

# **Overcoming Controversies in East Asia**



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UNIWERSYTETU  
ŁÓDZKIEGO

# Overcoming Controversies in East Asia

edited by  
Tomasz Kamiński



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# Introduction

Controversies, sometimes bitter controversies, are an inherent element of international relations. Conflicting interests, different values, overlapping spheres of influences... all this make dispute settlement mechanisms crucial elements of international system. Searching for cooperation mechanisms that may help in overcoming existing controversies in Asia is the main topic of this monograph.

The monograph is based on the case studies in which authors analyse disagreements as well as collaborations between different actors in Asia. They are chosen different point of views that might be roughly divided into two groups. The first set of authors tries to look at regional or even internal problems that have international impact. The second group gives an outlook on the controversies linked to rising global presence of Asian countries, in particular China.

The opening chapter, written by Russian scholar Dmitry Kuznetsov, describes the phenomenon of rising Chinese nationalism in the context of the foreign relations. This process is, at least partially, controlled by the PRC authorities, who try to use it for their political purposes. In particular growing anti-American and anti-Japanese sentiments might be instrumentally used by the Chinese Communist Party.

The second chapter, by Agnieszka Batko, presents the Japanese policy of 'Womenomics'. This idea, part of the famous 'Abenomics', concentrates on persuading Japanese women to act more actively on the job market and seek for the opportunities to advance their careers. This highly controversial idea poses a series of evident challenges to the traditional concept of the role of women in Japanese society. However, what is even more important, it is a crucial part of Abe's reform package and its success or failure will have the consequences for Japanese position in the region and in the world.

In the next chapter Karol Żakowski analyses the reasons of failure in establishing a stable framework for Sino-Japanese security cooperation after the end of Cold War. The author argues that both countries have been unable to develop a full-fledged cooperation in the security field due to history problems, contrasting visions of regional security system, territorial disputes and rivalry for leadership in East Asia.

Kahraman Süvari examines North Korea's January 2016 nuclear test. He put it in historical perspective and also analyses the possible reasons behind the North Korean aggressive behaviour. In this chapter it is argued that North Korea's leadership carried out the fourth nuclear test mainly because it wants to strengthen its nuclear deterrent against the perceived regional threats.

The last chapter in this part of the book is dedicated to the South China Sea conflict, one of the most important international disputes in the regions. Hungarian analyst Péter Klemensits examines the main aspects of the defence reforms in the Philippines. He argues that the changes of the international and domestic security environment force the government to upgrade the armed forces capabilities and achieve a minimum credible defence posture.

The global outlook starts with study of the flagship Chinese initiative One Belt One Road (OBOR), written by Dorota Roszkowska and Emilia Radkiewicz. They analyse this programme, or maybe better strategy, in the context of the EU–China relations. The controversial Chinese initiative is undoubtedly a priority in Beijing's foreign policy but the Europeans are reluctant or at least indecisive.

In the next chapter young Chinese researcher Gu Hongfei analyse also OBOR but in the context of EU–China security relations He identifies the major challenges and discusses opportunities that might be created by the implementation of Chinese grand plan. He predicts that, however controversial OBOR might be in Europe, it will lead to closer cooperation between the EU and China in the field of security.

Tightened cooperation in economic sphere between Europe and China is presented in the chapter written by Lukáš Laš. On the basis of Visegrad Four (V4) trade relations with East Asian partners he shows that not only China matters but also Japan and other countries from the region. He also advocates for building a particular 'Visegrad Brand' in Asia as a part of economic diplomacy. That might be helpful for V4 actors (countries, regions, cities and companies) to implement their business plans in East Asia.

The next three chapters are dedicated to China–US rivalry. David Jones assesses the American 'Pivot' to Asia arguing that "Neo-realist security traditions appear to have been blurred with neo-liberal trade temptations, the result forming a 'neo-liberalism' paradigm that could work if it contained the best ingredients of each." He predicts that only by focusing on opportunities for Sino-American cooperation the much wanted military de-escalation might happen.

His position is strengthened by Kamer Kasım that also analyses consequences of America's rebalancing towards Asia. He stressed that further economic integration and continuation of regional economic growth will help the rebalancing strategy and to improve relations between China, the US, and its allies.

Mateusz Smolaga approaches the topic of US–China confrontation from a different perspective. He makes comparative analyses of the Asian Development Bank (ADB) (Japan-led multilateral institution with strong American presence) and the Asian Infrastructure Investment Bank (AIIB) (Chinese-led multilateral institution with no US membership). He identifies and explains possible scenarios of ADB-AIIB relationship, trying to predict if we should anticipate strong rivalry between these two institutions, as political realism would suggest, or will the ADB and the AIIB find a way to offer their best to the Asia-Pacific countries without any major conflict?

In the last chapter Joanna Wardega confronts the controversies arousing around Confucius Institutes. They are seen as government-backed institutions present on Western universities and use as instruments of Chinese soft power. She analyses one particular aspect of language education in the Confucius Institutes: how the Chinese territory is shown to the students of the Chinese language in the textbooks. Contrary to her hypothesis it turns out that the names associated with controversy, such as Tibet, Taiwan, and Xinjiang, are not particularly emphasized in the analysed textbooks.

Obviously the list of controversies in the region is much longer but this book does not pretend to present the comprehensive catalogue. We rather aim in this monograph, based on case-studies, to illustrate the complexity of controversies in Asia and different paths to overcome them.

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# **Internal and regional outlook**



**Dmitry V. Kuznetsov**

(Blagoveshchensk State Pedagogical University)

# **The Chinese Nationalism and Foreign Policy Component in Mass Consciousness in China**

## **Abstract**

The research describes the phenomenon of Chinese nationalism in the context of the foreign policy component of the mass consciousness of residents in China. The ideas of Chinese nationalism become more popular both on the individual level and the level of mass consciousness. This is according to opinion polls, data from the media, as well as views widely spread among the intellectual elite.

Between 2000–2010 there was a significant rise of nationalism in China. The reason was the transformation of Chinese public opinion. Under the influence of progress in the development of China, people have come to realize that modern China certainly plays a crucial role in world politics and economics.

A characteristic feature of modern Chinese nationalism is that it proliferates far outside of China. Currently, its main content is a growing anti-American and anti-Japanese views.

The ideas of modern Chinese nationalism have become most prevalent among the younger generation of Chinese citizens. These processes are partially controlled by the PRC authorities, who need the population to have certain ideological orientation.

Considering the rise of nationalism in China we can see the appearance of the 'Chinese Dream' concept in 2012.

**Key words:** China, nationalism, foreign policy, public opinion, 'new Chinese nationalism', 'old Chinese nationalism', concept of 'Chinese Dream'.

## Introduction

As evidenced by numerous facts, in recent years, nationalist ideas have been increasingly spreading in China not only at the level of the individual, but also at the level of mass consciousness. This is according to opinion polls, data from the media, as well as views widely spread among the intellectual elite (Кузнецов 2014).

This article attempts to examine the phenomenon of Chinese nationalism in the context of the foreign component of the mass consciousness of the Chinese people, predominately focused on the period between 2000–2010. However, attention is paid to the earlier periods of the 20<sup>th</sup> century during which the observed processes associated with the evolution of Chinese nationalism are noticeable.

So far domestic and foreign sciences have achieved significant results in the study of the problems of nationalism in general and Chinese nationalism in particular.

Sinology in the Russian Federation and other countries has been enriched with scientific works – monographs, articles, doctoral researches – dedicated to the phenomenon of Chinese nationalism. Among these works, the articles of A.A. Moskalyov (1930–2006) are of particular importance (Москалёв 2001a; 2001b; 2001c; 2002; 2005; 2009), whilst coming in close behind are those by authors studying Chinese nationalism as a whole (Goodman & Segal 1996; Unger & Barmé 1996; Safran 1998; He & Guo 2000; Chang 2001; Karl 2002; Guo 2004; Liew & Wang 2004; Leibold 2007; Russell 2013; Zhao 2014), and in the context of foreign policy of the People's Republic of China (PRC) (Xiaoqu 2000; Mirams 2009; Shan 2013).

Y. Zheng, for example, explores the complicated nature of revived nationalism in China and presents the reader with a very different picture to that portrayed in Western readings on Chinese nationalism. He argues that China's new nationalism is a reaction to changes in the country's international circumstances and can be regarded as a 'voice' over the existing unjustified international order. Y. Zheng shows that the present Chinese leadership is pursuing strategies not to isolate China, but to integrate it into the international community. Based on the author's extensive research in China, the book provides a set of provocative arguments against prevailing Western attitudes to and perceptions of China's nationalism (Zheng 1999).

G. Wei and X. Liu argue that Chinese nationalism is a multifaceted concept. At different historical moments and under certain circumstances,

it had different meanings and interacted with other competing motives and interests (Wei & Liu 2001; 2002).

Among these authors, S. Zhao and his monograph *A nation-state by construction: Dynamics of modern Chinese nationalism* is of particular note. This is the first historically comprehensive and up-to-date analysis of the causes, content, and consequences of nationalism in China, an ancient empire that has struggled to construct a modern nation-state and find its place in the modern world (Zhao 2004).

Peter Hays Gries in his monograph *China's new nationalism: Pride, politics, and diplomacy* offers a rare, in-depth look at the nature of China's new nationalism particularly as it involves Sino-American and Sino-Japanese relations (Gries 2004).

S. Shen's monograph *Redefining nationalism in modern China: Sino-American relations and the emergence of Chinese public opinion in the 21<sup>st</sup> century* explores the possibility of whether the contemporary nationalist movement in China, a movement that is non-unitary, segmented and practised by different people for different purposes, could be reshaped and absorbed by neighbouring regions. He selects recent case studies such as the Chinese response to the September 11 attacks in the United States as well as the war in Iraq and includes a detailed discussion on the intellectual battle in China (the Liberals versus the 'New Leftists'). Using a variety of previously untapped sources, including a range of news sources within China itself, weblogs, and interviews with prominent figures, Shen makes a powerful new argument about the causes and consequences of the new Chinese nationalism (Shen 2007).

The specific form of modern Chinese nationalism is linked with the sphere of high technologies: X. Wu, S. Shen and Sh. Breslin examination of the Chinese segment of the Internet (for example, Sina Weibo) is an arena for intense discussions on current issues in contemporary China (Wu 2007; Shen & Breslin 2010).

Christopher W. Hughes examines the problems which will inevitably arise as a result of China's claims on Taiwan, and analyses Taiwan's 'post-nationalist' identity (Hughes 1997; 2006).

Also of interest is Z. Lu's *Sport and nationalism in China*. This book examines the relationships between sport, nationalism, and nation building in China. By exploring the last 150 years of Chinese history, it offers unparalleled depth and breadth of coverage and provides a clear grasp of Chinese sports nationalism from both macro and micro perspectives. Moving on to the era of Communist China (1949–present), the book

scans the whole spectrum of both modern and contemporary Chinese nationalism and interprets the most important issues on the course of China's nation building, explaining why sport is so tightly bound up with nationalism and patriotism, and how sport became an essential part of nationalists', politicians', and educationalists' strategy to revive the Chinese nation (Lu 2014).

Further, of considerable interest are the monographs in which the state of the Chinese public opinion is revealed (Tang 2005; Reilly 2012; Young 2012; Hollihan 2014; Lee 2014). The focus of these research papers is that the state of public opinion in modern China is experiencing a period of significant changes in the socio-economic, political, and cultural areas.

Nationalism refers to the ideology and politics, according to which a nation is treated as the highest form of social cohesion as a harmonious entity with identical fundamental interests of all the components of its social strata.

Nationalism includes not only the idea that a country shares common interests, but that it should and must promote its interests over and against those of other nations.

Nationalism is directly linked to the term 'nation'. It is a widespread concept in science and politics, which represents the totality of the citizens of the state as a political community. The members of the nation are characterized by a general civil identity (e.g., Americans, Chinese, Russians), with a sense of common historical destiny and a common cultural heritage, and in many cases – with a common language or even religion.

Taking into consideration everything that has been said before, Chinese nationalism can be understood as a set of ideological and theoretical guidelines, ideology, and politics, according to which the Chinese nation is treated as the highest form of social cohesion as a harmonious entity with identical fundamental interests of all the components of its social strata, a uniting principle for the cultural unity of China. In fact, this is the form of identification with the nation, with a lot of people who belong to one community that is mostly united with culture, in this case – the Chinese culture.

This research describes the phenomenon of Chinese nationalism in the context of the foreign policy component of the mass consciousness of residents in China including the historical retrospective. For a deeper understanding of the essence of modern Chinese nationalism it was necessary to look at the history of its occurrence.

We studied the history of Chinese nationalism, Chinese nationalism in the 1990s, 2000–2010, and the role of the Communist Part of China (CPC) in the management of processes in the development of Chinese nationalism. Special attention is paid to the concept of the ‘Chinese Dream’ (2012), which is a continuation of the previously formulated idea of “the great renaissance of the Chinese nation.”

## Origins of Chinese Nationalism

The origin of Chinese nationalism as a movement in social and political life belongs to the late period of the Qing Dynasty (1644–1912) in China. In the 19<sup>th</sup> century China was forcibly ‘opened’ by the Western powers, and transformed into a semi-colonial country. The cooperation of the rulers of the Qing Dynasty and the Western powers led to the growth of nationalist sentiment. The ideas of national liberation and national independence in the international arena became widespread in China. Those ideas were relevant, taking into consideration the defeat of the Qing Empire in the First (1840–1842) and the Second (1856–1860) Opium War, as a result of which China signed unequal treaties with the Western powers and partially lost its sovereignty (Wang 2005, pp. 1–2).

Chinese nationalism emerging in the 19<sup>th</sup> century originally had two components – anti-Manchu and anti-Western. These components of Chinese nationalism showed up during major armed uprisings – the Taiping rebellion of 1850–1864 (with a predominance of anti-Manchu element – antimanchzhurizm) and the Boxer Rebellion between 1899–1901 (with a predominance of anti-Western elements – anti-imperialism) (Kuhn 1978).

The defeat of the Qing Empire in the Sino-Japanese War of 1894–1895, which resulted in signing the Treaty of Shimonoseki (April 17, 1895) – a humiliating treaty for China, only strengthened the position of those who advocated the idea of Chinese nationalism (Hsu 1980).

The Xinhai Revolution started in 1911 and resulted in the fall of the Qing Empire and the establishment of the Republic of China. It became the apotheosis of the Chinese nationalist movement (meaning Han nationalism, which sought to create their own nation-state) at the turn of 19<sup>th</sup> and 20<sup>th</sup> centuries. Moreover, it was the main driving force of the revolutionary process that started in China. A great contribution to the development of these processes was made by Sun Yat-sen, as well

as a number of organizations, established with his direct participation ('China Revival Union', among others). The 'Three People's Principles' – a political doctrine developed by Sun Yat-sen – should be considered in the same context. It is a part of political philosophy aimed at making China a free, prosperous and strong state. The three principles entailed: nationalism, democracy, and the people's well-being (Bastid-Bruguiere 1980; Gasster 1980).

After the victory of the Xinhai Revolution, during the 20<sup>th</sup> century, and up until now, Chinese nationalism has gone through several stages of development. In our opinion, before the start of the 1960s, the development of Chinese nationalism was limited to the inner frame, without going beyond the borders of China. In the 1960s and 1970s, as China became a global player in the world arena, their nationalist impulses reached neighboring countries.

Initially, the development of Chinese nationalism was mostly associated with the activities created with the participation of the National Sun Yat-Sen Chinese party – the Kuomintang (KMT). However, the process of putting into practice the idea of the unity of the Chinese nation was delayed for a long period due to the soon started acute internal power struggles in China (the 'era of the warlords', 1916–1928, 'Nanjing Decade', 1928–1937, within which the civil war between the forces of the KMT and the CPC, which lasted with interruptions until 1949 and culminated in the proclamation of the PRC). A powerful factor that caused the increase in Chinese nationalism was the Sino-Japanese War of 1937–1945 (Sheridan 1983; Wilbur 1983; Eastman 1986a; 1986b).

The KMT and the CPC put forward various concepts on the future of the Chinese state. There was a clash of two alternative lines of the development in China, personified by the KMT and the CPC. Each of these parties had its own approach to the national unity of China. The CPC Party has put forward a fundamentally different program for solving the national question in the country. It was based on the recognition of the rights of all non-Han peoples to self-determination up to the secession and the formation of the nation-state, the creation of China's future on the basis of a free union of equal nations.

Since the mid 1950s, China gradually started facing the new tendency manifested in the significant growth of Chinese nationalism, including those aimed at the neighboring countries. The new phenomenon was that Chinese nationalism proliferated into the international arena. The Chinese nationalist waves reached the countries bordering with China.

Between 1959–1965 there were many articles and books published in China with basically idealistic concepts on the Mongol conquest and the personality of Genghis Khan, about the power of the Manchu Qing Dynasty and its representatives – the reign of Emperor Kangxi, about the special role of China in world history, about the eternal revolutionary spirit of the Chinese peasantry, etc. *Rénmín Ribào* wrote: “Dynasty, founded by Genghis Khan, played a progressive role in the history of China [...]. Genghis Khan broke the boundaries between nationalities and restored again the great multinational state, which had not been since the Han and Tang dynasties” (*Rénmín Ribào*, 10.08.1961).

At the same time there was a reassessment of several social movements and the role of individuals in the history of China: the assimilation of small nations, forcibly included at various times in the Chinese empire, became portrayed as a blessing for those nations, the idea of a ‘classics’ aura belonging to all Chinese became popular, the role of China in world history was emphasized, the growing trend towards the coverage of many historical events in the pro-Chinese spirit became explicitly vivid. All those factors strengthened the trends associated with increased Chinese nationalism.

Thus, in the 1960s and 1970s there was another surge of Chinese nationalism. At this time, the viewpoint in the Soviet Union was emerging that it was the period of a temporary transformation of Chinese nationalism into the fundamental concept of public policy. Chinese nationalism received its most concentrated expression in a chauvinist and hegemonic line of Maoism.

In this case, it refers to some of Mao’s ideological installations, in particular, the theory of ‘Three Worlds’, which stated that three political-economic worlds took shape in the field of international relations: The First World – ‘superpowers’ like the Soviet Union and the United States (US), The Second World – allies of the ‘superpowers’, and The Third World – developing Asia, Africa, and Latin America, which during the years of ‘Cold War’ clung to the Non-Aligned Movement. China, as a part of the ‘Third World’, according to the plans of Mao Zedong, was to lead the struggle against the ‘hegemony’ of ‘superpowers’ – American imperialism and the Soviet revisionism (Nakajima 1987).

The PRC leadership tried to approve China as the leader of the countries in Asia, Africa, and Latin America that recently had become independent from colonial rule. China was declared as the outpost, the vanguard of the world revolution. Mao Zedong and his supporters justified

their avant-garde aspirations in the following way: “Wind from the East prevails over the wind from the West” (Мао Цзэдун 1969). Asia, Africa, and Latin America comprised the zone of future revolutionary storms. In those backward peasant areas revolution would develop according to the Chinese pattern. The center of the world revolution had moved further to the East – to China. Beijing was depicted as something akin to a new Mecca for all ‘orthodox’ followers of the line of the Chinese leadership and Mao Zedong – ‘leader’ of the world revolutionary forces.

The involvement of China in the Korean War, Vietnam War, Taiwan crises (first Taiwan Strait crisis of 1954–1955 and the Second Taiwan Strait Crisis of 1958), armed conflict between China and India (1962, 1967), between China and Vietnam (1979) – all provided the opportunity for the external output of Chinese nationalism, which was mainly aimed against the US, Japan, and Taiwan.

Against the backdrop of a serious deterioration in Sino-Soviet relations, the apogee of which was a series of armed conflicts on the Soviet-Chinese border (Damanskii island, March 2–15, 1969; Lake Zhalanashkol, August 13, 1969), trends in external manifestations of Chinese nationalism only intensified. However, in this case it turned out to be aimed against the Soviet Union (Whiting 1987; Robinson 1991).

The weakening trends in the external manifestations of Chinese nationalism became visible only with the end of the period of ‘Cultural Revolution’ in China. In 1978 after Deng Xiaoping’s initiative on the transition to ‘reforms and openness’ policy which meant wide-range reforms undertaken in the PRC in order to upgrade the quality of individual areas of Chinese society under the concept of ‘socialism with Chinese features’, the level of Chinese nationalism in the foreign component of the mass consciousness decreased significantly.

At the same time due to the successes that had been achieved in the modernization of the traditional structures of Chinese society the following trend gradually began to take shape in the world and Chinese public opinion: the foreigners and the Chinese public gradually came to understand that this modern China, which was epitomized by the PRC, of course, played an important role in world politics and economy (Кузнецов 2013).

China’s leadership was trying to consolidate among the citizens the idea of transformation of China into a great power, able to exercise significant influence on the processes in world politics and economy. Using various means of propaganda (including visual agitation), the government

consistently pursued the idea of strengthening the power of the Chinese state and its revival as a great power (Кузнецов 2011; 2012).

The most important idea that PRC leaders sought to convey to citizens of the country was the continuity of the various epochs in the history of Chinese civilization, each contributing their specific contribution to the development of China's greatness.

Particular attention was paid to the modern period in China's history, which began on October 1, 1949. The PRC period, according to the official position, is an essential stage in the progressive development of the Chinese civilization. The progress made since 1949, contributed a lot to the strengthening of the Chinese state. Accordingly, the history of China consists of individual periods which are in some measure successful. Each of these periods is associated with Chinese leaders – Mao Zedong, Deng Xiaoping, Jiang Zemin, Hu Jintao, and Xi Jinping. Already by 1999, when China celebrated the 50<sup>th</sup> anniversary of the PRC's foundation, this idea had penetrated deeply into the mass consciousness of the Chinese people.

## **Chinese Nationalism in the 1990s**

In the 1990s, there was again a fairly significant growth of nationalism in China. The growth of nationalist sentiment in China was conditioned by a number of other reasons and circumstances, both internal and external. Of course, the landmark event was the Tiananmen uprising in 1989. The West's reaction to that event (the subsequent sanctions, etc.) caused a backlash in China as an anti-Western (primarily anti-American) nationalist sentiment. Subsequent events and the general course of Western policy toward China that was perceived by the Chinese government as a 'policy of containment' retained the vector of Chinese nationalism development, directed outwards (Москалёв 2001a).

As A.A. Moskalev underlines, the CPC's position toward emerging wave of nationalism in the country also played its role. The CPC did not directly participate in the public debate on nationalism, but the fact that it did not prohibit this discussion was rather obvious. As pointed out by A.A. Moskalev, nationalism that became the subject of discussion in China, in the 1990s went outside the scope of the official doctrine of the two 'hold-over' nationalisms (i.e., the Great Han nationalism and local nationalism). This is quite different nationalism. This is 'Chinese

nationalism' – nationalism "in all of China", "for the whole nation", i.e., the 'Chinese nation' (Москалёв 2001a).

A characteristic feature of Chinese nationalism was that impulses from it, as was the case previously, in the 1960s and 1970s, began to proliferate out of China. Their main contents were gradually intensifying anti-American views.

A number of serious crises affecting US–China relations strengthened the anti-American component in Chinese public opinion in the 1990s.

The thorniest of them was the Hainan Island incident (April 1, 2001). This incident with US Air Force military spy plane EP-3, which carried out a reconnaissance flight in the immediate vicinity of China's airspace and eventually broke it. The Chinese fighter pursuing the spy plane collided with it, with the Chinese pilot being killed. The intruder was urged to land on the airfield on Hainan Island. The incident led to a serious diplomatic crisis in Sino-US relations. Then the Internet forums were overflowed with angry posts calling to make America pay a 'blood debt' for the martyred Chinese fighter pilot Wang Wei. Combined with the US-related events that took place in the previous decade Chinese anti-Americanism received extra fuel (Brookes 2002, pp. 101–110).

Referring to earlier events, it's necessary to mention a very strong reaction of the US leadership to the tragic events in Tiananmen Square (1989), which led to a large number of casualties among Chinese students.

The US support of Taiwan (especially arms shipments) contributed a lot to the rise of anti-Americanism in China. Periodically emerged Taiwanese crises, the sharpest of which occurred in the years 1995–1996, when the US demonstrated its support for the Taiwan authorities and even dispatched their warships to the conflict area, only intensified the critical attitude of the Chinese people against the United States.

The trend towards the normalization of Sino-US relations emerged in 1997–1998 and culminated in the mutual visits of representatives of the top leadership of China (Jiang Zemin) and the US (William J. Clinton) in 1999 again faced serious problems associated with the incident that occurred during the military operations of NATO against Yugoslavia.

The accidental bombing of the Chinese Embassy building in Belgrade on May 7, 1999, which led to casualties among the Chinese staff (3 dead and 20 wounded), caused a storm of indignation among the Chinese people, contributing to the strengthening of anti-Americanism in Chinese society. Thousands protest demonstrations were held then in front of the US Embassy in Beijing and the US Consulates (in Shanghai,

Guangzhou, Chengdu, Shenyang, etc.) showed a very emotional reaction of the Chinese citizens to the tragedy (Wong & Zheng 1999).

There were other incidents that contributed to the deterioration of the atmosphere of US–China relations and, as a consequence, caused an increase of anti-Americanism among the Chinese people.

The abovementioned events unsealed China's bitter memories of the 19<sup>th</sup> century Western imperialism, when the 'foreign devils' were oppressing and humiliating China, running roughshod over a once-proud people. Echoes of the past humiliations were clearly evident in the stream of popular anti-American editions, published in the late 1990s, with titles such as "Evil Plans of America", "China can not be intimidated" and others. Those and other publications used the 19<sup>th</sup> century term 'guochi' – 'national humiliation' that expressed a fair Chinese resentment against mocking imperialist powers. By the end of the 1990s, the majority of Chinese citizens regarded America as their primary enemy (Baum 2002).

On the other hand, the tragic events of September 11, 2001, have led to a temporary weakening of the anti-American component in the Chinese public opinion. However, soon a critical attitude toward the United States began to grow again in the Chinese society, as a result of steps taken by the US in the international arena (Iraq war, for example) (Mansfield Asian Opinion Poll Database 2006; Lowy Institute China Poll 2009; Pew Global Attitudes Project 2007; 2016a; 2016b).

## Chinese Nationalism in 2000–2010

In the 2000s, there was a new surge of Chinese nationalism. This surge was largely caused by the changing role that China played in world politics and economy.

The social and economic development of China accelerated in the conditions of the 2000s was not even hampered by the global financial and economic crisis that began in 2008. That fact contributed to a widespread conviction in the inevitable transformation of China into the largest world power in the near future. In this regard, M. Leonard, author of *What Does China Think?* said that at present "in almost every global event there is the impact of the Chinese factor." And further: "China's position affects the dynamics of a number of issues [...]. China has ceased to be just a big country, a business partner, or the subject of diplomatic relations. China has started the process of becoming a real factor of world politics [...]" (Leonard 2008).

In addition, the active foreign policy conducted by China in the past decade has received wide response among the Chinese public and the world, and one way or another, it contributes to strengthening trends associated with the surge in Chinese nationalism. The restoration of sovereignty over Hong Kong (1997) and Macao (1999), and their joining China on the rights of the Special Administrative Regions under the principle of 'One country, two systems', only strengthened this trend.

Other factors that, in my opinion, contribute to the growth of Chinese nationalism are: China's achievements and progress in the fields not related to politics and economics.

Among them – the strengthening of China's military power. It is known that at present, China, being a nuclear power, has the largest army in the world and is modernizing its armed forces, creating and acquiring new types of weapons and military equipment.

A successful performance of China's team at the XXIX Olympic Games in Beijing spawned a huge-scale growth of pride among the Chinese population. The fact that the Chinese team won 100 medals (51 gold, 21 silver and 28 bronze), which allowed the Chinese team to take 1<sup>st</sup> place in the team event and thereby outperform its main competitor – the US team, was regarded as evidence of China's significant success.

The development of China's space program should be considered in the same vein.

In my view, all of the above, strengthens the confidence of China's population that now their country is in fact playing an increasingly important role in world politics and economics, affects the growth of nationalism in China, and forms the proper configuration of the Chinese public opinion concerning the place, role and policy of China in modern international relations.

The most important characteristic of Chinese nationalism is a sense of national superiority. In one way or another, it is inherent in many nations of the world – Americans, Russians, as well as other nations, naturally. Nevertheless, it seems that in China this feeling is largely intensified by the changes that relate to the place and role of modern China in world politics and economics.

A kind of 'feeding' for Chinese nationalism comes from the widespread basic values, acting as a foundation of China's foreign policy mentality among the Chinese residents. It seems that at present these basic values actually determine the state of the Chinese public opinion about the place, role and policy of China in modern international relations. In this case,

these are the concepts of China and the outside world – Sinocentrism (中国中心主义) (Ретунских 2006).

Of course, there are no grounds to assert that now the mass consciousness of the Chinese people is fully imbued with the spirit of Sinocentrism. Nevertheless, it would be wrong to ignore the impact of this concept on Chinese public opinion. As pointed out by E.P. Bazhanov, Sinocentrism, conviction in own superiority inherent in the Chinese since ancient times, is not some exception to the general rules of conduct of states in the international system. China, unlike other hegemons (Ancient Rome etc.) ‘indefinitely’ was a hegemon among its neighbors, that is why “Chinese behavior is particularly striking to the researchers, and seems unique” (Бажанов 2007).

In general, China’s foreign policy has historically inherent Sinocentrism, which is characterized by vertical connections in international relations. In modern conditions the Sinocentric tradition may be well fed by China’s great-power ambitions in its resurgence as an influential and independent factor in the international arena. However, in a ‘new world order’ Sinocentrism is characterized by greater economic, than political, influence.

Now China can really be and is becoming the center of the ever dynamic Asia-Pacific Region. In addition, China has a robust geopolitical framework (vast territory with abundant resources and a large population), to play the role of a natural center of attraction for the surrounding countries and peoples, which in addition to East Asian countries include the countries of South and Central Asia.

In recent years, the growing Chinese nationalism has been acquiring a very specific manifestation in anti-American and anti-Japanese sentiment.

At the level of mass consciousness of China’s inhabitants, individual manifestations of Chinese nationalism in relation to the Western countries have been identified. And it was not just about the anti-American component.

For example, in 2008 after the unrest in Tibet and the calls of the French president, Nicolas Sarkozy, to boycott the Summer Olympic Games in Beijing, a wave of anti-French demonstrations spread over China. Among the protest actions – the boycott of the French retail chain Carrefour (Jacobs 2008).

However, during the period of 2000–2010, perhaps most of all the individual manifestations of Chinese nationalism penetrated the mass consciousness of Chinese residents when it came to their attitude towards Japan.

This was followed by the fact that the beginning of the 21<sup>st</sup> century was characterized by a sharp aggravation of relations between China and Japan. This was caused by China's discontent with Japan's position on Taiwan (the Koizumi government for the first time since World War II, openly supported the US position, announcing that it stood against attempts to change the situation in the Taiwan Strait by force); the visits of Japanese Prime Minister Koizumi to the Yasukuni Shinto Shrine, dedicated to "the souls of the heroes who died for Japan". where the remains of Japanese war criminals were buried; publication of a new history textbook that justified Japan's aggressive expansion in 1930–1940; and Japan's desire to be a permanent UN Security Council member. Of equal concern from China were Japan's plans to create their own missile defense system with the assistance of the US.

In 2005, thousands of anti-Japanese protests swept through China, when Japan published a new edition of its history textbooks, which, according to Chinese authorities, insufficiently covered the story of the Japanese invasion of China and partial occupation of the country in 1931–1945. The invasion of the Japanese army was rephrased as an 'entry' into China. The textbooks contain only a cursory mention of the events of 1937, commonly known as the 'Nanjing Massacre', which resulted in 300,000 civilian victims – according to the Chinese side (Selden & Nozaki 2009).

An unprecedented crisis in relations between China and Japan ignited in 2010–2012. In this case about it was caused by the escalation – (in 2010 and 2012) around the Senkaku Islands (Chinese name Diaoyu) the East China Sea – which de facto belong to Japan (Дьячков 2013, pp. 97–101). Two waves of massive anti-Japanese demonstrations involving tens of thousands of people (August 18–19, 2012, and September 15–16, 2012) scattered across China. Turmoils broke out in major Chinese cities characterized by burning Japanese flags, disorders in residential areas where Japanese diplomats lived (including near the building of the Japanese Embassy in Beijing), acts of vandalism, pogroms of Japanese shops and restaurants, the destruction of Japanese-made cars. Thousands of people chanted "Give us back the Diaoyu Islands," "Japan should confess to their crimes," "Smash the Japanese imperialists!" and others. People called for a boycott against Japanese goods. On September 18, 2012, the streets of almost a hundred Chinese cities once again were filled with giant crowds. The aggravation of the conflict coincided with the anniversary of the Mukden incident (September 18, 1931) – the beginning of Japan's aggression against China (Lai 2014).

As a result, the Senkaku archipelago crisis revealed an unprecedented growth of Chinese nationalism, the impulses of which due to the growing role of China in the international arena became tangible in surrounding countries, specifically in Japan.

