

rev.relac.int.estateg.segur.12(1):51-72,2017

THE GEOPOLITICS OF THE CHINESE REFORM***Dusan Praj**
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The article looks at the new challenges the assertive Chinese foreign policy is representing for the regional geopolitical order in Asia. It follows the recent developments in the region mainly regarding the territorial disputes in the South China Sea and examines how the pressure in the regions are pushing China to look for other directions to its geopolitical projections, mainly toward the West implementing the New Silk Road project and deepening the cooperation with Russia. Meanwhile, the strong US presence in the Asian Pacific region was a guarantee of a “long peace” for more than 50 years. The lasting geopolitical order is changing due to the constant rise

Recibido: 11 de abril de 2016
Evaluado: 15 de julio de 2016
Aprobado: 9 de septiembre de 2016

Artículo de revisión

Referencia: Praj, D., Restrepo, J. C. (2016). The geopolitics of the chinese reform. *Revista de Relaciones Internacionales, Estrategia y Seguridad*. 12(1). pp. 51-72. DOI: <http://dx.doi.org/10.18359/ries.2464>

- * This paper is the result of a Research Project called “The Macroeconomic transition in China: 5 hypotheses” conducted by the Facultad de Estudios Internacionales at Institución Universitaria Esumer - Medellín. The work is co-authored and the order in which the authors are mentioned is strictly alphabetic.
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of the Chinese economy and the increasing on its military spending, challenging other Asian regional powers like India and Japan to counterbalance the Chinese influence in the region, and effectively engaging other partners like Malaysia and Philippines. China is now proposing a multidirectional attitude, trying to develop the relations towards the East as well as to the states westwards from its own borders.

Key words: Geopolitics, Territorial Disputes, Asia Pacific, China

LA GEOPOLÍTICA DE LA REFORMA CHINA

Resumen

El artículo analiza los nuevos desafíos que la enérgica política exterior China representa para el orden geopolítico regional de Asia. Sigue los recientes cambios en la región sobre todo en lo que concierne a las disputas territoriales en el Mar del Sur de China y examina la manera en la que presión en las regiones empuja a China a mirar en otras direcciones para sus proyecciones geopolíticas, especialmente hacia Occidente al implementar el proyecto de la Nueva Ruta de la Seda y profundizando la cooperación con Rusia. Al mismo tiempo, la fuerte presencia de los Estados Unidos en la región del Pacífico Asiático fue durante más de 50 años una garantía de “paz larga”. El duradero orden político está cambiando debido al constante ascenso de la economía china y al incremento de su gasto militar, desafiando a otros poderes regionales asiáticos como India y Japón a contrarrestar la influencia china en la región, y a eficazmente involucrar a otros socios como Malasia y Filipinas. China está actualmente proponiendo una actitud multidireccional, intentando desarrollar las relaciones con Oriente al igual que con los estados al occidente de sus propias fronteras

Palabras clave: Geopolítica, disputas territoriales, Pacífico Asiático, China.

A GEOPOLÍTICA DA REFORMA CHINA

Resumo

O artigo analisa os novos desafios que a energética política exterior da China representa para a ordem geopolítico regional da Ásia. Continua as recentes mudanças na região sobre tudo no que se diz respeito as disputas territoriais

no Mar do Sul da China e examina a maneira e pressão nas regiões, empurram a China a olhar em outras direções para as suas projeções geopolíticas, especialmente para o Ocidente, ao realizar o projeto da Nova Rota da Seda e aprofundando a cooperação com a Rússia. Ao mesmo tempo a forte presença dos Estados Unidos na região do Pacífico Asiático foi durante mais de 50 anos uma garantia da “longa paz”. A duradeira ordem política está sendo mudada devido ao constante aumento da economia China e ao incremento do seu gasto militar, desafiando a outros poderes regionais asiáticos como Índia e Japão, a contrariar a influência china na região e a satisfatoriamente envolver a outros sócios como Malásia e Filipinas. China está atualmente propondo uma atitude multidirecional, tentando desenvolver as relações com o Oriente, ao igual que com os estados ao ocidente de suas próprias fronteiras.

Palavras-chave: Geopolítica, disputas territoriais, Pacífico Asiático, China.

Introduction

The purpose of this paper is to explain the recent geopolitical developments in Asia during the Chinese reform's upturn. The main argument is that the world will have to accept the new Chinese role in the global order and get used to the more assertive and flexible Chinese geopolitical projections in order to achieve its strategic goals. Even if China is generally considered a status quo power with little interest in changing the global order, the geopolitical projection outwards its own territory is a natural step in the development of Chinese strategic thinking. After a long period of Chinese soft power promoted by growing trade exchanges with the states of Asia Pacific region, China is taking the steps to develop the capability to actively protect its interests in

the “near abroad”, and at the same time promoting deeper economic cooperation with central Asian and European countries denominated as “Beijing consensus” and expressed mainly by the project of the New Silk Road. The ruling balance in the Asian Pacific, based on the USA's military supremacy and its alliance system, could be effective in the future, but the rising nationalist and populist tensions in Asia could spark a local conflict that could have lasting impacts not only on the affected region, but due to the growing interdependence of the Chinese economic cooperation the overall polarization could not be avoided. In contrast, a regional multilateral forum of negotiations would be a more reliable tool for the region's stability, the creation of which is due to the growing tensions still not actual.

