms and to promote mutual development of all countries around the globe. Confronted with the challenges posed by the U.S. trade unilateralism, China should along with all other countries supporting free trade to firmly defend the multilateral trading system that is centered on the WTO (Sun, 2019: 192).

5. Some Concluding Remarks

The U.S. has the largest trade deficit with China resulting from the rapid development of bilateral trade between China and the U.S. Since Trump's ascendance to the U.S. Presidency, trade protectionism has provoked the China-U.S. trade friction under the pretext of Section 301 and Section 323. At the same time, the Trump administration believed that the existing WTO rules fail to regulate China's unfair trade

practices. The U.S. plans to reach the common understanding on core issues, such as the non-market country, with Japan and the EU through bilateral negotiations in the first place. Subsequently, the understanding will be incorporated into more plurilateral agreements or even multilateral agreements. Therefore, the goal of reconstructing the current WTO system will be achieved. The U.S. firstly establishes a small group of allies and then continuously forces other countries to passively join in. As commentators suggested, the above operation aims to implement the “Make America Great Again” strategy through reshaping the international trade rules. Although developed countries and developing countries have different views on WTO reforms, there is a mainstream consensus on preserving the WTO system. If China and the U.S. can successfully resolve the trade friction between them, it might contribute to the WTO reform and help to achieve a multi-win result.

The China-U.S. trade friction is essentially a conflict between unilateralism and multilateralism, and a collision between protectionism and free trade. The U.S. was once the biggest beneficiary of economic globalization and has long considered itself the most important promoter of free trade. Since Trump took office, the U.S. has turned away from acknowledging that it benefits from free trade, but instead believing that it faces unfair treatment in international trade with China. To now, as the world's largest economy and the former leader of economic globalization, the U.S. turned to trade protectionism, so that free trade and economic globalization encountered a cold winter. Although the U.S. trade protectionism has brought severe challenges to the economic globalization, free trade and economic globalization are still the irreversible trend of the development of human society. Free trade and economic globalization are not only the inevitable result of the advanced development of global productivity, but also the only way to be taken by the countries in the present age for their economic development (Hatch,

2018). In response to the unilateralist and trade protectionist measures initiated by the U.S., China has adopted a series of countermeasures under multilateralism. These countermeasures have effectively safeguarded the core interests of China and established a good international image. Regarding the future, it is difficult to resolve the China-U.S. trade frictions in the short term. China should adhere to the rational, modify the improper, create a new type of multilateral mechanism, and establish a new structure of reform and opening-up. In addition, efforts should be made to encourage the U.S. to return to the multilateral trading system and to promote the sustainable development of economic globalization.

Notes

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1. The Indo-Pacific Strategy is the new strategy of the U.S. across the Indian subcontinent to Pacific Ocean with the objective of maintaining freedom, peace and stability in the region, especially focusing on economics, governance and security.

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When Dragon Meets Garuda in *Hutan Belantara* Energy

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Abstract

It is generally believed that China will continue to dramatically expand her presence and influence in Indonesia's energy market in the years ahead. Yet, we would argue that China's economic prospect in Indonesia's energy sector becomes blurred and even complicated once she intends to further partake in Indonesia's domestic energy production and crude oil extraction. Through careful examination of Indonesia's regulations, liberalization, and social protection in its energy sector, this paper aims to explain how and to what extent Indonesia responds to China's strategic energy actions and its implications.

Keywords: *Indonesian energy market, double movement, liberal movement, social protection*

1. Introduction

In political economy discourse, it is uncontested that energy is a crucial issue for development.¹ There were many researches who investigated the supply-demand and the acceptability of local people to international trading of energy and proved that domestic interest influences energy trade significantly.² It is in this regard that investigating China-Indonesia energy trade becomes important. Both countries have long history of cooperation in energy trade, high economic development rate, and are getting closer to each other in recent years. Many scholars realized the importance of China-Indonesia issue in energy, and a lot of investigation has been done by scientists. To illustrate, they discussed energy trade in macro analysis,³ in relation to ACFTA,⁴ and based on specific commodities, such as coal and LNG.⁵

Moreover, conflicts within the South China Sea between Indonesia and China in recent years have triggered heated discussions among policymakers and academia with regard to the future Indonesia-China energy trade. Many investigations have already revealed the correlation between geopolitics and bilateral trade. Some of them believe that defense pacts affect trade agreements, while others describe how politics (geopolitics) influences economic matters.⁶ It means that geopolitics issue in the South China Sea might be able to shed light on the Indonesia-China energy trade in the years ahead.

However, we argue that the previous researches with special reference to the geopolitics approach may still be one-sided account in comprehending the current situations between Indonesia and China. Government in this regard is arguably not the most decisive actor that ultimately makes the energy policies, when considering that China-Indonesia relationship is built more than merely on energy trading, and export-import, and so on. Instead, it is also about exploring and managing Indonesia's resources which are increasingly affected by

domestic responses and players. Thereby, this paper argues that there exists a number of actors involved in this relation of the energy market in Indonesia. It will be further investigated thereafter.

What we have learned from the current situation is that relation between China and Indonesia in energy is moving to the new era where China has chance to increase her existence in Indonesian energy market. This raises a notable question: would China's existence in Indonesian energy market be more significant? For most scholars and practitioners, it is plausible because of Indonesian government's support and the strengthening of China's energy investment in Indonesia, and China as the fifth in Indonesian investment's top list of which a half has been directed toward energy.⁷ Additionally, after President Joko Widodo (Jokowi) was re-elected in April 2019, China's investment rose significantly and took the second highest investment in Indonesia.⁸

Although most of the people believe that China's contribution in Indonesian energy market would rise, we challenge it since it is developed by weak premise, partial analysis. It imagines that there is solely a peace market, but ignores the fact that the market has been met by combat. It assumes that the merely important variable to determine how China's contribution in future is Indonesian government support, and claims energy market is smooth, under government control. This assumption fails to describe the real condition where the market is fulfilled by a battle between liberalism and social protection movement. There are two main premises. First, Indonesian energy market is not empty-space, it has been filled by many companies (Multinational Corporation or MNC, national, and local), they usually fight for liberalism movement, compete each other to ensure getting maximum profit, and has a complex political economy relationship with policy makers. In this market, China is insignificant player. Second, Indonesian are not passive entity accustomed receiving any government's policy,

but they are active and progressive accustomed to express and defend their opinion and interest to against liberalism in energy. Since years ago, both of these movement has been involved in a field of Indonesian energy market. Regarding to the China position in Indonesia's energy market in future, the analysis has to put China on these two main premises. We believe, its conclusion is worthier to be believed.

In light of the discussion above, this article uses a set of research methods and organizes some chapters. Methodologically, this article assumes that the reality as contextual field of information⁹ to map the real condition of Indonesian energy market, by using secondary data, such as journals, Indonesian documents, articles, websites, and more. In order to answer the research question, this article has several parts. The first part is introduction which explains the literature review and research question and followed by China-Indonesia Relationship in Energy Trade discussion as the second part. Theoretical discussion is the next chapter where double movement perspective would be positioned as instrument analysis. Ups and Down Energy Market Regulation as the fourth illustrates the position of Indonesia in managing her natural resources. It is clear that even though the highest law regulates all of natural resources must be managed by Indonesia's companies, the long Indonesia's history showed that the final decision determined by the result of fierce fighting of actors. The two next part discuss the condition of liberalism movement in Indonesian energy market and her counter-movement, social protection. Along with "Ups and Down Energy Market Regulation", these two parts are main finding of this article. These three parts becomes main source of the next part, it is "Real Map and China's Mission: A Discussion", where the common believe above about the increasing of China-Indonesia relationship would be refused. Conclusion, then, is the final part where research question meets its blunt answer added by theoretical contribution reflection.

2. China-Indonesia Relationship in Energy Trade

In the warm relationship, China-Indonesia has clear and strong reason to keep and improve their cooperation, especially in energy trade. The story is started by the China's worse condition under The Tantomount Mao Zedong (1949-1978). China under Mao had implemented three ambitious national projects – The Hundred Flowers Campaign, The Great Leap Forward, and The Cultural Revolution— which led to calamity: economic collapse.¹⁰ In 1978, Deng Xiaoping as new leader chosen liberalism economic. Even though there were many critics for his radical policies, the facts proved that economic made some improvements, hence it has been continuously implemented and success to reach several achievements until today.¹¹ It has succeeded to get an amaze economic growth.¹²

Move to deeper discussion, China's economic growth has a crucial position for domestic politics and a consequence to national energy security. Economic growth is the modern form of Chinese Communist Party (CCP)'s legitimacy which actually has changed few times since 1949. In domestic politics, CCP is the 'hearth' of China as socialist country. CCP monopolizes power and rules China in the name of people.¹³ It is the reason why absolute legitimacy from populace is completely important for CCP. In 1949, Mao developed CCP's legitimacy by using nationalism and anti-colonialism spirit,¹⁴ empowering the countryside, restoring pride after the century of humiliation, and organizing against Japanese colonization.¹⁵ After the Tiananmen tragedy, Deng Xiaoping changed the source of CCP's legitimacy to ensure power is sustainable. Economic development became important to keep Chinese happy and obtain a sense of political legitimacy.¹⁶ Since this time, economic growth has been the main source of CCP's legitimacy and accordingly very important for China. Yet, along with the massive economic growth, the need of energy advanced

consistently in which the main source, coal and oil must be imported from other countries.¹⁷ In regard to this China has been involved in Indonesian energy market since 2002 and manage three areas in 2016.¹⁸

Move to Indonesia's side, the calamity in 1998 was the most important reason for Indonesia to increase her energy's income to national budget. Started by monetary crisis in 1997, Indonesia's economy collapsed rapidly. Basic needs were not only costly, but also rare, and there was a worse inflation. Riot identified by strikes insisting President Soeharto stepping down and horizontal conflict happened massively as its impact. All of this ended in resignation of President Soeharto preceded by ethnicity violence and the death and loss the several number of activists. This tragedy has become politics and social trauma for Indonesian, especially in politics and social aspects.

What Indonesia have learned from 1998 incident is there are two main causes that cause this tragedy, they are politics and economy. Unfortunately, after 1998, economic condition has not as well as politics. The growth of economy should be more improved to guarantee social and politics stability. Since 1980s, Indonesia as country of natural resources has good experience in improving her economic through mining, especially by producing energy, such as oil, gas, coal, and other sources. Unfortunately, the number of production units in energy sector has collapsed in recent decades. For example, in oil, the number of production decrease gradually, even lower than domestic consumption. It is the fact that since 2004 the number of consumptions units has overtook production. Rather than gaining economic profit from oil trade, Indonesia as one of country who has oil reserves in the world must import oil from international market.

After year 1998, Indonesia had well relationship in energy trading to China. The number of Indonesia's export to fulfill China's need in energy was huge. At least, in 2013, about 31 per cent of coal has been

exported to China in which during 2002-2013 the average number of Indonesia's coal export was 20 per cent. For gas, the recent years export record proves that gas is potential commodity for China. In 2004, China just absorb about 2 per cent of total Indonesia's export, yet two year later it grew radically to be 20 per cent. Overall, during 2000-2015, China is destination for 8.7 per cent Indonesian gas. Oil has different record, because it shows the declining trend. In 2000, the number of Indonesia's export to China is around 18,5 per cent, but in 2015 it fell to be 4,2 per cent, though as general, during 2000-2015, Indonesia succeeded to export 10,1 per cent of total. In conclusion, energy trading between China-Indonesia is significant. China-Indonesia is mutual dependent, when China rely most of her energy's needs to Indonesia and Indonesia take China as her important consumer at once.¹⁹

3. The Map of Indonesian Energy Market: The Clash of Two Movements

This part discusses the theoretical background of this inquiry. Along with discussion above, we use "Double Movement" perspective because of its relevancy in describing the real map of Indonesian energy market and challenge the common opinion at once. This belief is underpinned by three reasons, they are ontology, context, and the infirmity of other perspectives. Ontologically, double movement is appropriate to research question, especially in describing the 'real map' of Indonesian energy market. This article criticizes the partial map which has been the basic of common belief. The partial map illustrates Indonesian energy market as a peace market and under government's control in which the Indonesian Government's support is the most decisive. Yet we totally believe that Indonesian energy market is not a peace market, it has been filled by a fierce battle. Due to its ability to describe real map of Indonesian energy

market, double movement is used.

Furthermore, “contexts” is the second reason why “Double Movement” is precise perspective to be used. Due to her long story of energy’s policies, Indonesian energy is managed by economic liberalism ways, it has been a market since several decades ago. There have been a large number of producers competing against each other and influencing the Indonesian regulations in energy sector. Again, for this condition, double movement finds its appropriate when it discuss the strategy of liberalism movement to expand self-regulating market by controlling and influencing government’s regulations. The last, the incompleteness of other perspective gives double movement tight reason to be used. For example, liberalism perspective partially illustrates the positive impact of market and ignores bad impacts and people power who fight to impede those. On the other hand, Marxist’s perspective tends to explore industrial relationship and pass the bigger issues, such as liberalism movement, bad impact to environment, cultures, and other dimension, and surely, social protection movement. Similar to previous reason, double movement meets its relevancy.

Given that above consideration, this part consists of three main parts. First, we discuss liberalism, neoliberalism, and globalization which its aims are to address main assumption of liberalism, its transformation to be neoliberalism, and globalization’s contribution in this transformation. Shortly, this shows liberalism (neoliberalism) main characteristics and its real form in Indonesian energy market. Second, Karl Polanyi’s critics to liberalism are discussed, especially when Polanyi proves that all liberalism assumptions are illusion. Positive impact is limited, while the vicious poor impacts should be faced by most people. Third, Indonesian double movement thus rises to accentuate the reality that the two-opposing movement, liberalism vs. social protection, is eternal and lead them to Indonesian’s context.

3.1. Liberalism, Neo-Liberalism, and Globalization

One of the core theses of liberalism is “freedom” which exists in three levels: individual, society, and government, in order to create an ideal market. Freedom can be found in those levels with different design, but they have perfectly strong connection. Liberalism assumes freedom is essential right of human which is obtained from God, nature, and social contract. Freedom to own property, without coercion, is primarily right encouraging people to produce and exchange goods in market. The kind of goods depend on consumers’ needs (spontaneous market), the price is determined by comparing money and value of goods (miracle of prices), there is free movement of capital (people, goods, services, money, and ideas), and the solely motivation is self-interest. Due to neither coercion nor command, market will be run by competition, and it will run self-regulation. This is the most efficient and effective market which benefits all people.²⁰

Liberalism assumes that individual is more important than society. Society is merely accumulation of individual and the condition of society is determined by individual condition. Related to this, individual freedom and creating market have significant contribution to fulfill all society’s needs. Adam Smith argues that when everyone gets freedom in pursuing their self-interest, the ‘invisible hand’ of market will create the public goods.²¹ Finally, when individual freedom creates this ideal market, the wealth will flow to all member of society.²² Accordingly society has to guarantee individual freedom.

Furthermore, liberalism gives special attention to the position of government and its regulation. Government rules is needed, but government’s intervention is not. In liberalism, the source of government’s legitimacy is individual, consequence government subject to individual interest. Government uses its monopoly power to expand

individual freedom and property right through its regulations. On the other hand, government is assumed knowing how to easily do abusing power, corruption. It is the reason for keeping market from government's intervention. When market is run without government, the self-regulating market will exist.²³

Since some decades ago, post the fall of Keynesian in 1978, liberalism has risen in a little bit different form, its name is neo-liberalism. Principle of individual freedom steadily exist in neo-liberalism, but it gives stronger accentuation to relation between government and market. To create an ideal market, self-regulating market, market has to be freed from government's interventions.²⁴ Harvey, then, described the role of state, "The role of the state is to create and preserve an institutional framework appropriate to such practices."²⁵ It is completed by Hall revealing two watchwords of neo-liberalism: privatization and deregulation.²⁶

The existence of neo-liberalism, then, has been underpinned by globalization, and the result is the "age of MNC" (Multinational Corporation). Globalization, which means as the integrity of national economy into the world economy, relies on trade, MNC, foreign investment and international finance.²⁷ It can be easily understood the result of these paradigms. Neo-liberalism encourages self-regulating market, privatization, and deregulation, while globalization support MNC and foreign investment to penetrate in every single country. It is clear that the era of neo-liberalism in globalization age can be identified by self-regulating market, privatization, deregulation, MNCs in every country, and there is free movement of capital, and competition between MNCs.

3.2. Karl Polanyi's Critiques

In his magnum opus, *The Great Transformation*, Polanyi argues that the result of liberalism is not wealth, but society destruction.²⁸ By using history, culture, politics, and economy approach, Polanyi reveals the flaw of liberalism premises. Polanyi describes the origin of liberalism's step in order to build self-regulating market. It is started by claiming human and soil as labor and land. This commodification is followed by a premise of scarcity. Labor and land, then, have price which is determined by supply-demand. This will work properly, because action of human as economic creature is based on self-interest. Interconnected of self-interest creates all human's needs. In here, government's intervention is not necessary. The final result is market society, a condition where everyone has purchasing power to buy goods in self-regulating market.²⁹

Polanyi gives critiques to the liberalism's premise. First, liberalism did a fault by doing commodification, because labor and land actually are human and soil, never have they been created by God to be traded. Second, culturally and historically, there were many motivations of human's economic actions, where the self-interest is just a part of them. Third, liberalism has not respected human right since it used starvation to force human (poor people) to work. Fourth, self-regulating market is illusion, because liberalism needs government's intervention (regulation) to create freedom which is appropriate to its interest. Fifth, liberalism separated economic to politics (government) which causes government unable to protect society, whereas the main function of government is to protect people (poor people), included in economic affairs.³⁰ For Polanyi, these flaws create a horrible creature; a market society. All human's actions are driven by two motivation: self-interest (looking for profit) and the fear of starvation. This will impact to social destruction,

when there are many problems in labor (wage, working hour, more), land (ecology and environment), and money (currency).³¹

3.3. Indonesian Double Movement

3.3.1. The discourse of double movement

The destruction of society, happening in labor and land, for Polanyi, is the main reason for society to protect themselves. This is the beginning of the double movement; a situation describing the struggle of liberalism's advocates to defense and enlarge self-regulating market versus social protection who fight to impede liberalism. Social protection, in Polanyi's vision, has several characteristics. It is mechanically, spontaneously, a multitude of dispersed and fragmented reactions. The real action is obeying managerial commands, protest high food prices, striking for higher wage, criticizing law, environment and cultural destructions, and other market society bad impacts.³²

Move to the deeper discussion, contemporary scholar critics the Polanyi's double movement theory. Some of them have proved that the characteristic of Polanyi's double movement was not appropriate to recent phenomena, whilst the other propose crucial questions. There was a doubt that social protection was the mechanically, spontaneously, and fragmented counter-movement. Moreover, the researchers also questioned the detail of social protection, how does the composition of social protection? This is significant question, because since years ago, society has consisted of many groups with various backgrounds, such as politics, economics, environment, culture, religious, ethnic, and human right. This question is followed by another, i.e., how does social protection organize their movement? All of these challenges have not articulated well and investigated enough from Polanyi's seminar work.