## **Chinese Nationalism and the Role of the CPC**

So the rise of nationalism in China in recent years has been proven. The nationalistic views are mostly rooted among the representatives of the younger generation. These processes are partially controlled by the Chinese authorities, who are largely interested in the fact that the citizens have a certain ideological orientation and follow it.

In general, we can agree with the opinions expressed by some experts on China. They say that nationalist views have been cultivated by Chinese authorities since the early 1990s. The main reason for such a policy was the fact that the brutally repressed student protest in Tiananmen Square in June 1989 made the Chinese leadership realize that the ideas of Marxism-Leninism had more and more weakening influence on the minds of the younger generation. Subsequent events associated with the collapse of the world socialist system and the collapse of the Soviet Union convinced the country's leadership that Chinese society needed a new idea that would strengthen the legitimacy of the regime based on the undivided rule of the CPC in the national political system. As a result, Chinese nationalism has become a kind of alternative to the conceptions that formerly prevailed in the sphere of ideology.

Thus, Chinese nationalism has filled the ideological vacuum created in China after the start of market reforms. In other words, there was an actual shift from socialism to nationalism. Considering that 'socialism with Chinese characteristics' is increasingly acquiring the features of capitalism, the reference to the ideas of Chinese nationalism, especially to the cultural and national superiority of the Chinese people with their 5,000-year history above other societies, as well as the need to restore the national greatness and repay old humiliations, has become an important mechanism that can strengthen the unity of the Chinese people.

Along with this, an important role is played by another point. As underlined by I.Y. Rozhkov, in order to make citizens not perceive as sharply the many problems they face, the government suggests both nationalistic and idealistic ideas that explain their 'difficult past' and promises a 'bright

future'. It can be briefly stated as follows: "Before the revolution in 1949 China had undergone humiliation from the capitalist powers (for example – the 'Opium Wars'). The country suffered much from the semi-colonial state of fragmentation. The multi-party system of the KMT was not acceptable for the country under such circumstances. Only the will and wisdom of the Communist Party of China and Mao Zedong liberated and united the country, 'raised it from its knees.' The purpose of the reforms proclaimed by Deng Xiaoping – to return China the greatness and power, which it had possessed for ages" (Рождков 2006, pp. 26–27).

As a result, by the reference to the ideas of Chinese nationalism, the Chinese government may try to use them to deflect public anger, switching it to 'foreign enemies' while there are growing economic and social problems which cause instability in Chinese society.

The national spirit in China is also reinforced through the mass media. For example, there are various articles in the local press that serve to strengthen the national identity of the people. This, for example, refers to *Rénmín Ribào*, where such articles repeatedly appear: "The eyes of the world glued to the Chinese way" (September 25, 2009), "On the way to greatness China is not afraid of difficulties" (October 4, 2012), "Great historical relay race" (January 16, 2013), and others.

The article "Does China have the will to greatness?" that was published on June 26, 2004, in *China Daily*, drew readers' attention to the fact that "the desire to acquire the status of a great world power can succeed only if China has the strong determination to do so." "A country the size of China – the third largest state in the world – is simply obliged to become a great world power, whether it wants to or not" (Lau Guan Kim 2004).

Chinese leaders have given a positive assessment of the raising national consciousness, as it helps to strengthen the internal order in the country, promotes social cohesion, and intensifies political life.

## **Chinese Nationalism and the Concept of 'the Chinese Dream'**

The growth of nationalism in China has become the foundation for the concept of 'the Chinese Dream' (中国梦 simplified Chinese; 中國夢 traditional Chinese; Zhōngguó mèng in pinyin), which is essentially a continuation of the previously formulated idea of "the great revival of the Chinese nation" (Гельбрас 2003, pp. 80–90).

The ideas that appeared within the concept of 'the Chinese Dream' are spreading rapidly both on the level of individual and mass consciousness. Moreover, they are turning into a key direction of social thought in modern China (Кузнецов 2013, pp. 185–252).

The concept of 'the Chinese Dream' is a continuation of the previously formulated idea of 'the great revival of China'. After ripening for quite a long period of time, the concept of 'the Chinese Dream' formed only in the 21<sup>st</sup> century. Colossal changes in terms of the place of China in the world and outstanding economic growth have boosted the formulation of the concept of 'the Chinese Dream'.

The concept of 'the Chinese Dream' was initially coined up by Xi Jinping in November 2012, two weeks after the completion of the 28<sup>th</sup> Congress of the CPC, when he and other representatives of the Chinese leadership visited the exhibition "By the road of revival" (Fuxing zhi lu) at the National Museum of Chinese History. The exposition was devoted to the period of China's struggle to achieve national sovereignty and independence (1840–1949) and the subsequent development of the country. Xi Jinping urged "to implement the Chinese dream of a great national revival" and used the term 'revival' for the first time in the modern political context (Газета ЖЭНЬМИНЬ жибао он-лайн 2012).

The two dates have been set as the key milestones in achieving 'the Chinese Dream' ideals: 2021 – the 100<sup>th</sup> anniversary of the CPC, and in 2049 – the 100<sup>th</sup> anniversary of the founding of the PRC. The first date presupposes the creation of the society with medium income, the second – the creation of a rich, strong, and culturally developed socialist country, based on the principles of democracy, harmony and modernization (Кондрашова 2014).

Xi Jinping's broad interpretation of 'the Chinese Dream' includes 'rich and strong country', 'national raise', and 'happiness of the people' ("Си Цзиньпин о «китайской мечте»" 2013).

The important peculiarity of 'the Chinese Dream' is that it is based on conceptually fundamental principles. Firstly, 'the Chinese Dream' concept insets into the concept of 'Socialism with Chinese characteristics' which is based on the ideas formulated by Deng Xiaoping, as well as the ideas formulated by Jiang Zeming (three represents), and Hu Jingtao (scientific concept of development).

The concept of 'the Chinese Dream' can be seen in the context of individual aspirations of each individual resident of China, which is very well correlated with the set goals and objectives focused on improving the

welfare of the Chinese people. For the majority of Chinese people ‘the Chinese dream’ is something each individual Chinese is trying to achieve (Китайский информационный Интернет-центр 2013).

In order to promote the concept of ‘the Chinese Dream’ among people from every walk of life, the Chinese leadership is taking various steps. The most important of them relate to the propaganda of the separate elements that the concept comprises.

The Chinese leadership is translating ‘the Chinese Dream’ to the outside world, i.e. is explaining to the world the essence and content of the concept of ‘the Chinese Dream’, revealing its individual components and drawing attention to the fact that “the dream of the great revival of the Chinese nation” does not pose a threat to the world.

The concept of ‘the Chinese Dream’ received its official recognition during the 1<sup>st</sup> session of the National People’s Congress (NPC) and the 11<sup>th</sup> convocation of the National Committee of the Chinese People’s Political Consultative Council (CPPCC) (March 3–17, 2013) (XVIII Всекитайский съезд КПК. Китайская мечта и мир 2013).

The new head of the Chinese state, Xi Jinping, outlined the priority objectives for country development in the coming years. The main content of his speech was the thesis of the implementation of the concept of ‘China dream’, which was positioned as a national idea of Chinese society in the future (Си Цзиньпин 2013).

Speaking about ‘the Chinese Dream’ and referring to the national feelings of the Chinese people, Xi Jinping primarily meant the process of further strengthening of the Chinese state, its progressive socio-economic and political development, and the growth of the welfare of the Chinese nation (Си Цзиньпин 2014).

The emergence of ‘the Chinese Dream’ concept has led to its multiple interpretations in a broader context. As pointed out by S.G. Luzianin, “the problem for Beijing is that there are many alternative readings and interpretations of the ‘dream’ overseas today which not always add advantages to a carefully created positive image of China. One of the versions popular in the West now is the ‘historical version’ which hypothetically can collide the West with China in the further implementation of the new doctrine” (Лузянин 2013; 2014).

The Chinese position in this concept is about the “national humiliation of the Chinese people” when, since 1840, after unleashing the ‘Opium Wars’ and imposing ‘unfair contract’ for an extended period (up to 1949), the West would not allow China to realize the idea of national revival. As a result, the

'China Dream' in its historical part wittingly or unwittingly ignites some resentment among the Chinese, urging them to decisive actions, the aim of which should be the revival of Chinese power, and this in turn can have a negative impact on the states surrounding China, for bilateral relations, and likely for the Russian-Chinese relations (Лукин 2011).

In this regard, there have been growing concerns about the emergence of conflicts in the Asia-Pacific region, where China will be an active participant (Throop 2013).

## Conclusion

Of course, the role of nationalism in Chinese history can be evaluated as significant. Throughout the 20<sup>th</sup> century the ideas of nationalism were a powerful source of mobilization in Chinese society. It is due to the strengthening of Chinese nationalism that the country and its inhabitants were able to overcome the legacy of the era of imperialism, strengthen the national independence and national sovereignty, create a powerful state, which is now rightly one of the world leaders in terms of politics and economy.

However, the 'new Chinese nationalism' that has been developing in the last decade is significantly different from the 'old Chinese nationalism'. Unlike the latter, it is mainly the result of a rapidly strengthening of China's power in recent years.

On the other hand, the 'new Chinese nationalism' similar to the 'old Chinese nationalism' is fueled by still continuing people's memories of the period when China was subjected to humiliation. Thus, as a result of sociological research among students, university graduates and others conducted in the Chinese city of Ningbo, scientists came to the following conclusion: "The growing Chinese nationalism is a populist, mass movement, rather than a product of the official policy. Its sources are partially concealed in the memory of the humiliation of the colonial era, and partially in the new self-confidence because of the growth of Chinese economic power. The most obvious manifestation of growing nationalism can be seen in the spontaneous and genuine public outrage that accompanies China's conflicts in the international arena" (Тавровский 2013; 2015).

In modern conditions the positive effect from the Chinese nationalism stems from the fact that at critical moments, thanks to its powerful force it can help in strengthening the unity of the country, resulting in readiness

to effectively respond to emerging challenges, such as was the case with the Sichuan earthquake in 2008.

However, there is a risk that the development of Chinese nationalism, the edge of which is pointed at the Western countries, especially the US and Japan (for example, in China, Russia is not mentioned at all or called among the potential allies in the struggle with the West) can get out of control. As a result, Chinese nationalism will become a destructive factor that could destabilize the situation in China and abroad, aggravate relations with the surrounding countries (especially with those China has unresolved territorial issues) and thus have a negative impact on regional security. In the most negative scenario nationalism can obtain a militant character, pushing China to pursue a rigid foreign policy in the international arena, and even (in case the majority of Chinese population will be dissatisfied with the promotion of China's interests in the world), channelize its power against the national government. For example, Sina Weibo has become a platform to cast doubt on China's government policy in the international arena. This is illustrated by the people's reaction to the official Chinese position regarding the most acute international problems of today. The polls conducted on Sina Weibo, showed that the majority of netizens are skeptical of the low-key Chinese policy in the Syrian issue (Parello-Plesner 2012).

Therefore, it seems that the Chinese leadership must approach this issue with great responsibility. Currently, through the support of China's national pride, civic nationalism, and fight with ethnic nationalism, the country's government in general tries not to cross the 'red line' beyond which it can face uncontrolled and destructive processes. It is important that this course will be followed in the future.

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# **Womenomics: The Assumptions and Effects of Abenomics' Third Arrow**

## **Abstract**

In 2012, after being sworn in as the Prime Minister of Japan for the second time, Shinzō Abe introduced his plan of reviving the Japanese economy. This set of reforms, named Abenomics after the PM's name, was designed to secure the state's position within the region. This agenda consists of the three so-called 'arrows' that concern the changes in the fiscal policy, monetary policy, and fundamental structural changes. One of the key concepts of the third arrow is Womenomics, which concentrates on persuading Japanese women to act more actively on the job market and seek opportunities to advance their careers. Despite being one of the most developed countries in the world, the gender gap is apparent with regards to the workforce and it does have a significant impact on the state of the Japanese economy.

The purpose of this article is to present the assumptions of the Womenomics concept and to determine how it is being applied by the current Japanese government. This analysis will then focus on estimating the already perceptible effects of introducing Womenomics with regards to two aspects. Firstly, the study will evaluate the consequences for the Japanese economy through applying the statistical data in quantitative research. Secondly, it will also contain references to the social level as this model poses a series of evident challenges to the traditional concept of the role of women in Japanese society.

**Key words:** Japanese economy, abenomics, womenomics, Japanese job market.

## Introduction

Japan represents one of the largest economic successes after World War II. This success has been accomplished because of several factors, such as: close cooperation between government and private companies, relatively small expenses regarding the military as well as Japanese people whose work ethic and a sense of duty toward rebuilding their country remained at a high level. Those determinants led to Japan's impressive economic growth of 10% in the 1960s, 5% in the 1970s, and 4% in the 1980s (The World Factbook 2016).

Despite the fact that from the beginning of the 1990s, the country's economy has stalled significantly, has gone through recession four times since the global financial crisis in 2008 and bore severe consequences of the 2011 earthquake, Japan remains the fourth largest economy in the world after the United States (US), China, and India, according to the purchasing power parity indicator (The World Factbook 2016). Therefore, it continues to be at the centre of focus and interest of the global and regional economic institutions as well as neighbouring states.

However, even though Japan accounts for one of the most developed countries, the situation of its women remains surprising, if not troubling, due to their low representation not only on the job market but also in leadership positions both in the public and private domains. Within career-track hires, Japanese women still occupy 20% of those positions, partially due to the gender norms picturing women as primarily responsible for childcare and housework (Brinton & Mun 2016). The current government of Japan under Prime Minister (PM) Shinzō Abe, after winning the general election in 2012 with the Liberal Democratic Party (LDP), took this issue under consideration and linked it to Japan's economic revitalisation plan (Abe 2014), drawing attention to the idea of 'womenomics', which was coined by analysts at Goldman Sachs in 1999 (Matsui et al. 2005).

The article's main focus is to characterise the Japanese government's plan of increasing female participation on the job market in order to support the state's economic growth as well as estimate the changes made so far concerning this issue. It will be argued that 'womenomics' should be perceived not only in the narrow economic sense but also be promoted as one of the key components of societal change in Japan. Therefore, it will also be stated that PM Abe's plan regarding women should also target traditional male roles and positions within the Japanese population.

The article has been divided into three main parts. The first one is concerning Japan's demographic and economic situation to which 'Abenomics' – Japan's plan of economic revitalisation and its so-called 'Three Arrows' is a response to. The second part is focusing on specific programs and reforms whose primary goal is to increase women's role in securing Japan's economic growth. The last section is concerning key challenges to 'womenomics' success both in the public as well as private domains.

The issue of PM Abe's government plan concerning the advancement of the female position on the job market is yet to be assessed, as its implementation only began in 2013. Nevertheless, there have been several attempts made by scholars to analyse this matter, either through linking it to the demographic trends in Japan (Coleman 2016) or to established business practices, such as 'tenkin' (moving for job) (Fujita 2016). This article, while also looking at those aspects, draws additional attention to the government's attempts of influencing the private sector. Hence, a number of government initiatives aimed to encourage private companies to increase the female representations within its structures will be considered.

With regards to the sources, the main ones are the extensive plans of economic revitalisation published by the Japanese government, such as *Japan is Back* from 2013 and *Japan's challenge for the future* from 2014. The arguments will also be supported by public speeches made by PM Abe and other members of the government, reports issued by the private sector as well as public opinion polls and a variety of academic sources emphasizing both the economic and societal aspects of structural reforms in Japan.

## Why does Japan need Abenomics?

As most developed countries, Japan also suffers from an aging and declining population. However, this occurs faster than in other states, causing severe shrinkages in the labour force. The tables below represent those trends in Japanese society. The first table illustrates the overall population including the forecast until year 2020. Comparing the number for 2015 and 2020 it can be seen that the number of inhabitants is projected to decrease by around 2.5 million within this relatively short period of time, which naturally will cause further difficulties for the internal job market with regards to avoiding labour shortages in key sectors for upcoming years such as infrastructure or shipbuilding

**Table 1.** The overall population of Japan including forecast until 2020

Year	Number of inhabitants (millions)
2013	127,296
2014	126,848
2015	126,597
2016	126,193
2017	125,738
2018	125,236
2019	124,688
2020	124,099

Source: Organisation for Economic Co-operation and Development Statistics 2016.

The situation regarding the population in working age is also troubling. As seen in Table 2 below, the number of people above the age of 65 is increasing significantly whereas the numbers for the groups both in the working age and young people up 14 years of age continues to shrink. This means that the growing sum of retired and elderly people will gradually cause a larger burden on the national budget due to social benefits and care. As it was already pointed out by the analysts from Goldman Sachs in 2005 (Matsui et al. 2015, p. 2), Japan would only have two people working for each retiree within the next 30 years and this was projected to worsen further in the long-term forecast since by 2050 there would be three workers for every two retirees.

**Table 2.** The percentage of people in different age groups in Japan relative to the entire country's population

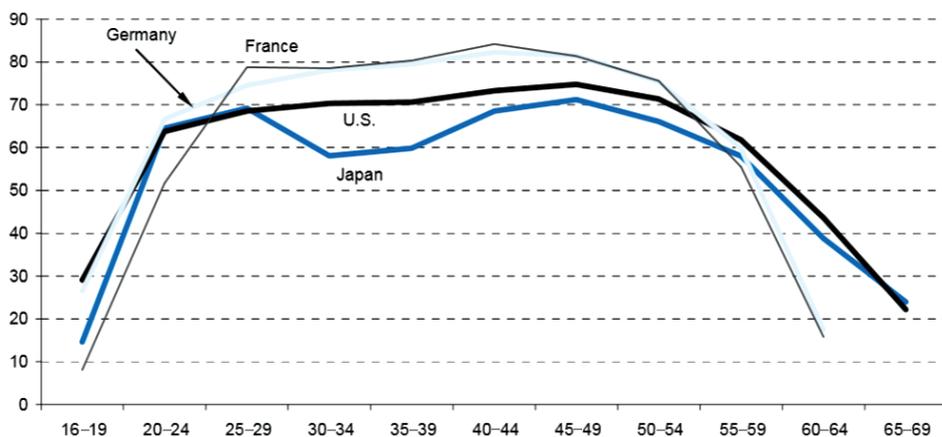
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
People below 15 years old (%)	14	13.9	13.8	13.6	13.5	13.5	13.3	13.1	13.1	13	12.9
People between 15–64 years old (%)	66.9	66.6	66.1	65.5	65	64.5	63.9	63.8	63.6	62.9	62.1
People above 65 years old (%)	19	19.5	20.2	20.8	21.5	22.1	22.7	23	23.3	24.1	25.1

Source: Organisation for Economic Co-operation and Development Statistics 2016.

Obstacles to Japan's economic growth arise not only from the aging population and decreasing labour force. The situation of women in the working age also seems to impede it due to their low participation on the job market. It is also particularly concerning in comparison with other developed states.

Japan represents the trend called the 'M-curve' which refers to the number of working women in the working age. As seen on the graph below, this is rather unique for developed states.

The labour participation is significantly higher in the United States (US), Germany and France compared to Japan where women between age of 30–40 decide not to return to work after having a child and raise it. This occurs due to a variety of reasons which will be analysed in detail in the following sections.



**Graph 1.** Japan's 'M-curve'. Comparison of female labour participation rates by age groups (%)

Source: Matsui et al. 2005, p. 6.

Further issues with female participation in Japanese workforce, prior to the announcement of 'Abenomics', have repeatedly been highlighted by *The Global Gender Gap Report* (2015) published yearly by World Economic Forum, which is based on three concepts. Firstly, it focuses on resources and access to opportunities within listed countries rather than actual levels of such resources in those states which means that the emphasis is not being put on the development level. Secondly, the aim is to provide a comparison between men and women with regards to

certain basic rights such as education, health, political empowerment, or economic participation. Lastly, the Index ranks states according to gender equality and notwomen empowerment. In a report from 2012, Japan was ranked 101<sup>st</sup> out of 135 countries. As for the comparison, France was ranked 57<sup>th</sup>, Germany 13<sup>th</sup>, and the US 22<sup>nd</sup> (Hausmann, Tyson & Zahidi 2012). The main concerns for Japan that can be drawn from this report concentrate on subsections regarding economic participation and opportunity as well as particularly political empowerment. With reference to the first one, Japan needs to improve the number of women in positions of legislators, senior officials, and managers as the male-female ratio is only 10:1. As for political empowerment, the number of women both in parliament and in ministerial positions was at a low level. Respectively the data for 2012 show 11% of women participation in parliament and 12% for ministerial positions (Hausmann, Tyson & Zahidi 2012, p. 216).

All those unfavourable indicators as well as other domestic factors linked to social care and immigration issues, which will be mentioned in the next sections, induced the increasing need for the government to address Japanese female participation in the workforce. As a result, after the LDP won the election in 2012, the new government under PM Abe started to widely promote the idea of 'womenomics' (Abe 2013) included it into the 'Abenomics' agenda and encouraged women to act more actively on the job market and seek for opportunities to advance their careers. He also promised to spend more than 3 billion dollars between 2013–2016 for the purpose of female empowerment, also beyond Japan (Abe 2013).

'Abenomics' refers to the complex of reforms that have been proposed and implemented since 2012 under PM Abe's government. It consists of the so-called 'three arrows': (1) changes in fiscal policy, (2) monetary policy's regime change, and (3) structural reforms (Hausman & Wieland 2014, pp. 2–3). 'Womenomics' has been announced as a key component of 'Abenomics'' third pillar and Japanese women became the country's most 'underutilised resource' (Chanlett-Avery & Nelson 2014, p. 4). However, the third arrow does not only concern women as such but also includes a wide range of improvements and changes relating to private companies, social care, and immigration policies that are also linked to the concept of 'womenomics'. Therefore, the last part of PM Abe's plan constitutes not only more of 'a thousand darts' rather than a single arrow but also is the most complicated and demanding to achieve as it challenges the entire well-established system, deeply embedded in Japanese tradition and culture (Patrick 2014, p. 4).

## **'Womenomics' as a fundamental aspect of the 'Third Arrow'**

The idea of 'womenomics' that is now being implemented and widely promoted by the current government of Japan is not a concept that only appeared as a part of national economy plan after 2012. It was first presented as a whole concept and described in detail in 1999 by Kathy Matsui, Goldman Sachs's (GS) strategist in Japan in 1999 (Chanlett-Avery & Nelson 2014, p. 2). Since then the analysts team at GS have been working on it further and published similar reports in 2005, 2010 and 2014. The analyses presented in those documents focus on several aspects of increasing female participation in the workforce, such as: comparisons with other developed countries as well as examples of women-oriented policies implemented overseas, estimates of potential GDP growth, as well as reforms proposals that should be considered by the Japanese government in order to boost women presence on the job market.

With regards to the correlation between GDP and 'womenomics', analysts from GS evaluate that closing the gap between employed men and women could have a highly positive impact on a country's economic growth indicators. As for 2013, the female's employment rate was 62.5% compared to 80.6% for males. If that difference could be eliminated and Japanese working population increased by around 7 million women then Japan's GDP could increase by 12.5% (Matsui et al. 2014, p. 5).

Such an optimistic vision was intercepted by PM Abe. In his speech at Davos Economic Forum in 2014 he recalled a conversation with Hillary Clinton who, while encouraging him to advance the women agenda, also suggested that Japan's GDP could grow by 16% if the employment rates between men and women were at the same level (Abe 2014).

After the LDP won the general election in December 2012, the newly-formed government started launching initiatives and publishing agendas for implementing 'Abenomics'. The complex program of economic revitalisation entitled *Japan is Back* was published in June 2013. The document contains several notions regarding Japanese working women and includes several proposals of how to advance their participation on the job market.

The report points out that the employment and education systems in Japan, which have been constructed after the Second World War, are no longer suitable for recent times and that they have become one of the obstacles for women's potential to be fully applied. The rhetoric concerning Japanese

women is clear and unambiguous as they are perceived as the country's 'greatest potential' and increasing their participation within the workforce is a key aspect of securing and supporting future growth. In order to secure the future growth of Japan, the government pledged to "raise the women's labour participation rate to the world's highest level by providing childcare arrangements and other services so that working couples can raise their children with a sense of security and by supporting women's return to the workplace following their childcare leave as well as promoting the proactive recruitment of women" (Japan is Back 2013, p. 44).

The document also contains specific targets that the government under PM Abe would aim to achieve on the 'womenomics' matter. First and foremost, the employment of women between age 25–44 is to increase up to 73% by 2020 (during the time of report publication in 2013, female employment at the age group between 25–44 was at 68%) (Japan is Back 2013, p. 44). To support the return of women to work after having a child, the government also introduced the so-called 'zero waiting policy' which refers to childcare waiting lists. So far, one of the arguments against implementing the idea of 'womenomics' was the lack of childcare institutions. PM Abe's plan outlined in the report mentions creating 400,000 places in childcare institutions by the end of 2017 (Japan is Back 2013, p. 46).

The next crucial arrangements supporting increasing women's participation in the workforce involve private sectors. The government aims not only to urge companies to employ more women, especially in managerial positions but also wants to actively support units that promote women's participation themselves. In order to achieve this goal, a variety of initiatives have been launched. Since 2013, Japanese Ministry of Economy, Trade and Industry (METI) has promoted two policy programs: Diversity Management Selection 100 and the Nadeshiko Brand (Song 2015, p. 121). The first program was created to honour the employers, large as well as small and medium-sized enterprises, that voluntarily implement the idea of a diverse working environment and improve their productivity by employing women, overseas workers, people with disabilities, and the elderly (Ministry of Economy, Trade and Industry 2016). Despite the fact that the program was designed to award corporations that have been the most successful in introducing diversity in human resource management, the main emphasis has been put on women in particular and advancing their positions within the companies. Such a conclusion can be drawn from looking at the lists of rewarded companies published by METI, particularly the column entitled

“Key points that examiners looked for when selecting the winners” where the majority of comments refers to female employment (Forty Six Winners of the FY2013 Diversity Management Selection 100 Project 2013; Fifty-Two Winners of the FY2014 Diversity Management Selection 100 Project 2015; New Diversity Management Selection 100 in FY2015, 2016). Since its initiation, Diversity Management Selection 100 has rewarded 132 companies: 46 in fiscal year (FY) 2013, 52 in FY2014, and 34 in FY2015.

The second initiative, the Nadeshiko Brand, also seeks to distinguish corporations that increase their female employment rate and that are listed on the Tokyo Stock Exchange. The difference between Diversity Management Selection 100 and the Nadeshiko Brand is that in the first initiative the companies send their application materials in order to participate. In the second one, the program chooses corporations themselves (Song 2015, p. 123). It was introduced in FY 2012 and has been continued since then. Through the Nadeshiko Brand, METI seeks to list enterprises “that are outstanding in terms of encouraging the empowerment of women in the workplace as attractive securities investment opportunities to investors who put emphasis on improving corporate value in the mid- and long-term, in an aim to promote investment in such enterprises and accelerate efforts encouraging women’s success in the workplace” (Ministry of Economy, Trade and Industry 2016).

Another issue that has been raised in the *Japan is Back* plan (2013) targets the country’s working system as a whole. Hence, it has been underlined that changes in working environment are essential in order to match it to the lifestyle of women. This is particularly concerning nonflexible working hours and parental leave. The government aims to reform the system so that both parents could take a childcare leave should they wish for it or select short-time working hours until the parents’ child reaches the age of three. What is more, not only will the adjustable hours of work be gradually implemented but also flexible ways of working such as telework. Last but not least, the report also seeks to undertake a series of steps in order to ensure the re-learning and internship programs for women who wish to return to work after having a child (Japan is Back 2013, p. 45).

After introducing the complex plan of economic revitalisation in 2013, the government took a year to evaluate and correct it in order to adapt to changing circumstances more accurately. Hence, the second report entitled *Japan’s challenge for the future* was published (2014) that also concerns matters closely related to ‘womenomics’.

The second revitalisation strategy confirms, to a large extent, what has been stated in the first report. However, there are several factors that are either new or that have been emphasised more strongly after reviewing the first document.

With regards to childcare and its link to 'womenomics', the most crucial problem is concerning the so-called '1<sup>st</sup> Grade Barrier' which is concerning the problem of children's entrance to elementary schools. Furthermore, the issue of reviewing tax and social security system so that they can be neutral to how women decide to work, as well as the spouse allowance, are equally essential in increasing women's participation in the workforce (Japan's challenge for the future 2014, pp. 9–10).

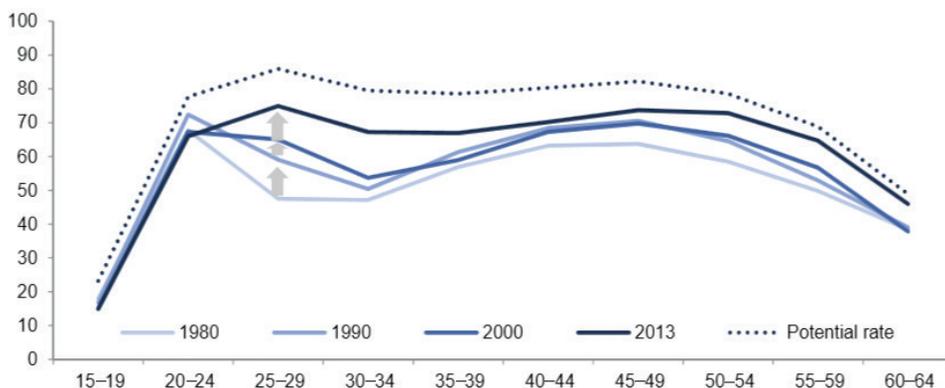
Close cooperation with the private sector is also being widely advertised. The government encourages enterprises to disclose information regarding women's recruitment and provide the number of women in the company who occupy the executive and management positions. With this policy, a specific target has been compiled. By 2020, 30% of leadership positions are to be held by women. The percentage rate of women occupying executive and managerial positions in Japan is still very low, although this number has been slightly increasing recently. According to the data provided by the Japanese government, in 2012, the proportion of women in leadership was at the level of 6.9% whereas in 2013 it rose to 7.5%. Nevertheless, it is worth mentioning that compared to other developed countries, the numbers for Japan are rather unfavourable. Compared with the US, where the percentage of women in managerial, legislator, and senior official positions was 43% in 2013, Japan's result is particularly low since it was only 9% (Chanlett-Avery & Nelson 2014, p. 2).

The next factor being perceived as an opportunity to increase women's participation in labour force, that has been broadly highlighted in revised growth strategy, is linked to migration. The report mentions that it will be willing to accelerate accepting foreign housekeeping support that would allow Japanese women to return to work. To enforce that plan, the government considered including foreign care workers and housekeepers into the National Strategic Special Zones on a trial basis that is to be managed by local authorities (Matsui et al. 2014, p. 7).

PM Abe's plans regarding 'womenomics' are a vital part of 'Abenomics' and can be summarised in several targets highlighted in both revitalisation strategies. Those goals include: increasing female representation in leadership, activating particularly women between age 24–44 on the job market; securing the return to work for women after their first child, raising

that number from 38% in 2010 to 55% by 2020, implement 'zero waiting' policy regarding childcare; and encouraging fathers to take paternity leave (Matsui et al. 2014, p. 7).

Since 'womenomics' has started to be widely promoted under the current government, some positive outcomes can be observed. In 2013 the female participation in the labour force reached 62.5% which is the highest result so far achieved. Consequently the 'M-curve' has been slowly decreasing, as presented on the graph below.



**Graph 2.** The evolution of Japan's 'M-curve'. Female employee rate by age (%)

Source: Matsui et al. 2014, p. 9.

However, despite several favourable numbers regarding 'womenomics' and complex reforms that are under debate and implementation, many obstacles, that still need to be addressed, remain. Key challenges to success of those amendments don't seem to be concerning only purely economic issues but also or, arguably, primarily, major transformations in social system.

## Key challenges to 'womenomics' success

'Abenomics' was already confronted with a traditional perception of women in Japan, as those being responsible primarily for childcare and household. As a result, certain figures from the original government plans, e.g. those regarding targets for women occupying leadership positions, have been changed. For the national bureaucracy sector the target high-position employment has been lowered from 30% to only 7%. The target for

private companies has also been lowered, though to 15% (Rafferty 2015). What is more, it seemed to encounter a firm resistance towards the proposed changes in the private sector. The problem of target female employees was especially concerning. Some companies, while preparing their voluntary action plans on the improvement on female employment, aimed to eliminate the numerical target introduced by the government. Many companies also argued that the plans regarding the increase of the female employment should not be unified but rather based on individual enterprises' circumstances (Song 2015, p. 126).