The changing character of the geopolitical order

There is no doubt that the unprecedented rise of the Chinese economy since the 1978 reforms will cause a huge impact on the distribution of power among the states in the international system. In broader terms, the Chinese economic miracle will bring a reconfiguration of the current geopolitical order not only to the Asia - Pacific region but the impact will be perceived on a global scale as well. One thing seems to be clear: what the world is witnessing is a remarkable economic transformation. The number of people engaged in the modern global economy has doubled in the past two decades and could double again in the next few decades (White, 2009). Consequently, the largest increase of economic activities in any comparable period in history can be observed; this is so as huge populations around the world have moved from low-productivity to high-productivity forms of work. It can be assumed that the volume of these revolutionary changes bring implicitly a transformation of the economic weight of states (Genereux, 2016).

In the period after World War II, it was largely assumed that the dominant factor for the geostrategic supremacy was the military capacity of the states; however, there is a recent need for correcting this assumption. The decisive component of the geopolitical projection of the states and the

sustainability of those projects rely more on their economic superiority. The United States' global GDP (Gross Domestic Product) share was 17.1 % in 2011. In contrast, the Chinese's was 14.9 % (and it keeps constantly increasing). According to Bloomberg News Agency, China surpassed the US economy in the power purchasing parity measure in 2014, and by 2024, it may reach the position of the world's biggest economy (Bloomberg, 2014). This is followed by China's increasing participation in international trade: seven of the ten most important container ports are now located in China; meaning that more than half of the world's annual merchant fleets pass through the straits of Malacca, Sunda Lombok and Makassar (Stratfor, 2014).

China's upsurge presents a challenge to the US on a field on which it has not been confronted for the last 50 years: the unrestricted economic supremacy; this presents a completely new situation to deal with. In the same sense, China's growing economic power can reshape the global order by defying the position of the United States in the new century's economic and strategic gravity centre: Asia.

China's growing economic weight is the only relevant power that could possibly erode the US' strategic dominance in the Western Pacific; a region marked by a long period of peace (practically, the last major war was Vietnam's, which ended in 1975) that underwent

few short regional conflicts¹. Despite the recent economic slowdown with its serious global implications, China continues in its actual foreign policy, as a part of the Chinese Communist Party legitimacy rests partially on the promise of “the great rejuvenation of the Chinese nation”, a concept that inherently incorporates the current trade policy with its more assertive stand to the territorial claims in East and South China Sea, and even with a slowdown China has the resources and motivation to continue growing its military budget. (CFR, 2016) The main question for the future would be whether the Chinese rise may actually be considered a peaceful process or there would be a certain probability of some sort of armed struggle between China and the US. There is no clear answer to this question and the possible scenario for the future development of the Sino-US relations is an object of the intensive study and case studies both in the US and China (Zhong, Finkelstein). According to the US’s point of view, three main approaches can be distinguished concerning this question from three different theorists’ perspectives: the primacists, the exceptionalists, and the pragmatists (Evans, 2011). Primacist scholars such as Aaron L. Friedberg (Friedberg, 2011), John J. Mearsheimer

(Mearsheimer, 2014), and Hugh White (White, 2009) point out that the most important factor of state survival is its ability to acquire as much power as possible, in the military, the economic, and the social spheres. During this process, the rising power is naturally challenging the ruling hegemonic power and this challenge can reach the point of “strategic competition”, increasing directly the possibility of a conflict between the hegemon and the rising power, approach commonly known as “The Chinese Threat Theory” (Tiezzi, 2014). In order to support this theory, many historical examples can be taken to support it; from the Peloponnesian War between Sparta and Athens to the Great Britain - Germany conflict and the Cold War bipolar order (Husenicova 2012). The same author admits that the Chinese economic rise could lead to some regional conflicts but the qualitative transformation of the Chinese society, as a natural consequence of the quantitative changes, would serve as a prevention from China’s conflict potential. (Husenicova, 2012).