With regard to critiques above, the social protection theory is revised. In contemporary phenomena, it has some characteristics. Firstly, social protection is an organized movement to protect society from destruction. Secondly, its composition is various, there is not strict border, the solely ‘rule’ in social protection movement for its proponents is the same aim, to against neo-liberal globalization and to avoid society destruction. In some cases, the social protection movement have been done by labor federation, agrarian movement, human rights supporter, beyond age, gender, religious, ethnicities, and many kinds of structural positions in economy. Thirdly, social protection is organized as informal. The communication and exchanging resources have been done without formal regulation, used culture and social strategy.³³

3.3.2. Indonesian energy market

Indonesian double movement has three mains areas, namely regulation of energy market; MNC, national, and local companies which support liberalism and getting competition; and social protection counter-movement impeding liberalism. Indonesia is one of the richest natural resources in the world, especially for oil, gas, and coal. Since 1967, under President Soeharto, Indonesia has explored and exported oil, gas, and coal massively. From that period, the regulation has been changed several times.

Since 1967, there was three kinds of companies which operated in Indonesian, they are MNC, national companies called Pertamina (Perusahaan Tambang, Minyak dan Gas Bumi Negara/ State Oil and Natural Gas Company), and smaller companies owned by local entrepreneurs. The prominent MNCs in Indonesian energy market are Chevron (USA), British Petroleum (BP), Exxon (USA), PT Newmont (USA), Total E&P Indonesie (France), and Freeport, while smaller

companies owned by local investor are, such as, PT Bumi Resources Tbk owned by Aburizal Bakrie (The former president of GOLKAR party, the winner in 2014 general election), PT Mitra Energi Persada owned by Jusuf Kalla (Vice President of Indonesia), and others.

The last, social protection in Indonesia has a little bit different to the other countries. Counter movement has been represented by the kinds of group/ organization which refuse liberalism. Some of them in formal organization, for instance NGO, political party, student association, and academician's organization, while the other are informal, such as community in a village or districts, labor's federations, and etc. In this movement, they exchange the resources easily. Moreover, the Indonesia's countering movement in this research is heavily influenced by the relationship of Indonesia indigenous inhabitants Pribumi with those Chinese Indonesians and even the Chinese authorities in Beijing. The special characteristics of the Indonesia's counter movement are mostly derived by Pribumi's prejudice and their resistance to a few groups of Chinese Indonesians tycoon as well as the Chinese authorities.³⁴

4. Ups and Downs of Energy Market Regulation

In 1967, under Soeharto regime, Indonesia started to explore and exploit her natural resources massively. Since that period, regulation of energy management has been changed several times, and those represented the Indonesian condition in multiple aspects.

Table 1 illustrates how Indonesian regulation in energy has been changed, consisting of authority, law, main point, focus, and reason. Basically, Indonesia has Undang-Undang Dasar tahun 1945 (UUD 1945) or constitution of 1945 as a highest regulation which orders the state to monopolize natural resources for people's welfare, because the mere

purpose of state is to create prosperity for Indonesians. Moreover, Indonesia interprets constitution of 1945 to be law. The dynamic, then, happened in this interpretation process.

Table 1 Changes in Indonesian Energy Regulation, 1945-2010

Period	Authority	Regulation	Main Point	Focuses	Reason
1945-Now	State	Constitution of 1945	State monopolizes natural resources for people's welfare	Economics	The existence of state is to create people's prosperity
New Order (1967-1997)	Central Government	Law 11/1967	Centralized administration	Economics	Natural resources is solution for economic collapse
		Presidential Decree 20/1968	Centralized administration		
		Law 8/1971	Pertamina monopoly of oil management (upstream and downstream)		
Post-Reformasi (1998-2010)	Central Government and Local Government	Law 22/2001	Pertamina as a state enterprise and privatization business	Fighting corruption, Economics, Politics, Equality, Environment, Culture	Deliberation of natural resources can keep Indonesia's unity
		Law 41/1999	Prohibition of open mining in protected forest		
		Government Regulation 75/2001	Decentralization of Indonesian mining		
		Law 4/2009	Central government devolves significant power to local governments		
		Government Regulation 22/2010	Mining areas		
		Government Regulation 23/2010	Mining business operations		
		Government Regulation 78/2010	Mine reclamation and closure		
		Government Regulation 55/2010	Mineral and coal mining direction and supervision		
		Law 32/ 2004	Decentralization		

Source: Compiled from several resources, 2020.

In the New Order, natural resources were dominated by the central government, i.e., President Soeharto. It can be found in Law No. 11/1967, Presidential Decree No. 20/1968, and Law No. 8/ 1971. The core concern of these laws was economic growth. This is quite understandable considering Indonesia's economic difficulties at that time. When the first president Soekarno stepped down, the Indonesian economy was also collapsed. Soeharto as successor took radical policies by claiming "economic as command". He used natural resources to improve economic growth excessively. For example, Soeharto established Pertamina, state enterprise, to monopolize oil from upstream to downstream. Gradually, this strategy improved Indonesian economic growth, and even foreign observers claimed Indonesia as one of the "Asian Tigers".

In line with this condition, there were many problems happens and finally forced Soeharto to resign in 1998. Due to centralized management without a fair control and monitoring, corruption happened in all energy sectors. All corruptors were Soeharto's cronies, and this run nearly couple decades. Robinson,³⁵ to illustrates, describes how Soeharto's son-in-law, Ibnu Soetowo, did corruption in Pertamina, while the other Soeharto's family did it in other minerals mining. Accordingly, the abundance of oil, gas, coal, tin, and other minerals had not given significant wealth to Indonesia as whole.

Corruption, collusion, and nepotism (Indonesian name KKN or Korupsi, Kolusi, and Nepotisme) forced Soeharto to step down in 1998. Following this moment, new regime faced several prominent demands from Indonesia's people. Indonesian insisted the new regime to clean government from KKN, shared more power and authority to local government (Province and district/ city), and improved equality of development and wealth. In this moment, the threat was separation. If

central government failed to manage the people's demand, there would many separatist movements. The unity of Indonesia would be end.

This situation succeeded to change Indonesian system. In energy management, there were three implications. First and foremost, supported by International Monetary Fund (IMF), government liberalize energy market. MNC was easier to invest and compete in Indonesian energy market. Meanwhile, Pertamina's authority is reduced, it just was a common company, and it has equal position and right to other MNCs. This regulation aims to create clean, effective, and efficient energy market (Law 22/2001). Furthermore, central government shared her authority to local government through Law 32/2004, especially in natural resources management. Practically, to operate in an area, district/ city and province's permit is the first and the most significant requirement. This policy would improve local economic growth, wealth, equality, quality of environment, and existence of local wisdom (culture). Last, but not least, central government gave local government to manage Artisanal and Small Scale Mining (ASM) through Law 4/ 2009 (license), Law 22/ 2010 (mining area), and Law 55/ 2010 (supervise and enforce mining). Due to ASM has strong historical background in Indonesia, in addition, it is full-employed, central government gave society her permit to operate it and managed by local government.

In recent years, those regulation has been changed partially. In 2012, Indonesian Constitutional Court cancelled several clauses of Law 22/2001. Consequently, Pertamina could get back its authority to manage oil and gas in Indonesia. This has been believed will improve Indonesian's profit in minerals. Moreover, in 2014, energy ministry released new regulation which forced mining companies to build smelter in Indonesia.³⁶ It was same as Pertamina case in which as sign the growing of nationalism because it created jobs and more prosperity for

local people. Until today, the ups and down of Indonesian energy regulation steadily happen.

5. Liberalism of Indonesian Energy Market: Movement and Competition

In Indonesian energy market, there are many kinds companies manufacturing mineral, such as oil, gas, coal, tin, and others. Especially for oil, gas, and coal in 2012, Indonesian government released information of MNC which operated several blocks in Indonesia. Chevron and ExxonMobil, both of them are owned by USA, dominated Indonesian energy market, particularly for oil and gas. Meanwhile, BP (British Petroleum), Total E&P Indonesie (France), Petrochina, and other companies share remain block. This would be more crowded if other mining's sector and small and medium companies were put on it. All companies are involved in two kind activities, such as liberalism movement and competition.

5.1. Liberalization Movement

Liberalism movement in Indonesian energy market run in two main actions, namely entering market and continuing their existence. Those activities need one important precondition, namely Indonesian's politics and regulations should welcome to liberalism. Due to Indonesian's constitution claims that natural resources must be managed by and for Indonesian (Constitution of 1945), so, actually, welcoming liberalism politics and regulations were a controversy in Indonesia. The solely plausible reason why, finally, Indonesian energy was opened to market, is caused by a terrible turbulence politics which happened few times before this controversial politics and regulation was created by government. In this case, international liberalism's interventions could

be observed easily.

First of all, liberalism can be identified by MNC's efforts to enter Indonesian energy market. In here, the first and most crucial event was the smooth coup d'état of The First President, Soekarno, between year 1965-67 by Soeharto, CIA, and Freeport and its causation to Law 1/1967, the first liberal law welcomed MNCs since 1968, particularly from USA. The coup d'état of Soekarno was the main strategy of Freeport to able operate in Irian Jaya Barat (Papua) by using Soeharto and CIA.³⁷ Soon after Soekarno stepping down, Soeharto arranged Law 1/1967 in Geneva (Swiss) and was dictated by Rockefeller, the president of Freeport. In the same year, Freeport succeeded to get authority managing a mountain of gold in Irian Jaya, after President Soeharto had signed Freeport's proposal. Since 1967, Freeport has been the biggest gold mining and the third place for nickel companies in the world with the lowest cost production.³⁸ Following this politics and regulation, other MNC came to Indonesia, such as Caltex (Now Chevron), Total E&P Indonesia, and others.

Post-Reformasi 1998, as mentioned above, Indonesia released a liberal law in energy which invited many MNCs investing in Indonesia. Due to massive corruption, Indonesia's people insisted Soeharto to resign. This chaotic situation ends to a situation when Indonesian government created Law 22/ 2001 by using USAID's fund and World Bank and IMF's support.³⁹ The essence of this regulation was Indonesia must open her energy market and reduced the authority of Pertamina as state's enterprise, meaning that this regulation fully supported liberalism movement. This liberal law succeeded making liberalism easier to enter Indonesian energy market and continued their existence. To illustrate, by Law 22/2001, Petrochina, China's state enterprise, has operated in Indonesia since 2002.⁴⁰ It has authority to manage Jabung Block, lied in Jambi, the area which has an abundance natural gas.

In line with the discussion above, post-Reformasi 1998, political turbulence happened in politics at the local level which led to the blind improvement of liberalism. Decentralization politics meaning that there were two implications for local government, notably district and city government. First, local election system to choose regent or mayor has been changed, from representative to direct election. This was, by central government, reasonable to fulfill local people's demand for more democratic politics in local level and ensure the leader appropriate and representing local interest. Second, in same period, Law 32/2004 regulates that authority of mining and energy's activities are in regent or mayor, with based on national laws. The main reason was to accommodate local interest in order to improve local welfare. These radical changes, unfortunately, gave bad impact in mining sector. In fact, direct election was costly because every candidate must campaign excessively to get more voters. When candidates succeeded to be winner, they tended to recoup their money which is spent in campaign process.⁴¹ Giving permit to mining became popular strategy to gain back money in 5 years (a period), because each petty capitalist provides bribery for license. Finally, there were many new small and medium companies which have operated in local level, most of them violated national laws. For instance, in 2012, Indonesian Ministry of Energy and Mineral Resources found roughly 10.000 new license, in which a half of those was problematic. In 2019, this condition has not changed significantly, the same problem still happens.⁴²

5.2. Wild Competition

In Indonesian energy market, all companies must compete to both defense and enlarge their positions. Since regulation is important, all companies try to obtain their interest by influence government. Some

time, they lobby Indonesian government, on the other case, they also use politics' influence.

In 2005-2006, two main oil companies were involved competition, namely Pertamina and ExxonMobil. In this competition, liberal law (Law 22/ 2001) and intensive lobby became a definitive variable. Competition was started once a research proved that there was a vicious number of oil in Cepu, Jawa Tengah Province, even it was believed that it has the largest oil reserves in Indonesia. In spite of the fact that Pertamina was state's enterprise, due to Law 22/ 2001, its position was same to ExxonMobil. Furthermore, to be winner, ExxonMobil used its home country political influence, USA. It was viewed when President of Indonesia, Susilo Bambang Yudhoyono (SBY), has been invited by USA, followed by visiting of Foreign Minister of USA, Condoleezza Rice, to Indonesia. As result, Cepu was ExxonMobil's authority.⁴³

Years later, along with the increasing nationalism spirit, Pertamina is stronger thereof get good position in competition. First, in 2015, Pertamina competed with Inpex (Japan) and Shell (Netherland) in managing Block Masela, Maluku Province. Inpex, in fact, has explored Masela since 1998, but it could be produced on 2018. This was problematic, because its contract would finish in 2028. Producing merely in a decade after spending resources during two decades is surely uneconomical. In this case, however, Indonesian government have decided to give 10-15 per cent of shareholding for Pertamina in 2018, and would give dominant stock on 2028.⁴⁴ The same case happened in Petrochina operating in Tuban, Jawa Timur Province. Petrochina permit will over on 2028, and it has interest to extend its contract. However, Indonesian government tend to move its authority to Pertamina.⁴⁵ Both cases show how Pertamina obtains benefit from political condition of Indonesia.

In addition, competition also happens between MNC, which economic bargaining becomes prominent factor. As described above, in 2014 Indonesian government forced all companies to build smelter. The reason was to improve economic value, create jobs, increase local welfare, and others. Beyond this calculation, some researchers and observers believed that this policy was ordered by a giant company from Russia. They argued that it will invest a huge amount of the money to new mega project in Borneo. Regardless to plausible reasons, this new policy gave problem to mining companies especially for smaller companies which budgeting will be obstacle the most.⁴⁶ Despite mining companies protested this policy, Indonesian government steadily implemented this policy.

6. Indonesian Social Protection: A Counter-Movement

Social protection in Indonesia has by and large had three characteristics: criticizing the liberal laws in energy, contesting the bad impact of liberalism movement, and having prejudice against Chinese Indonesians and China's companies. All of these have aims to impede liberalism to enter into Indonesian energy market, to stop their production process and support national's enterprise (Pertamina), and to prevent the miserable impact brought about by some Chinese Indonesians tycoons and the Chinese companies. This movement consist of various components, from individual, organization, to common villagers with various backgrounds. They have been organized through formal and informal way. Since years ago, they have won in some battles, but lost in others.

6.1. Criticizing Liberal Laws

Society as victim of liberalism movements has fully recognized that regulation is the protector of those, therefore criticizing liberal laws,

both national and local, is the first aim of social protection movement. There are some forms of this action. First, it criticized national law, Law 22/ 2001. This was crucial to do since all liberalism movements lied on this law, changing the essence of this law meaning that to impede liberalism. This movement can be represented by the event when Indonesian criticized some clauses of Law 22/ 2001. This movement consisted of many organizations with diverse backgrounds, namely religious-Islamic organization (Muhammadiyah), environment (Walhi and Jatam), professionals, and others; in addition, there were many public figures and politicians involved on this. They united in one aim, to rise nationalism in Indonesian energy market by returning the lost authority of Pertamina. They did substance discussion and comparing Law 22/ 2001 to the highest law (constitution of 1945) to bold its inconsistency. They were well-organized, used constitutional court to criticize some clauses of liberal law, and did intensive communications. As result, they won their battle, Pertamina's authority has been returned in 2012.⁴⁷ It is why after 2012 Pertamina gradually became stronger, for example when it competed with Inpex and Petrochina, as stated above.

Furthermore, the second, social protection criticized law in local regulation level (district, city, and province). The main point was the inconsistency of local regulation compared to national law. For example, in Yogyakarta, since 2008, farmers of south coastal of Kulon Progo District has questioned the consistency of Kulon Progo District and Yogyakarta's local regulation to the higher law (national law and constitution of 1945) in order to stop PT Jogja Magasa Iron (JMI) operating on their land. In Agrarian Law, they have full right to decide the function of their land, in addition, the previous local regulation said that their area was farming zone. These were two of many reasons to question the consistency of local government's regulation and policy. The member of this counter-movement consisted of activists, scholars,

public figures, progressive students, and NGOs. They have been well-organized and used informal communication, identified by exchanging resources to the other social protection movements in other areas.⁴⁸ The same case has happened in Pati, Jawa Tengah Province. The farmer of Kendeng Mountains insisted local government to subject to national policies which, finally, met their demand to cancel mega project PT Semen Gresik, a cement plant.⁴⁹

6.2. Contesting Liberalism's Impact

Since decade ago, there were many companies have operated in Indonesia. Those have horrible impacts on environment, cultures and labor. Society as victims, supported by many elements, fought to stop this bad impact. Some of them got victory, whereas the other was lost. Some of battle was fully formal and vertical, while the other was more informal and horizontal.

First and foremost, the most prominent social protection movement, questioning the bad impact of liberalism was a movement to stop Freeport by criticizing the law and policy. The aim of this movement was to cancel, or renegotiate, or at least, refuse new contract of Freeport. This based on the fact that Freeport has a vicious number of bad impact without significant benefit for Indonesia. Two mounts (Garsberg and Ertzberg) has been lost, completed by their entities, can be described how cruel the Freeport in Papua. There has a horrible social, economic, culture, and environment destruction since 1967.⁵⁰ Stopping Freeport, meaning that, stopping massive destruction in Papua. In order to reach this target, social protection used formal ways, such as insisting government to brave renegotiate or at least cancel the new contract of Freeport. This movement consisted of many elements, they are top public figures, such as Amien Rais (former of People's Consultative Assembly and President of PAN), Rizal Ramli (former minister of some

ministry), Faisal Basri (professor of Universitas Indonesia), and more; organizations, such as Walhi, Jatam, and others; and even common people. They have two kind strategies, both formal and informal. Formal strategy has been used to the advocates who fought in Jakarta, while informal in several cities or provinces. When formal action meant that court or public hearing in house representative, the informal actions meant that striking. The result was not appropriate to their hope. There was nothing happen to Freeport. Freeport can extend its contract until 2041.⁵¹

Second, social protection focusing on impact of liberalism movement can be viewed in actions which have been done by labor. In this case, the companies tended to ignore their duty to their workers, for example giving a proper hour for resting and paying severance pay for retiring labor, or government neglect labor's interest by releasing controversial draft of "Omnibus Law Cilaka". To illustrate, the labor of Exxon Mobil did an anarchy striking triggered by insufficient resting hours. On the other case, in 2016, due to decreasing oil price in world's trade, Chevron fired its 2.000 labors and invited labor's strike.⁵² Additionally, in 2020, government neglect labor's interest by relasing new draft "Omnibuslaw Cilaka" that was claimed by government would create a huge job. Thousands labor do strikes demanding government to cancel this law because it exploit workers more.⁵³ In these kind of social protections, the composition of movement was simple, they are labor federation, some NGOs and scholars. It is caused by the locus of the problems. In line to this, the strategy was formal action identified by tripartite-meeting between company, labor, and government.