The companies' rather sceptical reception of the government's agenda is also closely linked to Japan's entire working and social system which relies, to a greater extent, on regular male employees that, in turn, arises from hierarchy and the culture of 'salarymen' (Macnaughtan 2015a). The male breadwinner model, which relies on men being responsible for productive roles within the society, still characterises the Japanese working environment (Macnaughtan 2015b). However, the lack of flexibility and long working hours led to a situation of men participating in parenthood to a radically lower degree and at the same time, being more often employed on a regular basis. The study conducted by Helen Macnaughtan (2015b) shows that, while regular employment for women is only at the level of almost 42%, the same type of employment for men is significantly higher and oscillates around 75%. Regular employment is still oriented more towards men than women who, due to a number of reasons, mostly the possibility of having and raising a child, often can only find non-regular employment. This is closely related to the argument raised by some scholars that if the idea of 'womenomics' is to be successfully implemented, it also needs include men. Such arguments are particularly concerning the issue of enhancing men to take parental leave, for companies to consider more flexibility, reform of the spousal income tax, and expanding social security insurance to non-regular workers (Miyamoto 2016).

Another challenge for the success of 'womenomics' is containing the social troubling phenomenon of 'matahara' which refers to the maternity harassment at work and discriminating pregnant women. This issue is now being broadly debated in Japan and it also seems to fuel civil society initiatives such as Matahara Net, a non-profit organisation established by Sayaka Osakabe who was a victim of 'matahara' herself. It also sparked the need for a discussion of securing women's maternity laws and may be perceived as a catalyst of a broader social shift within the Japanese society (Stewart 2015).

The most recent report issued by Goldman Sachs (Matsui et al. 2014) also includes a set of recommendations for a better adaptation of 'womenomics'. Among the proposals concerning the government and business sector, the ones referring to society seem to be crucial in order to achieve a long-term change. The GS report emphasises particularly the issue of Japanese men not being involved in child upbringing due to extensive working hours as well as the gap between Japanese women receiving high education and yet not being able to promote female scholars and researchers. As authors of the report indicate, the developments should include gender equality, but also acting against certain myths that may be halting women from returning to work or entering the job market. The arguments, that do not seem to have reference in reality contain opinions such as those that: (1) women quit work because of factors such as giving birth to a child or taking care of the elderly, (2) women do not wish to return to work after having a child, (3) activating women on the job market will automatically cause the reduction of jobs for men, and (4) the more women work, the lower the birth-rate will be (Matsui et al. 2014, pp. 24–25). The research shows, that the primary reason for women leaving their workplace is their dissatisfaction with it. Next, public opinion surveys show that the desire of Japanese women to return to work after childbirth is similar to other developed states such as Germany or the US. The apparent difference appears when it comes to measuring how many women were able to actually find employment as the percentage rate is much higher for Germany or the US than for Japan. The desire for Japanese women to return to work after giving birth to a child is estimated at 77% (89% for the US and 78% for Germany). However, only 43% of women in Japan were able to find employment in those circumstances against 73% in the US and 68% in Germany (Matsui et al. 2014, p. 26). Therefore, it also seems to refer to the problem of the lack of flexibility within companies in Japan rather than one with Japanese women's willingness to work.

## Conclusion

'Abenomics' is a fresh idea of securing Japan's position within the regional and global system, which 'womenomics' is a crucial part of. It is difficult to estimate its results yet, considering the narrow timeline of implementation that only began with the publication of the Revitalisation

Strategy in June 2013 and was then reevaluated a year later with a revised document. The government seems to respond to the dynamic changes within the global economic system and introduced a variety of programs enhancing the increase of participation of Japanese women within the workforce. The first positive results can also be observed, especially in the area of migration and childcare facilities. Nevertheless, while being deeply focused on the potential numbers that 'womenomics's' success could bring into the Japanese economy, the LDP's politicians seem to omit or forget about much more complicated and time-challenging issues. As long as the whole traditional social system, where women are being perceived first and foremost as mothers and men as those responsible for making money, is not transformed, the favourable outcome of 'Abenomics's' third arrow can only be limited.

This article has drawn attention to two main aspects of 'womenomics'. The focus of the government, targeting the business sector, resulted in introducing initiatives, such as Nadeshiko Brand and Diversity Management Selection 100. Those programs aim to influence private enterprises and encourage greater representation of women within the companies. Hence, it provides a starting point to advancing the female's position on the job market. Nevertheless, such programs do not seem to be sufficient, as the other aspect of the article highlights challenges to success of the 'womenomics'. Taking them into account, it has been argued that the government's actions should be concentrated more on launching initiatives that will be focused on Japanese society itself. Clearly, some dangerous occurrences like 'matahara' demand some nation-wide social programs in order to change women's position in Japan. Although such initiatives and actions may not and will not change the system rapidly, they may have a significant impact on the transformation of Japanese people in the long term.

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## **Failed Attempts at Sino-Japanese Security Cooperation<sup>1</sup>**

### **Abstract**

The aim of this chapter is to analyze the reasons of failure in establishing a stable framework for Sino-Japanese security cooperation after the end of Cold War. Since the 1990s both countries have tried many times to strengthen mutual trust, institutionalize military exchange or create a telephone hotline for emergency situations, but so far these efforts have remained futile. While in 2006–2010 it seemed that China and Japan started overcoming mutual prejudices, the situation deteriorated after the two East China Sea incidents in 2010 and 2012. The article argues that both countries have been unable to develop a full-fledged cooperation in the security field due to history problems, contrasting visions of regional security system, territorial disputes, and rivalry for leadership in East Asia.

**Key words:** Sino-Japanese relations, security policy, foreign policy.

### **Introduction**

After the “Nixon shock” in 1971 and normalization of Sino-Japanese official diplomatic contacts in 1972, Japan managed to establish a mutually beneficial relationship with the People’s Republic of China (PRC). While bilateral relations focused mainly on the economic dimension, Tokyo and Beijing treated each other as potential partners in competition against the

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Soviet Union. However, the situation changed after the end of Cold War. Since the mid-1990s China and Japan gradually started perceiving each other as a threat. Tokyo was concerned with China's "missile diplomacy" towards Taiwan, incursions of research vessels and naval ships in Japanese waters in the East China Sea, rapid increase in Chinese military budget, and growing anti-Japanese feelings in the PRC. Beijing, in turn, was dissatisfied with the strengthening of the US–Japanese alliance, Tokyo's attempts at revising the pacifist Article 9 of the constitution, or more assertive posture in territorial disputes. Meanwhile, reoccurring incidents, mainly in the East China Sea, showed a necessity for establishing a reliable channel of communication between both countries in emergency situations.

Despite the need for the institutionalization of security exchange, however, Sino-Japanese cooperation in this field remained much less pronounced than in the economic, political, or cultural dimensions. The aim of this paper is to explain the reasons for this situation. It is argued that while there were several opportunities at strengthening mutual security exchange, they were spoiled by political circumstances in both countries as well as external factors. Due to the rise of nationalism in Japan and China, contradictory national interests and random incidents in the East China Sea, both sides were unable to overcome mutual prejudices in order to institutionalize the security dialogue.

Because of the contentious nature of Sino-Japanese security relations, it is disputes rather than cooperation between both countries that have attracted interest from researchers. This article analyzes several attempts at institutionalization of bilateral security exchange since the 1970s, with emphasis on the post-Cold War era. Separate sections are devoted to description of four periods of mutual dialogue: 1) until the Koizumi administration, 2) under the cabinets of Abe, Fukuda, and Asō, 3) during the reign of the DPJ, as well as 4) under the current Abe administration.

## **1. First Initiatives in Security Cooperation Between Japan and China**

During the Cold War, Japan maintained close security cooperation with its powerful ally, the US, but Tokyo was very reluctant to initiate formal exchange in this field with other governments. Kanemaru Shin who visited Belgium and Western Germany in 1978 was the first Japan Defense Agency director-general ever to pay a different visit abroad than

in Washington. At that time, Tokyo made its first attempts at initiating security dialogue with China as well. In 1974 Japan sent a military attaché to its embassy in Beijing, and in 1978 Deputy Chief of Chinese General Staff Zhang Caiqian for the first time unofficially visited Tokyo. In the 1970s, however, mutual exchange in the security field remained very sporadic and irregular (Hirose 2011, pp. 86–115). As pointed out by Wan (2006, pp. 31–34), lack of any notable bilateral activity in this area during the Cold War contrasted with Sino-Japanese interaction in other fields, as well as with the security exchange conducted by both governments with third countries. One of the reasons was Tokyo's concern that more pronounced military contacts with Beijing could provoke the Soviet Union and alarm the governments in Southeast Asia.

The first meeting between the Japan Defense Agency director-general and Chinese minister of national defense took place in Tokyo in July 1984. Director-General Kurihara Yūkō and General Zhang Aiping agreed to intensify the mutual exchange of military staff. Indeed, in the following years high-ranking bureaucrats from the Chinese Ministry of National Defense and Japan Defense Agency started meeting on a more regular basis. Both sides even promised to commence cooperation in the field of training and exchange of information. Nevertheless, when Japan Defense Agency Director-General Kurihara Yūkō for the first time visited Beijing in May 1987, he stressed that Tokyo should display prudence in establishing close security cooperation with any other country than the US. In fact, the budding Sino-Japanese exchange in this field was suspended after the Tiananmen shock only two years later (Hirose 2011, pp. 115–117).

Interestingly, it is Japan, concerned with a dynamic increase in Chinese military spending, who proposed to resume bilateral security discussions. The first meeting at the bureau-chief level took place in Beijing in December 1993. Nevertheless, the new security dialogue platform was suspended by China in 1997. It was a way of protesting against Japanese Chief Cabinet Secretary Kajiyama Seiroku's statement that the new guidelines for the US–Japan alliance would cover Taiwan, as well as against Tokyo's plans to cooperate with Washington regarding the construction of the theatre missile defense system (Wan 2006, pp. 36–37).

Meanwhile, in the mid-1990s the bilateral relationship was further exacerbated by China's nuclear tests, series of Chinese military maneuvers near Taiwan, excursions of Chinese and Japanese nationalists to the Senkaku/Diaoyutai Islands, and growing tension over the exploration of natural resources in the East China Sea. All these incidents compelled

both sides to seek a reopening of mutual dialogue in the security field. In February 1998, Chinese Minister of National Defense Chi Haotian paid the first official visit to Japan, followed by Japan Defense Agency Director-General Kyūma Fumio's visit to Beijing in May 1998. Both ministers inspected their counterpart's military bases and agreed to continue mutual visits on ministerial, general staff, and army levels on a more regular basis. Moreover, they even admitted the necessity for promoting joint research between the People's Liberation Army (PLA) National Defense University and the Japanese National Institute for Defense Studies as well as starting negotiations on mutual visits of military ships (Hirose 2011, pp. 118–119).

Despite these ambitious goals, Sino-Japanese cooperation in the security sphere kept being hindered by China's increased activity in the East China Sea. The PRC's maritime survey ships appeared in the disputed waters as many as 16 times in 1998, 30 times in 1999 (including four times near the Senkaku/Diaoyutai Islands), and 24 times in 2000. Their crews continued excursions despite the calls from Japanese patrol vessels to leave the disputed area. Moreover, PLA Navy ships started infringing Japanese waters as well. In May 1999, as many as 12 Chinese vessels were spotted 110 kilometers north of the Senkaku/Diaoyutai Islands. In July 1999, ten military ships were observed 130–260 kilometers north of the disputed archipelago. In addition, in 2000 several Chinese vessels demonstratively circumnavigated the Honshu, Shikoku, Kyushu, and Ryukyu Islands, gathering oceanographic data on the waters surrounding the Japanese Archipelago that could be used for military purposes. Eventually, in February 2001 Beijing and Tokyo signed a marine research prior notification agreement. Both sides promised to inform each other at least two months before their vessels entered waters near the other country (Valencia & Amae 2003, pp. 196–202).

Nevertheless, Sino-Japanese relations further deteriorated under the Koizumi administration in 2001–2006. Prime Minister Koizumi Jun'ichirō visited the controversial Yasukuni Shrine in Tokyo annually during his term in office, which provoked increasingly decisive protests from China.<sup>2</sup> The dispute over history problems contributed to the escalation of frictions between Tokyo and Beijing in the security field as well. Feeling that Koizumi was ignoring Chinese demands on the Yasukuni issue, the

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<sup>2</sup> Yasukuni is devoted to all Japanese who died in service of their country. Since 1978 also class-A war criminals sentenced to death by the Tokyo Tribunal in 1948 have been worshipped in this controversial shrine. For that reason, since 1985 China and South Korea have protested Japanese prime ministers' visits to Yasukuni.

PRC became more assertive towards Japan. All these factors destabilized the security situation in the region. For example, Tokyo strongly protested after spotting a Chinese submarine in Japanese waters in November 2004. The atmosphere in bilateral relations became particularly tense in early autumn 2005, when China sent a whole fleet of navy ships to protect the Chunxiao/Shirakaba drilling rig in the East China Sea.<sup>3</sup> One of Chinese destroyers even trained its guns at the nearby Japan Maritime Self-Defense Force P-3C patrol aircraft (Manicom 2008, pp. 462–463).

Obviously, the above problems hindered the institutionalization of Sino-Japanese security exchange. In July 2001 the Japanese *Defense White Paper* mentioned for the first time that the PRC's military potential had exceeded levels necessary for national defense. Bilateral security dialogue was suspended by China in response to Koizumi's first visit to Yasukuni in August 2001. Vice-ministerial security meetings were resumed in Tokyo in March 2002. Both sides agreed to arrange mutual visits of navy ships starting from May 2002, but China once more suspended all security exchange with Japan after Koizumi's second homage to Yasukuni in April 2002. Moreover, Japanese Defense Attaché in Beijing Aono Hiromasa was recalled in November 2002 due to accusations on gathering intelligence in a restricted military zone near Ningbo. It seemed that an opportunity for resuming security dialogue appeared after Hu Jintao assumed the office of Chinese president in March 2003. In September 2003 Japan Defense Agency Director-General Ishiba Shigeru visited China, where he agreed to re-launch mutual navy port calls. As a symbol of good will, in the same month a PLA officer started a training course in the Japanese National Institute for Defense Studies. Yet, just as in previous years, the plans of institutionalizing security exchange were suspended after Koizumi's visit to Yasukuni in January 2004. In August 2005 Tokyo published the new *Defense White Paper*, in which it warned that the modernization of the PLA might shift the balance of power in the Taiwan Strait in Beijing's favor (Wan 2006, pp. 38–43).

The normalization of Sino-Japanese official diplomatic relations in 1972 created conditions for initiation of bilateral security dialogue. Nevertheless, numerous factors inhibited the deepening of mutual exchange in this field. Interestingly, in the Cold War period it is Japan

<sup>3</sup> China started preparing for the exploitation of the Chunxiao/Shirakaba gas field in 2003. While the field was situated on the Chinese side of the median line between Chinese and Japanese Exclusive Economic Zones, Japan claimed that the Chinese drilling rig would suck up oil from the Japanese side.

who displayed prudence in strengthening security ties with China, while since the 1990s it is Beijing who started distancing itself from the plans of institutionalizing bilateral dialogue. This change reflected China's strengthened position *vis-à-vis* Japan, but also growing anti-Japanese sentiments in Chinese society.

## 2. Sino-Japanese Security Cooperation under the Abe, Fukuda, and Asō Administrations

Sino-Japanese security cooperation was eventually re-launched after Koizumi stepped down from office in September 2006. Prime Minister Abe Shinzō, though being a nationalist, treated the improvement of relations with China as one of priorities of his cabinet. By not stating clearly whether he would pay homage to the Yasukuni Shrine or not, he managed to convince the Hu Jintao administration to accept his visit to Beijing in October 2006. Regarding security issues, both leaders "confirmed that they would accelerate the process of consultation on the issue of the East China Sea, adhere to the broad direction of joint development and seek for a resolution acceptable for the both sides." In addition, Abe and Hu agreed to "enhance mutual trust in the area of security through Japan-China security dialogue and defense exchange," and they reaffirmed that they would "cooperate and make utmost efforts through dialogue and consultation for achieving denuclearization of the Korean Peninsula and maintaining peace and stability in Northeast Asia" (Ministry of Foreign Affairs of Japan 2006).

In August 2007 Chinese Defense Minister Cao Gangchuan visited Tokyo where he met his Japanese counterpart Kōmura Masahiko. For the first time both sides issued a joint press release, in which they reconfirmed their will to continue their mutual exchange of defense ministers and regular security meetings, return to the initiative of mutual visits of navy ships, create a work team for establishing a communication mechanism between both ministries, strengthen research and training cooperation as well as sports and cultural exchange, coordinate efforts in case of natural disasters, and even send observers to military exercises. As a result, in September 2007 for the first time ever Self-Defense Forces functionaries were allowed to watch military maneuvers in China. Meanwhile, Fukuda Yasuo, known for his sympathy towards China, assumed a prime ministerial post in Japan. Under his leadership the security exchange with

Beijing flourished. In November 2007 the Shenzhen missile destroyer, as the first Chinese military vessel ever, paid a four-day long visit to the Tokyo port (Hirose 2011, pp. 121–122).

At the beginning of May 2008 President Hu Jintao visited Tokyo, where he signed the Joint Statement between the Government of Japan and the Government of the People's Republic of China on Comprehensive Promotion of a "Mutually Beneficial Relationship Based on Common Strategic Interests." Both governments admitted that "Japan and China now have great influence on and bear a solemn responsibility for peace, stability, and development of the Asia-Pacific region and the world." Moreover, "The two sides recognized that they are partners who cooperate together and are not threats to each other." Among the five pillars of dialogue and cooperation that were specified by both leaders, three directly referred to security issues. In the first pillar (Enhancement of mutual trust in the political area) it was decided to "enhance the exchange of high-level visits in the area of security, promote various forms of dialogue and exchange, and further enhance mutual understanding and trust." The third pillar (Enhancement of mutually beneficial cooperation) contained commitment to "work together to make the East China Sea a 'Sea of Peace, Cooperation and Friendship'." In the fourth pillar (Contribution to the Asia-Pacific region), in turn, China and Japan agreed to "jointly do the utmost to maintain peace and stability in the Northeast Asia region and to together promote the Six Party Talks process" (Ministry of Foreign Affairs of Japan 2008).

Immediately after returning from Japan, in mid-May 2008, President Hu had to face a serious humanitarian crisis caused by a large-scale earthquake in Sichuan Province. Despite initial reluctance, for the first time ever, Beijing accepted Japanese disaster-relief teams who provided aid for the victims. The efforts of the Japanese rescuers were widely transmitted by the Chinese media, which to some extent improved the image of Japan in that country (Shiroyama 2009, pp. 43–46). The Fukuda government also proposed to use Japanese Air Self-Defense Force for sending supplies to the disaster areas. Beijing was initially willing to accept this proposal, but unfortunately it had to change its mind when a wave of anti-Japanese protests appeared on the Internet as well as among some of senior Communist Party of China (CPC) officials. The protests were caused by anti-Japanese feelings deeply embedded in Chinese society (Shimizu 2009, pp. 72–73). This incident clearly showed that even when political relations between both countries thrived, history problems kept hindering mutual exchange in the security

field. Nevertheless, in June 2008 the Japanese convoy Sazanami visited Zhanjiang in the Guangdong Province. It was the first ever visit to China by a Japanese Maritime Self-Defense Force vessel. The convoy brought blankets, food, and other supplies for the victims of the Sichuan earthquake (Hirose 2011, pp. 122–123).

The greatest achievement of cordial relationship between Fukuda Yasuo and Hu Jintao was the signing of the East China Sea resources joint exploitation agreement in June 2008. Although the joint development zone covered only a small part of the disputed area, it stretched both east and west of the median line, which was consistent with Japanese demands (Manicom 2008, pp. 466–469). Unfortunately, the agreement was never ratified due to anti-Japanese protests in China, which were probably to some extent incited by President Hu's competitors in the CPC. Nevertheless, bilateral security cooperation was continued under the administration of Fukuda's successor, Asō Tarō, who became the Japanese prime minister in September 2008. In March 2009 Defense Minister Hamada Yasukazu visited Beijing. He agreed with his Chinese counterpart Liang Guanglie to continue a high-level exchange in the security field, broaden it to junior officers, investigate the possibility of sharing intelligence on piracy off the coast of Somalia, start a second round of negotiations on establishment of a maritime communication mechanism, as well as strengthen research and educational cooperation. Subsequently, in July 2009 Chief of Staff of Japanese Maritime Self-Defense Force paid a visit to China (Hirose 2011, p. 125).

Koizumi's successors on the post of Japanese prime minister managed to achieve a rapid amelioration of relations with China. Bilateral security exchange peaked under the administration of Fukuda Yasuo, who was considered a pro-Beijing politician. Both sides not only realized mutual navy port calls, but also started negotiations on the establishment of a maritime communication mechanism. Nevertheless, protests against accepting Japanese Air Self-Defense Force in Sichuan or against ratification of the East China Sea resources joint exploitation agreement showed that in order to overcome all obstacles, political plans had to be backed by a stable environment for long-term cooperation.

### 3. Failed Attempt at Sino-Japanese Rapprochement under the DPJ Government

When the Democratic Party of Japan (DPJ) won parliamentary election and formed new government in September 2009, it seemed that Sino-Japanese security cooperation would thrive. Prime Minister Hatoyama Yukio admitted that Japan in the past had been overly dependent on the US and that Tokyo should increase efforts towards building the East Asian Community with the neighboring countries, including China. Yet, two incidents in the East China Sea in 2010 and 2012 quickly caused unprecedented deterioration in Sino-Japanese relations.

Before the incidents, however, mutual exchange thrived indeed. The Chief of Staff of Japanese Air Self-Defense Force participated in ceremonies of the 60<sup>th</sup> anniversary of establishment of the PLA Air Force in November 2009. In the same month, PLA Navy training ship visited Japan. Chinese recruits not only made acquaintance with the recruits of the Japanese Self-Defense Forces, but they also participated in a tour to the Hiroshima Peace Memorial Museum. Moreover, at the verge of November and December 2009 Chinese Defense Minister Liang Guanglie met in Tokyo with his Japanese counterpart Kitazawa Toshimi. They confirmed they would hold mutual conversations on an annual basis, continue exchange of all kinds of military forces, envisage joint maritime rescue exercises, and cooperate on security issues on multilateral forums. Minister Liang also met Prime Minister Hatoyama, to whom he promised that China would increase transparency of its security policy. In addition, he visited the Japan Maritime Self-Defense Force base in Sasebo, where he was allowed to inspect the Aegis-equipped missile destroyer *Chōkai*. The series of mutual high-level exchanges was continued in February 2010, when China was visited by Chief of Staff of Japanese Ground Self-Defense Force (Hirose 2011, pp. 125–126).

In June 2010 Hatoyama was succeeded by Kan Naoto. While the new prime minister was not an as eager supporter of creating the East Asian Community as his predecessor, it seemed that the cordial relationship between Japan and China would be maintained. After all, Kan was opposed to visits to the Yasukuni shrine as he wanted to avoid frictions with neighboring countries. At the beginning of September 2010, however, a dangerous incident occurred in the East China Sea. A Chinese trawler collided with a Japanese Coast Guard vessel near the disputed Senkaku/Diaoyutai Islands. Prime Minister Kan ignored Beijing's demands for the

release of the captain of the Chinese fishing boat, which led to a drastic escalation of the dispute. The PRC not only halted all diplomatic and cultural exchange with Japan, but also suspended export of rare earth metals to that country and detained four Japanese citizens accused of espionage in Hebei Province. Tokyo eventually extradited the Chinese captain at the end of September 2010, but at that point bilateral relations had been exacerbated beyond quick repair. Anti-Japanese demonstrations continued all over China until November 2010, and Chinese vessels started infringing Japanese waters in the East China Sea on a semi-regular basis (Żakowski 2015, pp. 134–140).

In addition, Japan spoiled an opportunity at re-launching security cooperation with the PRC after the Great East Japan Earthquake that ravaged the Tōhoku region on March 11, 2011. Beijing sent rescue teams to the disaster areas and most Chinese people felt solidarity with the victims. On the other hand, China was concerned with the effects of the Fukushima Daiichi Nuclear Power Plant crisis and dissatisfied with the fact that Japan refused to accept a Chinese hospital ship to the disaster region. Moreover, the Chinese government felt offended that condolences offered to Japan by President Hu Jintao who visited Japanese embassy in Beijing were not sufficiently appreciated by Tokyo.<sup>4</sup>

Despite Prime Minister Noda Yoshihiko's visit to China in December 2011, the bilateral relationship was still characterized by a lack of mutual trust when another diplomatic incident occurred in 2012. In April 2012 Tokyo Governor Ishihara Shintarō announced his plans to purchase three of the Senkaku/Diaoyutai Islands from a private owner, which compelled the government to nationalize them in September 2012. Beijing reacted very harshly to this decision, and a wave of violent anti-Japanese demonstrations spread over the whole country (Żakowski 2015, pp. 185–192). Sino-Japanese diplomatic and cultural exchange was once more suspended, and Chinese military vessels started regularly patrolling the disputed waters in the East China Sea.

Interestingly, despite many successes in strengthening security cooperation with China since the first Abe administration, LDP politicians were unable to convince Beijing to establish an emergency hotline between the navies of both countries. After the end of Cold War Japan had managed

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<sup>4</sup> In fact, Japan refused the acceptance of the Chinese hospital ship for technical reasons, as it would not be able to approach the ravaged seashore. See: Matsumoto 2014, pp. 37–46.

to create a similar communication mechanism with South Korea and Russia, and China had done so similarly with Russia and the US (Hirose 2011, p. 128). In this light, there were no technical obstacles against establishing a Sino-Japanese hotline as well. Nevertheless, several rounds of negotiations on that matter did not lead to any significant progress. As admitted by Nukaga Fukushirō, former director-general of Japan Defense Agency, preparations for creating such mechanism were advanced before the 2012 Senkaku/Diaoyutai incident, but they were spoiled by the diplomatic crisis.<sup>5</sup> According to former Ambassador to China Miyamoto Yūji, China's reluctance resulted from the fear that whoever answered a phone call from Japan could be held responsible for the response.<sup>6</sup>

The two East China Sea incidents occurred at the least expected moment. It seemed that Sino-Japanese rapprochement would be continued under the DPJ government, but the sudden diplomatic crises broke the fragile thread of trust between the leaders of both countries. Under these circumstances, all achievements of the Fukuda administration in security exchange with China were nullified.

#### **4. Sino-Japanese Frictions under the Second Abe Cabinet**

Instead of trying to ameliorate Sino-Japanese relations, Abe Shinzō who returned as prime minister in December 2012 employed an assertive posture towards Beijing. Not only did he exclude the possibility of making any compromises on the Senkaku/Diaoyutai dispute, but he also visited the controversial Yasukuni Shrine in December 2013. Concurrently, Abe's efforts towards the strengthening of alliance with the US and establishing security cooperation with other countries in the region were perceived as a way of encircling and containing China. Under these circumstances, it is easy to understand why the Sino-Japanese security cooperation was not reinitiated.

One day after formation of his cabinet, Abe proposed a concept of "Asia's democratic security diamond" that encompassed Japan, India, Australia, and the US state of Hawaii. Pointing to the China threat, he emphasized that the four states of the geopolitical diamond should

<sup>5</sup> Authors interview with Nukaga Fukushirō, Parliament of Japan, February 27, 2013.

<sup>6</sup> Author's interview with Miyamoto Yūji, Tokyo, July 12, 2013.

“safeguard the maritime commons stretching from the Indian Ocean region to the western Pacific” (Abe 2012). During his visit to ASEAN countries in January 2013, in turn, Abe announced the Five Principles to Build the Future. The second principle encompassed “ensuring that the seas, which are the most vital commons to us all, are governed by laws and rules, not by might” (Ministry of Foreign Affairs of Japan 2013). Obviously, it was a reference to the incursions by Chinese ships in Japanese waters in the East China Sea. At the same time, Abe emphasized the need for strengthening the defense capabilities of Japan. As he stressed, it was physical force, not negotiations, that would be vital in protecting the Senkaku/Diaoyutai Islands (Abe 2013, p. 248). Apart from the US, Australia, and India, Abe strengthened security dialogue with the undemocratic states of Russia and Vietnam. Soon after assuming office he launched a wide-scale diplomatic offensive by visiting until May 2013 Vietnam, Thailand, Indonesia, the US, Mongolia, Russia, Saudi Arabia, the United Arab Emirates, and Turkey (Ogawa 2013, pp. 204–216).

At the end of 2013, the Abe administration established the National Security Council. The new institution, administered by former Administrative Vice-Minister of Foreign Affairs Yachi Shōtarō, became an organ in charge of coordinating Japan’s security policy. In December 2013 Abe coined the concept of “Proactive Contribution to Peace” (*sekkyokuteki heiwashugi*) that was included in the National Security Strategy. The new doctrine was to strengthen Japan’s deterrence capabilities, enhance alliance with the US and improve stability on the global level based on universal values. As for relations with Beijing, the Strategy warned that “China has been rapidly advancing its military capabilities in a wide range of areas through its continued increase in its military budget without sufficient transparency. In addition, China has taken actions that can be regarded as attempts to change the status quo by coercion based on their own assertions, which are incompatible with the existing order of international law, in the maritime and aerial domains, including the East China Sea and the South China Sea” (Cabinet Secretariat 2013, p. 12). While perceiving China as a threat, the Strategy stated that Japan would strive to enhance the mutually beneficial relationship with Beijing in all areas, including security. Regarding China’s use of coercion towards neighboring countries, the document declared that “Japan will urge China to exercise self-restraint and will continue to respond firmly but in a calm manner without escalating the situation” (Cabinet Secretariat 2013, p. 25).

China responded assertively to Japan's initiatives. In November 2013 it established the Air Defense Identification Zone extending over the disputed areas in the East China Sea. Since then, Chinese military aircrafts have started regularly patrolling the disputed region. In April 2014 China was to host the international naval review during the Western Pacific Naval Symposium in Qingdao. While it invited as many as 20 countries to join the event, the Japanese Maritime Self-Defense Force was not invited. As an act of solidarity with Tokyo, Washington cancelled the participation of US navy ships, which prompted Beijing to cancel the whole review (Yomiuri Shinbun Seijibu 2015, pp. 33–34).

One year after Abe's visit to Yasukuni, China and Japan started mending bilateral relations. Prime Minister Abe and President Xi held a brief meeting during the APEC summit in Beijing in November 2014 and a longer conversation during the Asia–Africa Summit in Jakarta in April 2015. In a joint statement issued in Beijing, both sides agreed “that they had different views as to the emergence of tense situations in recent years in the waters of the East China Sea, including those around the Senkaku Islands, and shared the view that, through dialogue and consultation, they would prevent the deterioration of the situation, establish a crisis management mechanism and avert the rise of unforeseen circumstances.” Moreover, they confirmed their intention to “gradually resume dialogue in political, diplomatic and security fields and make an effort to build a political relationship of mutual trust” (Ministry of Foreign Affairs of Japan 2014). In Jakarta, in turn, Abe expressed his hope for “early commencement of the implementation of a maritime and aerial communication mechanism between the defense authorities” of both countries and he welcomed “the resumption of the Japan–China Security Dialogue after four-year interval” (Ministry of Foreign Affairs of Japan 2015).

Despite these declarations, however, so far no significant progress has been made in establishing a durable framework for security cooperation. One of obstacles was Japan's indirect engagement in the territorial disputes in the South China Sea. Responding to Beijing's provocative acts in the waters surrounding the Spratly Islands, Tokyo strengthened its security cooperation with ASEAN countries. In July 2013 Abe promised to use Official Development Assistance to provide 10 patrol vessels to the Philippine Coast Guard. In June 2015, in turn, Maritime Self-Defense Force for the first time participated in joint exercises with the Philippine Navy. Japanese P-3C maritime patrol aircraft even demonstratively flew over Palawan Island that is situated close to the area disputed with China.

In addition, in August 2014 Japan signed an agreement with Vietnam, in which Tokyo promised to donate six old military ships to that country (Yomiuri Shinbun Seijibu 2015, pp. 78–81). Obviously, such actions did not contribute to melting the ice in security cooperation with Beijing.

Instead of repeating his endeavors in promoting amelioration with China from his first administration, Prime Minister Abe put emphasis on strengthening Japan's power of deterrence. Lack of trust in Sino-Japanese contacts made the deepening of bilateral security exchange impossible.

## **Conclusions – Analyzing Obstacles in Sino-Japanese Security Cooperation**

Japan and China are two main powers in East Asia who have been haunted by numerous disputes in the security field. The account of failed attempts at institutionalization of bilateral security exchange confirms that even a strong will by top decision makers in both countries may not be enough to overcome mutual prejudices. In each of the analyzed periods different factors hindered the strengthening of Sino-Japanese security cooperation. During the Cold War, it is reluctance by Japan to develop military exchange with countries other than the US that slowed down the process of enhancing mutual ties in this field. At the verge of the 20<sup>th</sup> and 21<sup>st</sup> centuries, in turn, China's growing assertiveness in the East China Sea became both an obstacle in institutionalizing security cooperation and an incentive for Tokyo to seek a more reliable emergency communication channel with Beijing. Paradoxically, when China displayed more willingness to initiate a constructive dialogue on security issues under the Hu Jintao administration in 2003, Prime Minister Koizumi's regular visits to Yasukuni spoiled this chance.