The exceptionalists view of the issue is quite different.² Their main argument is that: Eastern Asia is a particular part of the world where “China’s *peaceful rise* is possible

¹ such as the China - Vietnam war in 1979

² Represented by David Kang, William H. Overholt, Kenneth D. Johnson

because a regional exceptionalism in general and a Chinese exceptionalism in particular have the potential to avoid an *Asian Europe*” (Evans, 2011, p.92). Scholar John Ikenberry states that the ruling liberal order of the world will have a direct impact on China in terms of increasing its economic interdependence and that the possible conflict would be a clear lose-lose enterprise for each side, so the clear aim should be to maintain peace in these relations (Sarkisyan, 2014)

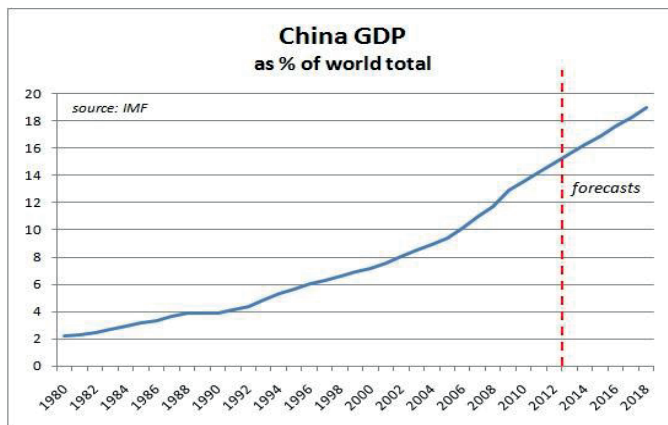
“The pragmatists’ school”, including different scholars such as Amitav Acharya or Robert S. Ross, stresses that the strong alliance system (backed by the soft regional economic interdependence represented mainly by ASEAN’s regional economic

structures and initiatives) could be a powerful factor for the regional stability (Evans, 2011).

Asian Regional Order

Considering all these different theoretical approaches, it can be observed that from a geopolitical point of view, “The Asian Theater” raises very complex questions for the future. According to Buzan (2012), there are four key trends, which define the current decade in the Asia Pacific Region: the ongoing rise of China and India, the weakening of the US, the ongoing struggle over defining an Asian regional identity, and the emergence of balancing against China. All of them are working on the intertwined base. For example, the hardening of Beijing’s positions on issues regarding the number of disputed

Figure 1: The share of the Chinese GDP as of the world total



Source: Allen, 2013

areas in Southern China's sea (like the Spratley Islands or Senkaku / Diaoyu since 2008), has helped to keep the US presence in the area. It has also helped to increase its influence through the intention of creating a new net of allies (or strengthening the existing one); despite of Washington's weakening on the international stage.

However, there has been a large number of positive results as well. Since the 1978 reforms, China has integrated itself successfully in the regional Asian organizations, which pursue free trade agreements with the member states of ASEAN. It also joined the World Trade Organization in 2001 supported strongly by the US. It subsequently started to buy US bonds in exchange for accessing the US market; China also took an important part in the anti-piracy joint operations in the Indian Ocean (Buzan, 2012). The Chinese position in the Six-Party Talks (the talks among the two Koreas, Japan, China, Russia and the US, which aim to find peaceful resolutions to the concerns regarding the North Korean Nuclear Program) is a constructive contribution to the negotiation. This is so, although the process has not concluded yet through a comprehensive agreement (due to the launching of North Korean satellites and underground nuclear device detonations) (Panda, 2014).

The Chinese's assertiveness rise can be described as a quite recent trend. The main objective and doctrine pursued by China in the post-Cold War era

was the emphasis on a "peaceful rise" and "harmonious world." In practice, China's foreign policy during the post-Cold War years has been geared towards adapting to the imperatives of deepening into the economic globalization, cultivating its acceptance abroad and bringing about to change its regional and international status quo as its domestic and international paths are legitimized (Deng, 2009). Nevertheless, despite all the power debate, China has demonstrated a very flexible capacity to align, de-align, and realign during the years of the Cold War rather than accept the constraining bipolar logic of the period. After its initial strong alignment with the Soviet Union, Beijing broke away from Moscow in the early 1960s and drew closer to Washington by the early 1970s. As concerns about the unipolar power configuration emerged in the 2000s, Beijing, once again, sought to establish a partnership with Moscow (Mohan, 2013). This fact seemed to be deepening during the recent Ukraine crisis. The growing need for commodities (having Russia as the closest basin of vital supplies) effectively pushes these two countries together despite of the various conflicts they have had to and will have to face in a foreseeable future (such as Russia's decreasing demography and the Chinese illegal migration to Russia's far east resourceful territories (Sieren, 2014).

However, Southern East Asia's regional configuration of the relations are shaped differently. For a long period

after the Deng reforms, China has been trying to maintain good relations with its Southern East Asian neighbours due to various factors. In the early 1990s, after the violent suppression of the Tiananmen Square protest movement, the Western countries temporarily imposed sanctions on China. This measure allowed China to strengthen the orientation to the Eastern and South Eastern Asia countries. Likewise, during the 1997 Asian financial crisis, it was China that offered a substantial part of the support to the most affected countries: Thailand and Indonesia (MacDonald, 2016).