Third, social protection run in informal and horizontal scheme. It was represented by the clash of two different groups who lived in one area, but they have different position. One group is a petty capitalist, whereas the other was farmer and social protection supporters. Hence

local government has authority to give permit for mining, there were many small and medium mining in local area, especially remote village. The clash of owner of the small mining and farmers was unavoidable. In this case, social protection's composition was so simple, consist of farmers and sometime supported by NGO which focused on environment and legal defense. This battle can be described properly by case "Salim Kancil: a farmer who has been killed sadistically by the owner of small mining who actually leader of village and also his relative. The end of this case was social protection was win, but it needed victims to gain it.⁵⁴

6.3. Prejudice against the Chinese Indonesians and the Chinese Authorities

Indonesia's counter-movement is arguably influenced heavily by Pribumi's prejudice against some Chinese Indonesians tycoons and the growing impact of the Chinese authorities. In fact, pribumi's prejudice has actually took place for centuries. During the colonial era which was around 1800s, Dutch set Chinese Indonesians as tax collector and gave them economic privileges to impede the rise of pribumi's middle class. This policy has fundamentally led to later pribumi's prejudice to the Chinese Indonesians where Pribumi perceived Chinese Indonesians as part of colonizer. As result, there were many tragedy cases when Pribumi massacre Chinese Indonesians during the colonial era.⁵⁵

Moreover, China's *jus sanguis* law in the year 1909 and the establishment of the People's Republic of China from 1949 onward have also affected the rise of 'pan-Chinese movement' during the early period of Indonesia's independence between 1945 and 1966. *Jus sanguis* law means that every child whose father or mother is Chinese is considered a Chinese citizen, and accordingly, all Chinese Indonesians are effectively Chinese citizens. Whereas the Chinese Communist Party took office

from 1949, the Chinese nationalism was seen particularly on the rise among the Chinese Indonesians. As Coppel stated (2008: 125), they became a “fifth column” for communist China.⁵⁶ Their loyalty was for China by giving financial support to K’ang Yu-wei and Sun Yat-sen in order to support their homeland developing process.⁵⁷ However, Indonesia experienced a terrible tragedy between 1965 and 1966 that the Chinese Indonesians and the PRC was accused of involving the coup d’état that aimed to subvert Republic Indonesia into another communist regime. This had severely resulted in the strong disbelief held by Pribumi against the Chinese Indonesians and the PRC, and the large scale of massacres on those Chinese Indonesians.⁵⁸

During the period of 1966-1998 when former President Soeharto took office, he had implemented two main policies relating to the Chinese descents. On the one hand, he selected a few Chinese Indonesians tycoons as his collaborators when involving in many corruption cases. On the other hand, he also enacted some racist policies against the Chinese Indonesians.⁵⁹ According to Purdey, this institutionalized racial prejudice policies created anti-Chinese violence that becomes “normal” every day.⁶⁰ At the end, as Freedman said, Pribumi have accustomed to generalizing the Chinese Indonesians by perceiving their descent bad.⁶¹

From 1998 onwards, given the Indonesia’s leaders implemented a number of policies that target to overcome racism against the Chinese Indonesians, yet Pribumi’s perception to a few groups of Chinese Indonesians’ tycoons and Chinese companies are still notorious. After President Soeharto stepped down, Indonesia promulgated some favorable policies towards the Chinese Indonesians, such as the recognition of Confucianism as one of national religions and the set-up of a national holiday for the Chinese New Year. Nonetheless, the major corruption scandals from a few Chinese Indonesians tycoons during

Soeharto era and the post-Reformasi up until recent years, together with intimate relations between some Chinese Indonesians tycoons and the Chinese authorities,⁶² have largely contributed to the continuing negative stereotype among Pribumi.⁶³

The Pribumi's prejudice against a few Chinese Indonesians tycoons and the Chinese authorities are especially running high for the past few years. For example, the discourse "Asing dan Aseng" (While "Asing" refers to China, "Aseng" points directly to the Chinese Indonesians tycoons) was one of the most important issues during the presidential election both on years 2014 and 2019. Supporters of a specific candidate launched black campaigns by calling their opponents as henchmen of "Asing dan Aseng". Today this tactics however continues to exist and widely utilized by President's oppositions, labors, and student movement organizations.⁶⁴ These have summed up to the Indonesia's countering movements in recent years when it comes to the highly sensitive matters relating to the Chinese Indonesian tycoons and the Chinese authorities as a whole.

7. The Real Map and China's Mission: A Discussion

Discussion above proves that actually Indonesian energy market is not a peace map, but it is a map filled by battle. Constellation of regulation, liberalism movement, and social protection is so dynamic. In order to answer whether China will increase her existence in Indonesian energy market in the future, China should be placed on this real map.

Based on early discussion, it can be concluded that, first, Indonesian regulation in energy has not guarantee China able to increase her contribution in energy market. The essence of Indonesian energy management is managing natural resources by and for Indonesian (Constitutional of 1945). It is true that practically there were many

inconsistency, but nowadays, nationalism spirit lead Indonesia to go back to the essence of natural resources management principle. If Indonesia's politics stable, there is no chance for China to increase her influence significantly in Indonesian energy market.

Second, Indonesian energy market has been filled by many companies, which have longer experience and stronger bargaining position to influence Indonesian government, and they have competed for long time. They have operated on several decades, could influence, and even dictated, Indonesian regulation, and unwelcomed to new competitors. In recent days, the most valuable mining areas are steadily dominated by strong MNC (Freeport, Chevron, ExxonMobil, and others), while the others gradually move to be Pertamina's right. Comparing to this, China has not good chance.

Third, social protection movement in Indonesian energy market have had long-lasting experiences; they themselves are well-organized movements. There are indeed many elements involving these movements, including those aforementioned prejudice against some Chinese Indonesians tycoons and the Chinese authorities. Whilst the solely problem which failed to counter is related to the big companies. Though some liberalism movement still run easier, social protection in Indonesian energy market gradually has stronger and more organized. It means that, it is easier for social protection to impede China due to China is weak and new actor and has not enough experience yet to tackle Indonesian social protection movement.

These three findings develop explanation about China's influence in Indonesian energy market in future. The clash in map of Indonesian energy market run intensively. It seems that nationalism policy and regulation rise gradually, while the giant companies protect their existence by influencing government and its regulations from the threat of social protection. On the other hand, social protection has not lost

their energy, they are stronger and more organized. All of these meaning that the mainly purpose of Indonesian regulation now is managing natural resources by and for Indonesian, while protecting their position is the most important mission of bigger companies, the last, the solely target of social protection is to beat liberalism, including the Chinese companies. In this map, China, who is new, weak, and has not experience yet in Indonesian energy market, has not chance.

8. Conclusion

When most scholars and practitioners argue that China's position in Indonesian energy market would increase prominently, this work proves that this opinion is not reasonable. Though China's investment rise significantly in recent years, but Indonesian energy regulation, competitors, and social protection movement would be a huge obstacle. It must be recognized, increasing existence in a map filled by fierce battle is nearly impossible. The merely plausible action for China now is to defense her position.

Furthermore, this study has theoretical implications for Polanyian's double movement and political economy of energy. In double movement discourse, Indonesian case actually is similar to other countries. In line with Levien's conclusion,⁶⁵ social protection's movement has been organized beyond organization with different background or issues where local's structure of power determines its success. In Indonesia, liberalization of energy market has gave bad consequence to many groups, it is why social protection's movement has a broad support from different background, such as religious, culture, land, human right, and others. Yet, different to Levien's finding in India, the local power in Indonesia gives positive support to social protection. Politicians, political parties, public figures, and several the most influenced civil

society organization, all together fight to impede the negative effect of liberalism movement. Then, ethnic relationship has also impacted on social protection system. However, Polanyian's double movement can steadily be used to describe the reality. The merely action needed is contextualization of this perspective.

Move to theoretical implication in political economy of energy, this finding proves that it is difficult for countries to change their position from consumer to be producer in international energy market. By putting China case in Indonesia energy market, China which has desire to change her position from consumer to producer, meaning that managing energy source, faces two main obstacles. First, China would face resistance of bigger and more experience MNCs which has dominated energy market for decades. Second, China will confront refusing of local communities which are well-organized, experience, stronger, and stereotyped prejudice. As new player, China nearly impossible to change her position. The implications are not solely limited to the Chinese case under review in this article, but many other likeminded countries across the globe.

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Notes

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1. See, for instance, Matutinovic (2009) and Fankhauser and Jotzo (2017).
2. See Tugwell (1980); Matutinovic (2009); Austvik (2009); Hughes and Lipsy (2013); Mitchell (2002).
3. Atje and Gaduh (1999); Booth (2011); Wu (2011); Rachmayanti (2013).
4. Chandra and Lontoh (2011); APINDO-ACTIVE (2013).
5. Badaruddin (2013); Luo (2014); Springer (2016).
6. See Eichengreen *et al.* (2019); Ademuyiwa and Siklos (2019).
7. Bria and Winanti (2016); *Kompas* (21st March 2016).
8. *BenarNews* (29th September 2019); *Antara News* (16th November 2019).
9. Morgan and Smircich (1980); King, Keohane and Verba (1994).
10. Dreyer (2015).
11. Saich (2015); Dreyer (2015); Lam (2015); Yu (2014).
12. Chen and Naughton (2017); Joseph (ed.) (2014).
13. Saich (2015).
14. Dreyer (2015).
15. Downs and Saunders (1998-1999); Hung and Dingle (2014).

16. Hung and Dingle (2014).
17. Stang (2014).
18. Badaruddin (2013); *Kompas* (17th July 2012).
19. BPS (2016).
20. Butler (2015); Siegel (2011).
21. Siegel (2011); Siddiqui (2012).
22. Butler (2015).
23. Butler (2015); Siegel (2011); Siddiqui (2012).
24. Siddiqui (2012); Hall (2012); Thorsen and Lie (2007); Roach (2007); Crotty, Epstein and Kelly (1998); Friedman (1982); Saad-Filho and Johnston (eds.) (2005).
25. Thorsen and Lie (2007: 11).
26. Hall (2012: 10).
27. Siddiqui (2012).
28. Polanyi (2001).
29. Polanyi (2001); Prastowo (2014); Block (2008).
30. Polanyi (2001); Prastowo (2014).
31. Polanyi (2001); Prastowo (2014); Ozgur and Ozel (2013); Maertens (2008).
32. Polanyi (2001); Levien (2007); Block (2008).
33. Levien (2007); Block (2008).
34. On President Soeharto period (1966-1998), some Chinese Indonesians became Soeharto's family corruption collaborator and gained economic privilege, and had closeness to their homeland: China. It leads Pribumi to generalize that all Chinese Indonesians companies are merely exploiting Indonesia's economy. See in-depth news of *Tirto.id* (1st November 2016; 30th July 2019a; 30th July 2019b; 31st July 2019a; 31st July 2019b; 1st August 2019) and Freedman (2003).
35. Robinson (1986).
36. *Republika* (24th January 2014).

37. Pease (1996); Wardaya (2007); *Tempo* (7th October 2015).
38. See, for example, Leith (2002).
39. Chrisna *et al.* (2012).
40. Kementerian BUMN (15th November 2017).
41. Solechah (2012).
42. *CNN | Indonesia* (9th January 2019); *Kompas* (30th August 2016); *Republika* (15th February 2016); *Tempo* (1st January 2016).
43. *Gatra* (20th March 2006).
44. *The Jakarta Post* (26th March 2016); *Tempo* (26th March 2016).
45. *Kompas* (17th July 2012).
46. *CNN | Indonesia* (25th May 2015).
47. *BBC News | Indonesia* (29th March 2012); *Kompas* (13th November 2012).
48. Isnadi (2012).
49. Isnadi (2017); *Republika* (23rd November 2015).
50. *The Guardian* (12th October 2011).
51. *CNN | Indonesia* (21st December 2018).
52. *Republika* (20th April 2016).
53. See, for example, *detikNews* (12th February 2020); *Tirto.id* (7th March 2020).
54. *Republika* (28th September 2015); *Kompas* (26th September 2016).
55. Smith (2015); Chong (2016).
56. Lan (2017).
57. Chong (2016).
58. Chong (2016); *Tirto.id* (1st November 2016).
59. Government prohibits Chinese Indonesians to use the Chinese language, celebrate Chinese New Year, establish Chinese organizations and schools. Chinese Indonesians were also informally banned from being bureaucrats, joining the military, and studying in university. See Chong (2016).
60. Purdey (2002).

61. See Freedman (2003).
62. The newest case is the Jakarta North Coastal Reclamation case where some Chinese Indonesians were involved in bribery scandal, while the reclamation area has been offered to China's buyer. Aguan, a Chinese Indonesian who was the owner of PT Kapuk Naga Indah (Agung Sedayu Group), has been banned from leaving Indonesia by KPK (Indonesia's Corruption Eradication Commission) due to bribery case in Jakarta North Coastal Reclamation (see *Okezone News* (4th April 2016)). While another Chinese Indonesian, Trihatma Kusuma Haliman, the owner Agung Podomoro, offered the reclamation area to China's buyer (see *Youtube* (9th November 2016)). Corruption case and benefiting China are two main reasons that triggered thousands of Pribumi to protest against this project.
63. The Pribumi's resistance increased when some Chinese Indonesian tycoons involved in corruption in the Soeharto era fled from Indonesia to China. Some of them became great entrepreneurs and philanthropists in China, such as Eddy Tansil (Tan Tjoe Hong / Tan Tju Fuan). See in-depth news of *Tirto.id* (30th July 2019a; 30th July 2019b; 31st July 2019a; 31st July 2019b; 1st August 2019).
64. In several moments, President Joko Widodo expressed his worries when his political opponents used 'Asing and Aseng' discourse. This shows that 'Asing and Aseng' is important issue in Indonesia. See, for example, *detikNews* (18th September 2019); *Liputan6.com* (12th January 2020). An actor, for example, who used this issue is Front Pembela Islam (FPI) / Islamic Defender Front that led a mega demonstration of '411' and '212' regarding Al-Maidah verse humiliation case on 2016-2017 (see *VOA Islam (Voice of Al Islam)* (7th June 2014)).
65. Levien (2007).

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Impact of Structural Change on China's Exports Post-WTO Accession

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Abstract

This study investigates the structural change in China's export with its accession into the World Trade Organization (WTO) on 11 December 2001. It took 20 negotiations for China to join WTO. However, there were some obligations for China to follow, from legislation to trade and financial markets. Based on a gravity model on data from 1992 to 2001, and from 2002 to 2016, our results show that after WTO accession, statistics on FDI and GDP are significant. It is found that the WTO has brought a positive impact on China's export in the long term, primarily due to the high inflow of FDI after the accession. The impact is extended to the change in export composition. It is found that the export composition has changed from mainly consumer goods to capital goods, from agriculture to electronics. It is also observed that the import of raw materials for processing has increased substantially relative to intermediate goods. Eventually, China grew to be the second-largest economy after Japan in the second quarter of 2010.

Keywords: *World Trade Organization, China, trade, export, foreign direct investment*

1. Introduction

China's economy has been remarkable as it makes the transition from an agricultural society with restricted foreign trade into an economic powerhouse. Since 2012, China has surpassed Japan as the second-largest economy in the world, as it is the leading exporter too. It was said that the opening of the economy has attributed to a substantial extent of Chinese economic growth since Deng Xiaoping reformed the economy in 1979 and also accession to the WTO in 2001. The GDP of China increased from US\$ 178 billion in 1979 to US\$ 11.1 trillion in 2015. On the one hand, the exports increased from 5% of GDP to 22% of GDP in 2015. In contrast, imports rose from 6% of GDP to 19% of GDP during the same period.

Since the accession of WTO, the increase in China's trade has been stable. It took China more than 20 years for the negotiation of the membership, and such a prolonged negotiation is a particular case of China, as many fear the growth of China to be another superpower, given its vast population. As for the price of the membership, WTO imposed obligations more than other members for China to obey. The opening of the economy affected not only trade development but also investment opportunities as well.

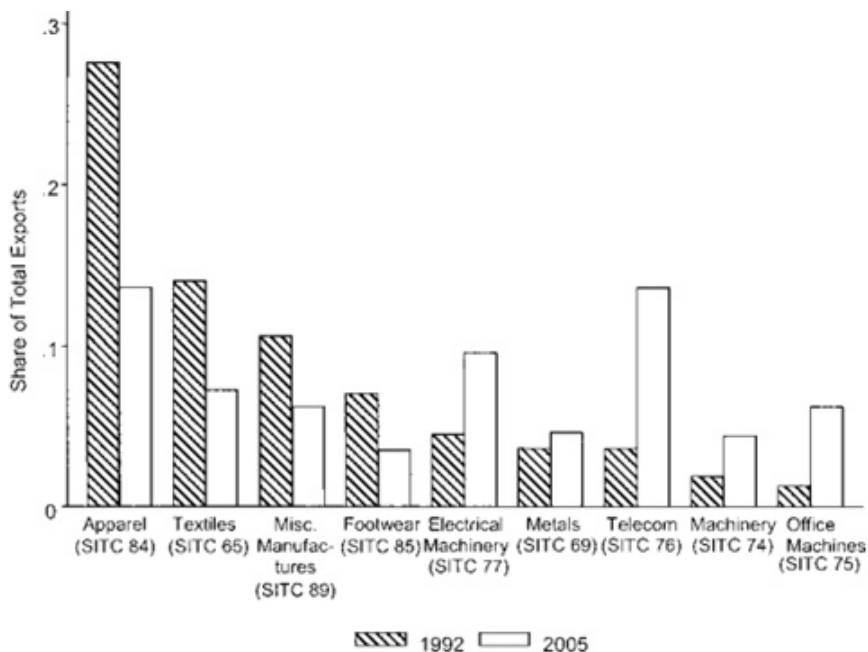
General Agreement on Tariffs and Trade (GATT), the predecessor of the WTO, has been argued to be one of the most successful examples of international economic cooperation in history. From 23 founding members of GATT, WTO has now 164 members, and it is safe to say that all major economies in the world are part of the economic system. Trade had increased significantly since the WTO.

1.1. Overview of China trade

In recent years, the fundamental nature of global trade has been transformed by two interrelated phenomena. The first is international fragmentation of production, whereby the process of production is separated into many stages, and often the production fragments are carried out in different locations where the finished product involves the participation of many economies as countries specialize in different parts of the vertical production chain.

The second phenomenon is the growth of Chinese trade and the increasing importance of China in the global production chain. Over the past near two decades, China's real exports increased by more than 500 percent and overtook Japan as the world's third-largest exporter in 2004, just behind Germany and the United States. Since 1992, China's export structure has changed dramatically (Amiti & Freund, 2010). The composition of export has changed from agriculture and soft manufactures, such as textiles and apparel to hard manufactures, such as electric appliances, computers, and consumer electronics as shown in Figure 1 (Amiti & Freund, 2010), which was driven by processing trade – the practice of assembling duty-free intermediate inputs.