The years 2006–2010 provide perhaps the most interesting example of progress in Sino-Japanese security cooperation. Beijing and Tokyo not only displayed strong conviction that both countries should cooperate in the security field, but they also intentionally avoided any decisions that could exacerbate tensions in bilateral contacts. There were some results of this rapprochement, such as the realization of mutual port calls or signature of the agreement on joint development of East China Sea resources. However, the budding security exchange was abruptly suspended due to the Chinese trawler collision crisis in 2010 and nationalization of the Senkaku/Diaoyutai Islands in 2012. Abe's and Xi's

assertive stances on the territorial dispute and history problems buried any chance at the continuation of security cooperation. Despite decades of negotiations, even such an essential task as the creation of an emergency hotline between both governments has not been realized.

The analysis conducted in this chapter seems to indicate that while China and Japan may build friendly security relationship, this process is likely to be gradual and long lasting. Mere good intentions by both governments are only a necessary prerequisite, they have to be backed by a stable environment for mutual cooperation. Unfortunately, numerous history problems, mutual prejudices, and contradicting national interests can easily mar any attempts at a lasting reconciliation.

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## **North Korea's Fourth Nuclear Test**

### **Abstract**

North Korean state media announced on January 6, 2016 that North Korea had successfully conducted its fourth underground nuclear test. Most importantly, it was also claimed by the North that it was a hydrogen bomb test. It is already known that North Korea previously performed three underground nuclear tests in 2006, 2009, and 2013. Despite all the pressure from the international community, why did North Korea conduct the fourth nuclear test? The main aim of this study is to examine North Korea's 2016 nuclear test. The study consists of three parts. Firstly, the four nuclear tests performed by the North since 2006 will be analyzed. Although it is highly controversial that North Korea's fourth nuclear test was a hydrogen bomb test, as a matter of fact it was a test of a nuclear explosive device. But, how was the last nuclear test different from previous tests? In the second section, the possible reasons behind the fourth nuclear test will be discussed. Different factors might drive the North to perform the nuclear testing. However, in this study, it is argued that North Korea's leadership carried out the fourth nuclear test mainly because it wants to strengthen its nuclear deterrent against the perceived threats to itself. Lastly, the study will end with a general assessment about the main findings.

**Key words:** North Korea, nuclear weapons, nuclear testing.

### **Introduction**

On January 6, 2016, international seismic monitoring stations detected an 'unusual' earthquake on North Korean territory. A couple of hours after the detection, North Korea's Korean Central News Agency (KCNA) state media outlet announced that the country (formally known as the Democratic People's Republic of Korea, DPRK) had successfully

conducted a nuclear weapon test. Notably, North Korea also claimed it had been a hydrogen bomb test. In fact, this was North Korea's fourth nuclear weapon test. Three previous underground nuclear tests in 2006, 2009, and 2013 are already well known. The main aim of this study is to examine the fourth of North Korea's nuclear tests. Is this nuclear test different from previous ones? What factors motivated North Korea to carry out the fourth nuclear test, despite all the pressure from the international community? These are the main questions addressed in this study, which will consist of three sections. Firstly, the four nuclear tests performed by the North since 2006 will be analyzed. Although there is plenty of controversy over whether North Korea's fourth nuclear test was in fact a hydrogen bomb test, it was, all the same, a test of nuclear explosive device. But, how was the last nuclear test different from previous tests? In the second section, I will discuss North Korea's possible reasons for carrying out the fourth nuclear test. I argue that the North Korean leadership's main aim was to strengthen its nuclear deterrent against perceived threats. However, there are also other factors that might contribute to the drive to conduct nuclear testing, for example, the need for technical development, or for reasons of domestic politics. Finally, I will conclude the study with a general assessment of its main findings. Due to the striking statement of the North Korean leadership about its nuclear test, the first reactions in the academic field to the North's fourth nuclear test were mostly about the technical characteristics of the nuclear weapon test (Albright 2016; Nikitin 2016; Vishwanathan et al. 2016). However, the findings of this study show that the fourth nuclear test carried out by the North was not only a scientific experiment but also a political tool that sent signals to both the international and its domestic community.

## **1. North Korea's Nuclear Tests**

In 2003, North Korea became the only country to have withdrawn from the Nuclear Non-proliferation Treaty (NPT). Two years later, Pyongyang publicly announced that it possesses nuclear weapons for the first time. North Korea's nuclear weapon claims rested on proven nuclear testing. Apart from this fourth nuclear weapon test, North Korea has conducted three nuclear tests, in 2006, 2009, and 2013.

## 1.1. The First Nuclear Test

The first nuclear bomb test took place at the Punggye-ri underground test site in the northern part of the country on October 9, 2006. The KCNA announced that the DPRK had performed a nuclear test at the underground test site. It was officially declared that, “the field of scientific research in the DPRK successfully conducted an underground nuclear test under secure conditions on October 9” (DPRK Successfully Conducts Underground Nuclear Test 2006). As North Korea is one of the most secretive nations in the world, confirming whether the blast had occurred from a nuclear explosion would be difficult. Therefore, the following technologies were used to verify the underground nuclear test: “seismology, radionuclide monitoring and satellite imagery analysis” (Fedchenko 2009, p. 1). Following measurements from different research centers all around the world, it was concluded that a nuclear test explosion had created a substantial blast with an average magnitude of 4.2 on the Richter scale and a yield of approximately 1 kiloton (Hui 2007, p. 121). Moreover, it was also determined that the fissile material of the nuclear device used in the test was plutonium (Fedchenko & Hellgren 2015).

North Korea's first nuclear weapon test was strongly condemned by the international community. Five days after the nuclear test, the United Nation Security Council unanimously adopted Resolution 1718, which condemned the nuclear test and stated that it was a threat to international peace and security. The resolution stated that North Korea must leave all its weapons of mass destruction and its related delivery systems. Moreover, the resolution imposed sanctions on North Korea, which included banning the export of luxury goods to North Korea, although without any threat of use of force (UN slaps sanctions on North Korea 2006).

**Table 1.** North Korea's Nuclear Tests

Date	Seismic	Type of Bomb	Est. Yield
9 October 2006	4.2	Plutonium	~1 kt
25 May 2009	4.7	Plutonium (?)	2–4 kt
12 February 2013	4.9–5.1	HEU (?)	5–15 kt
6 January 2016	4.85–5.1	(?)	(?)

*Note.* Data for the first nuclear test from Hui (2007), Fedchenko and Hellgren (2015); for the second nuclear test from Eckert (2009), Fedchenko (2009); for the third nuclear test from Whun (2013), Nikitin (2013), Zhang (2013); for the fourth nuclear test from USGS (2015), Vishwanathan (2016).

## 1.2. The Second Nuclear Test

On May 25, 2009, North Korea declared that it had successfully detonated its second nuclear bomb. A 4.7 magnitude quake on the Richter scale was detected near the test site by The United States (US) Geological Survey. According to nuclear scientist Siegfried Hecker, the explosion yield was in the range of 2 to 4 kilotons (Eckert 2009). The fissile material of the experiment was not verified because unlike the first nuclear test in 2006, there was no radioactivity detected immediately after the nuclear explosion. However, a Stockholm International Peace Research Institute (SIPRI) report states that “due to the absence of detected radioactive effluents from the explosion, it is not possible to establish whether the North Korean test in 2009 used uranium or plutonium. It is widely assumed that it used plutonium” (Fedchenko 2009, p. 5).

The international community reacted with outrage to North Korea’s second nuclear experiment. On 12 June 2009, the United Nations Security Council unanimously adopted resolution 1874, tightening the sanctions and calling upon United Nations member states to control suspected ships and airplanes carrying military materials in or out of the North (Macfarquhar 2009).

## 1.3. The Third Nuclear Test

In 2013, KCNA announced that North Korea had conducted its third nuclear test on February 12 at the Punggye-ri underground test site (KCNA Report on Successful 3<sup>rd</sup> Underground Nuclear Test 2013). The third nuclear test exhibited significant differences from the previous two nuclear tests carried out by the North. Firstly, the yield of the third nuclear test was more powerful than that of previous tests. It was registered as a 4.9 to 5.1 magnitude quake on the Richter scale near the test site and the explosion yield was estimated to be in the range of 5 to 15 kt, two to three times more powerful than the second test. Such an estimated explosion yield put it close to the level of the bomb dropped on Hiroshima in 1945 (Whun 2013). The second difference was that although no radioactivity, needed for verification of the fissile material of an explosive device, was detected after the explosion, many experts determined that, the source of the third nuclear test could have been highly enriched uranium (HEU) (Nikitin 2013, p. 14; Zhang 2013). This reasoning has two bases. Firstly, North Korea might not want to use its limited amount

of plutonium for experiments. Secondly, after official announcements in 2009, it was already known that the North had a HEU program. The third main difference emerged in the official North Korean statement. It was stated that, "The test was conducted in a safe and perfect way on a high level with the use of a smaller and light A-bomb unlike the previous ones" (KCNA Report on Successful 3<sup>rd</sup> Underground Nuclear Test 2013). Therefore, it was possible to interpret the announcement as a claim that North Korea had obtained the ability to miniaturize nuclear warheads for its ballistic missiles.

As a response to North Korea's third nuclear test, the United Nations Security Council issued Resolution 2094, on March 7, 2013, aiming to reinforce and broaden the scope of the previous United Nations sanctions against the DPRK (Security Council Strengthens Sanctions on Democratic People's Republic of Korea, in Response to 12 February Nuclear Test 2013).

#### **1.4. The Fourth Nuclear Test: A 'Hydrogen Bomb'**

On January 6, 2016, the DPRK conducted its fourth underground nuclear test. This time, however, the North Korean state media announced that "the first H-bomb test was successfully conducted in the DPRK [...]. The DPRK fully proved that the technological specifications of the newly developed H-bomb for the purpose of test were accurate and scientifically verified the power of smaller H-bomb" (North Korea hydrogen bomb test: Statement from North Korean government in full 2016). For the first time, North Korea claimed that a smaller H-bomb was detonated. However, for many analysts, the claim of the North Korean regime is highly controversial because hydrogen bombs or 'thermonuclear devices' which should release an incredible amount of energy, measured in megatons, are more powerful than fission bombs and, therefore, the blast should have been easier to detect than the other three nuclear detonations. The seismic recordings of this nuclear test determine that the nuclear test caused a seismic event with a magnitude of 4.85 to 5.2 on the Richter scale, which is a similar figure to the third nuclear test (Poster of the North Korea Nuclear Explosion of 06 January 2015 – Magnitude 5.1 2016; Technical Findings: CTBTO Preparatory Commission 2016.<sup>1</sup> Another indicator able to provide evidence to confirm the North Korean claim would be found in analyzing the types of gases released into the atmosphere after the

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<sup>1</sup> For CTBTO, the nuclear explosion caused a seismic event of 4.85 on the Richter scale. However, a 5.1 magnitude quake was detected by The US Geological Survey.

nuclear explosion (Vishwanathan et al. 2016, p. 8).<sup>2</sup> However, as in the cases of the previous two nuclear tests, no radioactive gases have yet been detected by radionuclide monitoring stations.

So, what did North Korea test? Open sources put forward some hypotheses about North Korea's fourth nuclear test.

The first possibility is that this nuclear test was just a fission bomb as with previous tests (Albright 2016). The North Korean leadership might have deliberately declared it as a hydrogen bomb test for domestic reasons or in response to external factors.<sup>3</sup> According to nonproliferation expert Mary Beth Nikitin, nuclear scientists might even have exaggerated the nuclear experiment to the North Korean leadership (Nikitin 2016).

For most experts, taking into account the DPRK's announcement about the nuclear test, the bomb that was tested may have been a boosted fission bomb (Pearce 2016; Yan 2016). The working principle of a boosted fission bomb can be described as follows:

A boosted-fission device uses a fission explosion to cause a small amount of deuterium and tritium gas to undergo nuclear fusion. This fusion produces energy and extra neutrons that cause more fissions in the fissile material, which results in a greater explosive yield and a more efficient use of the fissile material. (The Comprehensive Nuclear Test Ban Treaty 2012, p. 204)

In other words, a boosted-fission device is more powerful than a fission bomb, but not as destructive as we know an H-bomb to be.

Another possibility is that the North might have tested some parts of an H-bomb. For some US officials, it is also possible that North Korea may have tested the components of a thermonuclear device. Based on analysis of the nuclear test, they argue that the last nuclear test was carried out deeper underground than originally assessed – “at a depth consistent with what might be needed for a hydrogen bomb” (Starr 2016).

Lastly, for some, the North performed an H-bomb test, but one that resulted in failure. In other words, contrary to North Korea's statements, it was a failed hydrogen bomb test. Jeffrey Lewis, a non-proliferation expert, is among those who believe it was a possible failed thermonuclear test (Faith 2016).

Meanwhile, the international community responded to the nuclear testing of North Korea with United Nations Security Council

<sup>2</sup> For instance, Argon-37 a radioactive gas releases after a thermonuclear explosion.

<sup>3</sup> These factors will be mentioned in the next part of the study.

Resolution 2270 which roundly condemned North Korea's nuclear activities and imposed heavy sanctions on the DPRK (UN Security Council 2016).

After the three previous nuclear weapon tests, North Korea did not need to show that it has a workable nuclear explosive devices. So, why did the North needed this fourth test? In the next part of this study, possible factors that might have forced the North to conduct its fourth nuclear test will be discussed.

## **2. Possible Reasons behind the North's Nuclear Test Decision**

Three major factors may have motivated the North to conduct its fourth nuclear test; external factors, technical development needs, and domestic politics.

### **2.1. External Factors**

The basic logic of a deterrence strategy is to dissuade an opponent actor from attacking. Here, the credibility of deterrence is very important, because if the potential aggressor is not convinced that it will face 'unacceptable damage' as a result of a military confrontation, the deterrence strategy fails. Therefore, a state that maintains its security through a deterrence strategy like North Korea always needs to strengthen its deterrence forces.

When the deterrence capabilities of North Korea are examined, it could be said that its nuclear capabilities (nuclear warheads as well as ballistic missiles as delivery systems) play a dominant role in maintaining its national security because the North's other military tools do not meet its security needs. For instance, although North Korea has one of the largest armies in the world, it has qualitative problems in its conventional forces. Because of its isolated position in the international system, North Korea's military preparedness, combat effectiveness and capabilities have declined, especially since the demise of its main ally, the Soviet Union. The problems with North Korea's conventional military forces can be summarized as follows:

North Korea's military capabilities are limited by an aging weapons inventory, low production of military combat systems, deteriorating physical condition of soldiers, reduced training, and increasing diversion of the military to infrastructure support.

Inflexible leadership, corruption, low morale, obsolescent weapons, a weak logistical system, and problems with command and control also constrain the KPA capabilities and readiness. (IISS 2011, p. 54)

Therefore, with inferior conventional capabilities compared to its adversaries, nuclear deterrence plays a crucial role in North Korea's security strategy to counter external threats in the region. In this context, nuclear testing can be viewed as a 'show of nuclear force' also aimed at strengthening its nuclear deterrence against possible threats. This may be the North's main motivating factor in conducting its fourth nuclear test.

The military presence of the US in the region, its nuclear umbrella aimed at protecting its main allies in the region, and South Korea as a rival Korean state are the main sources of threat for North Korea. In recent years, the US has increased its military commitments on the Korean Peninsula and in Northeast Asia, mainly responding to its 'pivot to Asia' strategy (Mehta 2014). In order to increase the role of the US in the Asia-Pacific, the Obama administration has defined the region as one of its geostrategic priorities by announcing its 'pivot to Asia' strategy. Under this strategy, the US would bolster its military cooperation with its allies in the region. For instance, in January 2014, the US announced that "it would send 800 more soldiers and about 40 Abrams main battle tanks and other armored vehicles to South Korea as part of a military rebalance to East Asia" (United States sending more troops and tanks to South Korea 2014).

Another important development based on this US rebalancing strategy and directly related to the North Korean nuclear issue occurred in December 2014 when the US, Japan, and South Korea signed a trilateral information-sharing agreement to counter the North Korean threat. In the agreement, Japan and South Korea, for the first time, agreed to share military intelligence about North Korea's missile and nuclear weapons programs via the US (Fackler 2014).

There is no doubt that all these developments have reduced North Korea's security and could push it to demonstrate its nuclear force to deter a US-led military attack. In this regard, China also blames the increasing US military activities for the North's fourth nuclear test. For instance, the state-run news agency Xinhua states that, "the DPRK's defiance was deeply rooted in its strong sense of insecurity after years of hostility with the United States, whose pivot to Asia appears much like a show of muscles" (Dongdong 2016).

The other major source of military threat to the North is South Korea. South Korea too has changed its security calculations *vis-à-vis* North Korea, following military actions taken by the latter against the South. In 2010, the Cheonan South Korean navy destroyer, sank in the Yellow Sea and resulted in the deaths of 46 sailors. South Korea blamed the North for this tragic incident. In the same year, North Korea fired artillery shells at South Korea's Yeonpyeong Island. These developments made South Korea begin to question the US' security commitments aimed at deterring North Korean threats.<sup>4</sup> Thus, in March 2011, South Korea's Ministry of National Defense introduced a new defensive reform plan named DRP 307. In line with this plan, South Korea changed its defensive doctrine from 'Defense by Denial' to 'Proactive Deterrence'. With this new doctrine, the South Korean Army would use force in response to unprovoked attacks by the North against South Korea. For instance, the exchange of artillery fire between North and South Korea in August 2015 can be viewed as an implementation of this doctrine by South Korea (Sang-Woo 2011). The defense ministry of the South announced that the South Korea's army responded to the North's shelling with 'tens' of 155 mm artillery rounds (North and South Korea 'exchange fire' at border 2015).

These developments on the South Korean side may have lead North Korea to believe that it needs to strengthen its deterrence against the South, as a rival Korean state on the Peninsula. Any military confrontation with the US or its allies, such as South Korea, as a result of the failure of deterrence may bring an end to the existence of North Korea.

It should be also noted in this study that another external factor motivating the North to pursue nuclear testing is related to China. Although Beijing has been Pyongyang's most important ally since the end of the Cold War, it also presents a source of concern for North Korea. China is the main food and energy supplier to North Korea and this asymmetrical relationship between the two neighboring countries increases Chinese leverage over North Korea. China's rapprochement with South Korea in recent years also increases the security concerns of North Korea. In July 2014, Chinese president Xi Jinping visited South Korea, the first time a Chinese leader has visited South Korea before Pyongyang.

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<sup>4</sup> In order to assure South Korea and to counter North Korean threatening actions, after 2010 incidents, the US Secretary of Defense and the South Korean Minister of Defense also established the Extended Deterrence Policy Committee in the same year.

During the visit, the leaders of both states emphasized the need for the denuclearization of the Korean Peninsula (China and South Korea oppose North Korea nuclear tests 2014).

Therefore, by testing a nuclear bomb despite Chinese opposition, North Korea might be trying to send a message to its Chinese friends that “China should not ignore the existence of North Korea and, more importantly, North Korea is not a province of China and will not be.” This fourth nuclear test is the first time Pyongyang has not informed Beijing prior to carrying out a test.

### 2.2. Technical Needs

The second factor driving North Korea to conduct a nuclear test is related to its technical development needs. Nuclear weapon testing is the last stage of a nuclear weapons program. As Table 2 indicates, all ‘declared’ nuclear weapon states have tested their nuclear explosive devices numerous times.

**Table 2.** Nuclear Weapon Tests

The Declared Nuclear Weapon States	The Number of Nuclear Tests (1945–2016)
The United States of America	1,032
The Soviet Union	715
The United Kingdom	45
France	210
China	45
India	3
Pakistan	2
The Democratic People’s Republic of Korea	4

Source: “World Overview: CTBTO Preparatory Commission,” CTBTO, accessed May 22, 2016, <https://www.ctbto.org/nuclear-testing/history-of-nuclear-testing/world-overview/>.

But, why have North Korea and these states needed to conduct nuclear test? There are three basic explanations for this question.

Firstly, nuclear weapons are weapons and as with any other weapons, their reliability is important. Reliability in terms of weapons means, “to be

certain that a weapon type will work as intended" (Bailey & Barker 2003, p. 132). Here, nuclear testing answers the basic question: does the nuclear explosive device work? It should be clear that nuclear weapons work and will work under emergency conditions, especially, for states that rely on their ultimate deterrent force to protect their vital interests. It should also be noted that because of their unique destructive characteristics, nuclear weapons are the world's most dangerous weapons. Therefore, reliability and effect need to be strictly analyzed by countries who are developing nuclear weapons.

Secondly, nuclear tests have been conducted by nuclear weapon states to produce new types of weapon systems. According to Josephine Anne Stein, a mechanical engineer from the Massachusetts Institute of Technology, nuclear testing is necessary, even when designing new warheads. Stein argues that nuclear tests are needed to collect data for the development of new nuclear weapons (Stein 1986, pp. 8–9). Therefore, nuclear testing allows states to improve their existing nuclear stockpile. This is important, especially for recent nuclear weapon states that want to obtain second strike capability for effective deterrence.

Thirdly, nuclear testing might be carried out by states in order to analyze the performance of other weapons that might have a role in the nuclear environment. In other words, nuclear testing provides the necessary conditions for states to understand the survivability of their non-nuclear weapons when they are exposed to a nuclear explosion (Stein 1986, p. 11). It is essential for states to examine which military tools will function in the nuclear environment in order to defend their national security after the use of nuclear weapons by another nuclear weapon state.

Taking the above into account and looking at North Korea's fourth nuclear test, it becomes clear that, the reliability of its nuclear weapons is an important factor. For North Korea, nuclear weapons play a crucial role in strengthening its national security. We can also interpret this from the official DPRK announcements, stating that the fourth nuclear test was carried out to test an H-bomb and thus develop a new type of nuclear weapon for the North.

If it is true that North Korea tested components of an H-bomb, it could be that the fourth nuclear test was also performed to provide data for more powerful and more effective nuclear weapon designs. It is already known that North Korea has long tried to achieve nuclear bombs small enough to fit in the head of its ballistic missiles.

On the other hand, it is also possible that North Korea might have conducted the nuclear test in order to understand the effects of nuclear

explosion on its other weapons systems. From North Korea's point of view, they have lived under nuclear threat from the US since the Korean War. During the Cold War, the US did not hesitate to explicitly threaten the use of nuclear weapons against North Korea in any confrontation. Nuclear threats from the US toward North Korea have continued during the Obama administration. For instance, the Nuclear Posture Review (NPR) which was published, in April 2010, states that "the United States will not use or threaten to use nuclear weapons against a non-nuclear weapon state that is both party to the NPT and in compliance with its non-proliferation obligations" (*The Nuclear Posture Review Report 2010*, p. ix). Thus, the 2010 NPR has emphasized that North Korea was excluded from the negative security assurances of the US, meaning that North Korea was still subject to US nuclear threat. Therefore, North Korea might believe it necessary to prepare national defenses for a nuclear environment.

In short, technical needs may have also motivated North Korea to conduct its fourth nuclear weapon test in January 2016.

### 2.3. Domestic Politics

While nuclear testing may have enhanced North Korea's nuclear deterrent in the region; it is also true that developments in the nuclear field have strengthened the position of the Kim Jong-un regime within the country.

North Korea has been ruled by the Kim Dynasty since its establishment. However, the new leader, Kim Jong-un, has only been in power since 2011. Kim Jong-Un, like his father Kim Jong-Il, has decided to continue development of the country's nuclear weapons program. In part this could be seen as a bid to bolster his leadership position.

Under Kim Jong-un's leadership, the Supreme People's Assembly of North Korea declared on April 1, 2013, that it was launching a dual policy of simultaneous development of the economy and of nuclear weapons capability, known as the 'byungjin' doctrine (Choi 2013, p. 107). Under this doctrine, North Korea aimed to strengthen its nuclear weapons capabilities and bolster its national economy. Thus, the achievement of this policy would not only increase support from the people of the DPRK, but would also attract support from the military and elites for the Un regime.

On October 30, 2015, the KCNA declared that in early May 2016, the 7<sup>th</sup> Congress of the Workers' Party of Korea (WPK) would take place

(Frank 2015). As the last party congress, as is known, was convened in 1980, this 7<sup>th</sup> Congress marks an important event for the North Korean administration.

In light of these developments, a new and successful nuclear test would be viewed as a product of the successful implementation of 'byungjin' doctrine and would enhance Kim Jong-un's domestic support within the party congress. In this regards, Lee Cheol-woo, a member of South Korea's parliamentary intelligence committee notes that, "North Korea needed a good result to celebrate at the congress and that was the hydrogen bomb test" (Pearson & Park 2016).

## Conclusion

On January 6, 2016, the North Korean administration announced that it had successfully conducted a hydrogen bomb test. Whether or not it was a hydrogen bomb, it was the North's fourth nuclear test. In this study, it is argued that there are three main factors that might have motivated the North to show its nuclear force. These are external factors, technical development needs, and domestic politics. It could be said that North Korea's primary aim in conducting its fourth nuclear test was to enhance security by strengthening deterrence against possible threats in the region. However, in evaluating this North Korean nuclear weapon test, the Chinese factor should not be ignored. The nuclear test might have also been performed for reasons of technical development. Whether the experiment is a success or failure, there is no doubt that it delivers some technical results for North Korea that might be used for further nuclear development. Additionally, in this study, it is asserted that the nuclear test has helped strengthen Kim Jong-un's position within the country.

In conclusion, the fourth nuclear test indicates that North Korea's nuclear capabilities are advancing and that it has no intention of eliminating its nuclear weapons.

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# **Defence Reform and Military Modernization in the Philippines in the perspective of the South China Sea Conflict**

## **Abstract**

By the end of the 20<sup>th</sup> century, the Philippine military became one of the weakest armed forces in Southeast Asia. For the past five decades, the Philippine military has had to fight and contain communist insurgents and Islamist groups alike, and thus the army has long been focussed on internal defence. However, after several incidents with China in the South China Sea, the presidency of Benigno S. Aquino III brought about significant changes, and serious steps have been taken to reform the defence establishment and upgrade the military.

The author examines the main aspects of the defence reforms then the political-military aims of the government in the context of the South China Sea conflict. In conclusion, the article argues that the change of the international and domestic security environment compels the cabinet to try to upgrade the armed forces capabilities and achieve a minimum credible defence posture. The process however required careful balancing from the cabinet between the strategic directions and development options, not forgetting the financial constraints and the political factors as well.

**Key words:** the Philippine military, South China Sea, military modernization.

## **Introduction**

Recent studies argue that at present in Southeast Asia the Philippines have one of the weakest armed forces of the region (Storey 2007; De Castro 2012). For decades, the Philippine military has been compelled to fight with communist insurgents and Islamist groups alike, and the focus was on the internal defence concerning the army. In the Cold War era, the external defence of the country was guaranteed by the United

States (US), but in the first half of the 1990s, resulting from the removal of the US bases on Philippine soil, defending the state against internal threat re-emerged as one of the main task of the Armed Forces of the Philippines (AFP). Nevertheless, years of neglect and corruption passed, then the slow process of the modernization due to lack of funds, the armed forces' capabilities remained extremely weak. However, due to China's aggressive foreign policy, the presidency of Benigno Aquino III heralded important changes, and serious steps have been taken to reform the defence establishment and upgrade the military, mainly the navy and air force, with modern technology, while the country's strategic maritime interests in the South China Sea have been prioritized (De Castro 2012, p. 78). Observers are divided on the rationality and value of these efforts that demand high financial capacity and all-out reforms by the government.

This article starts off with a review of the main aspects of the defence reforms introduced since 1990. After that it examines the present state of the AFP, the results of the modernisation programmes initiated after 2010, and the medium- and long-term political-military aims of the Aquino administration relating to the South China Sea with the possible options as well. In doing so, for reasons of space my study does not comprise a detailed analysis of the Philippine military's capabilities such as cyberwarfare, which became increasingly relevant in the 21<sup>st</sup> century.

I argue and state that the very limited capabilities of the AFP affected by the international and domestic security situation leave no other option to the government, but to try to transform the national defence system to become more efficient and capable in the future.

## **The Philippine military and the start of the reforms**

In the Marcos era, the armed forces became the main supporter of the regime, for this reason the president made great allowances to secure the loyalties of the generals and by instituting numerous self-reliance programs, the AFP's expansion could be achieved. Since 1951 under the Mutual Defense Treaty, the US provided the external defence of the country and gave serious help in financial aid and military hardware. In the 1970s, the fight against the secessionist Moro in the South and the

Communists insurgents laid heavy tasks on the army but due to the US interests by the end of the Cold War the Philippines became one of the most equipped military in Southeast Asia (Ferrer 2013, pp. 139–148).

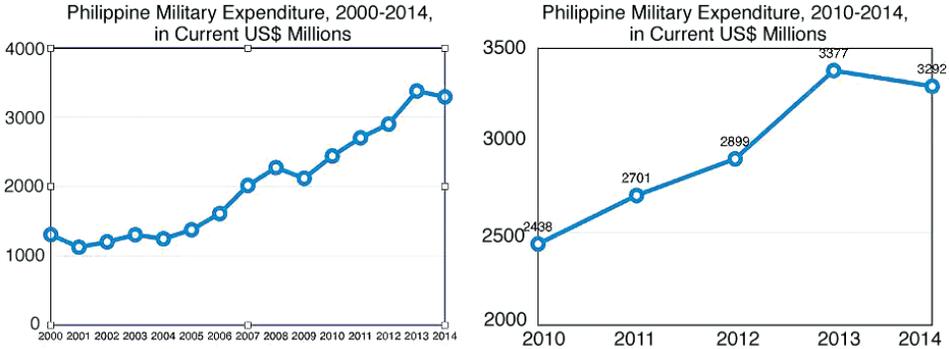


Figure 1. Philippine Military Expenditure 2000–2014

Source: Abuza 2014.

After 1990, the change of the international and domestic situation caused dire consequences for the Philippine armed forces. The 1947 Military Base Agreement provided the use of military bases like Subic Bay for the US, which led to a very close cooperation between the US and Philippine military. Beyond the financial aid – which in 1992 peaked at \$200 million per year – the AFP received significant technical and training assistance from the US, by the way of keeping the armed forces operational against the insurgencies in the post-Marcos period (Comer 2010, p. 5). However, in 1992 the process ended as the Philippine Congress, in order to demonstrate the country’s sovereign status in the post-Cold War order, rejected the extension of the US military presence by voting down the new Base Treaty. The US withdrawal resulted in the loss of the direct support, without which the AFP’s capabilities declined rapidly, and to make matter worse, the government kept the budget allocations of armed forces at minimum, “making the Philippines one of the most chronically underfunded militaries of the world” (Comer 2010, p. 5).

President Fidel Ramos was not preoccupied by the AFP’s problems, but the events in the South China Sea instantly shed light on the meagre capabilities of the armed forces. In February 1995, after China had occupied Mischief Reef (part of the Philippine claimed Spratly Islands), all the country could do was watch the Chinese expansion helplessly, as the armed forces, specifically the Navy and the Air Force, no longer

possessed real power. The need for reforms and modernization became evident, and the Ramos cabinet planned to spend \$7.7 million over 15 years for military modernization (Fisher 2012); the Republic Act No. 7898 or the “AFP Modernization Act” as approved by the Congress, aimed to declare “the policy of the State to modernize the Armed Forces of the Philippines (AFP) to a level where it can effectively and fully perform its constitutional mandate to uphold the sovereignty and preserve the patrimony of the Republic of the Philippines” (Republic Act No. 7898 1995, p. 2). This included the following thrusts: “Development of a self-reliant and credible strategic armed force along the concept of a Citizen Armed Force”; development in doctrines; reforms in the training and recruitment of AFP personnel; upgrading technology and equipment; providing suitable bases; and other facilities for the AFP (Republic Act No. 7898 1995, p. 2). Without stable economic foundations, however, the plan had no chance to succeed: the 1997 Asian financial crisis eliminated most of its results and the deterioration of the nation’s defence capability continued.

## **The Philippine Defense Reform and the Capability Upgrade Program**

The withdrawal of US troops from Philippine land did not result in the end of military-military relations, as the US was interested in the preservation of its positions in Southeast Asia and bolstering its ally. The occupation of Mischief Reef by China, the al-Qaeda attacks in 2001, then the War on Terror moved the US to revitalize the old alliance by deepening the two countries’ security-military relations.<sup>1</sup> In 1999 a policy level consultation, the Joint Defence Assessment (JDA), began to formulate between the Philippine Department of National Defense and the US Department of Defense. Followed by the 2001 JDA report, in 2003 President Gloria Macapagal-Arroyo officially requested US “assistance in conducting a strategic assessment of the Philippine defence system as a part of a larger defence reform agenda” (Comer 2010, p. 7). The 2003 JDA revealed serious deficiencies in the institutional and strategic sphere,

<sup>1</sup> As resulted from the ‘Chinese threat’, the Philippine–US military cooperation was placed on firmer institutional foundations, concluding in the 1999 Visiting Force Agreement, which provided the legal framework for the US military activities in the country (De Castro 2009, p. 400).

it also declared that the “AFP was only partially capable of performing its most critical missions” (Comer 2010, p. 7). To implement the JDA recommendations, the Arroyo cabinet worked out the Philippine Defense Reform (PDR) as a multilayer plan for the coordination of the all-out military reforms. The main ingredients of the PDR, constructed by the Priority Program necessitated introducing “comprehensive, institutional and systemic reforms in the defence establishment” (Comer 2010, p. 12). The reform process was divided into three mutual based phases: 2004–2005 creating the suitable environment for the reforms; 2005–2008 empowering the defence establishment; and 2008–2011 institutionalizing and implement the reform. The funding of the programs was to be accomplished by the allocation of US and Philippine national funds, but the expenses mostly charged the Philippine government. Between 2004 and 2008, the US paid \$51 million, while the Philippines made a \$514 million allowance (Comer 2010, pp. 16, 26–27).