Chinese role in Asia

It should not be omitted the increasing activity China is exerting in the framework of the Shanghai Cooperation Organization (SCO). The SCO was established in 2001 and its members are China, Russia, Uzbekistan, Tajikistan, Kazakhstan, and Kyrgyzstan, but India, Pakistan, Iran, Turkey, Mongolia, and Turkmenistan are observers. Although the activity of this organization seemed to be more stagnant recently, the summer summit held in Tashkent in June 2016 brought two very important steps, the full-fledged membership of India and Pakistan and the future possible admission of Iran, just in

original lines of the organization to exclude the US, bring in Russia, and link China to Central Asia. (Putz, 2016) The observers create crosslinks to South Asia and the Middle East connecting China with important sources of commodities and their export markets, amplifying the scope of the Chinese geopolitical projections to the areas of its vital interest (Buzan, 2012).

Nevertheless, it cannot be denied that there have been crises as well, traditionally between China and Taiwan. This complex relationship reached its crunch point in 1996 during the Taiwan Strait crisis. In this, China conducted a series of missile tests in the waters surrounding the islands, in an alleged attempt to exert an influence over the Taiwanese domestic policies (which indicated to stay away from China at that moment) (McDevitt, 2014).

However, relations between China and Taiwan have improved considerably since those incidents. China became Taiwan's number one trade partner, substituting their direct competition status for less aggressive economic policies (Meltzer, 2014). Although China is trying to attract Taiwan by promoting the "One state: two systems" policy (successfully implemented in Hong Kong and Macao)³, Taiwan does not seem to be

³ Two territories of continental China in the colonial possession of Great Britain and Portugal respectively, transferred back to the Chinese administration in 1997 and 1999, which enjoy a special economic status under the Chinese administration.

eager to join the PRC even under those conditions. The signature of the Cross-Strait Service Trade Agreement (June 25th, 2013) between China and Taiwan with the aim of liberalizing service trade between those two countries sparked a strong protest movement (denominated "The Sunflower Student Movement") (Smith, 2015). On March 19th, 2014, the movement occupied the Taiwanese parliament looking for the agreement to get unratified (Cole, 2014). This is effectively showing that despite of the new chapter in the bilateral relations, there is still presence of the complex dark past.

The Triangle of Power

Other complex affairs seem to affect the relations between China and its strong regional pairs India and Japan. As Buzan states:

"The key to greater strategic interaction between South and East Asia is how the rise of India and China play both into each other and into the existing set of US alliances and engagements in Asia.

There is now quite a lot of evidence for the building up of a definite, if still quite low key, strategic interaction (rivals rather than enemies) between India and China." (Buzan, 2012, p. 8).

The accelerated rise of India is another Asian successful story but from the

geopolitical point of view, it represents one of the major challenges for the future in the region. Despite of the broad area of cooperation between China and India, there is a record of tensioned relations, mainly due to the mutual border issues known as the McMahon line. The privileged geographical position of India was already very well described by the late Lord Curzon, British Viceroy, at the beginning of the 20th century. He wrote that Indian's "central position in Asia means that the country can exert influence in many directions—on Persia (nowadays Iran), Afghanistan and China—while controlling the sea routes to Australasia and the China Seas." (Cited by Evans, 2010, p. 105).

According to the famous Indian political analyst Raja Mohan, for some sectors of the Indian foreign policy elite that have long dreamt of a powerful role of India in its surroundings, Curzon remains a source of foreign policy inspiration (Mohan, 2004). To put it in other words, there is a big chance that this dream now could come true. The economic rise of the Asian giant during the last 24 years increases hope for New Delhi's policymakers (surely causing scrutiny from the Chinese counterparts). Due to the growing Chinese influence in the region, India is betting now a lot on a counter-balance through the creation of a closer relationship with the US since 2000; as a result, we have the recognition of India's nuclear status through the US-Indian Nuclear

Agreement in 2005 (Pant, 2009). The first term used by Obama was well-marked by deepening of mutual relations. During her visit to India, the former US State Secretary Hilary Clinton gave an exclusive interview to Times of India under the headline: "I consider India's global power a clear attempt to legitimize its position as a global affairs actor" (Goswami, 2009).