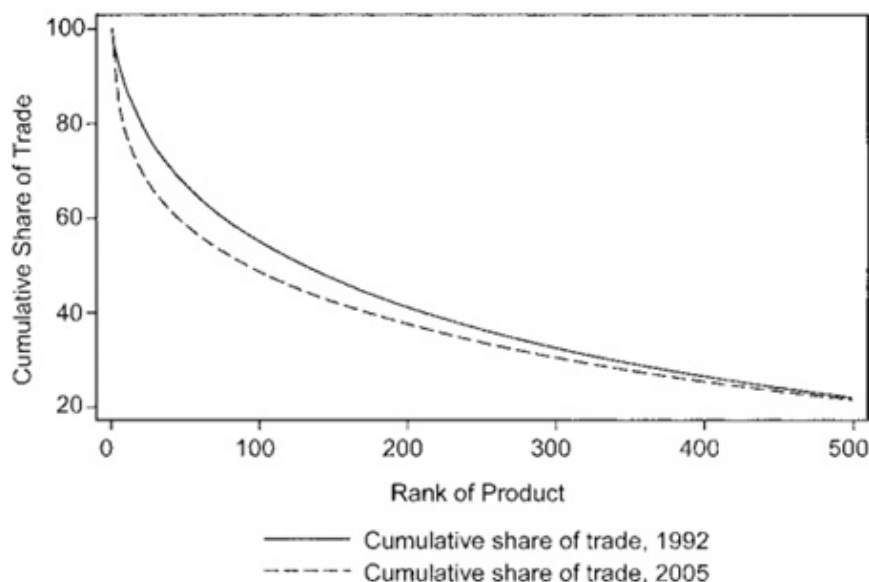
Generally, these inputs mostly originate from developed countries such as the United States and Japan (Dean, Fung, & Wang, 2007). The value of China's exports and imports grew to US\$1,422.1 billion in 2005 from US\$280.9 billion in 1995, and for export itself, there is a growth from US\$ 136.50 to US\$525.49 billion from 1995 to 2005 as shown in Figure 1 (Amiti & Freund, 2010).

Figure 1 Reallocation of Manufacturing Exports across Major Two-digit Sectors

Note: A sector is defined as significant if the sector's share of total trade is above 3 percent in 1992 or 2005. These sectors account for about 70 percent of manufacturing exports.

Source: Amiti & Freund, 2010.

The composition of China's export sector changed considerably from agriculture and textiles into machinery, electronics, and assembly, which means China's export has become more specialized and diversified to promote higher living standards. By plotting inverse cumulative export shares for all products at the HS six-digit level, China's export specialization could be seen in Figure 2.

Figure 2 Cumulative Share of Exports by Rank, Top 500 Products

Notes: Data use HS six-digit classifications. Rank is arranged from the largest to smallest value.

Source: Amiti & Freund (2010).

In the year 2001, China joined the World Trade Organization (WTO) membership. Joining WTO is a significant event for the development of China at the beginning of the 21st century and preceded by the establishment of permanent normal trade relations with the United States in 2000. These events are significant as China is recognized by the United States and the world economic community as an equal partner who opens the door to the age of the Chinese economy. More international trade and investment are opened by WTO membership and opened up the world economy for China's exports. Few aspects of the WTO are:

- (a) To ensure legal administration and the regime is uniform and transparent.
- (b) To ensure all Chinese enterprises have the right to trade, import, and export goods, at the same time levy taxes and charges along with the General Agreement on Tariffs and Trade (GATT) of 1994.
- (c) To liberalize the service sector, which was covered by the General Agreement on Trade in Services (GATS)
- (d) To cooperate in anti-dumping cases and acceptance as a non-market economy.
- (e) To comply with obligations as stated in the protocol, especially in agricultural products, in the elimination of export subsidies and quotas.
- (f) To remove technical barriers to trade: - import and export licensing, phytosanitary measures, and price control. (Esplugues, 2011)

These efforts lead to changes in the composition of outputs and exports (Li, Wang, Huo, & Lin, 2000).

What would be the impact of WTO membership on China's economy, especially China's export and import? As it is known that the WTO imposed many conditions for China's membership in the WTO. By joining the WTO in 2001, China's tariffs on industrial products will be lowered from 35 percent to 17 per cent in five years. Foreign manufacturers, including automobile companies, will be able to sell their products directly to domestic consumers without having to go through Chinese trade organizations. Up to 40 per cent of shares of commercial banks will be opened to foreign investors and up to 48 percent of telecommunication firms.

Besides, foreign banks will be able to provide services in local currencies to Chinese corporations. Foreign firms can also provide

accounting, management consulting, architecture, and engineering services. As for the return, the quota on China's textile and clothing exports will be removed by 2005. However, despite the changes in tariffs and the opening of the economy, has WTO given a positive impact to China, particularly the export market? If yes, why is there a mixed result from past empirical studies?

By providing lower tariffs, imports of both agricultural and industrial products will also be increased, which in turn force Chinese producers to lower their prices and improve the quality of their products given the competition from foreign investors, benefiting Chinese consumers. Involvement of foreign manufacturers operating in China not only providing competition but also bringing technology to the market as foreign producers have the advantages over importers by being able to use the low-cost labour in China. The FDI, in turn, causes a change in the composition of export and specialization of labour.

This paper offers different perspectives on analysing the impact of WTO accession in China. Previous literature has mixed results on WTO accession, although the studies do not focus only on China. Therefore, this study hopes to contribute to existing empirical literature as previous literature does not focus only on the export market itself, as well as determining the effect of accession to its trading partners. This study serves as a basis for future research. Primarily, this study aims to investigate the impact of WTO accession on China's export market by looking at the relationship between inward foreign direct investment (FDI) and trade.

This paper is organized as follows. Section two reviews the literature, followed by data and methodology. Section four discusses the results. The last section concludes the study by providing insight into China's trade strategy.

2. Literature Review

2.1. History of China's Entrance to WTO

China joined the WTO on 11 December 2001 as one of the newest members of the organization. As it owns one of the most significant populations in the world, recording more than 1.4 billion in 2018, it indeed owns an advantage to be the most significant economic powerhouse among developing countries. Negotiation was a rocky road process for China as Westerners were afraid that China's accession would harm their economies, making China commit to anomalous terms and conditions to get the membership of the WTO (Halverson, 2004; Clarke, 2003).

At the time of negotiation to accession, China's GDP per capita is less than \$1000, which fits the conditions of being a developing country, enable it to negotiate for a different treatment as a developing country instead. The US, as a dominant in the international economy, was interested in China as it is the fastest-growing market for US goods and services as imports from China almost doubled within five years from \$51.4 billion in 1996 to \$102 billion in 2001 (Table 1).

Table 1 Summary of the History of China to WTO Accession

July 1986	China submitted to the GATT Secretariat to request of resumption to GATT (as a contracting party)
November 1995	China requested to join WTO formally.
December 2001	China officially became a WTO's member (143 rd)

Source: WTO (2012).

As a part of the requirements of China's accession to the WTO, trade reforms and commitment have been made as a crucial part in promoting its integration with the global trading system. The

composition of export has changed dramatically from flexible manufacturing and raw materials to capital goods, focusing on electronics goods manufacturing and processing.

As shown in Table 2, the export has been driven by processing and assembling of duty-free intermediate inputs. Over the years, China's export has become more diversified and specialised. The accession to the WTO has led to higher living standards among the people (Li, Wang, Huo, & Lin, 2000).

Table 2 Selected Composition Change of Product Export

	1992	%	2016	%	Δ in %
<u>Export value (US\$ bil)</u>					
All Products	84.94		2,097.64		
Capital goods	8.59	10%	927.32	44%	337%
Consumer goods	47.46	56%	785.49	37%	-33%
Intermediate goods	16.79	20%	342.02	16%	-18%
Raw materials	10.83	13%	38.25	2%	-86%
<u>Product Group (US\$ bill)</u>					
Animal	2.78	3%	17.62	1%	-74%
Chemicals	4.12	5%	99.16	5%	-3%
Food Products	3.29	4%	28.54	1%	-65%
Footwear	5.14	6%	59.44	3%	-53%
Fuels	4.69	6%	26.87	1%	-77%
Hides and Skins	2.91	3%	31.40	1%	-56%
Mach and Elec.	11.54	14%	895.64	43%	214%
Metals	4.55	5%	154.38	7%	37%
Minerals	0.92	1%	3.25	0%	-86%
Miscellaneous	8.02	9%	224.81	11%	13%
Plastic or Rubber	1.83	2%	81.40	4%	80%
Stone and Glass	2.29	3%	66.01	3%	17%
Textiles and Clothing	24.62	29%	253.29	12%	-58%
Transportation	2.10	2%	92.88	4%	79%
Vegetable	4.42	5%	25.03	1%	-77%
Wood	1.70	2%	37.91	2%	-10%

Source: Data from WITS <<https://wits.worldbank.org/>>.

Over the last two decades, China's real exports had increased by more than 2000 percent and successfully overtook the United States as the world's largest exporter in 2016. The share of export to the US has also seen a significant increase (Table 3) from 1992 to 2016, mainly since accession to the WTO, which allowed more FDI to flow into China's economy.

Table 3 China Trade Data, years 1992 – 2016

	1992	1997	2002	2007	2012	2016
<u>Export value</u> <u>(US\$ billion)</u>						
China	84.94	182.79	325.60	1220.06	2048.78	2097.64
United States	447.33	687.53	693.22	1162.54	1544.93	1450.46
Export to the US	8.60	32.74	70.05	233.17	352.44	385.68
Share of export to the US.	10%	5%	10%	20%	23%	27%

Source: Amiti & Freund (2010).

2.2. The Protocol of WTO Accession

China's protocol to WTO accession includes the commitment to reform their trade and economy. As China has been a closed central governed economy, all the obligations are to ensure that China will act in line with the principles of the international trade system as a free-market economy (Mayeda, 2005).

Before China joined WTO as a member, it took China 15 years of negotiations on the agreement which began when China submitted a request for resumption to GATT in 1986. Taking account of the size of China's economy and its status as a developing country, the extent of China's commitment is unprecedented.

- (a) Transparency – Foreign exchange of WTO laws, regulations, and other measures of trade in goods, services, and others, are to be undertaken by China to make it readily available to other WTO members to comply with the fundamental principles of transparency, non-discrimination, and independent judicial review WTO upholds.
- (b) Reducing tariff and removing import quotas on goods – Tariffs on all goods will be reduced to an average of 8.9%, down from about 17% before accession to WTO, at the same time committing to eliminating import quotas which restrict the volume of goods entering China by 2005. The WTO allows manufacturers from all around the world to participate in one of the world's largest markets.
- (c) On agricultural goods – China has committed to not only reduce its tariffs on agricultural products, but also eliminating all agricultural export subsidies from its domestic exporter.
- (d) Subsidies – By signing the Agreement on Subsidies and Countervailing Measures (SCM Agreement), subsidies provided to state-owned enterprises (SOE) will be viewed as too countervailing duty actions and not take advantage in SCM Agreement that applies to developing countries. China has also agreed to eliminate export subsidies on industrial goods upon WTO accession.
- (e) Non-discrimination – Under WTO, it will be illegal to practice discrimination between Chinese and imported products, whether, on servicing, profit, pricing to pre-market testing, and certification of new products that cover areas including energy, transportation, basic telecommunications, as well as other utilities and factors of production.
- (f) Anti-dumping policy – Under the protocol of WTO accession of China, there are trade defence instruments, and one of them is an anti-dumping policy from a non-market economy, which allows

authorities to determine the dumping margin by following the controversial approach. Although China has refused to be treated as a non-market economy after years of effort of reforming, it has agreed in its protocol to be treated as one for 15 years to conduct anti-dumping investigations against Chinese companies.

- (g) Banking & securities – Openness to foreign banks are required under the accession. Within three years of accession, foreign banks will be able to establish and local currency business, and with private individuals around China within five years. This arrangement allows FDI, making capital more available to Chinese entrepreneurs at an unprecedented scale. (European Commission, 2003; World Trade Organization (WTO), 2001)
- (h) Legal system – WTO accession requires China to modify its legal system to WTO's obligation. Besides transparency, there are requirements for uniformity, reasonable and impartial legal application, and prompt judicial review, making its legal system fairer and more predictable (Blazey & Govini, 2006).

2.3. Implication of Accession

Trade barrier reduction is the foundation of the WTO. While theories suggest that WTO increases trade flows, empirical literature measuring the impact has produced mixed results. However, there is a general agreement, where the accession will contribute to trade expansion in terms of an increase in export and import trade ratio to GDP. Without the accession, such expansion will not be possible.

Rose (2003) is the first literature that measures the effect of WTO to trade. The author uses a gravity model to gauge the WTO's impact across countries with ordinary least squares, random effect (RE) and fixed effect (FE) estimators to check for the robustness. Based on the data from 178 IMF entities, ranging from 1948 to 1999 with gaps, it is

found that the openness and WTO membership are weakly related, as shown in Table 4.

Table 4 Aggregate Openness, Tariffs, and the WTO

	Member of WTO	Log Real GDP per capita	Log population	Remoteness	Tariffs	R-squared
	-0.02 (0.2)	0.06 (0.01)	-0.23 (0.01)	-1.52 (0.58)	-0.010 (0.001)	0.51
Without year effects	-0.03 (0.02)	0.07 (0.01)	-0.22 (0.01)	-3.32 (0.53)	-0.010 (0.001)	0.49
Level of openness	0.79 (1.66)	4.65 (0.75)	-15 (0.6)	125 (61)	-0.64 (0.10)	0.36

Notes: Regressant is log of openness (ratio of imports plus exports to GDP in %). Figures in parentheses are the standard error. Data from 158 countries, the year 1970 – 1998 with 2099 observations. Tariffs are import duties as a percentage of imports, taken from *World Development Indicator 2002*.

Source: (Rose, 2004).

However, through the gravity model, he also found that countries that are further apart traded less, albeit richer and broader countries tend to trade more, as suggested in the traditional gravity model. However, the paper also clearly stated that membership in WTO does not have any substantial effect on trade, stating membership in the WTO is found to have insignificant statistical results in increasing trade (Rose, 2004).

From Rose's empirical study on the WTO, there have been several follow-up studies using the same data set and empirical method, but with the revised specification of membership to further understand the impact of the multilateral trade agreement on a country's trade. It was found that a proper grouping of participants results in a highly positive, statistically significant, and economically substantiated result of the trade (Subramanian & Wei, 2006; Tomz, Goldstein, & Rivers, 2007).

However, both studies commented that the gravity model does not take dynamic adjustment processes into account.

To be more specific on the grouping, if all WTO members are to be treated the same, undifferentiated, the results found to be having a significant adverse effect on trade of the membership by about 22%. However, this is not the case as the WTO does have special treatment given to developing countries, making it essential for differentiation during regression. Such as, once developed countries and developing countries are differentiated, the coefficient of growth is positive and highly significant (Subramanian & Wei, 2006).

On the other hand, an estimation made by the IMF (2000) suggests that China's current account balance will first be positive at 0.2 billion US\$ then turning negative over the early years of accession and ending at a highly positive account balance in 2005 as shown in Table 5. Nonetheless, high FDI from opening the economy should be able to outweigh the deterioration in the external current account balance.

Table 5 China: Estimate of Differences between WTO and Non-WTO Scenarios

	2001	2002	2003	2004	2005
Real GDP growth (Percentage points)	-0.3	0.1	0.6	0.6	0.8
Current account balance (US\$ bil)	0.2	-5.7	-12.4	-21.0	-10.5

Source: IMF (2000).

The analytical work shows that, in general, China's WTO accession has brought a positive effect on its international welfare. Most models show that the WTO-induced tariff changes in China are not sizable as the change in tariff has faced significant lowering. However, in the long

term, China is expected to benefit from WTO accession in the long term as increased competition as an external impetus to the reformation of the domestic market, pointing to a positive net impact of Chinese consumers through efficiency gains and benefits (Rumbaugh & Blancher, 2004).

For further study of the implication of accession to the WTO on China's economy, Shadaeddin (2002) uses Global Trade Analysis Project (GTAP) models via the General Equilibrium models approach, focusing on the impact of tariff changes as the data are readily available as shown in Table 6. The simulation shows the direction of changes, however, with some unrealistic assumptions. The models often overlook the impact of accession. On one hand, the impact of accession on import could be underestimated. On the other hand, the impact on export could be overestimated.

Table 6 Tariff Reduction due to the Accession

	Tariff reduction due to the accession (%)	
	After five years	After two years
Chemical, rubber, & plastic products	42.8	27.6
Textiles	54.1	36.4
Manufactures	19	11.9
Machinery & equipment	50.7	45.7
Wood products	54.1	66
Motor vehicles	55	39.4
Metal	46.7	37.3
Metal products	23.6	21.2
Ferrous Metals	42.8	40.5
Minerals products	20.6	18.2
Food products	41.7	34.5
Beverages & tobacco products	81.9	74.2

Source: Shadaeddin (2002).

The mean shows there is some difference in terms of positive impact lags; on imports, it is immediate while it involves some lags on

exports, which are related to the gestation period for information and others. Next, China gains market access, albeit little, for exports in the first years upon entry by cutting barriers to its imports. It gives China additional market outlays if there is an excess of production capacity. Finally, the impact of removal or reduction of subsidies on exports is not considered despite the impact of tariff changes are calculated in the GTAP model. The model also assumes that the rapid sectoral shift in production capacity and employment has no impact on overall employment. By assuming labour will be ideally in line with the change of output and employment in the export sector are mostly untrue in reality.

To analyse the impact of WTO, most literature cited use the gravity model of trade, which is generally used as the baseline model to measure the bilateral trade relationship between two countries, the impact of policy issues, trade distortions, and many other uses. Traditionally, the gravity model uses a cross-section (CS) model and pooled cross-section (PCS) model for the regression of panel data. However, both CS and PCS models have been found to have biased estimates because heterogeneity should be controlled in the gravity model. Several tests have been done, and it was found that a fixed effect (FE) model specification is preferred by the gravity model (Cheng & Wall, 2005).

Overall, the literature mostly agrees that WTO accession gives a positive impact on China. A significant change of trade pattern has been observed throughout the accession, contributing to substantial economic growth since then. Most literature used the traditional gravity model of trade to estimate the impact, which is restricted as a fixed effect model omits time-invariant variables. Grouping of trading partners is vital to avoid error in estimation as tariff rates are different, hence the difference in trade pattern will cost insignificance in statistics. Nevertheless, the impact of WTO accession is underestimated by the models, as WTO

accession not only covers trade, but the services and the secondary labour market as well.

3. Data and Methodology

The methodology of this study is based on the Gravity Model of Trade to analyse the impact of WTO accession on China's export market using panel data analysis. The relationship between the accession and China's export market is studied to allow further understanding of its impact to trade composition pre- and post-accession to WTO.

As shown in Table 7, trade data are retrieved from the World Integrated Trade Solution (WITS). WITS is developed by the World Bank in collaboration with the United Nations Conference on Trade and Development (UNCTAD), together with consultation from the International Trade Center, United Nations Statistical Division (UNSD) and the WTO. WITS is an online platform that allows users to retrieve trade and tariffs related information. The database comes from several sources:

- (a) UNSD Commodity Trade (UN Comtrade) – whereby trade exports and imports data, from summary to detailed commodity breakdown, of more than 170 countries are provided.
- (b) UNCTAD Trade Analysis Information System (TRAINS) – where tariffs and non-tariff measures and data are recorded in the most detailed Commodity Description and Coding System (HS0)
- (c) WTO's Integrated Database (IDB) – Data between partner countries and Most Favoured Nation (MFN) and commodities with preferential tariffs are available at the most detailed commodity level of the national tariffs.

- (d) World Bank, and the Center for International Business, Tuck School of Business at Dartmouth College Global Preferential Trade Agreements Database – Preferential trade agreements (PTAs) around the world are provided, including those that have not been updated to the WTO.