The PDR was aligned with the National Internal Security Plan (NISIP) released in 2001, which gave the necessary policy guidelines and framework for the administration security actions for the 21<sup>st</sup> century. According to the Plan, the main security threats were of domestic origin, meaning the insurgencies. These could be broken down to three major challenges: the communist New People’s Army (NPA), the Moro Islam Liberation Front (MILF) in Mindanao, and the terrorist groups such as the Jemaah Islamiya and the Abu Sayyaf. The counter-insurgency operations against these organizations were prioritized over the AFP’s other tasks, so as to defeat the insurgent groups decisively, while simultaneously instituting the military reforms was an endless task for the military. The armed forces were not able to crush the communist and Islamist resistance even if the external defence developments were sidelined and significant financial sources were transferred to combat operations and personnel cost to the disadvantage of the modernization process. In the second half of the 2000s, an average of 70% of the defense budget was spent on personnel services, leaving only 29% for operational and technical maintenance (De Castro & Lohman 2012, pp. 2–3).

By 2010 the progress of the PDR went more slowly than had been hoped, because the early assumptions based on “steady rise in economic growths coupled with an equally steady decline in the military threat from terrorists and separatists” did not come true (Comer 2010, p. 34). Moreover, the underfunding of the reforms by the Philippine government continued, which also had its negative effect.

The Capability Upgrade Program (CUP) started in 2006, based on three six-year plans aimed to provide the AFP with the necessary hardware for internal security operations, which in reality meant the upgrading of the existing capabilities. The three periods of the project (2006–2011, 2012–2018, and 2019–2024) strategically focus on the containment of domestic rebels, but for the first time since a long term, it included the shift to “the full consolidation of territorial defense” (Chalk 2014, p. 3).

## The Philippine Defense Transformation

Despite the abovementioned reforms and modernization efforts, by the time President Benigno Aquino assumed office in June 2010, the Philippine defence establishment remained “Southeast Asia’s military laggard” (De Castro 2012, pp. 70–71). The former administrations reckoned, that the internal security operations to suppress the rebels could have been prioritized, because until 2018 at least, an external enemy would not menace the country. Looking even in this way the AFP’s dire condition became striking. The Air Force, the weakest in Southeast Asia, in 2005 decommissioned the last F5A fighter planes in service, this way denuding the state of all air offensive-defensive capabilities. The 2010 audit report concluded that all the Air Force could muster were 31 antiquated airplanes and 54 helicopters, thus the service had become “ill equipped to be operationally responsive to national security and development” (Romero & Ponungbayan 2011). This fact was no better illustrated than the May 2011 incident, when the patrolling Philippine planes above the South China Sea met unidentified jet fighters, but knowing they had no chance against the enemy, watched haplessly the manoeuvres of the foreign fighters (Laude 2011).

The Philippine Navy was also in a forceless state. Until 2011, the flagship was a 1943 vintage ex-US anti-submarine destroyer, the *Rajah Humabon*, which was reclassified as a patrol frigate. Only in recent years has the Navy succeeded in procuring two Gregorio del Pilar class frigates from the US, with other minor warships from the United Kingdom and US (Chalk 2010, p. 7). The Army was in a little better shape, but the President pledged himself immediately to overhaul and upgrade the military and defence establishment. In consequence, the preceding programs like PDR and CUP were to be accomplished as planned, although in terms of the latter the modification according to the shift from internal operations to

external territorial defence was inevitable (Republic of the Philippines Department of National Defense 2012, pp. 6, 26).

From 2010, the new reform program, named the Philippine Defense Transformation (PDT) had to build upon the PDR and the 1995 Modernization Plan, and the PDT had to continue those aims they involved. As the 2012 White Paper summarized: while “the Modernization Program focused on the improvement of material and technological capabilities [...] the PDR Program focused on addressing the systemic deficiencies in the defence establishment [...] the PDT Program shall wrap these two as an integrated program and are thus synchronized” (Republic of the Philippines Department of National Defense 2012, p. 1). The PDR was finished by 2010 and the Modernization Plan was officially terminated in 2011, but the results were far from those that had been originally hoped for. In 2012, to help to achieve the goals of the PDT, the Congress approved Republic Act No. 10349 or the “Revised Modernization Act” declaring that the foremost aim of the state is “to develop and transform the AFP into a multi-mission oriented force capable of effectively addressing internal and external security threats” (Republic Act No. 10349 2012, p. 1, (2)). For the full implementation of the act, 15 years were envisaged with a budget of at least P75 billion for the first five years. The Aquino-cabinet clearly attached the greatest importance to the following article: “to develop its capability to uphold the sovereignty and territorial integrity of the Republic and to secure the national territory from all forms of intrusion and encroachment” (National Defense College of the Philippines 2013).

The 2010 National Internal Security Plan (IPSP) – Oplan Bayanihan (Operational Plan Community Spirit) also revealed the need to overhaul the AFP. It provides a three-year transition period in which the armed forces have to develop the capabilities required for multilateral offensive operations against internal and external aggression (Armed Forces of the Philippines 2010, pp. 19, 35–36). To modernize the AFP’s technical and equipment assets in accordance with the immediate shift from internal to external defence, a joint DND-AFP group was established, which formulated the Long Term Capability Development Plan, calculating in detail the necessary procurement and acquisition, especially for the Navy and the Air Force, with an annual rolling budget of \$160 million for five years. As the AFP’s Chief of Staff Lieutenant-General Jessie Deloso announced, the Defense Transformation will focus on four main areas: “strengthening territorial defence particularly in terms of developing the

capabilities of the Philippine Navy to ensure maritime security in the West Philippine Sea;<sup>2</sup> full implementation of the Internal Peace and Security Plan"; organizational reforms, aiming fiscal transparency; and greater disaster preparedness (Atencio 2011).

In 2012, the DND prioritized the maritime security and territorial defence and the reduction of the Army formations to the advantage of the other services still conceived (De Castro 2013, p. 156). But for the nation's maritime interest to be effectively protected, this necessitated new innovations, which can be summarized as follows: creation of "appropriate strategic response forces", establishment commanding central communications, intelligence, surveillance, and reconnaissance system (C4ISR), according to the National Coast Watch System (Republic of the Philippines Department of National Defense 2012, pp. 10–12).<sup>3</sup> It is also necessary to build security and defence infrastructure on the Philippine-controlled islands on the Western Philippine Sea and to develop modern satellite network communication, maybe together with other nations as well.

The foremost aim of the government was that by the end of President Aquino's term in 2016, the AFP has to be "capable of conducting joint maritime surveillance, defence and interdiction operations" (Chalk 2010, p. 7). Therefore, the cabinet started several interconnected procurement projects, including the acquisition of fighter jets, patrol aircrafts, naval helicopters, frigates, patrol ships, and multipurpose attack vessels. On the top of this program, the Navy planned to purchase three decommissioned Hamilton-class cutters from the US, from which two already were put into service as Gregorio del Pilar-class frigates (De Leon 2012) (The third, USCG Boutwell, will arrive in 2016).<sup>4</sup> Japan promised the construction of 10 multi-purpose response vessels by 2018 with the total cost of \$200 million. The Air Force contracted the Korea Aerospace Industries for 12 FA-50 Golden Eagle fighter jets worth around \$440 million (Jacobson 2013). The government up to now has

<sup>2</sup> In 2009 the Philippine Congress in a legal manner renamed the South China Sea as the West Philippine Sea.

<sup>3</sup> The National Coast Watch System (NCWS), established in September 2011, consists of more than 20 coast watch stations and centres that aim to achieve effective interagency cooperation, related to maritime security.

<sup>4</sup> In December 2014, the Navy confirmed that in the near future steps will be taken to procure three guided missile fast attack craft, two missile stealth frigates, two anti-submarine helicopters and three submarines, with the total costs of \$885 billion.

tried in vain to purchase F-16 fighters from the US but an agreement may be reached in the future.

By 2016, the progress of the defence transformation is perceptible in several aspects, but the Armed Forces capabilities to defend the country from external threats has left much to be desired.

### **The domestic security situation and the South China issue**

From 2010 the Aquino administration's new policy marked a serious shift from focusing exclusively on the internal security threats to concentrating almost entirely to the maritime security and territorial defence (De Castro 2012, pp. 82–83). Two main factors can be identified, which made this change of course possible: the internal security risks decreased to a large extent, while the external dangers due to China's assertive policy in the South China Sea increased.

The fight against the communist New People's Army has always been given precedence, as its adherents tried to overthrow the central government and establish a socialist order. By transferring major resources for these operations the aim was to achieve a strategic victory by 2010, which could not be thoroughly materialized yet although the New People's Army is now weaker than before and the militants have been driven out from most of the country (Chalk 2014, p. 7). The Moro secessionist ambitions to create an independent Islamic state in the southern part of the islands also represented a constant threat for the nation and put great strain on the AFP. Recently, in accordance with the president's plan through prolonged negotiations, MILF accepted the proposed comprehensive autonomy and an agreement was signed in March 2014, putting an end to a 30-year war (Diola 2014). After 2001, within the scope of the global war on terror, the armed forces, with US assistance, started a campaign to crush the Abu Sayyaf Group (ASG) (an extremist Muslim organization fighting for an Islam state in the South, and responsible for several terrorist attacks), which led to the conclusion that the terrorists could no longer pose a serious threat to the government. Meanwhile, its Indonesian based partner organization, the jihadist Jemaah Islamiyah, also lost its influence in the region and almost ceased to operate on Philippine territory (Chalk 2014, pp. 9–10).

In the 2000s China somewhat departed from the previous 'good neighbour policy' in terms of managing the various territorial and maritime disputes, and started to become assertive, meaning the exploration of energy resources

and increasing military activities in the South China Sea.<sup>5</sup> As China claims around 90% of the territory based on historical rights, the collision with other claimants (like the Philippines) became inevitable, and beyond the access to energy resources, the strategic factor started to step forward as the main drive of the conflict (Schofield 2015, pp. 26–31). The tensions between China and the Philippines centred on the jurisdiction on the Spratly Islands, Macclesfield Bank, and Scarborough Shoal, delineating the theatre of a potential military clash.<sup>6</sup> Aquino's term has witnessed several serious incidents with China, starting in March 2011, when a Philippine seismic ship was threatened of ramming by the Chinese, and has continued in April 2012 with a five-month standoff at the Scarborough Shoal. In March 2014, the Chinese Navy blocked two civil supply ships, allocated to deliver supplies to the Philippine marines on Second Thomas Shoal. In consequence of the incidents, although the Aquino cabinet did not seek war with China, it ordered the speeding-up of the AFP's modernization program and "the protection of Philippine claims in the South China Sea" was proclaimed as the nation's "highest external defense priority" (Chang 2012, p. 7).

In response to China's heavy-handed behaviour, the Philippines attempted to reaffirm the security ties with its traditional ally, the US, and to get full support for the AFP's modernization. In 2003, the George W. Bush administration ranked the country as a major non-NATO ally and invested serious efforts to the PDR. Some years later the emergence of China and its strategic containment have been prioritized in Washington, thus by the time President Barack Obama took office, the US had already openly backed the Philippine claims and in order to settle the South China Sea disputes advised multilateral negotiations. In 2011 the US confirmed that the two countries are 'longstanding treaty allies' and 'strategic partners' (Torode 2011). The Mutual Defense Treaty obligations were reaffirmed and the Philippines could count on at least \$40 million in financial aid to "enhance maritime domain awareness" and expeditious power in the South China Sea.<sup>7</sup> In recent years through regular joint military exercises based on the interoperability of the US and Philippine troops, great emphasis was

<sup>5</sup> Exact data are unavailable, but the nominal resources in the South China Sea are estimated as 28 billion barrels of crude oil (Schofield 2015, p. 30).

<sup>6</sup> The Philippines, complying with the United Nations Convention of the Law of Sea claims the disputed islands and reefs as parts of the continental shelf that lies within the 200 miles of the Exclusive Economic Zone (EEZ) of the country (De Castro 2009, p. 418).

<sup>7</sup> Actually, this is not a big sum, considering that in 2014 the total Philippine defense expenditure was \$3.3 billion (Abuza 2014).

placed on the development of joint defence operations and disaster relief missions (Chalk 2014, p. 15). In April 2014, the partnership was sealed by the Enhanced Defense Cooperation Agreement between the parties, which provides for US troops to “access and use facilities [...] at the invitation of the Philippines” on rotational bases, with the goals of modernizing the AFP and promoting interoperability. The agreement has a term of 10 years and officially is not aimed against China, although alongside the disaster relief missions, the enhanced maritime security is involved in the document as well (Thayer 2014).

## **Modernizing the Armed Forces: possible courses and solutions**

The Aquino cabinet deserves credit for not only realizing the pressing need to reform and upgrade the military, but also after more than 15 years it committed to build a modest maritime and territorial defence system. By now, significant financial resources have been spent to shift the focus from domestic security to external defence, aiming to deter Chinese assertiveness. In just the first 17 months in office of the Aquino cabinet, \$387 million was spent on military modernization (De Castro 2012, p. 81). As the ‘Chinese threat’ is the main factor behind the modernization process, the possible responses by the Philippines need further examination. Obviously, strictly speaking in military terms, the two nation’s capabilities are not comparable.<sup>8</sup> In the case of a major war the Philippines would have no chance against China, indeed no amount of US assistance will enable the country to stand up against the Asian Great Power in the South China Sea. The only rationale realized by the cabinet is to establish a minimum credible deterrence force as a modest border patrol system (De Castro 2012, p. 82).

Nevertheless, it means a vague concept imagined by the government, which moved the analysts and experts to guess what could be the ideal strategy of the AFP’s modernization, regarding the expected results (Jacobson 2013). As Richard D. Fisher correctly summarized, the credible deterrence to meet China’s limited ambitions in the South China Sea would require

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<sup>8</sup> In 2013, China’s military expenditures comprised a total of \$117 billion, against the Philippines’ budget of \$3.208 billion (Stockholm International Peace Research Institute 2014, pp. 232–233).

“up to four squadrons (48) of F-16s upgraded to a 4+ generation capability [...] to support this capability the PAF [Philippine Air Force] would also need more [...] long-range radar and airborne radar to better manage combat operations. The PN [Philippine Navy] would also need more well-armed frigates and smaller corvette-size combatants and minesweepers. An affordable force of four to six mini-submarines could be obtained from South Korea or Russia” (Fisher 2012). However, the procurement of these weapon systems would outstrip seven times the planned military expenditures (Chalk 2014, p. 12). Beyond doubt, billions of dollars would be needed to transform the Philippine military to a credible defence force, but due to the meagre congressional appropriations and AFP modernization funds, this is not very likely to succeed. Even if the Congress would approve the funds needed, the 1987 Constitution prohibited the state to spend more money on the AFP than for education (Jacobson 2013). For the reduction of costs, the government took steps to enter into partnership with government agencies and private firms, but as the cooperation is still in its initial phase, in the short term results for the military could not be expected. The second option open for the administration is to “lease rather than buy the military equipment” (Chalk 2014, p. 13). Although this concept would also be ideal to save expenses as the US would provide the necessary hardware, they would never come under full Philippine control. Furthermore, this is beyond the country’s financial power.

Felix Chang pointed out a less costly alternative, saying that the modernisation of the Air Force and the Navy does not necessarily mean the acquisition of new planes and vessels, but the effective cooperation between the arms and services can produce the necessary capabilities. In terms of procurement, he suggests to set up a land-based system of long-range anti-ship missiles (ASM) in Palawan Island, from where the network of cruise missiles could cover most of the disputed islands and surrounding seas. The mobile platforms with the necessary airborne surveillance assets, provided by naval helicopters would present a serious menace to the Chinese navy, whilst creating an effective maritime defence at a lower price than the other alternatives. Of course, this solution seems to be the most advantageous, but to upgrade the Navy and the Air Force to a minimum level is inevitable: “this core defensive force of missile batteries and surveillance aircraft could be supplemented with a small contingent of air superiority fighters and high-endurance cutters” (Chang 2012, pp. 10–14).

The modernisation of the Navy requires taking into account some other considerations as well. ASEAN started to put emphasis on the development

of new amphibious capabilities, based on security and Human Assistance Disaster Response (HADR), which the Philippine Government willingly supported (Collin 2014). Creating 'specialized amphibious ground forces' involves the procurement of amphibious vessels (landing platform docks, amphibious troop carriers, amphibious helicopter docks etc.) "To assert airlift and sealift capabilities in addressing the rapid responses needs of [...] human made and natural disasters" (Salvador 2014). However, due to fiscal problems, the country has no potential to develop territorial and HADR-oriented defences simultaneously. In consequence, the cabinet is compelled mainly to acquire dual-purpose vessels, like modern frigates, which can be used "in realpolitik terms and humanitarian assistance alike" (Salvador 2014). In theory, President Aquino has laid great stress on the defence against non-traditional security threats, like disaster response, although this was not considered by the budget allocations.<sup>9</sup> In November 2013, Typhoon Hainan demonstrated in full reality the AFP's unpreparedness, when the Navy and the Air Force almost remained inactive during the critical period and only the immediate foreign (mainly US) help could save the situation<sup>10</sup> (Lee 2013).

The US alliance also influences the modernization process in two different ways, in political and economic considerations; Washington has an interest in the success of the Philippine Defense Transformation, which comprises an important segment of the US strategic planning in Southeast Asia (Fisher 2012). However, the advantage of being allied with a Great Power, is associated with several commitments, in this case the need to upgrade the country's defence, needs more than just count on the great ally. As Foreign Secretary Albert del Rosario remarked: "For the Philippines to be normally reliant upon the U.S. regional partner [...] it therefore behoves us to resort to all possible means to build at the very least a most minimal credible defence posture" (De Castro & Lohman 2012, p. 9). Of course, for the support of the regional partners such as Japan, South Korea, and Australia would likewise be relied upon (Amador 2013).

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<sup>9</sup> In 2011–2012, from the operations budget of the Army and the Navy, disaster response obtained less than 1% share (Salvador 2012).

<sup>10</sup> Because of Typhoon Hainan, 5719 people died and more than 4 million were displaced (Wood 2013, p. 3).

## Conclusion

By the end of the Cold War, the once strongest military in Southeast Asia, the AFP became the region's military laggard. With the closure of the US bases in 1992, followed by the departure of the US, the AFP lost its direct support necessary to be effective, whilst the underfunding by the government and the fight against the rebels continued. Not until China had occupied the Mischief Reef in 1995 did the Ramos cabinet realize the need for military reforms and modernization. The AFP modernization act, aiming to modernise the Armed Forces, however, could not succeed, as the Asian financial crisis compelled the process to a standstill. Resulting from the growing Chinese threat and the global war on terror, the US tried to reaffirm the old partnership, which led President Macapagal-Arroyo to request US assistance in reforming the Philippine military. This cooperation resulted in the start of the PDR, but the domestic security operations continued to consume up the greatest part of the defence budget, and lack of funds hampered the process. CUP was arranged to upgrade the military with the necessary hardware, although developing new capabilities remained only a vision.

The real watershed, in regard to the Philippine military policy arrived by the inauguration of President Aquino. Realizing the AFP's weakness, the President immediately stressed the need for modernization, at the same time giving new guidelines for the development. From 2010, the Philippine Defense Transformation, supported by the 2012 Revised Modernisation Act, was set off as the continuation of the terminated PDF and CUP. The connected CUP was to coordinate the procurement and acquisition for the services, whilst the shift to focus on external / maritime defence from domestic security has been prioritized. The internal and external political situation greatly affected the decisions of the administration and in reality left only one alternative: stabilizing the situation at home must be followed by securing the country's interests in the South China Sea. Since the Aquino cabinet assumed office serious procurements have started to bolster the Navy and the Air Force, with the aim of establishing the needed minimum credible deterrent force. The analysts are divided in view of its progress. Although the Philippine government had been in a difficult position when it tried to set a course for the military modernisation program, the necessity of the reforms was beyond doubt. Due to the limited resources, upgrading the services requires cautious balancing between the procurement of alternative weapon systems (traditional military hardware

vs. cruise missiles network) and the different strategic directions (territorial defence or HADR), considering the economic and political factors as well. The development in the field of technology is just one segment of the process. However, the human resources, force structure and doctrine development, are also important not forgetting the battle against corruption and bureaucracy. In sum, the future of the military modernization greatly depends on the decisions of the government, and its capability to reform the government system, whilst securing the appropriate funds alike.

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# **Global outlook**



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## **Europe–China economic cooperation after official Belt and Road initiative announcement**

### **Abstract**

The official announcement of the One Belt One Road (OBOR) initiative in September 2013 opened a new chapter, not only in the economic and political history of the People's Republic of China (PRC), but also at least 60 other countries, including European ones. Therefore, the OBOR initiative can be considered as an instrument enabling greater Sino-European economic connectivity. There are a few different forms of high-level meetings, organized to create space for European-China discussions. The most significant are EU–China Summits, Asia–Europe Meeting (ASEM), and 16+1 Summits (China–Central Eastern Europe Initiative). The guiding documents, agreed during those events shape in a significant way, future political and economic relations. After September 2013, important conclusions, which are consistent with OBOR presumptions, were made. For example, the the EU–China discussion on a Comprehensive Agreement on Investment (CAI) has started, EU–China Connectivity Platform, has been created. In October 2013, the Peoples Bank of China and the European Central Bank signed a bilateral local currency swap arrangement. Finally, at the beginning of 2016, China became the 67<sup>th</sup> member of the European Bank for Reconstruction and Development. Despite those achievements, most of European Union's (EU's) countries represent different interests, what can hinder further developments. China's B&R Initiative is undoubtedly a priority in Beijing's foreign policy. European countries should make their best to capitalize on the opportunities it provides. It seems to be possible only if European countries would have a common position *vis-à-vis* Beijing.

**Key words:** economic cooperation, Belt and Road, European economic policy, Europe–China cooperation.

## Introduction

According to the opinion of Fu Ying, chairperson of Foreign Affairs Committee of National People's Congress, connectivity is the shortcut to prosperity. That statement also explains why the Silk Road Economic Belt and the 21<sup>st</sup>-Century Maritime Silk Road, named as the Belt and Road (B&R) or One Belt One Road (OBOR), have a profound economic meaning and should be considered as the most important of China's foreign economic policy instruments. The successful realization of that initiative will influence not only Chinese but also many other economies, including European Union (EU) countries.

Although B&R is a relatively new concept, it has already been widely discussed during dedicated events, conferences, in scientific papers, and articles. However, most of the publications concentrate on describing the main presumptions and general, potential effects of that initiative (Swaine 2015; Weidong 2015; Li 2015), or analyze China's involvement in selected countries, including European ones (Sanfilippo 2014; van der Putten 2014). Those approaches do not contain an analysis of B&R's effects on economic relations with Europe, while from the European perspective it is important to assess future implications for China's activity in that region and especially in EU countries. These kinds of complex analyses are very rare in the literature (Casarini 2015; Bendini & Barone 2015). Authors of these paper see the need for further scientific research in that field, as the OBOR initiative is dynamically evolving. This paper analyzes forms of official Europe–China negotiations and institutional instruments created to shape and influence China's relations with European economies. The main goal of this paper is to summarize so far the effects of the OBOR initiative on China's investment and financial cooperation with European countries, as well as to show how the institutional framework for economic relations between China and European countries is shaped.

The paper is organized as follows. In the next section the genesis and main assumptions of B&R are reviewed. The second part of the paper analyzes the institutional framework for economic relations between European countries and China. It includes characteristics of the Asia Europe Meeting (ASEM), the 16+1 initiative and UE–China Summits, as well as description of interrelationships between the abovementioned dimensions of Europe–China cooperation. The main effects of the Europe–China investment cooperation are presented in the third part of the paper.

Section four is dedicated to the analyses of financial cooperation between China and European countries. The paper ends with recommendations and conclusions.

## **1. The genesis and main assumptions of the B&R initiative**

The B&R initiative was announced by Chinese president Xi Jinping in 2013. During one of his first foreign visits as a president, on September 7, 2013, in Kazakhstan, he delivered a speech using official Silk Road Economic Belt terminology. President Xi was calling the whole Eurasian region to “take an innovative approach and jointly build an economic belt along the Silk Road.” At the same time, he proposed five necessary steps that need to be undertaken to turn this vision into reality. These steps cover policy consultation, improvement of road connections (infrastructure), promotion of unimpeded trade, enhancement of monetary circulation, and cultural understanding along the road (Xi Jinping 2014, pp. 315–319). On October 3, 2013, Xi Jinping proposed the 21<sup>st</sup>-Century Maritime Silk Road. This time he addressed this concept to all the ASEAN countries. During his speech at the People’s Representative Council of Indonesia, he strongly emphasized the following steps: common trust and good-neighborly ties through respect; common work for mutual cooperation benefits with strengthening maritime cooperation in ASEAN; common assistance within regional security issues; as well as mutual understanding and friendship, openness and inclusiveness to all the countries along the way (Xi Jinping 2014, pp. 320–323).

During the Boao Forum for Asia (BFA), in March 2015, the B&R official action plan proposed by China was issued by the China National Development and Reform Commission, Ministry of Foreign Affairs, Ministry of Commerce of the People’s Republic of China, and authorized by China State Council. The action plan points out the necessity of global adjustments in international trade and investment scope. Furthermore, the plan creates a new direction in the multipolar world with an open economy, free trade regime, deepened regional cooperation, and major changes in international economic policies that influence global peace and development. OBOR directives clearly state that the abovementioned goals can be achieved through infrastructure improvements, trade enhancements, and investment facilitation. Cooperation priorities are

defined in five crucial areas: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds. Countries involved in the initiative should improve their geopolitical policies and adjust them to the regional cooperation, which can boost trade and communication mechanism.

Infrastructure construction plays a big role in B&R. All the infrastructure projects should be based on particular technical standard systems, promotion of green and low-carbon solutions, increase the effectiveness of customs clearance, and standardization of transport rules. Connectivity should be undertaken on land (roads, railways, trains), on the sea (ports and vessels), and in the air (airports, airplanes). This complex connectivity should also include cooperation within energy (power grids, power transmissions) and communications (optical cables and satellites). International trade on the Silk Road should be improved in the areas of the international trade policy, bilateral and multilateral agreements, information exchange, removing investment and trade barriers, and customs cooperation. Wide liberalization of trade should bring also improvements in trade structure, integrate investment and trade, and promote trade through investment.

Financial integration has an indisputable role in the implementation of B&R. The plan assumes a huge responsibility in building a currency stability system, financing and investment system, as well as a credit information system. A major role will be played by the newly established financial entities: Asia Infrastructure Investment Bank (AIIB), BRICS New Development Bank, Shanghai Cooperation Organization (SCO), Silk Road Fund, and China–Eurasia Economic Cooperation Fund. The action plan of B&R also recognizes the need of providing public support in a wide spectrum of culture exchanges, media cooperation and information exchange, which are strongly connected to each other (The State Council the People's Republic of China 2016).

From the European perspective, important is the fact that the geographical scope of OBOR includes Asia, Europe, and Africa. The Silk Road Economic Belt aims to connect China, Central Asia, Russia, and Europe (the Baltic area) through the Persian Gulf, Mediterranean Sea, and Southeast Asia. The 21<sup>st</sup>-Century Maritime Silk Road starts from China's coast to Europe through two different ways: from the South China Sea and Indian Ocean and from China's coast to the South China Sea and South Pacific. It means, that the EU is just one piece of the Chinese global puzzle. To make that initiative beneficial it must undertake an adequate and consistent strategy.

## **2. The institutional framework for economic relations between EU countries and China**

The legal documents concerning international economic relations between EU countries and China are mainly shaped by discussions and negotiations during high-level meetings. The most objective effects of such meetings are documents of strategic importance for shaping the long-term relationship. The most significant forums which enable discussions among state officials from European countries are EU–China Summits, but there are also other types of important meetings. ASEM and 16+1 Summits (China–Central Eastern Europe Initiative) also lead to important political decisions, but do not impact the EU as a whole, but only selected groups of EU states. There is also a number of bilateral negotiations between China and European countries being conducted. This instrument used to shape the future collaboration is considered as the most effective. It is conducted parallel to other forms of official negotiations.

### **2.1. Characteristics of ASEM, 16+1 initiative and EU–China Summits**

ASEM is internationally considered as a key forum for dialogue and cooperation between Europe and Asia. Only 15 EU member states participate in ASEM. The EU is represented there by the Commission. ASEM summits each year concentrate on different issues. The summit in 2014 arranged sessions about promoting financial and economic cooperation through enhanced Europe-Asia connectivity and Europe–Asia partnership in addressing global matters in an inter-connected world (10<sup>th</sup> ASEM Summit, 4.04.2016). The choice of such themes confirms that the participation in B&R is an important issue for EU countries.

Another international forum which aims to strengthen cooperation between China and Europe is the 16+1 initiative. In 2012 China approached the countries of Central Eastern Europe countries (CEEC) with a proposal concerning regional cooperation. The effect of that cooperation is the implementation of the Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries. The 16+1 initiative is intended to be a new platform for mutually beneficial cooperation. It is officially claimed that China–CEEC cooperation is in line with China–EU relations and should help in the implementation of the EU–China 2020 Strategic Agenda for Cooperation (The Belgrade Guidelines for

Cooperation between China and Central and Eastern European Countries 2014). Chinese Premier Li Keqiang in January 2015 pointed out that China and CEEC enjoy a broad prospect in their cooperation on infrastructure construction. What is more, during the fifth China and Central-Eastern European Countries Economic and Trade Forum on November 24, 2015, Chinese Premier Li Keqiang said that China will create an investment fund of 3 billion USD to facilitate financing in CEEC.

The most important documents shaping the future of UE–China economic cooperation are the outcomes of the UE–China Summits. These documents present effects of the EU and China negotiations. EU–China Summits, which normally take place every year, define long-term goals for economic cooperation. Projects complementing the OBOR initiative are the most important issues discussed during last two summits (the 16<sup>th</sup> and 17<sup>th</sup>, taking place on November 21, 2013, and June 29, 2015, respectively). During each summit, High Level Dialogues are conducted.<sup>11</sup> Among others, from the economic perspective, the High Level Economic and Trade Dialogue is the most important one. At the 17<sup>th</sup> EU–China Summit officials from both sides agreed, that of key importance is to identify the synergies between the Juncker Plan and the OBOR initiative (*Tomorrow’s Silk Road: Assessing an EU–China Free Trade Agreement. Executive Summary 2016*). As the tangible results of the last two EU–China Summits, two important documents were published. The first is: *EU–China 2020 Strategic Agenda for Cooperation*; and the second: *The joint statement of the 2015 China–EU Summit: The way forward after forty years of China–EU cooperation*. The analysis of the abovementioned documents highlights issues which are the priorities for EU economic policy toward China in the upcoming years. The most important events and agreements which strengthen economic cooperation between the EU and China refer to and implement these documents.

## **2.2. Interrelationships between different dimensions of Europe–China cooperation**

It has to be mentioned that there is no coherent EU guiding policy toward China’s OBOR initiative. Most EU countries represent different interests. The EU’s answer to the OBOR initiative was assessed by the Chinese government as very moderate. As a result, China can search

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<sup>11</sup> Discussions dedicated to a specific topic conducted between high-level government officials.

for more active partners or strengthen the cooperation with particular European economies, which makes the EU's position weaker. In the present situation, China negotiates with Europe on a few different organizational levels: bilateral, the EU forum, and 16+1 initiative. That situation is favorable for China, but not for the UE as a whole. The People's Republic of China's Ministry of Commerce pursues bilateral discussions with Germany and Poland, as well as enhanced cooperation between China and the CEEC under the 16+1 framework at the same time. The regional multilateral platform in the 16+1 framework enabled the CEEC, which are particularly interested in economic cooperation with China, to strengthen their economic ties with China. Officially, both Chinese experts and the government in Beijing emphasize that cooperation in the 16+1 format complements and strengthens the China–EU 2020 Strategic Agenda for Cooperation (Kaczmarek 2015).

It does not change the fact that some countries, such as Germany, Poland, and the Netherlands, are ready to do more than other EU countries to connect their infrastructure and transportation development with China's plans. For example, China's new rail connection linking Northwest China and Germany, which will open in the first half of 2016, is built as an effect of bilateral Chinese and German negotiations.