As a player in this game, India has a natural desire to avoid being trapped in the US-China's possible rivalry. It is trying to develop its own independent and influential position in the Asian Pacific region through an ambitious (and slow moving) plan of building its own armed forces. What it pursues is to support its presence as the major local power in the Indian Ocean (Mohan, 2015). India is now trying to develop good relations with Burma and Vietnam in an attempt to counterbalance the growing Chinese influence in South Asian region; however, it is not a new strategy for India. At the beginning of the 1990s, India implemented the "Look East Policy", trying to adapt itself to the new global reality. After the end of the Cold War (having lost its ally, the USSR) and after the successful reforms of 1991, India tried to make solid economic relations with Asian countries. Not to forget that these new allies would allow India to create a balance in the growth of the Chinese political and economic influence (and its neighbour, Pakistan despite their long record of complicated relations including three wars and an unresolved

dispute about the border region of Kashmir) (Mohan, 2013). In order to get resources from rich countries in Africa, China is implementing the "String of Pearls" strategy creating a net of ports through the Pacific and Indian Ocean. One of them, the Pakistani port town of Gwadar, has turned out to be an important Chinese asset offering an attractive solution to transport resources to China via rails and pipelines strategically more safely than the sea lines, where the Chinese navy does not have control yet. This condition turns India back to look for a closer cooperation with the US like Pakistan. It represents as well a crucial American ally in the region mainly for combating insurgent movements in Afghanistan (Kabiraji, 2012).

The relation with Japan is a source of big future concerns because of many factors. Not only the recent territorial dispute over Diaoyu / Senkaku islands is sparking the nationalist moods in both countries but the history of mutual wars seems to continuously cast shadows over the bilateral relations. The executed Japanese Second World War criminals are buried in the sacred Shintoist shrine of Yasukuni and considered war heroes in Japan. This fact has raised a lot of resentment in China despite of their strong economic interdependence. China has been a receiver of the Japanese foreign direct investment since the 1980s, when many Japanese companies intended to outsource their production and reduce the prices of their products. Since the

outbreak of this territorial dispute, the Japanese investment in China started to decline. Even if the fall was not dramatic at that moment, this issue clearly demonstrates the tie between the Chinese geopolitical projection and its economic capabilities. It is important to mention another fact regarding the same context. According to the Bank of Japan, China became Japan's major creditor in 2010, owning USD\$ 230 billion in short-term and long-term government bonds. It represents 3.6 % of the whole Chinese foreign currency reserves, emphasizing the fact that in the case of any political problem, the Japanese government will have to resolve the possible impact of this on its economy. (Zheng, 2014). However, the conflict's threat could rapidly go beyond the field of economic measures. According to the US-Japan Security Treaty, the US is guaranteeing the security and defence of Japan (since Japan has a limited army called Self-Defence Forces and according to its anti-war Constitution, the use of its own army is strictly limited to protection of the Japanese territory). In the case of rising territorial tensions, the US could find itself trapped in the territorial conflict between China and Japan; this presumably would lead to broaden the conflict to almost global scale (Beina Xu, 2014). But Japan is not only relying on the US defence commitment. The Prime Minister, Shinzo Abe, in July 2014, announced that the Japanese constitution needs to be reassessed so the Japanese army should gain more relevance, not only

in defending its territory but also in supporting its allies. (Fackler Sanger, 2014). Even if his announcement sparked strong popular protests and the probability of making such a change in the Constitution is very low, this evidences important power transformations in the region. (Fackler Sanger, 2014).

Territorial disputes in the Asia Pacific Region

The Asian security system represents a set of complex relations, which is not easy to manage, not even for the smaller countries in the region. The situation is even more complex because there is not any multilateral institution in place dealing directly with security issues. The ASEAN has often been credited as having a pacifying effect in South-eastern Asia due to its promotion of regional cooperation (Haftel, 2012). Two ASEAN multilateral initiatives have been instrumental in promoting these ties: the ASEAN Regional Forum and the ASEAN Plus Three Initiative; it includes China, Japan, and South Korea covering all dominant regional players and engaging them effectively in the schemes of economic cooperation with the clear aim to nurture the ties with Japan, India, the US, and China. At the same time, the ASEAN proposes traditional attitudes of respecting sovereignty, promoting non-interference and territorial integrity, which constitute a hard-to-

accomplish- attitude in the middle of the recent territorial disputes in the Eastern and Southern China Sea (Mohan, 2013). These disputes share some similarities and differences as well. The East China Sea territorial struggle involves only two claimants: China and Japan. The clash is about a small-uninhabited island claimed by both. This is connected to the interpretation of the US-Japan Mutual Security Treaty (Bader, Lieberthal, McDevitt, 2014). According to this treaty (after its defeat in the Second World War) Japan would have limited military forces and budget destined for self- defence and the main burden of the military costs and presence would be borne by the US. This small trick helped Japan to outsource the military spending to this actor (the US) and led to an unprecedented rise of the Japanese economy, positioning Japan into the famous triad of the most developed regions in the world. However, the situation today is changing. There is a nationalist campaign sparked by China's claims and the pressure from the US to engage more in military issues in the region as an impulse for the now stagnating Japanese economy. Nowadays, the South China Sea territorial claims are among a wider number of the claimants and pit China against The Philippines, Vietnam, Brunei, Malaysia, and Taiwan;

according to Bader, the following issues are involved:

- a) Highly emotional territorial claims in a region of rising nationalism.
- b) Risks of accidental conflict that could intensify.
- c) Conflicting claims to potentially rich resources⁴.
- d) Risks to navigation liberty in the Exclusive Economic Zones (EEZs).
- e) Disputes over the interpretation and applicability of international laws; notably the UN Convention on the Law of the Sea (UNCLOS) (Bader, Lieberthal, McDevitt, 2014).