Other than that, the mean geographical distance between two trade countries and dummy variables are taken from Centre d'Études Prospectives et d'Informations Internationales (CEPII). Data from 1992 to 2016 are obtained to show the structural break from the accession which happened in 2001.

3.1. Gravity Model of Trade

One of the most successful and widely used empirical international trade models is the gravity model, introduced by Jan Tinbergen (1962). It predicts bilateral aggregate trade flows between two countries, mostly using GDP measurements and geographical distance between the two countries. The formula is based on Newton's universal gravitational law where trade flows between two countries, A and B, are proportional to the gross domestic product of the countries and inversely proportional to the geographical distance between them (Shepherd, 2016) (Chaney, 2013). Generally, a gravity model assumes that the volume of trade between any two economies will be directly proportional to the product of their economic masses, measured by GDP, and inversely proportional to the distance between them. (Eaton & Tamura, 1994)

$$T_{A,B} \propto \frac{(GDP_A)^\alpha (GDP_B)^\beta}{(Dist_{AB})^\delta} \quad (1)$$

For this study, the gravity model used will be as follows:

Export:

$$\begin{aligned} \ln x_{ab} = & \beta_0 + \beta_1 \ln dist_{abt} + \beta_2 \ln FDI_{ait} + \beta_3 \ln gdp_{ait} + \beta_4 \ln gdp_{bit} + \beta_5 \ln gpc_{ait} \\ & + \beta_6 \ln gpc_{bit} + \beta_7 border_{ab} + \beta_8 island_b + \varepsilon_{ab} \end{aligned} \quad (2)$$

Import:

$$\begin{aligned} \ln y_{ab} = & \beta_0 + \beta_1 \ln dist_{abit} + \beta_2 \ln FDI_{ait} + \beta_3 \ln gdp_{ait} + \beta_4 \ln gdp_{bit} + \beta_5 \ln gpc_{ait} \\ & + \beta_6 \ln gpc_{bit} + \beta_7 border_{ab} + \beta_8 island_b + \varepsilon_{ab} \end{aligned} \quad (3)$$

where the variables used are shown in Table 7.

Table 7 Definition of Variables

Variables	Description	Sources
a	Exporting country and importing country, in this case, China	WITS
b	Importing and exporting countries; 5 countries selected are the United States, Japan, Germany, Hong Kong, and Malaysia. Countries are selected based on some of the highest trade value with China.	
x_{ab}	Exporting country; Export to China from other countries (US\$)	WITS
y_{ab}	Import from China to other countries (US\$)	WITS
$\ln dist_{ab}$	Natural logarithm of mean geographical distance between two countries (km)	CEPII
$\ln FDI_t$	Natural logarithm of inflow foreign direct investment (current US\$) at time t	World Bank
$\ln gdp_t$	Natural logarithm of the gross domestic product of the country (constant 2010 US\$) at time t	WITS
$\ln gpc_t$	Natural logarithm of gross domestic product per capita (constant 2010 US\$ per capita) at time t	WITS
$border$	Binary variable denoting if the countries share a land border (0,1); if they share, 1, and none, 0.	CEPII
$island$	Binary variable denoting if the country is an island (0,1); if the country is an island, 1, and not an island, 0.	CEPII
i	$i = 1, 2, \dots, N$	
ε_{ab}	Stochastic error term	

The analysis is applied to trade flows of China with the annual data on five selected countries. They are the United States, Japan, Germany, Hong Kong, and Malaysia the export to these countries is highest in the following categories: advanced countries, European Union, and NIEs (newly industrialized economies).

We relate China's and selected countries' exports, imports, inward FDI, GDP, GDP per capita, and distance between two countries. Variables *gpc* capture the effect of country size on trade flows and investment positions, as in the standard gravity framework. The variable *gpc* also serves as a proxy for the country's capital-labour ratio and the potential for Intra-industry trade (Helpman, 1987). Border and island are introduced as dummy variables as they should affect the ease of trading between the countries and do not vary over time.

As WTO accession happened on 11 December 2001, a structurabreak is predicted to happen from 2002 instead. In the empirical analysis in this study, the models have been estimated with Pooled Ordinary Least Squares (POLS) method. However, it rejects the null hypothesis of F-test, rejecting the null hypothesis of jointly equal country-specific effect, suggesting the POLS method is not suitable for gravity model. Hence, alternatives such as a random effect (RE) and fixed effect (FE) model are used to estimate country-specific effects. For both approaches, there are advantages and disadvantages.

For the case of RE, there are no dimensionality constraints as such in FE, and able to include policy variables with collinearity in FE. However, it assumes that multilateral trade resistance (MTR) must be generally distributed across countries with a given standard deviation, else RE estimates will not be consistent.

For FE, the estimates are always consistent, even if the actual model is RE, but it does pose some problems when dummy variables are

involved. High computational costs are involved, resulting in the variable to be omitted during computation.

To overcome this issue, Hausman Taylor (HT) estimation model is used to estimate time-invariant variables and dummy variables. Three models POLS, RE and FE, are regressed, followed by Breusch-Pagan Lagrange Multiplier (LM) test and Hausman test to determine if the fixed or random effect is more appropriate for the model.

3.2. Panel Data Regression

When there is a large amount of data with a combination of time series and cross-sectional data (multidimensional), panel data regression is chosen as it allows observations on the same units, which are in this paper GDP, FDI, GDP per capita, and annual bilateral trade data. There are two types of panel data, balanced and unbalanced panel data. Balanced data are used in this paper to avoid random effect error term in the equation as seen in unbalanced data because it may be problematic when the error term exerts the significant effect of the term, as well as inflating the error term, which will affect regression result.

Few benefits can be accounted for using panel data regression. Firstly, controlling individual heterogeneity can be done as there are chances of unobserved heterogeneity across individual variables. The consequences of unobserved heterogeneity are that it will influence the variable of interest, and the correlation between observed explanatory variables will cause the estimated effects of these variables to be biased. By using panel data, taking differences concerning [pic]-averages and dummy variables will help to control heterogeneity within the model.

Next, more information data set can be included in the model due to the pooling of individual and time dimensions, resulting in a larger sample size. Panel data offer cross-sectional variation between units, which is much larger compared to time series, which only offers a

variation within units. When the data are more varied, there will be less collinearity as is often the case in time series.

There are different panel data estimation methods, such as pooled Ordinary Least Squares (POLS), fixed effect model (FE), and random effect model (RE). Type of model suitable to regress the data are dependent on the type of data and result from F-test, LM test, and Hausman test.

3.3. Pooled Ordinary Least Squares. Fixed Effect and Random Effect Model

POLS ignores the panel nature of the data and treat the error term as an identically and independently distributed disturbances that are uncorrelated with variables in this case. Data are pooled, and OLS is used to estimate the model without any additional estimation technique required. Remarkably, POLS uses all variations in the data, which may result in heterogeneity bias. It essentially postulates that both the intercept and the slope are the same across units and times. However, these assumptions might be restrictive as there are often reasons the intercept or slope may be different across units and time.

Assuming each unit has its intercepts, while restricting the slope to be homogenous, such effect is included in the FE and RE. To accommodate such heterogeneity, error term ε is decomposed into two independent components or composite error term as shown in the equation below:

$$\varepsilon_{it} = \lambda_i + u_{it} \quad (4)$$

where λ_i is the individual specific effect or unobserved heterogeneity as mentioned above, and it is time-invariant, making it unnecessary to use the time index. RE is where λ_i is assumed drawn independently from

some probability distribution while FE suggests it as a constant.

In RE, λ_i is assumed to be a random variable with mean and variance zero, and more crucially uncorrelated with the regressor. The special effect is characterized as random. We assume λ_i is part of the composite error term ε_{it} . ε_{it} is serially correlated within a unit, and because of this, autocorrelation OLS will be inefficient, and OLS standard errors will be invalid.

On the other hand, FE is called upon when the individual-specific effects are assumed to be individual specific intercepts to be estimated when the covariance between the individual specifics. In FE, only the constant varies, the slope for each remains the same. The fixed effect estimator proceeds by removing λ_i from the model and then running OLS on the resulting model. There are two versions of FE, within-groups FE, and least squares dummy variables (LSDV) FE.

In within-group FE, only the mean from each observation is subtracted, then OLS is carried out on the transformed model. It is named within transformation as the model uses the only variation in the data. However, since the FE estimator relies on the within variations, the effects of time-invariant variables cannot be identified.

LSDV FE, on the other hand, the unobserved effect is brought explicitly into the model and being treated as the coefficient of the individual-specific dummy variable. However, if there are a large number of individuals, using the LSDV FE may not be the best choice as it is not a practical proposition, given the need for a large number of dummy variables. An alternative way of obtaining the FE estimator is to estimate the original untransformed model with a different intercept for each unit, or by including dummy variables, but it may cause the tendency of losing a degree of freedom.

3.4. Hausman Taylor Estimation Model

Traditionally, the correlation between variables that causes biased and inconsistent estimates of parameters are being overcome by eliminating the individual effect in the sample by changing the data from individual means into deviations. The setback of this method or known as within-group or fixed effects estimators is that all time-invariant variables are eliminated. Besides that, it may not be fully efficient as it ignores variations across the sample. In 1981, Hausman and Taylor proposed an instrumental estimator for panel data regression models where the special effect has possibilities to correlate with some of the regressors. It treats the problem of correlation between explanatory variables and latent individual effects. The HT model combines the consistency of an FE model with the efficiency and applicability of a RE model. In RE, it assumes exogeneity of the regressor, but in fact, there may be some regressors that are endogenous to the model, and HT can be adjusted to deal with the endogeneity. The model is given by:

$$y_{it} = \beta_0 + \beta_1 X_{it}^1 + \beta_2 X_{it}^2 + \gamma_1 Z_i^1 + \gamma_2 Z_i^2 + \alpha_i + \eta_{it} \quad (5)$$

where α_i is the country-specific component, β , and γ are coefficients associated with time-variant and time-invariant variables, and η_{it} is the error with the assumption of no correlation with other variables included in the specification.

Making use of time-varying variables in two ways – to estimate their coefficients and to serve as an instrument for endogenous time-invariant variables, allows identification and efficient estimation of both β and γ . In the HT method, exogenous variables serve as their instrumental variables. Within the transformation of the exogenous individual-and-time, varying variables serve as instrumental variables for the endogenous individual-and-time varying variables. Individual

means of the exogenous individual-and-time varying variables are used as instrumental variables for endogenous time-invariant regressor.

The benefit of Hausman-Taylor model is the ability to control for individual-specific effects from pooling time-series and cross-section data, that are possibly unobservable and may be correlated with other included variables in the specification of an economic relationship, without paying the high price for allowing the variables to be correlated with individual-specific heterogeneity (Hausman & Taylor, 1981).

4. Results

4.1. Panel Data Regression

As the accession took place on 11 December 2001, the trade pattern will change from 2002 onwards. POLS, RE, FE, and HT, are done for both periods, before and after WTO accession. Table 8 the descriptive statistics. It is observed that the export figure is higher than import (7.58 > 7.39); China's GDP is higher than its trading partners (12.49 > 12.18) but lower GDP per capita as compared to its trading partners (3.38 < 4.44).

Table 8 Descriptive Statistics 1992 – 2016

	$\ln X_{ab}$	$\ln Y_{ab}$	$\ln dist_{ab}$	$\ln FDI_a$	$\ln gdp_a$	$\ln gdp_b$	$\ln gpc_a$	$\ln gpc_b$
Mean	7.582	7.393	3.641	10.922	12.491	12.182	3.382	4.442
Median	7.643	7.385	3.546	10.833	12.359	12.504	3.248	4.582
Max	8.613	8.289	4.067	11.464	13.049	13.227	3.910	4.718
Min	5.810	5.919	3.249	10.048	12.015	10.989	2.949	3.710
Std. Dev.	0.659	0.529	0.290	0.386	0.334	0.778	0.315	0.295

From the results in Table 9 and 10, R-squared value for both periods is 98.2% and 98.8%, respectively, showing the explanatory variables account for over 98% of the observed variation in the data. F-statistics from POLS regression show that all the regressors are not simultaneously zero, showing a certain degree of endogeneity, hence rejecting the null hypothesis of the F-test of jointly equal country-specific effect, confirming POLS method is not suitable for the model.

Since POLS regression is rejected, RE, FE, and HT methods are considered. LM test is used to determine if there is a random effect under the null hypothesis of $Var(u) = 0$. The test statistics showed that the null hypothesis is not rejected, signifying the gravity model is more efficient using the FE model. Hausman test with the null hypothesis that the difference in the coefficients is not systematic is then run again to confirm the results from the LM test. The results again showed that the FE model is more efficient than the RE model by rejecting the null hypothesis.

Nevertheless, from a conceptual view, the FE model seems to be more appropriate since the countries are not randomly drawn from a larger population, but from a predetermined sample, a pool of countries of highest trade relationship with China. However, the drawback of the FE model is that time-invariant variables and dummy variables are omitted as FE models assume no collinearity, and there is the existence of the dummy variable trap. Hence, the HT test is carried out, with *gpc* as a time-variant exogenous variable, *FDI*, and *GDP* as a time-variant endogenous variable, while *dist*, *border*, *island* are time-invariant exogenous variables, and estimation results are reported and analyzed based on the HT method.

Table 9 Panel Data Regression Result (Export), years 1992 – 2001

Variables	POLS	RE	FE	HT
$\ln dist_{ab}$	0.738 (2.267)	0.736 (2.267)	Omitted	0.464 (2.281)
$\ln FDI_a$	0.591 (0.200)	0.588 (0.200)	0.779 (0.177)	0.720 (0.182)
$\ln gdp_a$	0.104 (30.445)	0.096 (30.445)	0.236 (27.308)	0.180 (27.944)
$\ln gdp_b$	0.260 (0.879)	0.254 (0.879)	0.152 (1.052)	0.388 (1.015)
$\ln gpc_a$	0.097 (34.304)	0.089 (34.304)*	0.222 (30.778)	0.168 (31.492)
$\ln gpc_b$	0.052 (0.635)	0.045 (0.635)**	0.017 (1.528)**	0.073 (1.382)
<i>border</i>	0.029 (0.680)**	0.024 (0.680)**	Omitted	0.861 (1.003)
<i>island</i>	0.461 (1.030)	0.457 (1.030)	Omitted	0.388 (1.068)
<i>c</i>	0.111 (266.281)	0.103 (266.281)	0.229 (238.649)	0.186 (244.227)
No. of obs.	50	50	50	50
R-squared	0.982			
F-stats	276.33			
LM test	1.000 (0.00)			
Hausman test	0.026 (12.77)**			

Table 10 Panel Data Regression Result (Export), years 2002 – 2016

Variables	POLS	RE	FE	HT
$\ln dist_{ab}$	0.001 (.759)***	0.001 (0.759)***	Omitted	0.001 (0.775)***
$\ln FDI_a$	0.001 (0.084)***	0.001 (0.084)*((0.001 (0.087)***	0.001 (0.084)***
$\ln gdp_a$	0.111 (0.084)	0.106 (0.084)	0.151 (5.737)	0.108 (5.602)
$\ln gdp_b$	0.000 (0.260)***	0.001 (0.260)*((0.001 (0.558)***	0.001 (0.287)***
$\ln gpc_a$	0.117 (5.810)	0.112 (5.810)	0.158 (5.955)	0.114 (5.816)
$\ln gpc_b$	0.001 (0.122)***	0.001 (0.122)***	0.047 (0.785)**	0.001 (0.230)***
<i>border</i>	0.001 (0.179)***	0.001 (0.179)***	Omitted	0.001 (0.216)***
<i>island</i>	0.001 (0.339)***	0.001 (0.339)***	Omitted	0.001 (0.345)***
<i>c</i>	0.085 (50.915)*	0.081 (50.915)*	0.065 (52.137)*	0.083 (50.981)*
No. of obs.	75	75	75	75
R-squared	0.988			
F-stats	667.65			
LM test	1.000 (0.00)			
Hausman test	0.001 (41.36)*			

Table 11 Panel Data Regression Result (Import), years 1992 – 2001

Variables	POLS	RE	FE	HT
<i>ln</i> dist _{ab}	0.311 (3.635)	0.305 (3.635)	Omitted	0.423 (3.695)
<i>ln</i> FDI _a	0.172 (0.321)	0.165 (0.321)	0.222 (0.306)	0.188 (0.311)
<i>ln</i> gdp _a	0.138 (48.819)	0.131 (48.819)	0.262 (47.125)	0.188 (47.606)
<i>ln</i> gdp _b	0.159 (1.409)	0.151 (1.409)	0.637 (1.816)	0.793 (1.648)
<i>ln</i> gpc _a	0.135 (55.007)	0.127 (55.007)	0.258 (53.111)	0.184 (53.648)
<i>ln</i> gpc _b	0.190 (1.018)	0.182 (1.018)	0.103 (2.637)	0.387 (2.095)
<i>border</i>	0.196 (1.090)	0.189 (1.090)	Omitted	0.990 (1.483)
<i>island</i>	0.456 (1.651)	0.452 (1.651)	Omitted	0.513 (1.698)
<i>c</i>	0.138 (426.982)	0.130 (426.982)	0.264 (411.828)	0.184 (416.135)
No. of obs.	50	50	50	50
R-squared	0.906			
F-stats	9.13			
LM test	1.000 (0.00)			
Hausman test	0.3552 (5.52)			

Table 12 Panel Data Regression Result (Import), year 2002 – 2016

Variables	POLS	RE	FE	HT
<i>ln</i> dist _{ab}	0.286 (1.343)	0.282 (1.343)	Omitted	0.214 (1.816)
<i>ln</i> FDI _a	0.005 (0.149)***	0.005 (0.149)* **	0.001 (0.129)***	0.001 (0.132)***
<i>ln</i> gdp _a	0.715 (9.912)	0.714 (9.912)	0.146 (8.530)	0.195 (8.697)
<i>ln</i> gdp _b	0.747 (0.459)	0.746 (0.459)	0.000 (0.829)***	0.001 (0.799)***
<i>ln</i> gpc _a	0.740 (10.290)	0.739 (10.290)	0.157 (8.856)	0.209 (9.028)
<i>ln</i> gpc _b	0.563 (0.215)	0.561 (0.215)	0.001 (1.168)***	0.001 (1.107)***
<i>border</i>	0.006 (0.316)* **	0.005 (0.316)* **	Omitted	0.028 (0.957)**
<i>island</i>	0.112 (0.599)	0.108 (0.599)	Omitted	0.658 (0.867)
<i>c</i>	0.707 (90.177)	0.706 (90.177)	0.096 (77.532)*	0.173 (79.432)
No. of obs.	75	75	75	75
R-squared	0.948			
F-stats	150.99			
LM test	1.000 (0.00)			
Hausman test	0.001 (25.09)***			

Notes to Tables 9, 10, 11, 12: *, **, *** denote statistical significance at 10%, 5%, 1% respectively. Figure in parentheses denotes standard error of the variable.

4.2. Discussion

Comparing Table 9 and 10, looking at the last column at HT estimator, it is observed that after WTO accession from 2002 onwards, the export can be explained by all factors except GDP per capita and its GDP. In other words, as shown in Table 10, FDI, GDP of trading partners, and borders are some of the crucial factors. Similarly, in Table 12, in the Post-WTO accession, it is observed that the import can be explained by all factors except GDP per capita, its GDP, and the distance.