### **3. The main effects of the Europe–China investment cooperation**

#### **3.1. China's outward FDI in Europe**

China's accession to the World Trade Organization in 2001 also started Chinese foreign direct investment (FDI) in Europe. Since then, Chinese companies invested about 65 billion euro of accumulated capital in EU countries (Hanemann & Huotari 2016, p. 7). Chinese motivation for investments in Europe is undeniably related to acquiring new technologies, brands, new capabilities, and intricate competitiveness on European market (Clegg & Voss 2012, p. 21). Chinese investors so far are mostly attracted to Germany, France, and the United Kingdom. Till 2009 these three countries were receiving 36.8% of annual Chinese investments (Clegg & Voss 2012, p. 22). In the last few years, Chinese investors became interested in other parts of Europe, especially Southern Europe, the Benelux countries, and CEEC. It is important to notice that Chinese outward FDI

(OFDI) is not only opportunistic, beginning after the economic crisis in Europe, but an integral part of a new economic strategy that China started to realize with the 12<sup>th</sup> – Five Year Plan in 2010 and is going to extensively continue with the 13<sup>th</sup> – Five Year Plan till 2020. The plan clearly aims to invest in new and advanced technologies. Therefore, the European market became a very important part of acquiring new technologies and safe investments for their capital.

Since the B&R initiative became an official part of China's expanding strategy, many countries along the Road observed dynamic growth in the inflow of Chinese FDI. In 2015 there was a 44% increase in investments made by Chinese companies in the EU, rising in value from around 14 billion euro in 2014 to 20 billion euro in 2015. The biggest contribution in this record value was the acquisition of the Italian company Pirelli, specialized in tire production. It is also the biggest Chinese acquisition made in EU up to date (Hanemann & Huotari 2016, p. 3). Other big takeovers made by Chinese companies in Europe are mainly concentrated in agriculture and food, automotive, energy, real estate and hospitality, finance & business services, machinery, and ICT. The biggest and strategic contracts between the EU and China were signed by state-owned enterprises, even though the role of Chinese private sector companies on the European market is increasing.

There is a huge possibility that many European economies will further benefit in the increasing volume of these kinds of investments. Presumably, Chinese FDI will cover mainly acquisitions, but also global law firms, accounting agencies, and public relations companies (The State Council the People's Republic of China 2016). China's Premier, Li Keqiang announced, that China expects to deploy 1 trillion USD of OFDI over the next five years. It makes China the second largest global exporter of FDI and may further result in significant FDI imbalances with European countries, as FDI from EU countries is declining (Hanemann & Huotari 2016, pp. 3–10). The B&R initiative may also further boost the impact of Chinese state owned subsidiaries. Their role is well rooted in the policy of banks, sovereign wealth funds and commercial entities in order to finance large-scale projects (Hanemann & Huotari 2016, p. 5).

### **3.2. Effects of the OBOR announcement on investment cooperation between China and the EU**

The joint statement of the 2015 China–EU Summit, confirmed both sides' interest in the Investment Plan for Europe and B&R. Beijing's plan to invest in the EU investment fund came after the decision of several European countries to join the China-led AIIB. This implies strengthening cooperation in improving infrastructure links through developing smart, upgraded and fully interconnected infrastructure systems. It includes project bonds, project shareholding, joint contracting and co-financing, and further coordination of the cooperation among China, the EU, and its member states. Joint implementation of infrastructural projects needs further improvements in institutional conditions. The CAI between the EU and China is planned to be one of the key instruments to realize that goal. The agreement is intended to provide a simpler and more secure legal framework to investors of both sides by securing predictable long-term access to the EU and Chinese markets, providing strong protection to investors and their investments. The EU–China discussion on a CAI started in September 2012. The official launch of the negotiations on that agreement is the major outcome of the EU–China Summit in 2013. The joint statement released during Xi Jinping's visit to Europe in 2014 confirmed the importance of negotiations on the Comprehensive EU–China CAI. In January 2016, the UE and China announced that there would be a wide scope of the CAI negotiations. It means that both parties want to improve market access opportunities for their investors as well as a balanced level of protection for investors and their investments. The EU is determined to see a good outcome from the CAI negotiations, which can enable negotiations on Free Trade Agreement (FTA). China has in fact already asked the EU to begin negotiations on an FTA. However, the Commission and most member states were reluctant about it. An FTA is considered to be a long-term perspective. Both the EU and China perceive the ongoing investment agreement negotiations as one of the most important issues in EU–China bilateral economic and trade relations. The CAI will replace the existing bilateral investment treaties between China and EU member states with one single comprehensive agreement covering all EU member states (The EU–China Comprehensive Strategic Partnership: Working for You, 2013).

It should also be noted that EU foreign economic policy is not concentrating inclusively on the investment relations with China. The EU

has also put a strong emphasis on concluding FTAs with other dynamic East Asian economies. The EU is also negotiating the Transatlantic Trade and Investment Partnership (TTIP) with the United States. What is more, on February 4, 2016, the United States signed trade agreement with 12 Asian countries (the Trans-Pacific Partnership, TPP). If the TTIP will be successful, China could change the scope and dimension of its cooperation with EU, which now seems to be mutually beneficial.

China and the UE also agreed to set up a joint working group to increase cooperation between the EU and China on all aspects of investment. The working group will include experts from China's Silk Road Fund, the Commission, and the European Investment Bank (EIB). Another example of effective cooperation is a new Strategic Framework for EU–China Customs Cooperation for 2014–2017, signed in May 2014. It focuses on border enforcement of IPR, supply chain security, anti-fraud and trade facilitation, and external trade statistics. The European Commission and the Chinese government in June 2015 additionally signed a Memorandum of Understanding on the establishment of EU–China Connectivity Platform. The EU–China Connectivity Platform is created to enhance synergies between China's OBOR initiative and the EU's connectivity initiatives such as the Trans-European Transport Network policy. The Platform will promote cooperation in areas such as infrastructure, equipment, technologies, and standards (Investment Plan for Europe goes global: China announces its contribution to #investEU 2015). Another milestone on the way to strengthening economic cooperation is a joint statement on EU–China Strategic Cooperation in the 5G Area (Joint declaration on strategic cooperation in the area of the fifth generation of mobile communication networks between the European Commission and the ministry of industry and information technology of the People's Republic of China 2015). An example of trade relations improvement is an event that occurred in November 2015, when China was given EU Authorized Economic Operator (AEO) status. The AEO was launched in 2008. It offers simplified customs procedures to companies that prove to be safe, reliable, and compliant with security standards. In effect, EU and Chinese trusted traders enjoy lower costs, simplified procedures and greater predictability in their activities. The implementation of the AEO in Europe is an example of an instrument that aims to foster bilateral trade, which is a fundamental mechanism of OBOR development. Trade incentives given to European entities increase European interest in the B&R initiative's realization and active participation in its financing.

#### **4. Financial cooperation between China and the EU in light of OBOR**

Through the progressive implementation of the B&R initiative China aims also to support RMB internationalization. European financial entities may play a very important role in that process. European financial institutions are the oldest and the most experienced. This advantage will be surely used in order to support all the advanced transactions and all other financial processes (The State Council the People's Republic of China 2016).

In October 2013, the People's Bank of China and the European Central Bank signed a bilateral local currency swap arrangement for the purpose of supporting bilateral economic and trade activities. That should ensure the stability of financial markets and facilitate trade and investment activities between China and Europe. It can also be recognized as an announcement of further monetary and financial cooperation between the People's Bank of China and the European Central Bank. According to the Joint Statement of the 2015 China–EU Summit, cooperation between China and the European Investment Bank should deepen. To realize that goal, the EU–China Economic and Financial Dialogue and the Working Group between People's Bank of China and the European Central Bank were established. The EIB in 2015 invested a record sum in 10 big projects in China. The projects mainly focused on transportation, communication, forest development, energy conservation and, environmental protection. The EIB is a member of the official working group set up by the EU and China to boost investment cooperation between the world's second largest economy and the EU. The EIB has an office in Beijing. The EU also supported China in cooperation with the European Bank for Reconstruction and Development (EBRD). In result, on January 15, 2016, China became the 67<sup>th</sup> member of the EBRD. The EBRD will support Chinese companies as they invest in the EBRD regions. EBRD membership will impact implementation of the B&R initiative in countries which are members of the EBRD.

Chinas economic involvement in Europe, as well as European countries' activity in Asia, are also connected with the AIIB's founding. The Articles of Agreement of the Asian Infrastructure Investment Bank were opened for signature on June 29, 2015. Fourteen EU countries joined AIIB as founding members. Those countries are: Austria, Denmark, Finland, France, Germany, Italy, Luxembourg, Malta, the Netherlands, Poland, Portugal, Spain, Sweden, and the United Kingdom.

The International Monetary Fund, World Bank, and Asian Development Bank also indicated cooperation with the AIIB. When it comes to the EU, there was no coordinated EU response for that initiative. The AIIB case highlights the lack of a common strategy among EU member states, as well as between the EU and its closest allies. (The Asian Infrastructure Investment Bank. A New Multilateral Financial Institution or a Vehicle for China's Geostrategic Goals 2015).

Along with realization of the B&R initiative, China's authorities also admit the need of financial policy adjustments. The State Administration of Taxation (SAT) unveiled ten measures supporting and improving services for investors under the B&R initiative. Those measures should protect investor's rights, promote development and support equal benefit interests for all the parties. SAT predict further improvements on bilateral tax agreements, including double taxation and other risks (The State Council the People's Republic of China 2016).

## **Recommendations and conclusions**

All the abovementioned and analyzed agreements, legal acts, and initiatives can be considered as effects of China's strategy of the OBOR initiative's implementation, as they should support and ease bilateral investments and trade, which constitutes the B&R initiative. Taking under consideration, that it has been only about three years since OBOR initiative was officially announced, progress in investment and financial cooperation between Europe and China has been made. OBOR's announcement has worked as a factor that caused deepening economic cooperation, reflected by the number of agreements. Before 2013 such forms of cooperation were less frequent and more ad hoc than long-term. OBOR's announcement also influenced the strategic planning for economic development but only in selected European countries.

The B&R initiative showed that the EU is divided and unable to effectively negotiate on behalf of all EU countries. The participation of only selected European countries in the AIIB as well as ASEM and 16+1 summits show that quite vividly. There is, till now, no coherent EU guiding policy toward China's OBOR initiative.

To maximize the economic benefits of China's involvement in Europe, the EU, as well as each European country that would like to participate in that initiative, has to make B&R its own and strategic priority. The EU, to

be an important partner for China, should offer concrete proposals and make OBOR implementation a common initiative. If the EU wants to use China's OBOR initiative as an economic growth engine, a strong and strategic relationship with China must be a priority. The most important issue, which needs to be addressed, is the further creation of favorable institutional conditions, such as financial, political, and legal, for effective infrastructure project realization. The EU should also deepen negotiations on the EU–China Investment Agreement. The EU institutions need to recognize more actively the benefits of the current trade exchange and pursue a policy of openness in bilateral commerce. Additionally, an FTA should be reached as soon as possible. Another action to be taken by the European Commission is organizing a meeting with the current EU member states that are also AIIB founding members in order to rethink the EU's participation in the AIIB.

The EU should rethink the creation of an EU–China investment fund to support infrastructure projects that in turn support OBOR's implementation. China has already created such financing institutions as the New Silk Road Fund and New Development Bank. It is very important for European collaboration with China to take deep and constructive negotiations, which will enable the OBOR initiative's implementation into European development strategy. Negotiations between European countries and China should lead to mutual benefits, which is only possible if all EU states have a common voice and strategy.

The analysis conducted in the paper shows, that European relations with China, after official announcement of the B&R initiative, has been strengthened, though the importance of that initiative is different for different European countries. There is still a need for creating professional and well-founded institutions, not just discussion groups and guiding documents, which should be considered as an important, but first step for sustainable economic cooperation.

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# **Opportunities Amidst Uncertainties China–EU Security Cooperation in the context of the ‘One Belt One Road’ initiative<sup>1</sup>**

## **Abstract**

How does China seek security cooperation on the vast Eurasian continent? For China, this geopolitical border is becoming more and more important. A new generation of Chinese leaders put forward the ‘One Belt, One Road’ (OBOR) Initiative for the Eurasian continent has brought new opportunities for cooperation, but it also brings new security challenges. Is it possible for Europe to have more security cooperation and interaction with China? As an important power worldwide, China and the European Union (EU) could share common interests in maintaining international and regional peace and stability. As the security challenges are becoming increasingly complex and transnational, the EU and China will assume more responsibility for peace and security matters. This paper aims to have a general, yet strategic assessment of China’s security cooperation towards the European Union. It starts with a brief overview of China–EU security cooperation during the past decade, then analyze the opportunities and challenges of China and the EU’s security cooperation in the context of OBOR Initiative, and put forward some feasible suggestions for the future cooperation.

**Key words:** China–EU relations, security cooperation, OBOR Initiative.

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<sup>1</sup> Thanks for Dr. Thomas Kaminski’s valuable suggestions on revision, the writer is responsible for the consequences of this article.

## Introduction

The new generation of Chinese leaders has shown strong interest in developing relations with European countries since its takeover of power in October 2012. In recent years, China–EU relations of cooperation are more closed. Numerous policy papers have been adopted during the last decade. In April 2014, China's government released the second Policy Document to the European Union: Deepen the China–EU Comprehensive Strategic Partnership for Mutual Benefit and Win-win Cooperation (MFAPRC 2014). China and the European Union, with frequent exchanges of leadership between the two sides and the bilateral relationship, is really warming up and making progress in these years. At the same time, China's government proposed the 'One Belt, One Road' Initiative (*Yidai, Yilu* in Chinese, referred to as OBOR hereinafter) that focuses on the possibility of cooperation among countries, primarily in Eurasia. It aims to enhance China's position and influence global cooperation and economic development, which will have a positive effect in stabilizing the situation and preventing security issues of extremism and terrorism. It would also act as an opportunity for closer cooperation between China and the European Union (EU). On the other hand, its focus is for a strong Europe to strengthen the close and comprehensive cooperation. This is seen as a fundamental shift in Europe's diplomatic and security policy since 2003, and it is foreseeable that it will have a strong impact on the international security situation. In particular, the new strategy in the care of the surrounding areas of Europe at the same time, for Asia has also been clearly reflected (The Finnish Institute of International Affairs 2016).

When reviewing the Sino–EU relations, most of the analysis focuses on economic and trade issues, however, it could also provide an opportunity for security cooperation between China and the EU. Based on previous studies, analysis and perspective are mostly negative in the field of security cooperation between China and the EU. In spite of many common interests, there is no evidence that shows that security is becoming a solid pillar of the partnership (Holslag 2015). Diverging interests, competing structures, and external influences are obstacles for China–EU cooperation on security and in other related areas. From a geopolitical point of view, the EU in the Asia-Pacific region, there are no direct military interests, in addition, unlike the United States (US), the EU has not provided any policies yet, such as the 'Pivot to Asia' (Oliver 2014). Moreover, many uncertainties exist in the Sino–EU security cooperation, among all the dialogues established

between China and the EU, more than two-thirds fall under the second pillar, serving bilateral economic and trade ties (Men 2014).

Thus, this paper aims to examine the following arguments. First, during the past decade, what are the successful experiences of cooperation between China and the EU in the field of security? Second, what challenges will be encountered by Sino–EU cooperation in the field of security? Third, by China’s proposed OBOR Initiative, will it bring any opportunities for security cooperation to both sides? This paper aims to have a general, yet strategic assessment of China’s security cooperation towards the EU. It starts with a brief overview of China–EU security cooperation during the past decade, then focuses on the following issues. First, it analyzes various motivations and interests in Chinese and EU security cooperation during the past decade. Second, it identifies the major challenges and obstacles in China’s pursuit of its interests in Sino–EU security relations. Third, it discusses opportunities of China–EU security cooperation in the context of OBOR.

## **1. Evolution of China–EU Security Cooperation during the past decade**

In April 2014, China carried out the second Policy Paper to the European Union: Deepen the China–EU Comprehensive Strategic Partnership for Mutual Benefit and Win-win Cooperation. China and the EU with frequent exchanges of leadership between the two sides and the bilateral relationship is really warming up and making progress in these years (MFAPRC 2014). Over the past decade, China and the EU have expanded their relations from a dominant focus on economic and trade issues to the sphere of politics. But security cooperation, as a new area of Sino–EU cooperation, is becoming a major aspect of China–EU relations. In view of the fact that today’s major international issues cannot be solved by unilateral action, the cooperation between the two sides is increasingly critical in maintaining regional and global security (EEAS 2016). Since 2003, when the two sides established a strategic partnership, during that year, two policy papers on bilateral relations were issued respectively by the EU and China. The EU’s policy paper “A Maturing Partnership: Shared Interests and Challenges in EU–China Relations”<sup>2</sup> stated

<sup>2</sup> [http://trade.ec.europa.eu/doclib/docs/2005/september/tradoc\\_124565.pdf](http://trade.ec.europa.eu/doclib/docs/2005/september/tradoc_124565.pdf).

that “EU and Chinese interests converge on many issues of global governance, in particular as regards the key role of multilateral organizations and systems.”<sup>3</sup> In November 2013, both sides jointly adopted the EU–China 2020 Strategic Agenda for Cooperation (EEAS 2013). It provides a blueprint for the next decade based on four key pillars, with peace and security as the priority (Mariani 2016),<sup>4</sup> in the context of such a framework, new areas of cooperation are emerging, highlighting the roles and responsibilities of China and the EU as global transaction participants, as well as the wishes of both sides to further deepen the comprehensive strategic partnership. Specifically, “Hold regular dialogues on defense and security policy, increase training exchanges, and gradually raise the level of EU–China dialogue and cooperation on defense and security, advancing towards more practical cooperation” as one of the key initiatives would be achieved.<sup>5</sup> Moreover, China–EU high-level strategic dialogue is also as a new way for deepening the cooperation. During the Chinese president’s visit to Europe in March 2014, President Xi met with the presidents of EU institutions,<sup>6</sup> and the ensuing Joint Statement reaffirmed and confirmed the outcome of the China–EU summit in November 2013.<sup>7</sup> In order to further promote the institutionalization and regularization of China–EU cooperation, in 2014, China issued the second Policy Document to the European Union: Deepen the China–EU Comprehensive Strategic Partnership for Mutual Benefit and Win-win Cooperation (MFAPRC 2014), this document is highly consistent with the EU–China 2020 Strategic Agenda for Cooperation (EEAS 2013), which defines motivations and interests in Chinese policymakers’ mindset when dealing with Europe, including anti-terrorism. Generally, ‘security’ encompasses both rigid measures, such as national and military security, as well as soft elements, such as personal, environmental, and economic security. Therefore, what outcomes have been made during the past decade? As Bernardo Mariani in his speech in the China–EU

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<sup>3</sup> Ibid.

<sup>4</sup> Namely peace and security, trade and investment, sustainable development, and people-to-people exchanges.

<sup>5</sup> [http://eeas.europa.eu/archives/docs/china/docs/eu-china\\_2020\\_strategic\\_agenda\\_en.pdf](http://eeas.europa.eu/archives/docs/china/docs/eu-china_2020_strategic_agenda_en.pdf).

<sup>6</sup> President of European Council Herman van Rompuy, President of European Commission Manuel Barroso, and President of European Parliament Martin Schulz.

<sup>7</sup> [http://www.eeas.europa.eu/statements/docs/2014/140331\\_02\\_en.pdf](http://www.eeas.europa.eu/statements/docs/2014/140331_02_en.pdf).

Think-tank Summit in 2016 pointed out, there are currently four areas of cooperation that are constructive: nuclear non-proliferation, peacekeeping, anti-piracy, and cyber security (Mariani 2016).

First, in nuclear security, China has made great progress not only in the construction of its nuclear safety system, but also has made great contributions to nuclear safety cooperation on a global scale.<sup>8</sup> This is in line with the EU's so-called 'effective multilateralism' nonproliferation policy (Kissack 2010), which is committed and supports multilateral nonproliferation mechanisms and assists non-EU countries that join the relevant non-proliferation regime to live up to their commitments. China and the EU recognized the necessity for strategic cooperation in the field of disarmament and non-proliferation and signed a joint statement on non-proliferation and arms control at the 2004 China–EU Summit,<sup>9</sup> which proposed a range of priorities to prevent the proliferation of weapons of mass destruction. The Iranian nuclear issue's cooperation is one example of this positive strategic partnership. Meanwhile, China and the EU cooperation on nuclear safety was officially launched in early 2014. The project aims to enhance and strengthen the Chinese nuclear safety regulatory framework to enhance its nuclear safety regulatory capacity building. This cooperation, while further deepening China–EU nuclear safety exchanges and cooperation, also contributed to the maintenance and improvement of the global nuclear safety level. In May 2015, China and the EU affirmed their cooperation on the Iranian nuclear issue. On

<sup>8</sup> China has signed a number of international treaties and conventions for the nuclear security cooperation, such as the Antarctic Treaty, Convention on Nuclear Safety, Convention on the Physical Protection of Nuclear Material (CPPNM), Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons (BTWC), Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (CWC), Convention on the Registration of Objects Launched in Outer Space (Launch Registration Convention), International Convention on the Suppression of Acts of Nuclear Terrorism, Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management, Proposed Fissile Material (Cut-off) Treaty (FMCT), Proposed Internationally Legally-Binding Negative Security Assurances (NSAs), Proposed Nuclear Weapons Convention (NWC), Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous, or Other Gasses, and of Bacteriological Methods of Warfare (Geneva Protocol), Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, Including the Moon and Other Celestial Bodies (Outer Space Treaty), Treaty on the Prohibition of the Emplacement of Nuclear Weapons and Other Weapons of Mass Destruction on the Seabed and Ocean Floor and in the Subsoil Thereof (Seabed Treaty), etc.

<sup>9</sup> [https://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/82998.pdf](https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/82998.pdf).

July 14, 2015, Iran, the five permanent members of the United Nations Security Council (UNSC), Germany, and the European Union jointly signed the Joint Comprehensive Action Plan (JCPOA),<sup>10</sup> also known as the 'Iran Nuclear Agreement'. This was called a 'New Page' by the High Representative of the Union for Foreign Affairs and Security Policy, Ms. Federica Mogherini. While cooperation between the two sides in the field of nuclear security is still at an early stage, the efforts of both sides in this regard are still visible.

Second, peacekeeping operations are also a good example of China–EU security cooperation. China is playing an increasingly important role as an important force in the maintenance of international peace, and it has attracted the attention and support from the EU. On the question of the importance of peacekeeping operations, China and the EU are important forces in the world to maintain peace, it fully demonstrates the common interests of China and the EU in peacekeeping capacity building and cooperation (Mariani 2016). The EU and China have considerable potential for cooperation in conflict prevention and peacekeeping. China is increasingly involved in the United Nations peacekeeping mission, plans to set up a standing force of 8,000 people.<sup>11</sup> The EU is a major supporter of the African Union and its peacekeeping activities. The two sides are ready to cooperate in the fight against piracy on the coast of Africa. China's peacekeeping operations in Mali have demonstrated that its new commitment to United Nations peacekeeping security cooperation. This action is worthy of attention because this is the first time the Chinese peacekeeping forces provide security services to foreign troops. China and the EU began to launch a vice-ministerial dialogue on international and regional security issues by the end of 2005, and in 2009, China began to participate in the escort activities in the Gulf of Aden and Somalia as required and authorized by the UNSC. Although not all of the reports on such cooperation are positive (Putten 2015), these developments show that with the continued expansion of China's participation in peacekeeping operations, the cooperation between China and the EU in peacekeeping will be further enhanced.

Third, the EU–China 2020 Strategic Agenda and the second Policy Document to the European Union all highlighted maritime security

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<sup>10</sup> [https://eeas.europa.eu/statements-eeas/docs/iran\\_agreement/iran\\_joint-comprehensive-plan-of-action\\_en.pdf](https://eeas.europa.eu/statements-eeas/docs/iran_agreement/iran_joint-comprehensive-plan-of-action_en.pdf).

<sup>11</sup> From the United Nations.

cooperation, including anti-piracy. The degree of convergence of policy and practice between China and the EU is increasing. In 2009, in order to jointly carry out the anti-piracy mission in Somalia and maintain the safety of maritime access, China and the EU jointly launched the 'Atlanta Action', which achieved good results, accumulated strategic mutual trust, and increased cooperation experience, resulting in a good demonstration effect. Actions include extensive information sharing and joint exercises with the Chinese Navy, and are committed to enhancing China's organizational and commanding capabilities, cooperation and tactical capabilities, and the ability to carry out escort missions.<sup>12</sup> At the same time, China, the EU, and the joint maritime armed forces, which are composed of multiple countries, have also led international special forces to fight outside the Somali coast and pirates. It is expected that with the development of OBOR, China and the EU will further strengthen maritime security cooperation.

Fourth, another common interest between China and the EU points to the field of cyber security. China and the EU now established working groups aimed at enhancing networking, it is not only focusing on practical cooperation in the prevention and response to cybercrime but also in building a broader global governance and security norm, specifically targeting cyberwar and cybercrime. Such cooperation not only benefits for the positive role for both sides in global governance, but also promotes the Comprehensive Strategic Partnership for both sides. In addition, the United Kingdom, and China have signed a cyber security agreement with the aim of ensuring that the two sides do not tolerate and do not engage in intellectual property and trade espionage.<sup>13</sup> During the past, the interaction between EU member states and China in this area has been controversial, especially for China to launch network attacks accusations. Cyber security is a matter of concern for both China and the EU. More cooperation in this area also helps to resolve Europe's concerns about the so-called 'China threat'. It is time for both China and the EU to deepen their ties so that bilateral relations become more stable and more sustainable. Pragmatic cooperation on major projects is helpful in deepening bilateral relations.

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<sup>12</sup> Such as Rear Admiral Barbieri and Rear Admiral Chen Qiangnan concluded the visit with talks on the EU and Chinese Navy's common efforts to strengthen maritime security in the region through joint planning and counter-piracy exercises.

<sup>13</sup> <https://www.gov.uk/government/news/uk-china-joint-statement-2015>.

## 2. The Uncertainties of China–EU Security Cooperation

China and the EU in security cooperation is still a weak link in bilateral relations, currently limited to a small number of policy summits. For example, China regularly participates in multilateral forums such as the Munich Security Conference, nuclear security is also limited to scientific and technological cooperation in the peaceful use of nuclear energy. Although many positive examples have been mentioned above, China and the EU still have much room for development in the field of security, such as promoting global peace and security. For example, compared with the extensive cooperation between China and the EU in trade and commerce, the practical cooperation in security in the EU–China 2020 Strategic Agenda for Cooperation (EEAS 2013) has not yet seen more concrete measures. Although both China and the EU are committed to multilateralism, but in the context of different political systems, different ideologies, China and the EU have different and even contradictory explanations on the values and principles, such as the fundamental human rights, humanitarian intervention, etc. (Mariani 2016). Moreover, the EU arms embargo against China as the main obstacle that cannot usually be resolved in discussions on security cooperation between China and the EU. The EU is growing ties with China, yet it also has an ‘alliance’ with the US, the EU’s most important international ally. This has led to sometimes conflicting views in the EU on regional and international security issues.

During President Xi Jinping’s visit to the EU headquarters in 2014, President Xi proposed to develop partnerships for peace, growth, reform, and civilization (Xi 2014),<sup>14</sup> but little progress has been made in this area, and without any further details. China’s Ministry of Public Security and the European Criminal Police Organization have established links, but China and the EU in the fight against transnational crime are still weak. The official outreach activities of the EU in the field of conventional arms and dual-use control in China have not yet transformed into concrete cooperative actions. China and the EU have not taken joint practical measures to contain the millions of illegal light and small arms circulating between the African continent, non-state armed groups, pirates, and other criminals. For the EU and its member states, there is no agreement on the arms control issues (Wendy 2014). In addition, the EU has not yet reached

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<sup>14</sup> [http://www.fmprc.gov.cn/mfa\\_eng/wjdt\\_665385/zyjh\\_665391/t1351157.shtml](http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1351157.shtml).

an agreement with China on the issue of weapons, while the US believes that if the EU lifted the ban on China, there will be a technology transfer, giving the Chinese People's Liberation Army's military considerable strength. This is an opportunity to bridge the gap in the export of conventional arms, with a clearer definition of internationally accepted standards, and to raise common national standards in this field. So far, China has not signed and acceded to the treaty. In addition, although the dialogue between China and the EU on cyber security is regarded as an important measure to jointly combat cybercrime and prevent cyberwar, the differences in cyber policy between China and the EU cannot be ignored. This also raises issues such as content and information control, among other controversial issues (Mariani 2016).

### **3. The Opportunities of China–EU Security Cooperation in the context of OBOR**

In the context of globalization, the degree of interdependence between China and Europe has deepened in the 21<sup>st</sup> century, the contacts between China and Europe in the field of non-traditional security have been increasing, and bilateral communication and consultation mechanisms have been improved. Nowadays, the EU has maintained a low profile on hard security issues in Asia and the Pacific. Geopolitical competition, disputes over islands and waters, and historical disputes between countries have created a marginal political form that makes a dangerous risk of inter-state conflict. Escalating military action and expansion of defense spending, as well as militant remarks on the issue of South China Sea have confirmed this point. Whether the EU can use its 'soft power' to be involved in the Asia-Pacific region, or whether the EU's involvement in regional security policies could be perceived as unrelated, unpopular, or even rejected by China's government, differences exist among Western scholars on these issues.<sup>15</sup> However, some scholars believe that China

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<sup>15</sup> See China, Japan and the European Community (Taylor 1990); Europe and the Challenge of the Asia Pacific: change, continuity and crisis (Bridges 1999); European and Asia-Pacific Integration: Political, Security, and Economic Perspectives (Shaw 1998); the European Union and East Asia: Inter-regional Linkages in a Changing Global System (Dent 2003); the European Union's Commercial Policymaking towards China (Tseng 2001); and the European Union and East Asia: Inter-regional Linkages in a Changing Global System (Preston 2001).

is interested in the EU's security policy and experience in the field of security multilateralism (Men 2014). The EU has some room for more active participation in Asian security matters, such as ASEAN. While the EU would normally be present at these occasions, it may sometimes have dispatched lower-levels of delegation. However, it has reasons to be optimistic for the cooperation in the field of security. In the case of the EU, for example, it has already supported the enhancement of ASEAN capabilities, such as the establishment of the situation room, which facilitated a range of emergency information sharing, including violent escalation, geopolitical instability and epidemic outbreaks, as well as a more rapid and consistent response to the early warning (Mariani 2016).

The OBOR initiative proposed by Chinese President Xi Jinping (Xi 2012) that aimed at connecting Eurasia, is a new opportunity for cooperation between China and Europe. This initiative includes rail, road, aviation and navigation, pipelines, and transmission networks, will be a better to link China and Europe, and even a wider world, which will make it easier for China and the EU to develop a strategic partnership at the practical level. As many countries along the OBOR may be affected by conflict, it is a new way for closer cooperation between China and the EU. At the official level, it is an inevitable that the first step for China and the EU will exchange information on how to carry out activities in unstable regions and countries along OBOR. Such analysis is particularly important when it comes to the bridge between China and Europe. The OBOR links west of China with neighboring Central Asian countries. It should be noted that although China has a territorial dispute with India, generally its borders are relatively stable in the Central Asian region. At the same time, China insists by the principle of non-interference in the internal affairs to the other countries, which limits its ability to protect its interest and citizens in crisis zones abroad. Similarly, China and EU cooperation by institutions could set opportunities for introducing more information exchange and collaboration mechanisms that promote joint efforts in upstream conflict prevention and development.

OBOR is a new bridge between China and the EU, although many areas of cooperation have been carried out, there are still differences, especially for such a sensitive area as is security. How to take OBOR to achieve further cooperation between China and the EU? It will be easier if existing mechanisms were used to find a commonality between China and the EU in strategy or policy. Such mechanisms could be combined with reality and

built by the 2030 agenda for sustainable development.<sup>16</sup> This agenda could have proposed goals for the creation of cooperation as both China and the EU member states for the future sustainable development. As one of the focuses of the agenda is peace, such as Goal 16,<sup>17</sup> the EU and China have agreed to closer cooperation for the achievement of sustainable development goals.<sup>18</sup>

Moreover, from China's perspective, territorial disputes with neighboring countries are one of the most important security challenges facing OBOR, the deeper involvement of the EU in exploring is supporting the 'road map' process (Wendy 2014) to reduce regional tensions and build mutual trust, therefore, countries in the Asia-Pacific region have been able to take appropriate step-by-step corrective measures in all aspects to manage and minimize conflict sources and mutual mistrust.<sup>19</sup> Obviously, the progress of this roadmap will be gradual and it will not eliminate all the contradictions, but it will enhance the trust between China and the EU.

With the gradual development of the OBOR Initiative, China and the EU could focus on the more consensual interests of global security, in particular, the non-traditional security threats of growing importance in China and the EU, such as, among others, climate and energy issues. China and the EU should understand the common causes to alleviate crises, in order to prevent conflicts and establish peace and stability in conflict countries. In terms of further cooperation, crisis response is a relatively uncontroversial good starting point. How to work together to deal with terrorism, religious and cultural conflict will be a good opportunity in the context of OBOR, especially in the context of Central

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<sup>16</sup> The 2030 Agenda for Sustainable Development adopted by world leaders in September 2015 at an historic United Nations Summit officially came into force. Over the next fifteen years, with these new goals that universally apply to all, countries will mobilize efforts to end all forms of poverty, fight inequalities, and tackle climate change, while ensuring that no one is left behind.