This rising assertiveness in which China is claiming various disputed islands is causing concern among the Asian states and is helping directly to strengthen the US presence in the area due to a policy of balancing. The US needs to reassure all its regional allies that would maintain strong security presence in the region and counterbalance the Chinese influence in the South China Sea. But improving the military ties is not the only way to solve the problem. The development of multilateral binding codes of conduct among China and the ASEAN countries regarding the South China Sea was already adopted in 2002 (ASEAN, 2002). However, no member has ever implemented its

⁴ According to the US energy Information Administration, there are 11 billion barrels of oil and 190 trillion cubic feet of natural gas located in Southern China (US Energy Information Administration, 2013).

proposals or adhered to its provisions. China has historically preferred to handle all the disputes bilaterally and the mutual territorial claims between the ASEAN members prevented the implementation of the collective conduct treaty. Because of the lack of will to implement binding international norms, the military balancing seems to be the dominant strategy in the region. President Obama expressed his being in accordance with this during his 2014 tour to the Asian Region. His travel itinerary included Japan, South Korea, Malaysia and The Philippines; it can be inferred that his visiting to the last two mentioned countries is a clear sign of the US' interest in strengthening those relations, as a reaction of the territorial disputes with China. President Obama was the first US president who visited Malaysia (since President Johnson's visit in 1966) and security issues formed an important part of his agenda. In the Philippines, Obama's next stopover, his visit arranged the US-Philippines defence pact (for basing forces there), considering The Philippines as a major US' not- NATO ally. With this agreement, the Asian country can use the renewed US' engagement as support against the growing Chinese military and para-military presence in the South China Sea Region (Eilperin, 2014).

It can be assumed that this journey represented an important step in the "Asian Pivot" Policy, a strategic initiative promoted by the US and focused on the shift of the US interest towards

the Asia Pacific region. This strategic initiative does not restrict itself only to diplomatic and political activity. In 2012, the official document *Sustaining US Global Leadership* emphasized that:

"The US economic and security interests are inextricably linked to developments in the arc extending from the Western Pacific and East Asia into the Indian Ocean region and South Asia, creating a mix of evolving challenges and opportunities. Accordingly, while the US military will continue to contribute to security globally, we will of necessity rebalance toward the Asia-Pacific region. Our relationships with Asian allies and key partners are critical to the future stability and growth of the region. We will emphasize our existing alliances, which provide a vital foundation for Asia-Pacific security. We will also expand our networks of cooperation with emerging partners throughout the Asia-Pacific to ensure collective capability and capacity for securing common interests. The United States is also investing in a long-term strategic partnership with India to support its ability to serve as a regional economic anchor and provider of security in the broader Indian Ocean region. Furthermore, we will maintain peace on the Korean Peninsula by effectively working with allies and other regional states to deter and defend against provocation from North Korea, which is actively pursuing a nuclear weapons program". (US Ministry Of Defence, 2012, p.2).

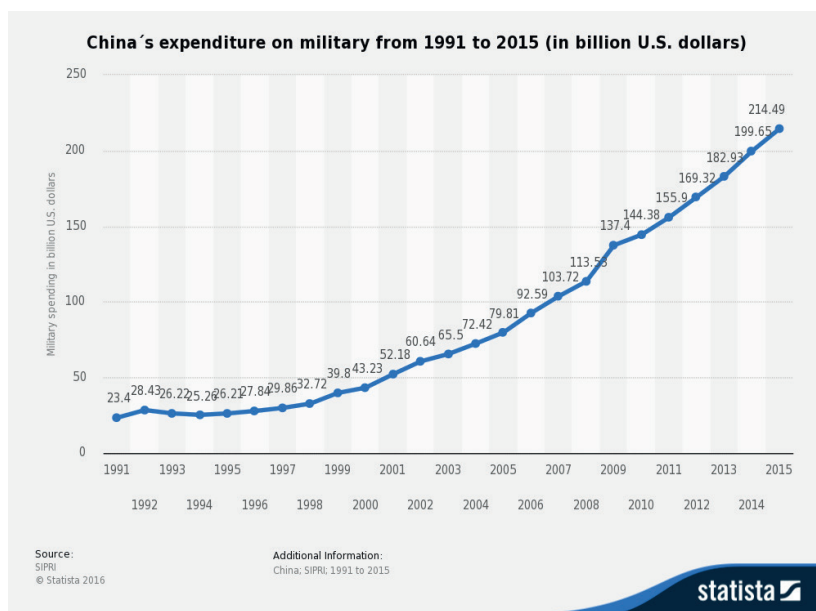
The US diplomatic and economic efforts, as well as a military presence, are getting more concentrated on the Pacific scenario with the possibility of creating new alliances as an effective instrument of counterbalancing in the region. The question is whether this realignment of alliances constitutes the only possibility to contain the Chinese assertiveness. Many ASEAN states have expressed their concern of being trapped between the US and China's arm race in the region (Mohan, 2013). So far, it can be assumed that the lack of mechanisms for a peaceful solution of the disputes among the states inside the Asian Regional System opens the possibility for the alignment and polarization of the relations, where the affected states are pressured to take a side in the competition. The natural conditions of the Chinese economy's rise are creating the natural conditions for the spread of China's influence on its border territories, its "near abroad". The term "near abroad" is basically used in connection with the Russian influence on its former Soviet republics or the outer regions of Europe (except the current enlargement territory of the European Union). This model could also now be applied to China's neighbours, not only to its Eastern maritime border but to the continental land frontier as well (Fojtík, 2011). But as other analysts stress out, the Chinese influence over the near abroad can take part of the soft hegemony unintentionally copying the US' Monroe Doctrine, which led the US foreign policy towards its Latin