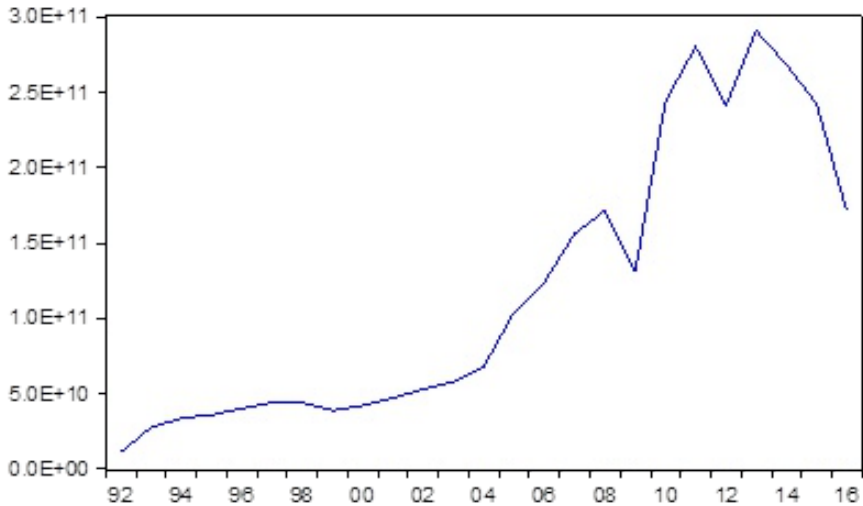
Overall, results based on the analysis shown that the event of WTO accession gives a significant impact on China's market. Before WTO accession, none of the economic indicator shows any significance to export. As the tariff rate is high, the demand for China's products is low. Besides, before the WTO, China has been a closed, centrally planned economy with minimal trade.

After WTO accession, from the result, it can be observed that FDI brought a significant change to China's export. The membership of WTO forces China to become an open economy with transparent policies, which, in return, has enabled foreign investors to have more confidence to invest in China.

As seen in Figure 3, China's FDI inflow has had a dramatic increase after opening their economy in the world, although with some lags that could be caused by China's commitment to reduce its average tariff rate to 10 percent by 2005 instead of 2002, for proper observation before entering the market. According to the investment development path (IDP) theory, FDI, both inwards and outwards of a country is correlated with its stages of economic development. Over the time, as the firm

becomes progressively internationalized, the firm will become more of a function of the international economic structure instead of only domestically (Dunning & Narula, 1993).

Figure 3 China – FDI Inflow (current US\$)



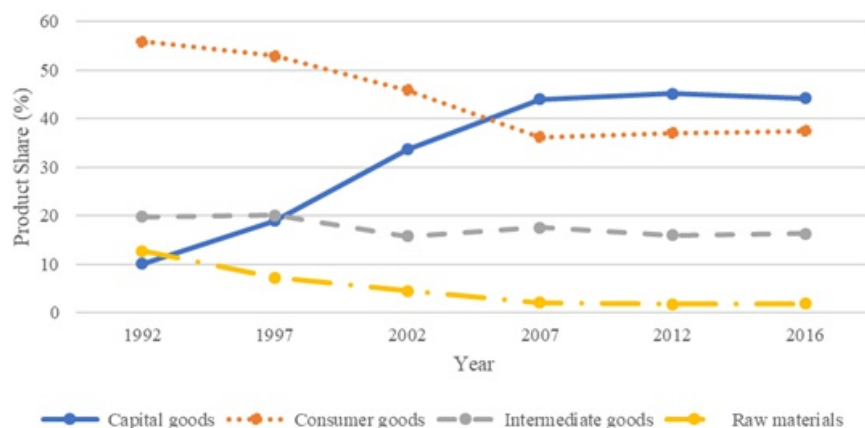
Besides that, significant reduction of tariff is also one of the contributing factors that attract manufacturers to invest in the possible one of the greatest economic powerhouse to-be, given its large population and cheap labour as well. In contrast to Rose's estimate for the coefficient of FDI, the coefficient of FDI turned from -0.065 to 0.621, which suggests the increase of inflow FDI to China as a consequence of WTO membership and more significant normalization of the Chinese economy. The positive coefficient on FDI also signifies the FDI inflow is providing both backward and forward linkages in Chinese trade; foreign investors import raw input to be processed in China and export for added-value products.

Although statistically, China's GDP is insignificant to its exports, GDP of other countries tested appears to have a significant relationship with China's export, which implies that the market share of trade has been increasing in the world, especially with most developed countries such as the United States and Japan (Bussiere & Schnatz, 2006).

In the traditional gravity model, two of the variables that have a substantial effect on the bilateral trade are distance and economic sizes. Despite countries that share the same border may not necessarily trade more with each other, but in general, distance has been an essential determinant in standard gravity model estimates, only with some exceptions such as India-Pakistan, Israel-Syria, and others. However, the distance and adjacency effect is so strong that the statistics appear highly significant even when no account is taken for antagonist pairs (Frankel, 1997).

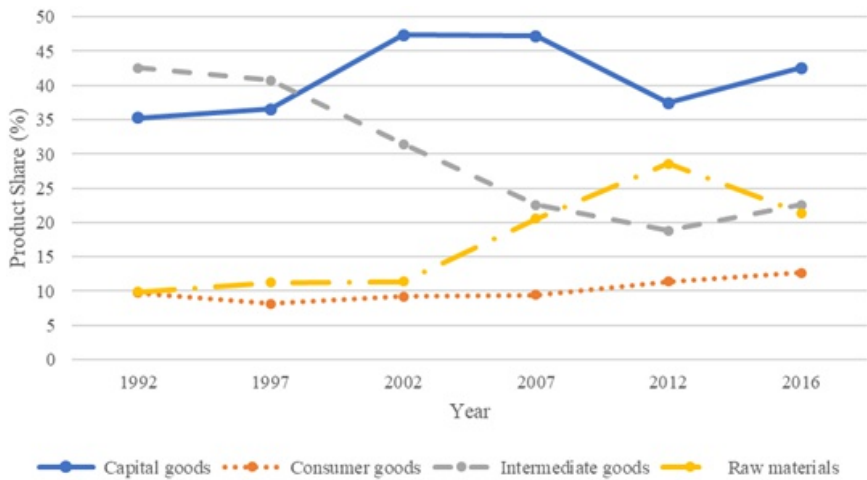
China's development in trade and growth in FDI has undoubtedly changed the composition of the export product over time. Figure 4 shows that before WTO accession, consumer goods made the most significant portion of the export product and the smallest portion of capital goods.

Figure 4 China's Export Product Share (%), years 1992 – 2016



As shown in Figure 4, the export composition has changed from mainly consumer goods to capital goods, from agriculture to electronics, and such. This trend is confirmed by import data as the import of raw materials increased for processing, and intermediate goods are decreasing, as shown in Figure 5.

Figure 5 China's Import Product Share (%), years 1992 – 2016



For example, WTO accession also granted China unrestricted access to textile and clothing export markets under the Uruguay Round Agreement on Textiles and Clothing (ATC) as one of its consequences (Rumbaugh & Blancher, 2004). Especially, NIEs (newly industrialized economies) gain from China's expanding trade as their trade pattern is complementary to China, and benefits of processing trade by exporting intermediate components and products to China. However, China is moving up the value-added chain and domestic production of components; it could pose a direct competition to other economies and

sustain some adjustment costs. In the case of Malaysia, labour-intensive exports such as electrical and electronics manufacturing have seen a drop from the 1990s, aside from insufficiently skilled labour issue in Malaysia, cheap labour in China is also one of the factors contributing to the threat (Loke, 2008).

However, without expanding market access overseas from the WTO, the above result will not be possible. As other WTO members grant China MFN treatment, restrictions on imports from China have been removed by several trading partners. Access to a foreign market is made more accessible. Overall, accession to WTO shows a positive impact on China's export and should provide long term benefits as growth has been substantial since accession due to change of trade pattern and reforms.

5. Conclusion

Significant implications have been shown by China's accession to WTO, not only for China's economy, but as well as its trading partners. It is expected to have favourable implications for China's export in the long run. The benefits will flow to most of its trading partners, given China's growth is sustained. Processing trade has undoubtedly contributed substantially, along with imports for domestic use. More importantly, multinational companies have been investing in China in order to meet local demand and for manufacturing as well, as tariff has been significantly lowered.

While WTO accession gives a positive impact on Chinese export, for specific sectors, it could pose competitive threats to countries, especially in producing labour-intensive products, resulting in adjustments of these economies. For example, low- and middle-income economies will face adverse impact as a more significant portion of FDI

going to China instead of ASEAN countries. It is found that the WTO has brought a positive impact on China's export in the long term, primarily due to the high inflow of FDI after the accession. The impact was extended to the change in export composition; It is found that the export composition has changed from mainly consumer goods to capital goods, from agriculture to electronics.

Notes

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Policy Commentary

Examining the U.S. Freedom of Navigation Program: An Embarrassing Gunboat Diplomacy?+

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Abstract

The Freedom of Navigation Program is the U.S. foreign diplomacy for challenging other nations' excessive maritime claim defined by Washington since late 1970s or, more precisely, early 1980s. This policy is basically directed by the executive directives granted by the President of the United States. All the tasks of this program are jointly conducted by the State Department, Department of Defense and Department of Transportation and later by the Department of Homeland Security after the Coast Guard was shifted to the DHS after 911. Nonetheless, the whole program known as the FONOP, Freedom of Navigation Operations, is directed and oversighted by the U.S. National Security Advisor. The author would like to examine the true intention and influences of the FONOP from all the policy directives and statements ever expressed by the U.S. government in various forms. All the annual reports regarding the actual practices of this FONOP policy will also be reviewed in order to understand the realities through substantial policy implementations. The basic research methodology of this paper is the

document survey. By comparing and interpreting various U.S. government documents, the author will try to identify the true intention of this policy and the categories of excessive maritime claims and their corresponding claimants, which are the targeted nations by the U.S. FONOP. Whether the State Department has ever well-coordinated with the United States armed forces delivered by the Pentagon or Coast Guard is another aspect the author of this research paper would like to grasp in this paper. Whether the FONOP may link with events ever happened in various periods of time as a part of integrated diplomacy towards specific nation is another research interest that the author would like to discuss. The author will also focus on the gap between the open statements that have been released by the Pentagon and the actual executive directives granted by the President of the United States, and particularly, whether the diplomacy that has been associated with the military operations could be appropriate or not. There are many general misperceptions regarding the FONOP. Especially, the widely agreed international law principle of the freedom of high sea that contains the concept of freedom of navigation and other legitimate privileges is not consistent with the ideas shown by the US FONOP as it always openly stated. Washington executed the FONOP according to its own interpretation of the international law but not under any common understanding ever achieved in the international society. That is, the FONOP is basically related to the U.S. national interest, not the international justice at all. In recent years, the South China Sea is the focus for the United States to exercise its FONOP. The author would like examine whether any constructive results have been created by the U.S. FONOP that enhance the international welfares as many people still misperceived these so far. The author expects all the readers of this research paper will eventually have a more comprehensive perception of the US FONOP policy as a statecraft exercised by the U.S. government,

never an effort to secure the regional stability or the collective interest of any party in the region.

Keywords: *FONOP, freedom of navigation, gunboat diplomacy, excessive maritime claim*

1. Introduction

The main theme of this paper is to introduce the nature of the FONOP, also known as the FON Operations (Freedom of Navigation Operations) conducted by the United States Navy or the United States Coast Guard vessels and other U.S. military aircrafts from various services.

The author will first examine the policy statements separately presented by the United States State Department and the United States Department of Defense. The texts of these policy statements will be reviewed and the origins of the arguments made in the policy statements will also be identified. Subsequently the contents of the associated presidential executive directives on the FONOP will be discussed in order to clarify the true positions of the United States government to conduct these operations. Particularly, the excessive maritime claims addressed by the FONOP noted in various presidential executive directives are listed and compared. Other features noted by these presidential executive directives will also be discussed.

The FONOP becomes a vital issue for exercising the United States foreign policies in the South China Sea and the Taiwan Strait in recent years. The author therefore prepared associated tables to elaborate the excessive maritime claims from the governments from two sides of the Taiwan Strait challenged by the United States. The actual practices of the United States FONOP and the political impacts or influences achieved by the FONOP conducted towards either Beijing or Taipei will be considered as the conclusion of this paper.

2. FONOP Policy Statements

The United States Freedom of Navigation Operations policies are mainly stated by two federal government departments, the State Department and the Department of Defense. The State Department originally put the FONOP policy statement under the policy of the *Maritime Security and Navigation* with unspecified time of publication before the significant State Department official website renovation started in 2017.¹ And there is no updated policy stance in the same agency page of the new United States State Department official website so far as composing this paper.² So, we may assume that the policy stances held by the United States State Department on the FONOP remain the same.

As for the United States Department of Defense, there are two policy statements on the FONOP in recent years. The first one was issued on 1 March, 2015, titled “U.S. Department of Defense Freedom of Navigation Program—Fact Sheet”.³ And the other one was issued on 28 February, 2017, with the title of “U.S. Department of Defense Freedom of Navigation (FON) Program”.⁴ Obviously, the latest statement on the FONOP issued in 2017 after minor revision should be treated as the valid policy edition for now.

According to the statement issued by the U.S. Department of State on the Freedom of Navigation (FON) Program, it is the “U.S. policy since 1983 provides that the United States will exercise and assert its navigation and overflight rights and freedoms on a worldwide basis in a manner that is consistent with the balance of interests reflected in the Law of the Sea (LOS) Convention.”⁵ The basic U.S. stance is noted as: “The United States will not, however, acquiesce in unilateral acts of other states designed to restrict the rights and freedoms of the international community in navigation and overflight and other related high seas uses.”

It is also important to know that the FON program already existed before the United Nations Convention on the Law of Sea could have completed its own process of codification in December 10, 1982, because the U.S. State Department policy statement indicated that “The FON Program since 1979 has highlighted the navigation provisions of the LOS Convention to further the recognition of the vital national need to protect maritime rights throughout the world.”⁶

Although the LOC Convention and the customary international law is addressed by “the FON Program operates on a triple track, involving not only diplomatic representations and operational assertions by U.S. military units, but also bilateral and multilateral consultations with other governments in an effort to promote maritime stability and consistency with international law, stressing the need for and obligation of all States to adhere to the customary international law rules and practices reflected in the LOS Convention”,⁷ yet, the FON Program is still a policy to safeguard the United States national interests, never the international legal justices, since it is conducted “in a manner that is consistent with the balance of interests reflected in the Law of the Sea (LOS) Convention” as well as “to further the recognition of the vital national need to protect maritime rights throughout the world.”

As indicated by the United States Department of State policy statement, whether the terms of the international customary law or the Law of Sea Convention will be adopted or not are still decided according to the United States national interests, not any international legal mechanism. No international judiciary institution could have a word to influence the unilateral FON Program enacted by the United States government.

When we go back to examine those two policy statements published by the United States Department of Defense, both of them have a similar structure containing three main paragraphs: Historical Background, U.S.

Freedom of Navigation Program and DoD Freedom of Navigation Program. Basically, these two policy statements have expressed similar positions and intentions even vocabularies appeared in them may somehow have minor differences.

We may first review the section of “Historical Background” noted by both two FONOP policy statements of the United States Department of Defense. Texts as “in President Woodrow Wilson's famous Fourteen Points speech, he told Congress that one of the universal principles for which the United States and other nations were fighting World War I was “Absolute freedom of navigation upon the seas””⁸ are noted.

Nevertheless, as we compared it with the original text delivered by President Wilson on 8 January, 1918, to the U.S. Congress, he actually said “Absolute freedom of navigation upon the seas, outside territorial waters, alike in peace and in war, except as the seas may be closed in whole or in part by international action for the enforcement of international covenants.”⁹

It is important to mention the condition set right after the “Absolute freedom of navigation upon the seas” was “outside territorial waters”, which is already inconsistent with the frequently FONOP practices of challenging privileges of innocent passage for the U.S. military vessels in the territorial waters of other nations in recent years.

And both policy statements have quoted texts said by President Franklin Roosevelt delivered one of his fireside chats to the American people known as “Upon our naval and air patrol ... falls the duty of maintaining the American policy of freedom of the seas”. The more completed original texts associated with aforementioned viewpoint delivered by President Roosevelt on September 11, 1941; in his eighteenth fireside chat essentially were “Upon our naval and air patrol -- now operating in large number over a vast expanse of the Atlantic Ocean -- falls the duty of maintaining the American policy of freedom of

the seas -- now. That means, very simply, (and) very clearly, that our patrolling vessels and planes will protect all merchant ships -- not only American ships but ships of any flag -- engaged in commerce in our defensive waters.”¹⁰

Here we should notice that the naval and air patrol operations declared by President Roosevelt at that time was only addressing the “defensive waters” and specifically towards the threats with hostility. Of course, in the same fireside chat, President Roosevelt did mention “the freedom of our shipping on the high seas”, nevertheless, it was noted with another bulwark of American defense known as “our line of supply of material to the enemies of Hitler”.¹¹ Again, President Roosevelt’s position was very different from the FONOP policy exercised nowadays as stated by the U.S. State Department: “The United States will not, however, acquiesce in unilateral acts of other states designed to restrict the rights and freedoms of the international community in navigation and overflight and other related high seas uses”¹² or as the action of “challenging excessive maritime claims” repeatedly addressed by the Pentagon latest published RONOP policy statement.¹³

Nonetheless, a new point noted that the United States the United States “will continue to fly, sail, and operate wherever international law allows” added by President Barack Obama was integrated into the paragraph of the “Historical Background” in 2017 edition United States Department of Defense FONOP policy statement.¹⁴ It was restated by President Obama at U.S.-ASEAN Press Conference on February 16, 2016.¹⁵ However, the same position repeated by President Obama has already been expressed by the U.S. Defense Secretary Ashton Carter in various occasions including a congressional hearing.¹⁶ Eventually, this position was added into the section 1086 of the 2019 U.S. National Defense Authorization Act as the core element of the “United States Policy with Respect to Freedom of Navigation and Overflight”.¹⁷

The purpose of the United States conducting the FONOP is to “demonstrate U.S. non-acquiescence to excessive maritime claims.”¹⁸ However, we should emphasize here that whether may the maritime claims raised by other nations satisfy the international law or not is still unilaterally and subjectively judged by the United States, not following any decision ever made by the international regime. The national interests therefore are still far above the international justice. Particularly, as the new viewpoints added by the President Obama is included in the latest FONOP policy statement. The coverage of the freedom of navigation in the high seas addressed by the previous two presidents may widely expand into the freedom of navigation privileges in other waters beyond the high seas. We still need to further observe how the United States may act and whether or not expanding the range for exercising the FONOP in the future.

As we compare the FONOP policy statements separately expressed by the U.S. State Department and Pentagon, we may notice that minor differences appeared in the approaches of policy implementation. Nevertheless, consistency may still exist in these policy statements from various institutions.