<sup>17</sup> Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels. [http://www.un.org/ga/search/view\\_doc.asp?symbol=A/RES/70/1&Lang=E](http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E) (last accessed by Dec 10th, 2016).

<sup>18</sup> For example, China and the EU adopted a joint statement in 2015 for the way forward after forty years, and "agreed to explore operational development coordination in synergy with local partners, including in Africa."

<sup>19</sup> The 'road map' should focus on the issues of common interest and concern to the countries of the region, which include but are not limited to: non-proliferation, strategic arms control, maritime security, in particular the management of military ships in exclusive economic zones, prevention of unnecessary arms competition, including arms race in outer space and networks, military policy, and posture for regional and global security influences.

Ausa. For example, in 2015, a Chinese warship helped hundreds of foreign nationals, including European citizens, evacuate from the war in Yemen. In 2011, Chinese citizens also helped with evacuations during the crisis in Libya. This action was as a great model for the security cooperation between China and the EU (Mathieu & Bates 2012), which also laid the foundation for future cooperation between the two sides.

As the global agenda for human security evolves from a military peacekeeping mission to a more comprehensive peace-building process, China, and the EU, will be the key powers in promoting post-conflict countries. Closer cooperation is possible in areas, such as deepening consultations and theoretical discussions, providing staff training and examining the building of local peacekeeping capacity in conflict-affected areas, such as the Middle East. This will help to achieve the new vision of international peacekeeping, such as reduce military-oriented responses and reflect human-centeredness more. In particular, both China and the EU need to consider increasing civilian concerns and civil expertise in peace support operations and invest more in crisis prediction and the protection of civilians. The current review of United Nations peacekeeping systems and operations provides an international context for future of EU–China cooperation. The increasingly focused conflict prevention operations are the complementary to the needs of militarily-oriented peacekeeping operations, even in the ideal situation where the former takes precedence over the latter. China may enhance their role and play a greater part the wider United Nations-led conflict prevention operations, though this depends on whether China maintains a constructive participation in the arms trade treaty process. The EU is likely to share more experience with China, thereby enhancing China’s practical capacity in arms and dual-use export controls, in particular, to prevent the transfer and compliance of commercial export controls (Mariani 2016).

## Conclusion

The EU is China’s comprehensive strategic partner. During President Xi’s visit, the EU, together with the EU leaders, decided to build the four major pillars of the Sino–EU partnership for peace, growth, reform and civilization, and pointed out the strategic direction for the Sino–EU relations in the new era. During the 40<sup>th</sup> anniversary of the establishment of diplomatic relations between China and the EU in 2015, the two sides decided to push forward the development strategy of the OBOR initiative with the European Investment

Plan, and set up the China–EU co-investment fund and the interconnection platform to further establish a new framework for EU–China pragmatic cooperation. Today, China–EU relations are in the best period of historical development, facing an unprecedented historical opportunity.

In the context of OBOR, Sino–EU relations can be confined not only by trade and investment, but also in the field of security. It is also a great opportunity to deepen mutual trust between China and the EU. There are many factors that affect China and the EU's cooperation on the issues of peace and security in the context of the OBOR initiative. It is clear that China and the EU are divided and sometimes have different priorities in terms of what peace and security should include and the issues of sovereignty and non-intervention, however, the strategic partnership between Beijing and Brussels is evolving over time, and the EU is also China's largest trading partner. While the current cooperation is fruitful and there is a possibility of further cooperation, substantial progress will depend on whether the parties can make reasonable arrangements for the focus in the competitive field. There is no doubt that the partnership has created a number of useful cooperation projects for both parties, but whether the partnership arrangement is comprehensive and whether the strategy is reasonable is still a question that needs to be answered in the future.

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# **Bridging the Visegrad Group and East Asia Through Cooperation**

## **Abstract**

The re-emergence of East Asia brought more interactions of Asian capital and peoples with the countries of the Visegrad Group (V4). China, the Republic of Korea, Japan have a history of relations with Czechia, Hungary, Poland, and Slovakia. The moderate discovering of Asia by the V4 in the last decade is being substituted by growing Central European governmental initiatives to attract capital, products, tourists, and to cultivate cooperation with East Asia. The paper is devoted to a review of Visegrad–East Asia relations with a focus on trade cooperation. Its goals are to reflect on current trends and to popularize the Visegrad brand of the EU in Asia.

**Key words:** Visegrad Group (V4), cooperation, trade, East Asia.

## **Introduction**

The Visegrad Group (V4) is a Central European platform of quadrilateral cooperation among Czechia, Hungary, Poland, and Slovakia. Visegrad cooperation celebrated its 25 years in 2016 (Czech Presidency of the Visegrad Group 2016), having been for 12 years a dynamic region of European Union (EU). With the recent challenges that the EU is facing, any idea of bridging East Asian economic powers appears ever more natural in these fastly growing Central European economies. It appears meaningful to promote cooperation, awareness, trust, acknowledgment, and exchange among Visegrad/the EU and East Asian states, as it brings positive externalities.

According to classic theory, the international cooperation was influenced by realist, liberal, and socialist paradigms (Siitonen 1990). The

term 'cooperation' may also imply an apolitical representation, when the "solution to social problems tends to cover the mechanism of dominance and power struggle as operating through cooperative relations" (Siitonen 1990 p. 5). The theory argued that international cooperation works thanks to a smaller number of countries engaged and it can be sustained by the equilibrium of a non-cooperative game in strategies of reciprocity in which "only a small number of countries can sustain the full cooperative outcome" (Barret 1997). However modern patterns in business with Asia have been complex, often encompassing many countries into a tight network of global economy and security.

East Asia as a region in global economy has been home to successful transnational business networks such as the Chinese *qiyejituan*, Korean *chaebol*, and new entities after the former Japanese *keiretsu* (cf. Peng 2000; Aukia & Laš 2013). Corporate East Asian transnational economic actors contributed to a steady economic development in Asia and to the emergence of the discourse on the 'Asian Century' (e.g. ADB 2011). East Asian economies drive trade and development, and compete for resources across Asia and in the world. The EU has major business relations with Asia, of which the main business partners come from China and Japan.

Czechia, Hungary, Slovakia, and Poland developed bilateral relations and cooperation with China, South Korea, Japan, and Taiwan in often separate contexts. The V4 has an existing formalized cooperation with Japan, Taiwan, and the Republic of Korea. This cooperation will be reviewed in the paper, but particular attention will be paid to the dynamic cooperation with China. The aim of the paper is to contemplate on the cooperation and relations of V4 countries with East Asia mainly after 2000 and towards 2020. A partial goal is to promote a 'Visegrad brand' and consider a 'Visegrad–East Asia' platform.

The paper is built on literature regarding the V4 and East Asia, data, governmental, and other websites. V4 history was analysed by Afana 2006, V4 relations with China and East Asia by e.g. Gregušová (2005), Grabowski (2015), Turcsányi et al. (2015), Kopecký et al. (2016). Economic relations of V4–East Asia were analysed by Élterő & Szunomár (2015). This paper adds further views based on statistical data (International Trade Centre 2016). The paper is built on ideas of the theory of international cooperation (e.g. Siitonen 1990; Barret 1997), the French school of geo-economics (Lorot et al. 1998), and of networks in Asia (Peng 2002; Aukia & Laš 2013).

## Why Does the V4 Matter?

From a geographical view, the V4 is situated among the Baltic region and the Balkans, Germany, and Ukraine. This strategic location in Europe attracted business attention in East Asia. From a social-economic view, the total population of over 60 million includes a skilled and cheap labour force and market opportunities with EU standards, as well as unique historic experience from socialist models of politics and economics. The V4 constitutes a stable region with firm economic growth as a continuation of economic integration within the EU.

Origins of Visegrad cooperation among Czechoslovakia, Hungary, and Poland dates back to the period of Soviet influence. With breakdown of the Iron Curtain, a common cultural heritage led to convergence in a 'geopolitical endeavour' for collective return to Europe, embracing Euro-Atlantic values (Czech V4 Presidency 2016). Experience from the Central European Free Trade Agreement (CEFTA) whose members were the V4 states until 2004, reflected these efforts. The entrance of the V4 states into the EU brought stability, prosperity, and capital. After admission to the EU, V4 initiatives seemed to have lost their main purpose at first glance.

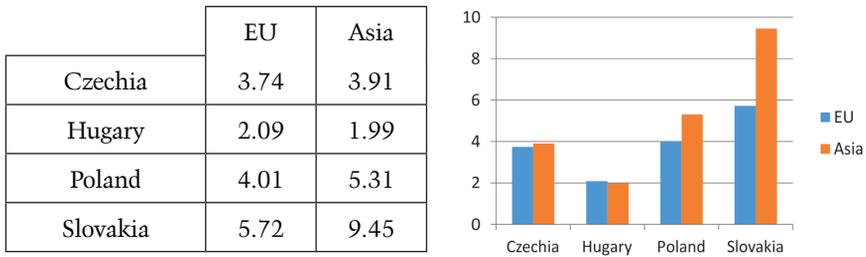
Today, the V4 has become "the most efficient and visible format for political dialogue and sectoral cooperation in Central Europe" (Czech V4 Presidency 2016, p. 7). The V4 economies constitute an entity being an equivalent of the 15<sup>th</sup> largest economy in the world, with a gradually value-added-oriented economic growth based on engineering background. The V4 is valued for its support of democratic values in the EU. Optimism follows positive multiplications, cultural integration, and a sense of responsibility for EU stability, social cohesion, and prosperity. However, critics see the as V4 'stuck' in a "temporary period of reform politics in transition from post-soviet to democratic capitalist societies" (Najman & Zanko 2016). The latest criticism of the V4 was aimed at some divisive view within the group on EU policies (such as the EU security and migration crisis or refugee quota allocation refusal).

Economic crisis from the 'Lehman Shock' in 2008 shifted the business attention of V4 countries to opportunities in East Asia (cf. Éltető & Szunomár 2015). A peripheral economic position of Central European countries within the EU next to Germany makes the V4 an attractive gateway for Asian production to Western markets. East Asian investments enlarge industrial capacities, and helped the V4 to integrate into the regional and global economy. Cultural exchanges encouraged

tourism and mobilities, food and beverage culture, but also education and shopping. But what prospects of V4–East Asian relations are on the horizon? Are there any gaps to be bridged? How do China, Korea, Japan, and Taiwan approach individual V4 countries?

### On Trade of the V4 and East Asia

A particular role of international transborder behaviour is represented by economic entities formed into networks of inter-business relations within the global economy. A segment of these relations constitutes the transborder production chains that economically integrate Asia with Europe. Trade between the V4 and East Asia is influenced by value chains that vary in intensity and forms in Visegrad economies (Éltető & Szunomár 2015; 2016). Visegrad trade with East Asia has been growing, possibly at the expense of V4 intra-European trade, displayed in Chart 1.



**Chart 1.** Dynamics of EU and Asian exports to V4 states in a decade (2004–2014) processed from data reviewed by Éltető & Szunomár (2016). Secondary data based on Eurostat. The graph and table of Chart 1 show rising trade indexes of Czechia, Poland and Slovakia with Asia, and relative trade balancing approach of Hungary within the decade 2004–2014

Integration of the V4 in global value chains transformed national production structures of V4 countries in the late 1990s. East Asian investments emerged in the V4 region mainly after 2000. The V4 increased high-tech imports from East Asia in contrast with general EU trade, possibly due to various degrees of integration of V4 economies in production chains (Éltető & Szunomár 2015). Hungary, Czechia, and Slovakia are linked in chains, while the Polish economy is less integrated with its export structure more dispersed. There is geographic and product concentration with changing product specialization towards East Asia among V4 countries.

SLOVAKIA	JAPAN			CHINA			REPUBLIC OF KOREA			TAIWAN		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Export	135,441	104,506	71,226	1,596,454	1,373,789	1,018,382	83,502	108,660	109,309	22,244	31,461	39,023
Import	838,557	788,233	661,801	4,571,602	5,022,405	5,795,459	5,264,042	4,453,719	4,349,166	456,631	474,836	584,594
Difference	-703,116	-683,727	-590,575	-2,975,148	-3,648,616	-4,777,077	-5,180,540	-4,345,059	-4,239,857	-434,387	-443,375	-545,571
CZECHIA												
Export	655,339	768,266	769,652	1,442,995	1,533,394	1,666,233	434,238	453,060	454,649	113,502	134,330	185,243
Import	1,999,236	1,917,551	2,057,468	11,659,060	13,109,885	17,115,640	2,261,345	2,340,412	3,027,267	837,684	807,241	821,362
Difference	-1,343,897	-1,149,285	-1,287,816	-10,216,065	-11,576,491	-15,449,407	-1,827,107	-1,887,352	-2,572,618	-724,182	-672,911	-636,119
HUNGARY												
Export	447,088	527,921	744,435	1,502,477	1,619,941	1,618,715	224,891	254,700	434,681	104,189	110,770	148,171
Import	923,511	925,776	1,129,338	3,999,920	3,839,154	4,687,026	852,966	1,071,558	1,288,479	729,024	600,318	593,469
Difference	-476,423	-397,855	-384,903	-2,497,443	-2,219,213	-3,068,311	-628,075	-816,858	-853,798	-624,835	-489,548	-445,298
POLAND												
Export	508,397	497,248	515,067	1,595,822	1,693,440	1,817,436	544,672	381,004	382,667	118,593	127,991	128,238
Import	2,139,838	2,350,197	2,354,078	14,530,730	17,297,440	20,162,594	3,150,393	3,252,045	2,959,891	903,707	1,140,561	1,140,676
Difference	-1,631,441	-1,852,949	-1,839,011	-12,934,908	-15,604,000	-18,345,158	-2,605,721	-2,871,041	-2,577,224	-785,114	-1,012,570	-1,012,438

**Chart 2.** Overall trade in thousands of EUR in Slovakia, Czechia, Hungary, and Poland with Japan, China, Republic of Korea, and Taiwan in 2013, 2014, and 2015 (data from International Trade Centre 2016)

Tight production links between the regions are implemented to serve the Western segment of the EU market in first place. EU businesses import electronic parts and components from Asia and implement them in their production in the V4 region, mainly in the automotive industry. There are Asian firms and societies that invested in V4 countries and have intensified sourcing from Asia which increased mutual trade with V4 states (Éltető & Szunomár 2015).

The core of the trade structure among countries of the V4 and East Asia was developed before 2007. In Visegrad's trade with Asia, a major increase has been with East Asia (China) for all V4 countries. China has become the most important trade partner of East Asia (Éltető & Szunomár 2016, p. 6). Japan and Taiwan play smaller roles in bilateral trade flows, while the share of South Korean trade is significant for the V4 in imports. V4 trade with East Asia is more high-tech intensive than the V4 trade with the EU. For Slovakia, over 73% of exports to East Asia flow thanks to China's demand for car products. In investments, South Korea dominates in all V4 countries except Poland, where Japan is number one. Japan is the second largest investor in Czechia, Hungary, and Slovakia (Éltető & Szunomár 2016, p. 7). The V4 has a growing trade deficit with East Asia as displayed in Chart 2. With the exception of Hungary, there is a lack of a trade strategy for the V4 to trade with East Asia.

Éltető and Szunomár described 3 models in V4 trade patterns with East Asia. For Slovakia an export model concentrated on automotive industry, for Poland an export model on copper (e.g. Grabowski 2015), and for Czechia and Hungary more diversified export patterns that aim to integrate into global value chains are in place (cf. Éltető & Szunomár 2016). The commercialization of high-tech helps V4 countries to gather experience and technological know-how, builds production capacities and communications, and brands this experience as exporting states.

## Japan and the V4

Japan has a history of bilateral relations with each V4 country. The V4 and Japan celebrated 10 years of cooperation in 2014, enjoying a successful partnership. Japan has been a partner and donor of Official Development Aid (ODA). Foreign Minister Taro Aso, during Abe's first term in 2006, presented a vision of democratic and market development along Euroasia's coast up to the Central Europe, the 'Arc of Freedom' (Ministry of Foreign

Affairs of Japan 2006) that is based on democratization and promotion of market principles. These principles are supported also in Eastern Europe and the Western Balkans in the interest of both Japan and the EU.

Next to economic cooperation, trade is defined by a deficit for all V4 states with Japan. The perspective cooperation fields include science, academia, culture, peace, and security. V4 Eastern Partnership by the International Visegrad Fund (IVF) is welcomed by Tokyo as it helps “to facilitate systematic transformation and democratization” of the Eastern Partnership countries (Ministry of Foreign Affairs of Japan 2013). Japan expressed appreciation of the V4’s role in the Community of Democracies, the International Center for Democratic Transition, and European Endowment for Democracy.

In the security field, there is the NATO-Japan cooperation, or the Common Security and Defence Policy that V4–Japan refer to. Japan and the V4 reflected on the North Korean nuclear programme and raised mutual concerns. Both sides expressed also concerns over the humanitarian situation in Sahel, North Africa, and the Middle East (Ministry of Foreign Affairs of Japan 2013). Parties highlighted maintenance of order on the seas and oceans based on international law.

For the V4 private professional organizations and corporations, Japanese partners are often seen as highly innovative and somewhat conservative. The support of embassies is very useful. Japanese partners are seen as loyal and their decision making takes time. There exists an exchange of goodwill ambassadors. The ‘Cool Japan’ or the Japanese ‘soft power’ diplomatic initiative is praised by the V4. The IVF for professional mobilities and projects has successful cooperation with the Yosai University Education Corporation (Ministry of Foreign Affairs of Japan 2016). Travel agencies and the Internet promote tourism thanks to available flights for citizens of the V4 to Asia.

## **Republic of Korea and the V4**

The meeting of the V4 prime ministers and President Park of the Republic of Korea (RoK) was held in Prague in 2015. Both sides appreciated support for freedom, liberty, market economy, and democracy in the world. These values are compatible with Japanese and Taiwanese, as well as European, values. However, the RoK is the only country from East Asia that signed three fundamental bilateral agreements with the EU. As in

the case of Japan with the V4, there is a convergence in political and security agendas present in talks with the V4. The RoK invested in the IVF while positive EU–Korea Free Trade effects happen. A framework for a EU–Korea free trade area is being implemented (Ministry of Foreign Affairs of the Czech Republic 2015).

South Korea is interested in cooperation in transport and infrastructure (e.g. Intelligent Transport System), and similarly to Japan, the RoK supported small and middle enterprises (SME) in sub-supply production chains. The V4–RoK decided to make efforts in exploration for cooperation in national defense and the defense industry. There is a cultural exchange and professional mobility in place. Cooperation implies partnerships among the RoK and Visegrad regions and cities. Additionally, there is also the professional mobility of students, holiday programme agreements, as well as the V4–Korean language education (cf. Ministry of Foreign Affairs of the Czech Republic 2015).

The V4 and RoK reflected on global and regional issues including security, as in the case of V4–Japan, the RoK and V4 see the Democratic People’s Republic of Korea as a security risk and urged for the denuclearization of the Korean peninsula and for peaceful reunification. The RoK recognized the experience of the V4’s successful transition in the 1990s. The V4 supported the RoK’s Northeast Asia Peace and Cooperation Initiative (NAPCI).

The V4–RoK proceeded to cooperate in inter-modal transportation and logistics, ICT and knowledge sharing. The pro-reform course of Ukrainian development was a topic which makes South Korea another partner in political discourse with neighbouring countries of the V4. Security issues and cooperation in the United Nations, Asia Europe Meeting, and NATO are areas of common interest (Ministry of Foreign Affairs of the Czech Republic 2015). The V4 welcomed the RoK’s Eurasian Initiative to enhance connectivity in region through innovation, peace and stability in Eurasia.

## **China and the V4**

China has been the most quoted topic in relation to East Asia today. The People’s Republic of China (PRC) has been diplomatically present in states neighbouring Central Europe. This brought more contacts with China in regional and global affairs. China shares 10% of the global trade

in goods. In trade, China is the EU's 2<sup>nd</sup> partner after the United States (US). For China, the EU is the first trade partner and the main importer. The EU has a large trade deficit with China, so do the V4 countries, mainly due to unbalanced market access opportunities limited for EU businesses in China. Mutual trade of the EU and China is over €1 billion per day, but services only make one-tenth of total trade. EU–China 2020 Strategic Agenda for Cooperation plans to strengthen cooperation that will lead to a free trade area in the long term (European Commission 2016).

China became quickly the third largest investor in the world after the US and Japan. While foreign direct investment (FDI) from developed states dropped after the financial crises, Chinese outward investments have increased there. In weak or unstable states, China tends to invest in the mining industry or natural resources, in bigger economies with low labour costs close to large markets China invests in manufacturing sectors. The Chinese networks seek brands, technologies, distribution channels, and strategic assets. However, the Chinese approach to Central Europe differs from China's investment approaches in developed countries (cf. Éltető & Szunomár 2016).

Geo-economics play a role in Chinese projects (Grabowski 2015; cf. Turcsányi et al. 2015), mainly in strategic infrastructural projects such as railway communications from China to Europe. Chinese projects bring opportunities to redefine Europe–China relations. Some see it optimistically, others with suspicion. For instance, when it comes to Eurasian transport communications involving Asia and Africa, the main corridors may bypass Europe in the future (van der Putten & Meijnders 2015). For the EU, the Russian project of the Eurasian Union is seen to be less attractive as the new Chinese Silk Road projects (Kopecký et al. 2016).

The V4 observes opportunities in China's huge market, capital, and expanding global economic role. For the V4, Chinese investments flow into Hungary, Poland, Czechia, and Slovakia. Chinese FDI is a result of governmental policy by the state. Initiatives are operated by the Chinese firms – State Owned Enterprises (SOE) in close links to the Communist Party of China (cf. van der Putten & Meijnders 2015, p. 6). These firms are crucial factors in Chinese FDI in the world with advantages among global corporations from Chinese government facilitation of their internationalization and expansion abroad (cf. Éltető & Szunomár 2015; 2016), as the theory of geo-economics suggests (cf. Lorot 1998).

China supports the free transfer of economic sources, market integration, coordination of economic politics and regional cooperation.

The One Belt One Road (OBOR) project has become China's branding tool in accordance with the 'march West' doctrine (Tiezzi 2013). It is committed to the development of communications in Eurasia. The two main projects are the Initiative Silk Road Economic Belt (ISREB) and the Maritime Silk Belt (MSB). OBOR wants to support the export of competitive Chinese infrastructure-related projects overseas (Yanfei 2016), as a competitor to Japan, South Korea, or France. Roads and railways bring market access for Chinese products. Due to increasing costs in China there is a removal of production capacities to abroad states to seek low-cost and proximity to markets (Kopecký et al. 2016).

The MSB is an ambitious long-term programme for economic integration of a vast zone including Europe, Africa, and most of Asia by infrastructural development (van der Putten & Meijnders 2015; Poláček 2015). For the V4 what matters are Chinese investments in the Greek port of Piraeus that may serve as a logistical crossroads in Europe for adjacent regions by railways and sea. It would redefine the importance of maritime logistic hubs in Europe (Shepard 2016). It will help the V4 to develop logistical roles. Positive externalities may give the V4 a new hub function to be expanded to the Baltic Sea region (e.g. Baltic Container Terminal in Gdynia, Poland).

ISREB provides a framework to connect China across Central Asia with Eastern Europe over land. It includes communication infrastructure and pipelines. Kazakhstan and Belarus have cooperated with China and Russia for transporting goods from China to Europe. There are currently around 40 train connections between Chinese and European cities, including cities in Poland. Yet the Russian Federation is engaged in Chinese railways in a small part. China tends to build new connections across Eurasia. To be engaged in ISREB appears to be of attractive economic interest for the V4 as well as for the EU.

The OBOR initiative fits in the 'concept' of 'connectivity' that is present at regional forums, including the ASEM (a biannual summit between the EU and most Asian countries), and China-16+1 (16 Central and Eastern European Countries (CEEC) and China). It is believed that interconnectivity generates trade, economic progress, and reduces security risks. The V4 region may see an opportunity to take part in connecting Eurasian regions in frame with economic and trade interests of the EU and China.

As anticipated over a decade ago, the EU membership confirmed a great improvement of performance of the V4 in building relationships

with China (Gregušová 2005). Today China is catching up with South Korea, Taiwan and Japan in engagement with the V4 in all spheres. From European countries engaged in the Chinese 16+1 platform, the V4 countries constitute over four-fifths of the trade volume (Turcsányi et al. 2015). Yet the strategy of V4 for China has not been introduced. Only individual agreements and memoranda with China exist in the V4.

Export from V4 countries to China has been increasing since 2003, but it stagnated in Hungary and Slovakia in 2014. At present there is a deficit with China in each V4 country as seen in Chart 2. Poland as the largest V4 country has the highest trade figures from the V4. Important trade share with China is with Czechia, Hungary, and Poland. An exception is Slovakia where China has a smaller role than South Korea (cf. Élterő & Szunomár 2016).

Liu, a Chinese scholar, referred to Central Europe and its role in China's international politics as a 'window of opportunity' for a certain period of time. Given to asymmetric nature between China-CEEC cooperation, the V4 has not been seen of strategic importance (Liu 2013). Developing relations between China and the CEEC is seen 'suspicious' for possible undermining the EU by some EU member states (Liu 2013). In East Asia, FDI and trade are interconnected. Chinese firms gained shares of companies in Central Europe that propelled trade and mobility. There is experience with some firms from China that seek to obtain 5% shares in EU companies just to drain a firm's strategy and market know-how, which is not a win-win in a long term (cf. Staněk 2014). Such cases may result in protectionist measures. What is necessary is coordination and transparent discourse.

The 'European perspective' and 'regional approach' are embedded in Chinese pragmatism (Liu 2013). A Chinese market oriented 'win-win' approach is seeking a practical relationship, not an alliance. The Chinese Ministry of Foreign Affairs established a secretariat for cooperation with the CEEC (Grabowski 2015). As in the case of Japan, China wins with a soft power approach present in the 16+1, such as initiatives by Asian Infrastructure and Investment Bank to which over 15 European states co-funded, including Poland from the V4. An idea of a Eurasia Land Bridge (e.g. Davydenko, Landa Maxta, Martens, Nesterova, Wark et. al. 2012) made the V4 an aspiring target of consideration for logistical crossroads.

The 16+1 format's beginnings emerged after 2011. The Belgrade Guidelines followed by the Suzhou Guidelines presented a new vision for cooperation and OBOR started to be quoted in the memoranda signed,

as with Hungary or Czechia. Areas of modernization, environmental protection and economy revival were on the agenda of the Warsaw 16+1 meeting in 2015 (Ministry of Foreign Affairs of Poland 2016). Chinese President Xi said on “Our cooperation on the ‘Belt and Road’ [...] will create even greater impetus and potential for ‘16+1’ cooperation” (Engel 2016, p. 9). Chinese investors have already shown interest in the Odra–Labe–Donau canal project (Shepard 2016). Yet such projects are hypothetical.

Qualified CEEC financial institutions are welcomed to apply for participation in the Renminbi Cross-border Inter-bank Payment System, and maybe in future also in the Asian Infrastructure Investment Bank (Ministry of Foreign Affairs of the People’s Republic of China 2015), thus another item for a mutual approach of the V4 and EU. There are measures in place for cooperation on crisis management, but it takes time. China seeks market economy status, which is a frozen point in memoranda with the V4 in line with EU policy (cf. Elliot & Yan 2013).

To sum up, interaction and trade with China have been on the increase and show new opportunities. The current 16+1 format intensifies interactions with China on its ambitious projects of railroad communications. It will take efforts among the V4 and Balkan states to coordinate realization of the initiative, thus a dialogue will be useful in groups, such as the V4 group in the 16+1 initiative. The trade deficit draws a question of a strategy to a V4 approach to China within the EU.

## Taiwan and the V4

Taiwan or the Republic of China (RoC) was among the first from Asian partners in Central Europe that discovered Czechia, Hungary, Slovakia, and Poland after the fall of the Iron Curtain. In the 1990s, Taipei enjoyed closer links with Warsaw and Prague, and weaker links with Bratislava and Budapest. Taiwan provided investments to secure economic objectives, but later there was a shift to a political concessions strategy (Tubilewicz 2007), when Taiwanese interests were rewarded with larger political gains at small costs. On the other hand, Taipei was a facilitator that established offices while investments and trade came quite easy for Taipei.

The double taxation avoidance played a role in the establishment of Taiwanese business networks in the V4. There was a limited political clout to influence policy *vis-à-vis* Taipei. Taiwan provided soft loans, its exports included computers, bikes, machinery, and electronic components.

Establishing business networks in the region, Taiwanese corporations benefited more from emerging markets in Central Europe than contributed to their development.

In Czechia, President Václav Havel supported Taiwanese initiatives, and this brought Czech firms to Taiwan (e.g. the Škoda Group). Prague supported the RoC in their World Trade Organization accession and promoted trade, but later disappointment came due to Taiwanese preference for the US, Japan, and RoK. Poland enjoyed a trade surplus, Hungary and Czechia overcame Poland in trade volume after 1999. The first Slovak government of the 1990s prioritized the PRC over RoC. The Slovak Economic and Cultural Office in Taiwan and the Taiwanese Representative Office in Slovakia contributed to the exchange of students, or quasi-consulates and governmental staffers. With accession to the EU, V4 countries became a more attractive subject of interest for Taiwanese capital.

The RoC opened channels to Taiwanese markets (Tubilewicz 2007). Enhanced cultural cooperation and mobility contributed to mutual promotion. The Visegrad–Taiwan Fund has become a model of cooperation, exchange of ideas, and is an example of good practice. However, today Taiwanese investments are under competition from Mainland China. In relation to the current Chinese OBOR initiative, it seems unlikely that Taiwan will profit from these opportunities (cf. Kopecký et al. 2016). China is more active in that V4 than Taiwan. The V4 may consider a balanced approach for cooperation of both Chinese economies in V4 projects.

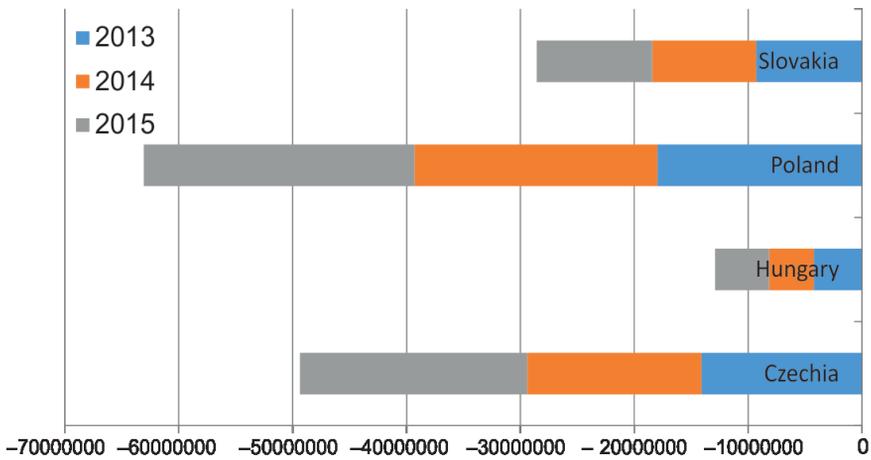
## Identifying Gaps, Identifying Bridges

Countries of the V4 and East Asia enjoy convergent relations with a growing space for deeper cooperation. The V4 has signed memoranda of understanding and strategic documents with Japan and the RoK, covering various areas of cooperation, supporting mutual values (freedom, democracy, market-oriented), security issues, and academic and cultural exchange (as in case of Taiwan). A decade ago Japan presented its diplomatic initiative, the Arc of Freedom. China on the other hand came out with OBOR that focused on communication and trade. It is in the interest of the V4 to keep cultivating relations, trade, and exchange with East Asia.

Speakers from the Asia Innovation Forum in Prauge in 2016 revealed experience with East Asia as a business location. In their eyes, Korean partners are perceived as flexible, open for new ideas and good in languages. Japanese partners often have language barriers, and there is a demand for interpreters. The Japanese are not seen as flexible as the Chinese that push for sales, market, and demand. Partners from Japan, Taiwan, and South Korea communicate more concrete ideas than Chinese partners. V4 professionals enjoy living in Japan, South Korea, Taiwan, and China. Conferences like the Asia Innovation Forum are great venues for the dissemination of empirical experience to the V4 audiences. It needs to be supported by the V4.

Among the gaps to be bridged and addressed by the V4 is a growing trade deficit with the countries of East Asia as displayed in the Chart 2. All V4 states show a growing trade deficit with East Asia. This trend has been steep in the case of Poland and Czechia in 2015. Only the case of Hungary does it show a moderate development of trade deficit, as seen in Chart 3. A rising gap in trade leads to an outflow of wealth from the V4 to East Asia. Here the V4 has space to fill.