American periphery (Holmes, 2012). One of the most important features of spreading the Chinese influence is the view China has on the former soviet Central Asian republics: important energy resources, raw materials, and markets for the manufacturing of Chinese goods.

However, the Chinese interest in the Asia goes beyond the ex-soviet Central Asian republics. The relations between China and Russia have improved considerably in recent years; the main reason for this policy is not a secret. The growth of the Chinese economy naturally creates an increase demand for energetic resources and the closest and most abundant source of these is Russia.

The possession of a vast oil and gas reserve underpinned the re-emergence of Russia as a great power (Petersen, Barysch, 2011). At the same time, the access to energy is vital for China to sustain its economic growth thus the energy issue is one of the most important aims of the Chinese foreign policy. Just as Russia is relying heavily on energy exports, seeing them as tools to pursue its own geopolitical interests, China will remain the net importer of its oil. (Petersen, Barysch, 2011). The existence of common interests and the rapprochement between Russia and China based on the increasing economic interdependence could solidify the formal Sino-Russian alliance and create a new hub of political and economic power with a global scope.

FIGURE 2: China's military spending from 2000 to 2014.



Source: Statista, 2016

Chinese “Look West” Policy

China's interest shift towards the West is relatively new. In October 2012, the most prominent and influential Chinese International Relations Scholar, Wang Jisi, stated that “March West” is an adequate articulated Chinese response to the growing US presence in Eastern Asia. (Yun, 2013). According to his opinion, the Westwards area of the Chinese border is not under such pressing relations as the Pacific Region. This opens the path for China's political and economic penetration and even a space for cooperating with the US (because of the common interest in the area and the decreasing US engagement after

its retreat from Iraq and Afghanistan). This lets space for strengthening the Chinese ties even in the Middle East, despite of the fact that China has been signing important agreements with Iran, whose nuclear program is considered highly controversial by the Western powers; so the Chinese presence in the area has already a very solid base (McDevitt, 2014). The new “Look West Strategy” is even more ambitiously articulated with the New Silk Road Project, with the aim to connect the Chinese industrial centres with their European counterparts through train networks and maritime lines. According to the Chinese press agency Xinhua, President Li took a march along the Silk Road in autumn,

2014; he visited all the Central Asian post-soviet republics, linking the Silk Road member countries with the SCO members and stepped up the project by creating an Asian Infrastructure Bank. It invests mainly in infrastructure projects in Central Asia as the first steps on the road to reach Europe (Xinhua, 2014). The argument to support this strategy is that for the Chinese-owned companies, it is much easier to operate in the Central Asian region than in Russia itself, making simultaneously these republics dependent on Chinese capital inflow. China achieved to replace Russia as the major trading partner to the Central Asian Republics and, at the same time, it became the main destination of the major part of the local gas production. (Casey, 2014). At the same time, in Central Asia, Beijing is a preferred partner for the regions many autocratic governments who welcome Chinese non-interference in their affairs. (Johnson, 2016). Nevertheless, the New Silk Road remains a very broad concept with a very modest institutional background behind. So far only mechanisms for finding the New Silk road were created. The Chinese-only New Silk Road Fund has been created and a multilateral Asian Infrastructure Investment Bank. (Kaczmarek, Rodkiewicz, 2016). Despite of the recent nature of this institution, several European big countries like United Kingdom, France, Germany, and Italy supported this step despite of heated objections from the USA (Johnson, 2016). Anyway, the project of the New