According to the FONOP policy statement issued by the U.S. State Department, the FONOP Program is conducted by a triple track, diplomatic representations, operational assertions by U.S. military units, and operational assertions by U.S. military units, by the following elaboration: “the FON Program operates on a triple track, involving not only diplomatic representations and operational assertions by U.S. military units, but also bilateral and multilateral consultations with other governments in an effort to promote maritime stability and consistency with international law, stressing the need for and obligation of all States to adhere to the customary international law rules and practices reflected in the LOS Convention”.¹⁹

But in the two FONOP policy statements issued by the U.S. Department of Defense noted in this paper, the U.S. armed forces categorized the overall approach of conducting the FONOP into two parts as “consultations and representations by U.S. diplomats” charged by the State Department and “operational assertions by U.S. military forces”, which is named as “U.S. Department of Defense (DoD) FON Program” by Pentagon policy statement and further elaborated by the specific paragraph titled “DoD Freedom of Navigation Program”.²⁰

Although both Pentagon policy statements all insisted that “The Department executes the DoD FON Program lawfully and responsibly. Activities conducted under the DoD FON Program are deliberately planned, legally reviewed, properly approved, and conducted with professionalism”,²¹ yet, how these two departments responsible for conducting the FONOP may coordinate their individual areas of responsibility and further coordinating their operations to achieve operational coherence and unity of efforts, the sequential order of individual aforementioned approaches as well as their causation relationships, how to selective the FONOP objectives, i.e., the states ever made any excessive maritime claims defined the United States government, or even how to formulate the military maneuvers for expressing operational assertions and how much the State Department may have a say in these military actions, or alternatively, totally decided by Pentagon itself has never been clearly noted by these FONOP policy statements from two different U.S. government departments.

Especially, both the Pentagon FONOP policy statements defined the DoD Freedom of Navigation Program in two categories as “FON assertions (i.e., operations that have the primary purpose of challenging excessive maritime claims) and other FON-related activities (i.e., operations that have some other primary purpose, but have a secondary effect of challenging excessive maritime claims)”.²²

According to the aforementioned category of the “other FON-related activities”, the U.S. armed forces almost may include all the military operations with no limit at all. Particularly, all these military operations defined as “other FON-related activities” and accommodated them into the FONOP program are exclusively decided by the Pentagon. Whether by so doing may satisfy the self-claimed “The Department executes the DoD FON Program lawfully and responsibly. Activities conducted under the DoD FON Program are deliberately planned, legally reviewed, properly approved, and conducted with professionalism” standard is really questionable.

If the United States would like to challenge other states’ excessive maritime claims simply because of its own national interests, then Washington itself should express its positions through international regime. By so actively exercise operational assertions with military maneuvers, it can merely prove that the United States may have the strength to maintain the freedom of action by demonstrating the gunboat diplomacy, however, no convincing international justice norms can be accepted by the international community at all.

The latest policy statement regarding the FONOP was indirectly expressed by the section 1086: “United States policy with respect to the freedom of navigation and over-flight” of the Subtitle F-Other Matters, TITLE X-GENERAL PROVISIONS in the U.S. “National Defense Authorization Act for Fiscal Year 2019” with the following texts:²³

SEC. 1086. UNITED STATES POLICY WITH RESPECT TO
FREEDOM OF NAVIGATION AND OVERFLIGHT.

(a) DECLARATION OF POLICY.—It is the policy of the United States to fly, sail, and operate throughout the oceans, seas, and airspace of the world wherever international law allows.

(b) IMPLEMENTATION OF POLICY.—In furtherance of the policy set forth in subsection (a), the Secretary of Defense should—

(1) plan and execute a robust series of routine and regular air and naval presence missions throughout the world and throughout the year, including for critical transportation corridors and key routes for global commerce;

(2) in addition to the missions executed pursuant to paragraph (1), execute routine and regular air and maritime freedom of navigation operations throughout the year, in accordance with international law, including, but not limited to, maneuvers beyond innocent passage; and

(3) to the maximum extent practicable, execute the missions pursuant to paragraphs (1) and (2) with regional partner countries and allies of the United States.

Again, United States quite skillfully linked the freedom of navigation and overflight together with the “air and maritime freedom of navigation operations”, which actually reshaped the nature of the FONOP and expanded it from a purely maritime action of “operational assertions” into actions containing collective efforts of “fly, sail, and operate throughout the oceans, seas, and airspace”. We should also note that there is no “innocent passage” for any overflight into other nations’ territorial airspace. The original aim of the FONOP for challenging the excessive maritime claims unilaterally defined by the United States was not noted by the policy statement but expecting “execute the missions pursuant to paragraphs (1) and (2) with regional partner countries and allies of the United States” is somehow hard to achieve. How many partner countries and allies will unconditionally follow the U.S. position to challenge the excessive maritime claims of a third party? And what

will be the quid pro quo for supporting such a U.S. policy that Washington may compensate to those partner countries and allies, should their own maritime interests have not been affected at all? Nonetheless, this declaration of policy noted by the U.S. “National Defense Authorization Act for Fiscal Year 2019” is substantially and formally expanded the coverage of the FONOP is for sure.

3. Internal Policy Directives

Those approaches for the United States substantially practice the Freedom of Navigation operations including selecting objectives for challenging the excessive maritime claims, areas of responsibility and operating procedures is never openly declared but granted certain confidential internal policy directives to those departments or agencies involved in the associated operations. Before the 1982 United Nations Convention of the Law of Sea could be formally codified, United States President Jimmy Carter already established the “Freedom of Navigation (FON) Program” in March 1979.²⁴ Subsequently, several United States administrations also follow the original theme issued the executive policy directives to direct all the detail of conducting the FONOP. Table 1 lists the titles of the presidential executive directives associated with the FONOP and their individual classification status.

The first directive issued by President Reagan coded with NSDD72 listed six categories of the excessive maritime claims that the United States intended to challenge.²⁵ Principally, these are the selection criteria for the Freedom of Navigation Operations perceived by the academic community. Nonetheless, the contents of these excessive maritime claims have been subsequently revised by the following U.S. Presidential Executive Directives on the FONOP. Although the basic framework of these objectives remains the same and never changed, yet,

Table 1 Presidential Executive Directives on the FONOP and Classification Status List

Presidency	Date	Directive Code	Directive Title	Classification Status
Reagan	1982/Dec/13	National Security Decision Directive Number 72	United States Program for the Exercise of Navigation and Overflight Rights at Sea	Declassified
Reagan	1987/Mar/16	National Security Decision Directive Number 265	Freedom of Navigation Program	Partially Declassified
G. W. H. Bush	1990/Oct/12	National Security Directive 49	Freedom of Navigation Program	Partially Declassified
Clinton	1995/Jan/23	Presidential Decision Directive 32	Freedom of Navigation	Classified
<p>Note :</p> <ol style="list-style-type: none"> 1. The present effective directive is the Presidential Decision Directive 32 approved by President Clinton. It was never officially declassified before. Nonetheless, certain contents of this directive have been revealed as the U.S. Joint Staff published other documents, yet, it is not the information acquired through any formal declassification process. 2. The directive issued by President Clinton is also coded as PDD/NSC32 simply because the code PDD is also used for issuing directives to the National Science and Technology Council. It therefore attached a code “NSC” for categorization. 3. Certain tables contained by the directives are never declassified together with the directives themselves. 				

the vocabularies and phrases of these policy directives on the FONOP do appear to contain certain differences. There are spaces for us to argue whether the scope of the stance for the United States to challenge the excessive maritime claims of other states can be consistent. All the excessive maritime claims targeted by various presidential executive directives are listed in Table 2.

Further, started from the NSDD265 issued by the President Reagan, a newly added paragraph known as “Program Guidance” was attached right after the “Categories of Excessive Maritime Claims”.²⁶ This paragraph specifically addressed the areas of responsibility of the departments like State Department and Pentagon as well as individual such as the National Security Advisor involved in the freedom of navigation operations. Operating procedures of diplomatic coordination and assigning military vessels for operational assertion to cruise in the

specific waters are also included in this paragraph.²⁷ As for the subsequent policy documents on the same FONOP program, they will retain the same structure but with certain adjustments in phrases, either augmentation or deletion, in vocabularies or wordings.²⁸

Table 2 Categories of Excessive Maritime Claims noted by Various Presidential Executive Directives on the FONOP

Category 1	
NSDD72	Those historical bay/historical water claims not recognized by the United States.
NSDD265	Those historic bay/historic water claims not recognized by the United States.
NSD49	Historic bay/historic water claims not recognized by the United States.
Category 2	
NSDD72	Those continental territorial sea baseline claims not drawn in conformance with the LOS Convention.
NSDD265	Those territorial sea baseline claims not drawn in conformance with the customary international law reflected in the Law of the Sea (LOS) Convention.
NSD49	Territorial sea baseline claims not drawn in conformance with the customary international law reflected in the LOS Convention.
Category 3	
NSDD72	Those territorial seas claims exceeding three miles but not exceeding twelve miles in breadth that:
NSDD265	Those territorial sea claims not exceeding twelve nautical miles in breadth that:
NSD49	Territorial sea claims not exceeding twelve nautical miles in breadth that:
Point a	
NSDD72	a. overlap straits used for international navigation and do not permit transit passage in conformance with the LOS Convention, including submerged transit of submarines, overflight of military aircraft, and surface transit of warships/naval auxiliaries, without prior notification or authorization; or
NSDD265	a. overlap straits used for international navigation and do not permit transit passage in conformance with the customary international law reflected in the LOS Convention, including submerged transit of submarines, overflight of military aircraft, and surface transit of warships/naval auxiliaries, without prior notification or authorization, and including transit in a manner of deployment consistent with the security of the forces involved; or
NSD49	a. overlap straits used for international navigation and do not permit transit passage in conformance with the customary international law reflected in the LOS Convention, including submerged transit of submarines, overflight of military aircraft, and surface transit of warships/naval auxiliaries, without prior notification or authorization, and including transit in a manner of deployment consistent with the security of the forces involved; or
Point b	
NSDD72	b. contain requirements for advance notification or authorization for warships/naval auxiliaries of apply discriminatory requirements to such vessels; or
NSDD265	b. contain requirements for advance notification or authorization for innocent passage of warships/naval auxiliaries or apply discriminatory requirements to such vessels; or
NSD49	b. contain requirements for advance notification or authorization for innocent passage of warships/naval auxiliaries, or apply discriminatory requirements to such vessels; or
Point c	
NSDD72	c. apply special requirements, not recognized by international law, to nuclear-powered warships or to warships/naval auxiliaries carrying nuclear weapons or specific cargoes.
NSDD265	c. apply special requirements, not recognized by international law, for innocent passage of nuclear-powered warships (NPW) or warships/naval auxiliaries carrying nuclear weapons or specific cargoes.
NSD49	c. apply special requirements, not recognized by international law, for innocent passage based on means of propulsion, armament, or cargo.

Table 2 (Continued)

Category 4	
NSDD72	Territorial sea claims in excess of twelve miles.
NSDD265	Territorial sea claims in excess of twelve nautical miles.
NSD49	Territorial sea claims in excess of twelve nautical miles.
Category 5	
NSDD72	Other claims to jurisdiction over maritime areas in excess of twelve miles, such as exclusive economic zones or security zones, which purport to restrict non-resource related high seas freedoms.
NSDD265	Other claims to jurisdiction over maritime areas in excess of twelve nautical miles, such as security zones, that purport to restrict non-resource related high seas freedoms.
NSD49	Other claims to jurisdiction over maritime areas in excess of twelve nautical miles, such as security zones that purport to restrict non-resource related high seas freedoms.
Category 6	
NSDD72	Those archipelagic claims that either:
NSDD265	Those archipelagic claims that either:
NSD49	Archipelagic claims that either:
Point a	
NSDD72	a. are not conformance with the LOS Convention; or
NSDD265	a. do not permit archipelagic sea lanes passage in conformance with the customary international law reflected in the LOS Convention, including submerged passage of submarines, overflight of military aircraft, and surface transit of warships/naval auxiliaries, without prior notification or authorization, and including transit in a manner of deployment consistent with the security of the forces involved; or
NSD49	a. do not permit archipelagic sea lanes passage in conformance with customary international law reflected in the LOS Convention, including submerged passage of submarines, overflight of military aircraft, and surface transit of warship/naval auxiliaries, without prior notification or authorization, and including transit in a manner of deployment consistent with the security of the forces involved; or
Point b	
NSDD72	b. do not permit archipelagic sea lanes passage in conformance with the LOS Convention, including submerged passage of submarines and overflight of military aircraft, and including transit in a manner of deployment consistent with the security of the forces involved.
NSDD265	b. are otherwise not in conformance with the customary international law reflected in the LOS Convention.
NSD49	b. are otherwise not in conformance with customary international law reflected in the LOS Convention.
The present effective directive is the Presidential Decision Directive 32 approved by President Clinton. It has never been officially declassified yet. NSDD 265 and NSD49 are only partially declassified. Nevertheless, the unclassified portion is irrelevant with the contents listed in this table.	

Although the United States government has gradually declassified policy directive documents on the FONOP, yet, the present effective directive and associated rules are still kept in confidential status. The United States stance on the FONOP is expressed via the statement on the State Department website and policy statement issued by the Department of Defense. We can only identify the selection of objective, areas of responsibility and operating procedures associated with the FONOP from those directives already declassified and released to the public.

Also certain attached lists or tables of those directives including essential contents are never declassified together with the directives themselves. For instance, the list of the political sensitive areas (PSA) and the “annual unclassified summary of the diplomatic activities under the PON Program” should be published by the State Department are never released to the general public before.²⁹ The transparency of the United States FONOP Program is really questionable and could not be covered simply by any policy statement ever published.

4. Actual FONOP Practices towards Mainland and Taiwan

According to the United States policy statement, the FONOP policy was established in the late 1970s and settled in the early 1980s. Nonetheless, the annual report of the FON operational assertions conducted by the Pentagon was formally charged by the United States Department of Defense after the Cold War in 1991. It has been published by various forms of governmental documents released to the general public.

The FONOP for the Fiscal Year 1991 was listed in the “Annual Report to the President and the Congress” as the specific section of “Freedom of Navigational Assertions” in the “Naval Forces” of Part III “Defense Components” on page 77 to 78.³⁰ The FONOP for the Fiscal 1992 was listed in the same section also as a specific section on page 84 to 85.³¹ As for the Fiscal Year 1993, the FONOP report became the full Appendix G titled “Freedom of Navigation” in the same annual report.³² For the Fiscal Year 1994, it revised as the Appendix H titled “Mobility and the Law of the Sea” and Appendix I title “Freedom of Navigation” in the same annual report.³³ And for the Fiscal Year 1995, the tile of the Appendix H revised as “National Security and the Law of the Sea Convention” and Appendix I remained its title as “Freedom of Navigation”.³⁴ The subsequent year the “Freedom of Navigation”

revised as the appendix H again and remained the same framework till the report for the Fiscal Year 2000. After that the Freedom of Navigation assertions conducted by the Pentagon are edited as a separate report directly to the U.S. Congress.³⁵

Based on the abovementioned information noted in the FONOP reports, the author of this paper has organized the following three tables. Table 3 and 4 are separately indicating rationales, basically, the excessive maritime claims that the United States would like to challenge, and situations of the Pentagon FONOP, i.e. the operational assertions, towards Taiwan and Mainland China in various years. Codes presented in Table 3 and Table 4 for the excessive maritime claims are noted by Table 5.

Table 3 The Targeted Excessive Maritime Claims and Situations of the Pentagon FONOP towards Taiwan

U.S. Fiscal Year	Targeted Excessive Maritime Claims	Frequency	Waters
2019	A11	Multiple	Paracel Islands, Spratly Islands
	F4		Philippine Sea
2018	A11	Multiple	Paracel Islands, Spratly Islands
2017	A1	Multiple	Paracel Islands
2016	A1.	Multiple	
2015	A1.		
2014	F2; A2		
2013	F2; A3	Multiple	
2012	F2; A3	Multiple	
2011	F2; A3	Multiple	
2010	Taiwan was not Targeted for Operational Assertions		
2009	Taiwan was not Targeted for Operational Assertions		
2008	Taiwan was not Targeted for Operational Assertions		
2007	Taiwan was not Targeted for Operational Assertions		
2006	A4; A5.		
2005	Taiwan was not Targeted for Operational Assertions		
2004	Taiwan was not Targeted for Operational Assertions		
2000-2003	F2; E2		
2000	F1 (Taiwan was listed under the Column of China)		
1999	Taiwan was not Targeted for Operational Assertions		
1998	Taiwan was not Targeted for Operational Assertions		
1997	Taiwan was not Targeted for Operational Assertions		
1996	Taiwan was not Targeted for Operational Assertions		
1995	Taiwan was not Targeted for Operational Assertions		
1994	Taiwan was not Targeted for Operational Assertions		
1993	Taiwan was not Targeted for Operational Assertions		
1992	Taiwan was not Targeted for Operational Assertions		
1991	Taiwan was not Targeted for Operational Assertions		

Table 4 The Targeted Excessive Maritime Claims and Situations of the Pentagon FONOP towards Mainland China

U.S. Fiscal Year	Targeted Excessive Maritime Claims	Frequency	Waters
2019	F3	Multiple	Paracel Islands
	C2	Multiple	East China Sea
	D5	Multiple	South China Sea and East China Sea
	B6	Multiple	South China Sea and East China Sea
	E4	Multiple	South China Sea
	A13	Multiple	Paracel Islands and Spratly Islands
	G3	Multiple	Spratly Islands
2018	F3	Multiple	Paracel Islands
	C2	Multiple	East China Sea
	D4	Multiple	South China Sea
	B6	Multiple	South China Sea and East China Sea
	E3	Multiple	South China Sea
	A12	Multiple	Paracel Islands and Spratly Islands
	G2		Spratly Islands
2017	F2	Multiple	Paracel Islands
	B1	Multiple	South China Sea and East China Sea
	C1	Multiple	East China Sea
	D1	Multiple	South China Sea
	A6		Paracel Islands
	G1	Multiple	Spratly Islands
2016	F2; B2; C1; D1; A6,	Multiple	
2015	F2; B3; C1; D1; A6,	Multiple	
2014	F2; B2; C1; D1,	Multiple	
2013	F2; E1; B1; D2; A7	Multiple	
2012	B1; D2; A7	Multiple	
2011	B4; D2; F2; A7	Multiple	
2010	B4; D1	Multiple	
2009	B4; D1	Multiple	
2008	B4; D1	Multiple	
2007	B5; D3	Multiple	
2006	China Mainland was not Targeted for Operational Assertions		
2005	China Mainland was not Targeted for Operational Assertions		
2004	China Mainland was not Targeted for Operational Assertions		
2000-2003	China Mainland was not Targeted for Operational Assertions		
2000	F1 (Taiwan was listed under the Column of China)		
1999	China Mainland was not Targeted for Operational Assertions		
1998	China Mainland was not Targeted for Operational Assertions		
1997	China Mainland was not Targeted for Operational Assertions		
1996	A8		
1995	China Mainland was not Targeted for Operational Assertions		
1994	A9		
1993	A9		
1992	A10		
1991	China Mainland was not Targeted for Operational Assertions		

The excessive maritime claims challenged by the United States with the FONOP are basically categorized into several aspects in Table 5. Among them, category A is specifically for the innocent passage rights of the territorial sea. Category B is for the fight for flight over the airspace above the exclusive economic zone. Category C is specifically targeting the privileges affected after the People's Republic of China defined an air defense identification zone in the East China Sea.