Silk Road will have a direct impact on 65 countries in the region, where 55% of the world GDP, 70% of the world population, and 75% of the world energetic reserves are concentrated. (Vidales Garcia, 2016)

Nonetheless, for now we can assume that there is no imminent danger of a conflict on the Chinese continental border despite of the Chinese geopolitical penetration of Central Asia. The other important player in the zone, Russia is struggling with Western economic sanctions, and in the search for diversifying its economy is looking more for cooperation than confrontation with China. (Teufel Dryer, 2016) As a result, the possible future conflict is far more likely to happen in the Chinese oceanic periphery, where the Chinese dependence on the foreign oil would push China inevitably to develop its blue water navy fleet in order to protect its supply lines. Despite of the recent reforms, the Chinese economy still stayed an export-oriented economy. As such, it is in a position of dependency. No matter how large its currency reserves or how advanced its technology, or how cheap its labour force, China still depends on the willingness of other countries to import its goods, as well as the ability to physically ship them. Any disruption of this flow has a direct effect on the Chinese economy and, subsequently, an impact on the political stability and regime legitimacy (an issue that the Chinese Communist Party does not want to question for

sure) (Friedman, 2008). Agnew uses a similar argument: the huge size of the Chinese manufacturing sector and its export orientation allowed China to become the world's major creditor country by attaching its currency to the US Dollar, and recreating for itself a stability that was associated to the Bretton-Woods monetary system of 1944-1974 (Agnew, 2010). The main problem with the export-oriented economies is that controlling the external demand remains outside the producing state, which only possess a few tools to control prices. The recent economic situation in which China has become the industrial workshop of the world (which makes it very dependent on the world to keep buying its goods) is hard to manage during a global economic recession.

Given this situation, a logic step is to pursue the plan of reforms aiming mainly to improving the conditions of the Chinese population (living standards) and strengthening the domestic demand. Although regarding the size of the Chinese population, only a smaller, urban part of it would feel the real impact of these in the near future. In order to mitigate this gap, the Chinese government will have to search a way to re-distribute the fruits of the still impressive growth among the large categories of the population. The creation of the gap in terms of accessibility to social benefits between the smaller urban and a large number of the rural population was natural on the early stages of the reform. However,

it should be bridged in the process of developing because it can represent the source of a growing political instability. The second main trend of the recent Chinese development, the State projects supported by Keynesianism (to stimulate the economy), will have a direct impact on its infrastructural development; this trend would favour the connections and amplify the reach of the Chinese interests: the giant projects of rail connections between China, Germany, or Russia, the New Silk Road. This will naturally strengthen the relations between China and its neighbouring countries pointing clearly to an increasing economic interdependence.

Although the relations of economic interdependence generally tend to diminish the possibility of conflicts among the states, it cannot be forgotten that the rising economic potential of China (estimated growth of 6.7 % by 2016 according to the World Bank, a very robust one) is causing a direct impact on the trend to expand control over strategic territories and shipping lines outside the borders of China. (World Bank, 2016). This reality inevitably differ from the other states' interests in the region, making it prone to the possible conflict of different scales.

Conclusions

The outward projection of the Chinese geopolitics is, probably, the most visible security issue since the end of

the Cold War. It is seriously shaping the relations, not only in the Asian Pacific region, but also redrawing the power balance in Asia.

The future of this development is raising questions about the possible responses from other Asian countries. The natural interest of these countries would be to follow the regional tradition of peace, which creates a regional institutional backup to mitigate the possibility of new frictions. However, the Asia Pacific region is currently a witness of the strengthening and creation of military alliances and the even stronger military presence of the US.

The increasing military spending, together with populist policies in the countries engaged in territorial claims, can be potentially dangerous for the future; the economic interdependence could be used as an effective tool to avoid small- scale or big-scale conflicts.

The normative backup, such as codes of conduct, have proved to be ineffective in the South China Sea so far since the mutual territorial claims between the member states prevent cooperation.

The current change of the Chinese macroeconomic model and the slowdown of its economy can temporarily de-escalate the ongoing territorial conflicts because China will have to turn its attention towards its economic and domestic policies.

However, the process of acquiring economic, military, and political capabilities will inevitably affect the relations and stability in the Pacific region and in Asia as a whole. On a global stage, the rising Chinese economy has created strong ties with the developed countries (as markets for Chinese goods) and with the less developed countries (mainly as a source of raw materials needed for the Chinese industry).

The economic “soft power” seems to be very effective in acquiring the influence, but the next logical step for China would be to acquire the capability of control and dominance of vital maritime space. All this is pushing China towards more assertive relations with the US.

The increased Chinese presence in the region is posing a serious challenge for the US and their allies; a challenge in new qualitative conditions (not faced since the end of the Cold War). To avoid such a tense situation, the creation of a common regional multilateral platform for negotiation would be a solution to prevent the possible conflicts in an area full of weapons.

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