Table 5 Codes presented in Table 3 and Table 4 for the Targeted Excessive Maritime Claims

Code	The Original Texts of the Targeted Excessive Maritime Claims
A1	Prior notification required for foreign military or government vessels to enter the TTS
A2	prior notification required for foreign military or government vessels to enter the territorial sea
A3	prior notification required for foreign military or government vessels to enter territorial sea
A4	Restriction on right of innocent passage through territorial sea
A5	requirement of prior notice of warships transiting territorial sea
A6	Prior permission required for innocent passage of foreign military ships through the TTS
A7	prior permission required for innocent passage of foreign military ships through territorial sea
A8	Prior permission for warship to enter the territorial sea
A9	Prior permission for warships to enter 12 nm territorial sea
A10	Prior permission for warship to enter 12 nm territorial sea
A11	Prior notification required for foreign military or government vessels to enter the territorial sea. [Law on the Territorial Sea and Contiguous Zone, art. 7, Jan. 21, 1998]
A12	Prior permission required for innocent passage of foreign military ships through the territorial sea. [Declaration upon Ratification of 1982 Law of the Sea Convention, June 7, 1996.]
A13	Prior permission required for innocent passage of foreign military ships through the territorial sea. [Law on the Territorial Sea and Contiguous Zone, Feb. 25, 1992.]
B1	Jurisdiction over airspace above the exclusive economic zone (EEZ)
B2	jurisdiction over airspace above the EEZ
B3	jurisdiction over airspace above the Exclusive Economic Zone (EEZ)
B4	Jurisdiction over airspace above EEZ
B5	Claims jurisdiction of superadjacent airspace over the exclusive economic zone
B6	Jurisdiction over airspace above the exclusive economic zone. [Order No. 75, Surveying and Mapping Law, Dec. 2002.]
C1	Restrictions on foreign aircraft flying through an Air Defense Identification Zone (ADIZ) without the intent to enter national airspace
C2	Restrictions on foreign aircraft flying through an Air Defense Identification Zone (ADIZ) without the intent to enter national airspace. [Ministry of National Defense Announcement, Nov. 23, 2013]
D1	Domestic law criminalizing survey activity by foreign entities in the EEZ
D2	domestic law criminalizing survey activity by foreign entities in EEZ
D3	domestic law criminalizes survey activity by foreign entities in any waters under the jurisdiction of the coastal state
D4	Domestic law criminalization survey activity by foreign entities in the exclusive economic zone. [Order No. 75, Surveying and Mapping Law, Dec. 2002.]
D5	Criminalization of survey activity by foreign entities in the exclusive economic zone. [Order No. 75, Surveying and Mapping Law, Dec. 2002.]
E1	security jurisdiction in contiguous zone
E2	24 nm security zone
E3	Claims security jurisdiction in the contiguous zone. [Law on the Territorial Sea and Contiguous Zone, Feb. 1992.]
E4	Security jurisdiction over the contiguous zone. [Law on the Territorial Sea and Contiguous Zone, Feb. 1992.]
F1	Taiwan's excessive straight baselines
F2	Excessive straight baselines
F3	Straight baselines not drawn in accordance with the law of the sea. [Declaration of the Government of the People's Republic of China on the Baselines of the Territorial Sea of the People's Republic of China, May 15, 1996]
F4	Straight baseline claims. [Law on the Territorial Sea and the Contiguous Zone, Art. 4, Jan. 21, 1998; Decree No. Tai 88 Nei Tze #06161, Feb. 10, 1999.]
G1	Actions/statements that indicate a claim to a TTS around features not so entitled
G2	Actions and statements that indicate a claim to a territorial sea around features not so titled (i.e. low-tide elevations)
G3	Territorial sea and airspace around features not so entitled (i.e., low-tide elevations). [Actions and statements indicating such a claim.]
Code Rule: Targeted excessive maritime claims with similar characteristics but with variances in vocabularies or wordings are coded with the same English letters but added with different numbers. For instance, A1 and A2 are totally or almost same in significances but using different vocabularies or phrases are categorized with same English code but different numbers.	

Category D is associated with the domestic law criminalization survey activities by foreign entities in the exclusive economic zone. Category E is about claims on the security jurisdiction in the contiguous zone. Category F is targeted on straight baseline not drawn in accordance with the Law of the Sea Convention. Finally, category G is for actions and statements ever delivered by the People's Republic of China that indicate a claim to a territorial sea around features not so titled. As a matter of fact, for those rationales list for challenging the so-called excessive maritime is pretty coarse by the standard of judiciary terminologies and possibly causing many misunderstandings.

For instance, the item D3 noted in the fiscal year 2007 towards Mainland China noted with "in any waters under the jurisdiction of the coastal state", nonetheless, should the waters is the internal waters on the other side of the baselines of the coastal states, how can the United States may have sensible reason to protest? It is totally against the basic principle of the international law that could not be valid at all. It therefore the United States needs to adjust its position and narrow down the waters merely to the exclusive economic zone as Washington states the excessive maritime claims that it intends to challenge.

As for the item G1 of the fiscal year 2017 for challenging "Actions/statements that indicate a claim to a TTS around features not so entitled" or the item G2 of the fiscal year 2018 known as "Actions and statements that indicate a claim to a territorial sea around features not so titled (i.e. low-tide elevations)" are actually so hard to understand what exactly the claims that Washington would like to challenge and the origin why these actions and statements may violate the international law.

Actually, there are many ridiculous errors ever appeared in the fiscal year 2018 Freedom of Navigation Report submitted by the Department of Defense to Congress. First, it was noted on the face page of the report

as “Pursuant to Section 1275 of the National Defense Authorization Act for Fiscal Year 2018”.³⁶ As a matter of fact, the title of the Section 1275 of the National Defense Authorization Act for Fiscal Year 2018 is “United States military and diplomatic strategy for Yemen”, which is totally irrelevant to the Freedom of Navigation. The actual term as the legal basis of this annual report is the Section 1262 of the National Defense Authorization Act for Fiscal Year 2018 titled “Modifications to annual update of Department of Defense Freedom of Navigation Operations report.”³⁷ Why such a terrible error may occur in the Pentagon annual official report? It is simply because the title of the Section 1275 of the National Defense Authorization Act for Fiscal Year 2017 is “Annual update of Department of Defense Freedom of Navigation Report”³⁸ and lazy staffs in the Pentagon were so absent-minded to copy the section number of the previous year so that producing such an embarrassing error.

It is very important to mention that the modifications demanded by the Section 1262 of the United States National Defense Authorization Act such as “For each country identified under paragraph (1), the types of any excessive maritime claims by such country that have not been challenged by the United States under the program referred to in subsection (a)” and “A list of each country, other than a country identified under paragraph (1), making excessive maritime claims that have not been challenged by the United States under the program referred to in subsection (a) and the types and natures of such claims” are totally ignored by the Pentagon Freedom of Navigation annual report for the fiscal year 2018.³⁹ Even the title of this annual report was demanded to be modified as “DEPARTMENT OF DEFENSE FREEDOM OF NAVIGATION OPERATIONS REPORT” was unchanged as “Annual Freedom of Navigation Report”.

There are errors that appeared in this annual report including challenging a domestic law of the People's Republic of China that already revised years ago. The term as "Order No. 75, Surveying and Mapping Law, Dec. 2002" addressed twice in the fiscal year 2018 report should be the Surveying and Mapping Law of the Peoples Republic of China originally adopted at the 29th Meeting of the Standing Committee of the Seventh National People's Congress on December 28, 1992, and subsequently amended at the 29th Meeting of the Standing Committee of the Ninth National People's Congress on August 29, 2002 as well as promulgated and was into effect as of December 1, 2002, by Order of the President of the People's Republic of China No. 75 issued by Jiang Zemin.⁴⁰

Nonetheless, the same law was further revised by the Standing Committee of the National People's Congress in 2017 and subsequently promulgated by the Order of the President of the People's Republic of China No.67 by President Xi Jinping on April 27, 2017 as "The Surveying and Mapping Law of the People's Republic of China, which was revised and adopted at the 27th Session of the Standing Committee of the 12th National People's Congress of the People's Republic of China on April 27, 2017, is hereby issued for implementation as of July 1, 2017."⁴¹ The United States acted like Don Quixote to challenge something totally not existed any more in its Freedom of Navigation operations. Perhaps Washington may demonstrate its power by bullying other states, yet, none of these states ever made excessive maritime claims defined the United States has retracted the original positions. Therefore, it is somehow like a useless gunboat diplomacy.

We may also further review the contents associated with the Mainland China and Taiwan appeared in the fiscal year 2019 United States Defense Department Freedom of Navigation Report, which was

unusually delayed to be publicized for several months until July 20, 2020. The true reason for this delay is still unknown. Nonetheless, an error happened in the last edition was revised by addressing that “Pursuant to Section 1275 of the National Defense Authorization Act for the Fiscal Year (FY) 2017 (P.L. 114-328)”.⁴² It was mistakenly noted as “Pursuant to Section 1275 of the National Defense Authorization Act for Fiscal Year 2018” in the previous edition.⁴³

However, by so noted that only mentioned the legal basis addressed by the National Defense Authorization Act for the Fiscal Year 2017 in the FY 2019 edition, not only the further requirements noted by the Section 1262 of the National Defense Authorization Act for Fiscal Year 2018 titled “Modifications to annual update of Department of Defense Freedom of Navigation Operations report” but also contents requested by the Section 1288 of the National Defense Authorization Act for Fiscal Year 2019 titled “Modification of Freedom of Navigation Operations Reporting Requirements” are completely unnoted.⁴⁴

Again, the demand for revising the title of this report by the Section 1262 of the National Defense Authorization Act for Fiscal Year 2018 to be modified as “DEPARTMENT OF DEFENSE FREEDOM OF NAVIGATION OPERATIONS REPORT” was unchanged as “Annual Freedom of Navigation Report” for the title of the FY 2019 report.⁴⁵ And the aforementioned excessive maritime claims originated by the “Order No. 75, Surveying and Mapping Law, Dec. 2002” were addressed twice again in the fiscal year 2019 report, yet, the errors noted above in the fiscal year 2018 report about these challenges remain existed.

Another item towards Beijing listed as “Restrictions on foreign aircraft flying through an Air Defense Identification Zone (ADIZ) without the intent to enter national airspace. [Ministry of National Defense Announcement, Nov. 23, 2013]” that previously appeared in the

fiscal year 2018 report without listing the legal basis challenged then should also be questioned. First, the nature of establishing the Air Defense Identification Zone is not a maritime claim. As Washington accused Beijing has raised an excessive maritime claim, perhaps the United States should prove the nature of defining an Air Defense Identification Zone can be or even should be categorized as a maritime claim before presenting such an accusation.

Second, the United States government should provide more solid evidence that indicating which words or phrases noted by the *Ministry of National Defense Announcement, Nov. 23, 2013* did put *restrictions on foreign aircraft flying through an Air Defense Identification Zone (ADIZ) without the intent to enter national airspace*, otherwise, the excessive maritime claim noted in this column is nothing else but a plausible speculation. The whole text of the “Announcement of the Aircraft Identification Rules for the East China Sea Air Defense Identification Zone of the People's Republic of China” issued by the PRC Ministry of National Defense on November 23, 2013, is listed as follows:

Announcement of the Aircraft Identification Rules for the East China Sea Air Defense Identification Zone of the People's Republic of China
Issued by the Ministry of National Defense on November 23

The Ministry of National Defense of the People's Republic of China, in accordance with the Statement by the Government of the People's Republic of China on Establishing the East China Sea Air Defense Identification Zone, now announces the Aircraft Identification Rules for the East China Sea Air Defense Identification Zone as follows:

First, aircraft flying in the East China Sea Air Defense Identification Zone must abide by these rules.

Second, aircraft flying in the East China Sea Air Defense Identification Zone must provide the following means of identification:

1. Flight plan identification. Aircraft flying in the East China Sea Air Defense Identification Zone should report the flight plans to the Ministry of Foreign Affairs of the People's Republic of China or the Civil Aviation Administration of China.
2. Radio identification. Aircraft flying in the East China Sea Air Defense Identification Zone must maintain the two-way radio communications, and respond in a timely and accurate manner to the identification inquiries from the administrative organ of the East China Sea Air Defense Identification Zone or the unit authorized by the organ.
3. Transponder identification. Aircraft flying in the East China Sea Air Defense Identification Zone, if equipped with the secondary radar transponder, should keep the transponder working throughout the entire course.
4. Logo identification. Aircraft flying in the East China Sea Air Defense Identification Zone must clearly mark their nationalities and the logo of their registration identification in accordance with related international treaties.

Third, aircraft flying in the East China Sea Air Defense Identification Zone should follow the instructions of the administrative organ of the East China Sea Air Defense Identification Zone or the unit authorized by the organ. China's armed forces will adopt defensive emergency measures to respond to aircraft that do not cooperate in the identification or refuse to follow the instructions.

Fourth, the Ministry of National Defense of the People's Republic of China is the administrative organ of the East China Sea Air Defense Identification Zone.

Fifth, the Ministry of National Defense of the People's Republic of China is responsible for the explanation of these rules.

Sixth, these rules will come into force at 10 am November 23, 2013.⁴⁶

Not any keyword such as “restriction” or “without the intent to enter national airspace”, or even any equivalent wording shown by the item of the excessive maritime claim challenged by the United States FONOP annual reports ever appeared in this PRC Defense Ministry announcement.⁴⁷

Another revision on the legal basis challenged associated with the “Prior permission required for innocent passage of foreign military ships through the territorial sea” was revised from “Declaration upon Ratification of 1982 Law of the Sea Convention, June 7, 1996” in the fiscal year 2018 report to “Law on the Territorial Sea and Contiguous Zone, Feb. 25, 1992” in the fiscal year 2019 report. This alternation proves the previous challenge on this U.S. defined excessive maritime claim in fiscal year 2018 was literally not based on a comprehensive survey.

As for the two items of excessive maritime claims challenged by the United States towards Taiwan listed in the fiscal year 2019 freedom of navigation report, the first item regarding “Prior notification required for foreign military or government vessels to enter the territorial sea. [Law on the Territorial Sea and the Contiguous Zone, Art. 7, Jan. 21, 1998.]” conducted in the waters around Parcel Islands and Spratly Islands is a long-lasting controversy caused various interpretations of the innocent passage noted in the United Nations Convention on the Law of the Sea.

It was challenged by the operational assertion maneuvers of the United States armed forces for several years. There is no indication that Taipei will surrender the existing position by any circumstance so far.

Nevertheless, the other item noted as “Straight baseline claims. [Law on the Territorial Sea and the Contiguous Zone, Art. 4, Jan. 21, 1998; Decree No. Tai 88 Nei Tze #06161, Feb. 10, 1999.]” was obviously targeted on the first batch of baselines proclaimed by the Republic of China government that disagreed by the United States. The United States has clearly expressed its disagreement in the document titled “LIMITS IN THE SEAS, No. 127 - TAIWAN’S MARITIME CLAIMS” published by the Office of Oceans Affairs Bureau of Oceans and International Environmental and Scientific Affairs, U.S. Department of State, on November 15, 2005.⁴⁸

However, the whole batch of these baselines was revised by another administrative order noted as “Decree No. Tai 98 Chien Tze #0980097355, November 18, 2009”.⁴⁹ Again, the United States targeted on an item was not valid anymore. Also, the geographical area “Philippine Sea” noted for challenging this excessive maritime claim is fundamentally misleading since the Philippine Sea was never mentioned in the text of the “*LIMITS IN THE SEAS*, No. 127 - TAIWAN’S MARITIME CLAIMS” shown above. Based on all these flaws appeared by reviewing the contents of the United States Department of Defense annual freedom of navigation report, the credibility of the United States intention for challenging other states’ excessive maritime claims is indeed questionable.

5. Conclusion

There are many publications on the freedom of navigation operations ever published by the United States government so far. Nevertheless, the transparency for the United States how to conduct the FONOP is still insufficient. Particularly, the “Program Guidance” of those presidential executive policy directives is never officially declassified. And the present valid policy directive is still confidential to the international community.

Moreover, those categories of excessive maritime claims listed in the presidential executive directives are not completely identical. Whether can these excessive maritime claims be fulfilled the objectives challenged listed in the annual FONOP reports is a subject worth of further study. On the other hand, how the U.S. diplomacy coordinated with the military operational assertions, whether can the objectives eventually give in to the demands from Washington may need further observations. If the operational assertions could not be helpful to establish the international norms, it will never become a legacy of international judiciary practices. This should be the political calculus that the United States should consider in the future.

Last but not the least, the stance unilaterally expressed by the United States by those operational assertions could not become any valid legal argument for establishing international law, not even the international customary law practices since these actions are only be conducted by the United States unilaterally. Also, if there is any media report indicating any other country would like to support the freedom of navigation operations led by the United States in certain water will be totally untrue or even ridiculous since no other government has any policy known as the FONOP program. The possibility for any sovereign state to support a policy never declared before and only conducted by a foreign government is totally nonsexist.

Notes

- ⁺ This paper is basically revised from a conference paper already presented in the 2019 Association of International Relations (R.O.C.) Annual Meeting and Conference on “The Impact of Realism, Populism and Technology on the International Order” on November 30, 2019. Part of the content in this paper has also been presented in the “2019 Yellow Sea Rim Oceanic Development Forum” in Hangzhou, China, on 14 June 2019.
- ^{*} Dr CHANG Ching (張競) is a researcher with long distinguished experiences in national security affairs. He served in the Republic of China Navy as a line officer for over a quarter of a century. Numerous lessons were acquired from various posts in his naval career. Particularly, a decade of sea duty service in which he has committed to different types of surface combatants allows him to grasp much valuable first-hand information and lessons that could never be gained from any academic arena. Further, as a graduate from the Republic of China Naval Academy (中華民國海軍軍官學校), Naval Staff College of the US Naval War College and Naval Command College of the US Naval War College, Dr Chang received orthodox professional military education which serves to support his advancement in research on national security. Dr Chang has a diversified academic background comprised of a Bachelor’s degree in navigation and maritime engineering granted by the Republic of China Naval Academy, a Master’s degree in electrical engineering gained from the University of Colorado at Boulder in the United States, and a Doctorate in politics and international studies conferred by the University of Hull in the United Kingdom. Apart from the posts in the naval fleet, Dr Chang also attained the position of staff officer at various levels in the defense hierarchy. With nobility granted by the defense authority of the Republic of China, Dr Chang has been selected as the teaching staff in the Chinese Naval Command and Staff College as well as the War College of the ROC

National Defense University (國防大學). Dr Chang also owns a honor to be the speech writer for the Defense Ministers of the Republic of China and in charge of the Office of Policy Coordination for the Defense Ministers for two years. Dr Chang has concluded his military career with the rank of navy captain ten years ago, thus acquired a privilege called the “Honorable Citizen of the Republic of China”, and was invited by the Society for Strategic Studies (中華戰略學會), Taiwan, Republic of China, to be a research fellow. Further, Dr Chang is also an active columnist and Internet TV program host for commentary of strategic issues. <Email: chingchang@hotmail.com>

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