A growing trade deficit is visible in all V4 countries, particularly for Czechia, as displayed in Chart 4. The V4 will recognise a need for a strategy for more balanced trade opportunities with Asia. Investments are welcome in V4 countries. Japanese, South Korean, and Taiwanese investments help to create industrial capacities, integrate V4 economies to European and



**Chart 3.** Development of year-on-year trade deficit of Slovakia, Poland, Hungary and Czechia with East Asia in thousands of EUR in the period of 2013, 2014, and 2015 (Statistics of International Trade Centre 2016)

global production chains with positive externalities such as stimulation of consumption, rise of savings, or increase of employment rate. The geographic location of the export-oriented V4 economies reduces risk from fluctuation of the global demand for products which brings a certain degree of stability. However, large profits from Asian investments and production in the Visegrad region go back to Asia. China kept up with other East Asian states in engagement with the V4. Its initiatives such as OBOR, and mainly ISREB, provides the V4 with fresh cooperation prospects.

State/Year/%	2013	2014	2015
Czechia	28.60	30.98	40.42
Hungary	32.76	30.41	36.83
Poland	28.47	33.84	37.69
Slovakia	32.53	31.93	35.54

**Chart 4.** Development of year-on-year trade deficit of V4 states with East Asia in percentage points (%) in 2013, 2014, 2015  
(Statistics of International Trade Centre 2016), cf. chart 3

Cooperation with East Asia contributes to the creation of positive economic externalities. The V4 border regions of Ostrava–Katowice–Žilina, or Brno–Bratislava–Vienna–Budapest are EU transregional growth zones that will provide new capacities to attract East Asian capital. The V4 may consider to invite these business in specific communication projects in which the ‘Visegrad Development Fund’ can play a role. Prospects of V4–East Asia toward 2020 look promising in investments, trade and exchange within EU cooperation with Asia. The trade deficit of the V4 countries should be addressed to stabilize the trend of growing trade deficit.

Information access about East Asian and Central European countries spreads mutual awareness and understanding. Here the V4 Think-Tank Platform may mediate the latest findings. It appears useful to promote the V4 platform within European Studies, and build capacities for education offered to Asian students in Central European studies under a common brand within the EU in Asia. On the other hand, there is a demand for Chinese, Korean, and Japanese language skills in the V4 and EU. Promoting language education and student mobility will strengthen the exchange of ideas at universities, and intensity of business interactions.

Building a particular ‘Visegrad Brand’ in Asia will be helpful for V4 actors, regions, and cities. Visegrad branding in the economic diplomacy of V4 countries would make it easier for individual actors to implement

their business plans in East Asia. Signing a memorandum of understanding between China and the V4 will open channels for exchange. The V4 should identify East Asia among priority regions of cooperation, such as it does with Benelux countries, the Eastern Partnership, or Western Balkans. The V4 has much to learn from East Asia for the sake of the EU. Enabling such a cooperation platform will make the V4 more recognised in Asia and the world.

It appears useful to popularize the Visegrad 'brand' in East Asia, as V4 states are relatively small and 'hidden' in the EU. Branding in the sense of a 'soft power' push can be created along a designed strategy. The V4 can brand its Central European culture, EU membership, geography, nature, market, skilled labour, growing middle class (that is able to discover East Asia), and offer original high-quality products. With the upcoming Korean Winter Olympic Games in 2018, Summer Olympic games in Tokyo 2020, and Winter Olympic Games in Beijing 2022, the V4 could promote cooperation in sport and tourism with China, Korea, and Japan. These events will be opportunities for the V4 countries to learn about East Asia.

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# **Cooperation or Confrontation? Assessing the American ‘Pivot’ to Asia in Context – Is It a Western ‘Neo-Liberalism’ Response to China’s New ‘Open Door’ Approach to Europe?**

## **Abstract**

Much attention has surrounded ‘America’s Pivot to Asia’, hyped in fanfare, castigated by China, welcomed by smaller Asian states in the context of wishful maritime security, all involving an air and naval pivot to Asia by the United States. Less attention has focused on a Western economic pivot to Asia, a significant American financial presence, including World Bank (WB) cooperation under American leadership with the Asia Infrastructure Investment Bank (AIIB) under Chinese leadership. Although the AIIB stands to become theoretically an antithesis of the WB, recently the AIIB changed course quietly, grounding its funding in US dollars instead of Chinese RenMinBi, itself borrowing from the WB to support derivative loans from the AIIB to developing nations! This chapter addresses the significance of what appears facially to be a ‘carrot and stick’ approach, focusing particularly on opportunities for Sino-American and Sino-European cooperation instead of confrontation, then forecasting ways such cooperation will promote progressive military de-escalation. Is this financial cooperation a form of 21<sup>st</sup> century ‘Dollar Diplomacy’ that will result in an American military pivot away from Asia? If so, it contains some hallmarks of what some might consider ‘Structural Liberalism’ or neo-liberalism in a neo-realist package, possibly to be labeled ‘neo-liberalism’.<sup>1</sup>

**Key words:** China, ‘Dollar Diplomacy’, ‘Neo-Liberalism’, ‘Open Door’, ‘Structural Liberalism’.

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<sup>1</sup> This paper was presented at the 12<sup>th</sup> Lodz East Asia Meeting on 2–3 June 2016 at the University of Lodz Department of East Asian Studies in Lodz, Poland, where the author coined the words ‘neo-liberalism’.

## Introduction

Much attention has surrounded 'America's Pivot to Asia', hyped in fanfare and hyperbole based partially on United States (US) Presidential candidate Hillary Clinton's launch of this concept as US secretary of state in a feature article published in *Foreign Policy* on October 11, 2011, under the title of "America's Pacific Century" (Clinton 2011). That position was followed and buttressed swiftly by President Barack Obama on November 17, 2011, in a speech delivered before the Australian Parliament in which he said "Let there be no doubt: in the Asia-Pacific in the 21<sup>st</sup> century, the United States of America is all in", that this was a "deliberate and strategic decision" that America is "here to stay" (America in the Asia-Pacific, We're back 2011). That position has come under fire many times since then when it became castigated by China but welcomed by many smaller Asian states in the context of wishful maritime security, all involving a US military, including air and naval, pivot to Asia and especially into the Western Pacific. It came under fire from a European perspective, also, with former US ambassador to the North Atlantic Treaty Organisation (NATO), Kurt Volker, raising the question "where's Europe" in the wake of the US pivot to Asia (Volker 2011).

At the end of September 2016, the US announced through its defence secretary, Ashton Carter, aboard an aircraft carrier in the Western Pacific rim that soon the US "will sharpen its 'military edge' in Asia" (Burns 2016). Less attention has focused on a Western economic pivot to Asia that includes a significant American financial presence, including World Bank (WB) cooperation under American leadership, alongside of the Asia Infrastructure Investment Bank (AIIB) under Chinese leadership. As announced initially by China's President Xi Jinping, the AIIB stands to become the antithesis of the WB and International Monetary Fund (IMF) combined, with their 'Western' dominated influence that originated at the 1944 Bretton Woods Economic Conference that included a vocal presence from the Chinese Nationalist Party, the Kuomintang. More recently, the AIIB caused a 'blowback' to the US when the United Kingdom led most of Europe to become founding members of the AIIB over the objections of US President Barack Obama and many Republican members of Congress (Morley 2015). Then, very quietly, the AIIB changed course in two respects, grounding its funding in US dollars (USD) instead of Chinese RenMinBi (RMB), as announced originally (AIIB to use U.S. dollar 2015), and successfully structuring a co-financing agreement with the WB (AIIB and World Bank 2016) to support derivative loans from the

AIIB to developing nations. This paper addresses the significance of what appears facially to be a 'carrot and stick' approach, focusing particularly on opportunities for Sino-American and Sino-European cooperation instead of confrontation, and also forecasting ways in which such cooperation is likely to diffuse an already existing and escalating confrontation in the East and South China Seas and elsewhere, by progressive de-escalation. Is this financial cooperation a form of 21<sup>st</sup> century 'Dollar Diplomacy' that will result in a US military pivot away from Asia? If so, it contains some hallmarks of what one might construe to be 'Structural Liberalism' akin to 'Structural Realism' (Mearsheimer 2006, pp. 71–88) or, said differently, neo-liberalism<sup>2</sup> in a neo-realist<sup>3</sup> package, possibly to be labeled 'Neo-Liber-Realism' or more conveniently 'neo-liberalism', where nations subscribing to this paradigm will assess each other in terms of economic instead of military capability, and each will predict the future course of its competitor economically in addition to, if not actually in the stead of, militarily.

This chapter endeavours to explore two seemingly current phenomena: an 'open door' in Europe to Asian (as well as other) foreign direct investment (FDI), that includes an 'open door' in Russia to Western FDI, coupled with a 'closing door' in China to FDI, at least to unrestricted FDI from the West. It is almost a horizontal 'hour glass' effect, as Europe opens, Asia closes. More than merely that, in many ways Europe is de-militarising (except for Ukraine) just as Asia is re-militarising, especially, but not only, in the South China Sea region. Such comparison must be addressed directly as in this paper and undoubtedly will be implemented into foreign policy by the incoming US President Donald J. Trump, evidenced by his nomination of Exxon Mobil chief executive Rex W. Tillerson as secretary of state, forecasting an emerging 'Dollar Diplomacy' unwitnessed since the administration of President William Howard Taft, 1909–1913, with the US government turning to global private enterprises to invest dollars into strategically important areas of the world to purchase peace through calculated FDI. On this score, the US will be trailing the lead taken already by China and its AIIB, particularly across West

<sup>2</sup> To review Neo-Liberalism, see Keohane, Robert O. & Joseph S., Nye, Jr., 2011, *Power and Interdependence*, 4<sup>th</sup> ed., Pearson Longman Classics in Political Science, Boston.

<sup>3</sup> Neo-Realism has been divided into two types: defensive and offensive. To review 'defensive' Neo-Realism, see Waltz, Kenneth N., 2001, 'Structural Realism after the Cold War', *International Security*, vol. 25, no. 1, pp. 5–41, especially 5, n.1. To review 'offensive' Neo-Realism, see Mearsheimer, John J., 1994, 'The False Promise of International Institutions', *International Security*, vol. 19, no. 3, pp. 5–49.

Asia and extreme Eastern Europe, undoubtedly frustrating to the Russian Federation that appointed itself as the successor to the Soviet Union, and that designated EurAsia as being a largely Russian protectorate sector.

## Europe's 'Open Door'

Europe generally, and the European Union (EU) in particular, is an 'Open Door' environment for Asian businesses. China's international investment position increased steadily from 2004 through 2011, as Figure 1 below reflects, impressing some global partners with a sense of opportunity through cooperation with Chinese businesses (Kolstad & Wiig 2012, p. 26), creating its own 'open door' in Europe in reverse from the way some European countries did in China across the second half of the 19<sup>th</sup> century. Undoubtedly, this has been startling to other global actors, particularly Russia, as they witness China rising economically and seeking to invest its newly acquired wealth in countries or territories with poor institutions but vast natural resources. An expansion of what one might term Europe's 'Open Door' policy toward Chinese enterprises, both the large and heavily subsidized state-owned enterprises (SOEs) and the often under-capitalised private sector small- to medium-size enterprises (SMEs), has provoked some signs of backlash, more in some European countries such as England and France than in others, such as the Netherlands (Meunier, Burgoon & Jacoby 2014).

Europe generally, the EU in particular, have extended an 'Open Door' policy effectively, inviting Asian countries and China especially to invest in Europe. This is quite evident in Poland, from word of mouth as well as online advertisements by Central and Eastern European Countries (Second Contact 2014), most notably by the Polish Agency for Information and International Investment (PAIiIZ), reflected in its newsletters (PAIiIZ Newsletter 504 2016). In reality, Europe craves Chinese investment although it is surrounded by many issues including corruption and human rights violations inside of China and money laundering globally. Europe's apparent desire for Chinese investment does not mean, necessarily, that the US shares that objective. In fact, it is opposed even within Europe, perhaps spearheaded by University of Leeds scholars in England who have expressed concern that foreign investors from China that largely is unregulated have been unprepared for the burdens of doing business in the over-regulated environment of Europe

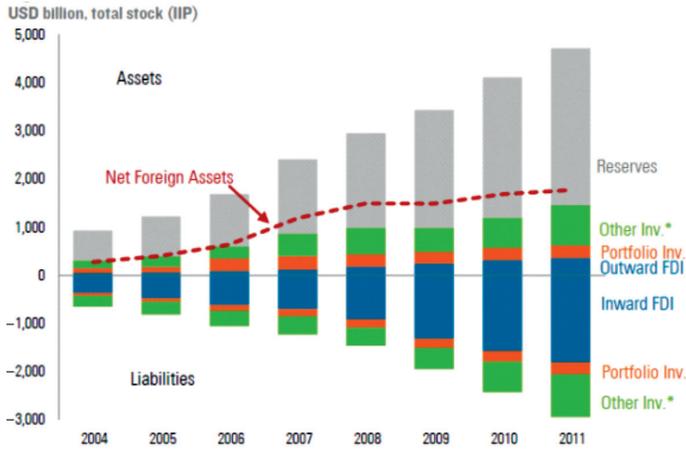


Figure 1. China's International Investment Position (2004–2011)

\* Other Investment category includes trade credit, loans, currency and deposits and other investment.

Source: PBOC, SAFE, RHG.

(Clegg & Voss 2012), and that many Chinese SMEs operating in Europe tend to 'round top' by seeking European locations for their outward FDI (OFDI) operations as tax havens, but ending up as business failures (Buckley et al. 2014). Does this evidence European, especially Western European, protectionism in the light of data documenting that most of China's OFDI since 2010 has been earmarked to Europe? For example, since 2010 Chinese OFDI in Europe has increased 102% in comparison to 74% in the US and only 15% in emerging economies (Godement 2012, p. 1), with Chinese OFDI in Europe increasing geometrically from slightly more than €6.1 billion in 2010 to €27 billion in 2012 (Hansakul & Levinger 2014), a four time increase in only two years. Accordingly, this huge influx of Chinese OFDI in Europe has divided Europe East from West and within Western Europe, with far more Dutch supporting it and French opposing it, facially on a protectionist basis (Meunier, Burgoon & Jacoby 2014), although such fears have been criticised as being overblown (Nicolas 2014). Different perceptions by the Dutch and French could be accounted for by different degrees of competition in manufacturing. That alone would not explain German support for Chinese OFDI in Europe. An explanation might be that China is investing more OFDI in Germany than in any other non-Asian country except the US, more in Germany than elsewhere in the EU, more in the Netherlands than in the United Kingdom or France (Hoffman 2014). An additional explanation

may be that in 2012 China surpassed France to become Germany's largest trading partner (Chinese Ministry of Commerce 2012). Overall, this portrait appears to be accurate, although statistical details vary, with Chinese statistics being at odds with European statistics frequently. Confounding this measurement is the fact that some (possibly much) of China's OFDI tends to leave China through Hong Kong, some of what reaches Luxembourg tends to end up elsewhere in Europe, not always earmarked as having come from China originally.

Derivatively, does it signal a potential explanation for the US pivot to Asia, arguably at the behest of European voices that disagree with Europe's burgeoning China imports, or equally arguable in its own interests, as a combination of both US and European interests, or as one in the context of a pretext for another, or is this pivot only a pretense? Increased Chinese OFDI (by Deal Value, Mergers and Acquisitions only) from 2012 to 2013, clearly in the immediate aftermath of the US's pivot to Asia, documents the benefits the US has received and Europe has lost, seemingly the one's gain at the other's expense:

Europe		
Industry	3,813,000,000	5,034,000,000
Resources	3,064,000,000	4,430,000,000
Services	5,689,000,000	1,028,000,000
North America		
Industry	1,700,000,000	7,179,000,000
Resources	5,847,000,000	18,706,000,000
Services	3,013,000,000	300,000,000
Asia		
Industry	979,000,000	1,225,000,000
Resources	80,000,000	5,425,000,000
Services	5,689,000,000	3,841,000,000

**Figure 2.** Chinese OFDI, 2012 and 2013 Compared (USD, by Deal Value, Mergers and Acquisitions only). 2012 2013

Source: A Capital 2014, p. 1.

As Figure 2 reflects, Europe improved slightly on Chinese industrial and resources investment, lost heavily to Asia on Chinese services investment. More startling, in a single year the Chinese investment in North American industrials rose by a factor of four to USD 7,179 billion, and Chinese investment in North American resources increased threefold to USD 18,706 billion, making it difficult not to notice that

most North American gains came at the expense of European losses (A Capital 2014, p. 4), most heavily at the expense of the United Kingdom, with Chinese OFDI by reason of mergers and acquisitions dropping from USD 5.150 billion in 2012 to USD 1.410 billion in 2013 (A Capital 2014, p. 6). Chinese investment in North American services fell by a factor of 10 to USD 300 million, and Asia appears to have picked up some of the Chinese investment in services that fell off in both North America and Europe.

What appears to have increased are the European together with Brazilian and Canadian contributions to the AIIB, or more accurately their promised contributions that have been far less than actual contributions, as Figure 3 below reflects, obviating additional 'blowbacks'. Without actual contributions, the AIIB must fund the loans it plans to disburse from some other source(s), either Chinese sovereign wealth or, as has come to pass recently, from the AIIB itself borrowing from the WB, the latter creating a 'blowback' for China or for the US, depending upon the viewpoint. Is the US pleased to be the de facto source of AIIB funding, either for the control this may impart, or for the damage it may cause to China's global prestige?

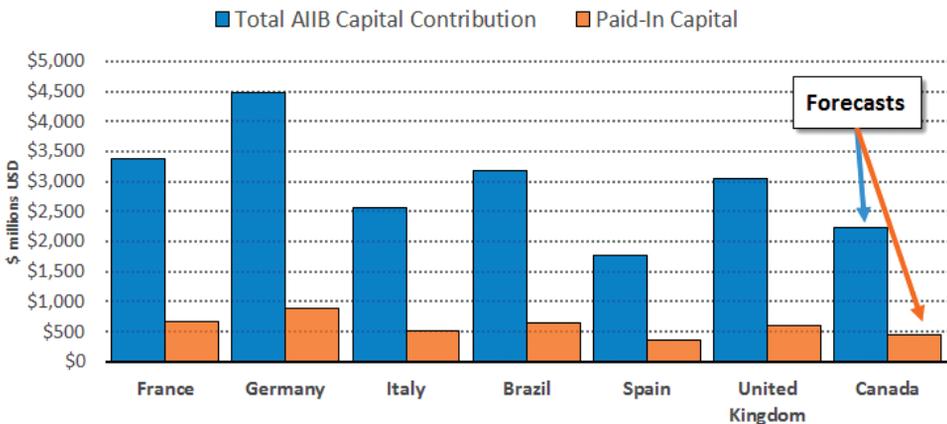


Figure 3. AIIB Capital Contributions, Total and Paid, Selected Countries

Source: Tombe & Treavor 2016, 'How much will the Asian Infrastructure Investment Bank Cost Canada?', *Maclean's*, 08 Sep, <http://www.macleans.ca/economy/economicanalysis/how-much-will-the-asian-infrastructure-investment-bank-cost-canada/>.

## Russia's Open Door

Much as Europe seems to have extended an 'open door' to China, Russia appears to have done so even more, although most visibly within its energy sector. On May 30 and 31, 2016, China's Vice Premier Zhang Geoli visited the Russian Federation to attend the 13<sup>th</sup> China–Russia Energy Cooperation Meeting and the 2<sup>nd</sup> Forum on China–Russia Small- and Medium-sized Companies, at which Russia's Deputy Prime Minister Arkady Dvorkovich observed that China is Russia's main trading partner, and that “[a]t the meeting on energy cooperation, we plan to discuss all the issues that are at the center of our attention, namely the interaction and implementation of projects in the fields of oil, gas, electric energy, nuclear power, coal and some others” (Energy Cooperation 2016). On the horizon for Sino-Russian cooperation, according to Konstantin Simonov, director of the National Energy Security Foundation in Moscow, China's desire to source Russian energy supplies from Western fields then transport them to its Eastern regions is costly, although the price of energy has plummeted, and that this will come on top of the 30-year Sino-Russian agreement signed in May 2014 allowing China to take energy from along Russia's 'Power of Siberia' route that will generate an annual gas supply of 38 billion cubic metres from 2018, adding to the 42.43 million metric tonnes of petroleum products Russia exported to China in 2015, up 28% from the year before once China became Russia's leading oil supplier, overtaking Germany (Energy Cooperation 2016).

On the other hand, what the Russian Federation needs much more is an end to sanctions and an improvement of trade with the West, and almost certainly that is what Russia can expect to receive from the Trump administration. Western, particularly US, FDI must be welcomed into Russia, such that the Russian Federation diminishes exporting raw materials and commences to manufacture finished products for sale abroad much more so than it has done. This should be possible, given that from 2014 the Russian Federation became the third most attractive nation for FDI after the US and China, in first and second positions respectively (UNCTAD 2014, p. 6, Figure 5), clearly evidencing its own 'opening', but also forecasting an increase in its competition with China and other Asian countries.

## Asia's Closing Door

If as appears at least facially that Europe's and Russia's doors are opening to Chinese OFDI, Asia's door is closing one way or another to non-Chinese interests. According to China, the West is attempting to 'encircle' it by infringing on its traditional prerogative of acting as *primus inter pares* in the region. Vietnamese historian Tran Duc Anh Son discovered maps that have reposed for more than a century at Yale University and the US Library of Congress in Washington that seem to confirm Vietnam's traditional sovereignty over the islands in the South China Sea that Vietnam calls *Truong Sa* and *Hoang Sa* but that others call the Spratly and Paracel islands (Daiss 2016). This raises questions why China is grasping at straws? According to Japan, China is attempting to curtail free trade on the high seas by constructing a 'strategic triangle' of island fortresses across its 'nine-dash line' in the East and South China Seas region, waterways upon which Japan relies upon for importing energy and other necessary commodities from Africa and the Middle East, and for exporting its finished products to Europe (Mollman 2016). In response, the Chinese leadership contends that the rock islands in the East and South China Seas traditionally have belonged to China, that it is merely reclaiming them, an argument the United Nations (UN) Permanent Arbitration Court sitting in The Hague rejected unanimously on July 12, 2016, in the landmark international law case of *The Philippines vs. China* in which Vietnam joined but that China refuses to recognise (Ku 2016).<sup>4</sup>

To some Western countries and most Asian countries besides China, the Western Pacific rim is closing as China strives to become the dominant force along much of the East and South China Sea region, with China's navy, coast guard, and 'maritime militia' operating together to enforce 'air defence identification zones' that extend far beyond Chinese territorial waters, even demanding that the US 'keep away' (Sridharan 2016). This behavior by China stands in violation of international laws including the United Nations Convention on the Law of the Sea (UNCLOS) in particular (Chan 2016). If the waters along the Western Pacific rim are closing to other Asian nations and to the West, they appear to be staying open to the Russian Federation, partially, if not largely,

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<sup>4</sup> Case No. 2013–19, also captioned as "The South China Sea Arbitration", filed on January 22, 2013, and in which Vietnam joined on December 11, 2014, that was argued on July 7, 2015, and decided on July 16, 2016, unanimously.

because China requires Russian energy products in large quantities, and Russia is desperate for cash that can be realized from selling its energy supplies. Russia's public position on the East and South China Seas is that nations from outside the region should steer clear because their involvement "will only hurt the resolution of these issues [...] [and] is detrimental and counterproductive" (Thayer 2016), a posture that may contain some merit hypothetically. On the matter of the UN arbitration decision in *The Philippines vs. China*, Russia has voiced support for China's position. By so doing, Russia has been adopting a peculiar and meretricious posture that the decision is non-binding because China boycotted the case as it was being argued and determined in The Hague at the Court of Arbitration. As lawyers and graduates of Leningrad (now St. Petersburg) State University, Russia's oldest, both President Vladimir Putin and Premier Dmitry Medvedev should understand clearly that procedures established pursuant to Annex VII to Article 9 of UNCLOS, definitively recite that the "absence of a party or failure of a party to defend its case shall not constitute a bar to the proceedings." Evidently, the Russian Federation desires to improve its 'structural' relations with China economically in addition to militarily, presumably to corral China as its energy market.

In 2013, former US Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell and former White House Aide Brian Andrews explained US objectives with its 'pivot' to Asia, criticising officials who have "mistakenly described the rebalance as a 'return' to Asia" by noting that "nothing could be further from the truth because, in reality, the United States had never left. It is, however, a vast and dynamic increase in US focus and depth of engagement in the region" (Campbell & Andrews 2013, p. 2). Going further, they went on to portray the US as striving with its allies "to create a stable security order that builds strategic confidence within the region and provides the context for states to build closer ties with each other" by pointing to India, Japan, and Thailand, emphasizing that the latter is America's 'oldest alliance in Asia' (Campbell & Andrews 2013, pp. 3–4), boasting that the US has positioned itself to 'play a pivotal role' across the 21<sup>st</sup> century in Asia (Campbell & Andrews 2013, p. 8). However, it seems that it is more the opposite that is true from the evidence. An analysis in the prestigious magazine *The Atlantic* suggested that "[s] imply put, the pivot is meant to be a strategic 're-balancing' of U.S. interests from Europe and the Middle East toward East Asia" and so "in a way

the 'Pivot to Asia' is just placing a name on a trend that has been going on for years" because the US has done very little substantively apart from deploying 2,500 marines to Northern Australia, annoying China (Schiavenza 2013). Another analysis, from the CATO Institute, reckoned that the Obama administration could not figure out whether neo-realist 'dragon slayers' or neo-liberal 'panda huggers' accurately forecasted the consequence of an economic rise by China (Logan 2013, p. 3), so they charted a course midway between perceptions of each camp, firmly resolving to construct a "China policy with three major components: economic engagement; military containment; and using U.S. deployments, diplomatic reassurance about American security guarantees, and Washington's own military spending to prevent U.S. allies from taking more control over their defense policies" (Logan 2013, p. 6). By this account, the US has done nearly everything it could do wrong, actually weakening its longtime alliances by triggering a drop in security assistance to them (America's Pivot to Asia 2016).

Whatever be one's perspective, America's pivot to Asia has not brought significant security assistance gains to most Asian countries, and both Europe and the Middle East have continued to be larger recipients of the US's largesse, as Figure 4 and Figure 5 below reflect, notwithstanding concerns voiced by Ambassador Volker and others. Most economic assistance increases from the US to Asian countries since the US's pivot to Asia have been to Vietnam, followed by smaller increases to Laos and Myanmar (Burma), with huge reductions to once key allies such as the Philippines falling by nearly 9% and Thailand falling by almost 80% since 2010 (America Pivots to Asia 2016). It should not be startling therefore when actors such as Philippine President Rodrigo Duterte jump ship, cursing President Obama, grudgingly honouring but functionally repudiating an "Agreement on Enhanced Defense Cooperation" (AEDC) that his predecessor negotiated with the US (Ople 2014), then admonishing that the 2016 joint maneuvers with US naval forces will mark the last for his country (VOA 2016). Such drama makes it difficult to realise Zbigniew Brzezinski's 2012 'Grand Strategy' envisioning the US "Balancing the East, Upgrading the West", and more likely prove his alternative forecast to be correct: "the West and the East cannot keep aloof from each other: their relationship can only be either reciprocally cooperative or mutually damaging."

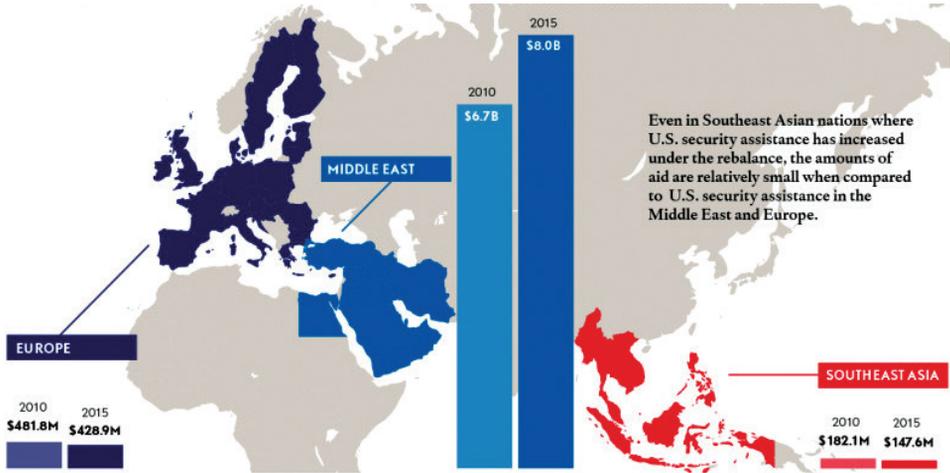


Figure 4. U.S. Assistance to Europe and the Middle East Dwarfs Aid to Southeast Asia

Source: America Pivots to Asia 2016.

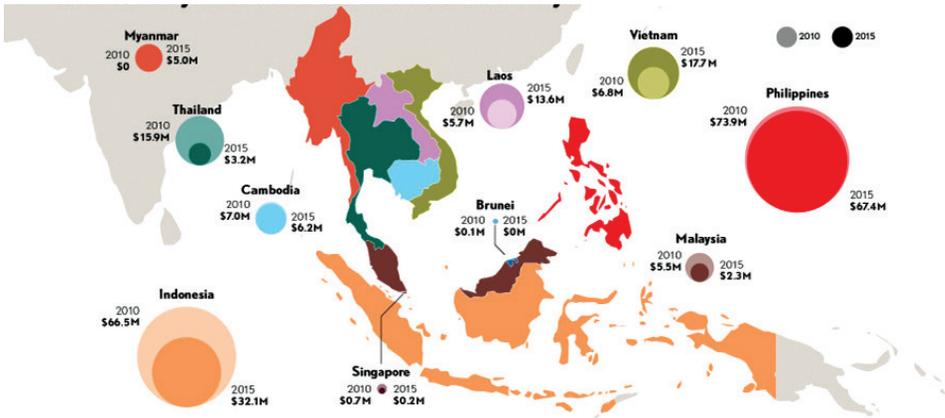


Figure 5. US Security Assistance to Southeast Asia: Only Three Countries Received a Rise in Aid

Source: America Pivots to Asia 2016.

On the other hand, over the past half decade India has offered a divided perspective, at once welcoming an increased or at least an increasingly visible US presence in Asia, but all the while wishing to steer clear of a potential Sino-American ‘cold war’, and fearing that the US pivot to Asia may serve as a pretext for a premature US withdrawal from Afghanistan, viewed by India as being unhelpful (Hathaway 2012). Meanwhile, ASEAN

bloc countries have turned to Latin America, half a world away, and become interested in the Trans-Pacific Partnership (TPP) (Meacham 2013). More ominously for the West, China and Russia have at least used the pivot to Asia by the US as a pretext for forging closer Sino-Russian ties (RT 2016).

### **'Neo-Liberalism' Follows 'Neo-Realism' in 'Structure'**

When he articulated the concept of 'neo-realism' in 1977, Kenneth N. Waltz termed it as 'structural' realism to contrast it from 'classical' realism and alliances in the context of Thucydides or from modern 'political' realism and power as advanced by Morgenthau and others earlier in the 20<sup>th</sup> century. An important and even seminal difference between 'neo-realism' and other interpretations of realism is the concept of 'structure' that Waltz articulated exists in a world of international anarchy: "States do not willingly place themselves in situations of increased dependence. In a self-help system, considerations of security subordinate economic gain to political interest" (Waltz 1979, p. 107). That dependence is thrust upon states by their relative weakness or strength in relation to other states existing at the time. To this, Alexander Wendt added that identities and interests of states are socially constructed by the states themselves: "self-help and power politics are institutions, and not essential features of anarchy. Anarchy is what states make of it" (Wendt 1987, p. 395), adding a 'constructivist' approach. Whatever the nomenclature, in neo-realism a limited number of states share world domination, usually one state controls a region. This falls at the root of conflict in the East and South China Seas as China, demanding over East Asia and the Western Pacific region, concedes that at the moment the US dominates the world as a 'hegemon'.

Then comes international trade, and an effort to introduce 'structure' to it as well. In 1977, also, Robert O. Keohane and Joseph S. Nye, Jr. advanced the theory of 'neo-liberalism' by expanding a 1930s-era notion in Austrian liberal economic theory (Mirowski & Plehwe 2009). Across the last part of the 20<sup>th</sup> century from the collapse of the Soviet Union in 1989 together with the first decade and a half of the 21<sup>st</sup> century, economic considerations have exceeded state security considerations in most international relations, with China and the West (the EU, US) becoming each other's largest trade partner. That is changing currently, and not for the better. Part of the problem is that China is bent on closing

Asian shoreline waterways along the Pacific rim to free access without its oversight. Another part is the effort to manage trade globally, especially trans-continental (to Europe) and trans-oceanic (to the Americas) trade with Asia, as China is constructing its 'New Silk Road' and 'New Maritime Silk Route' across Eurasia, and as various partners of the US, led by the latter, have tried to form the TPP. Less critical but related to this paradigm is an effort led by the United Kingdom to form a Transatlantic Trade and Investment Partnership (TTIP), primarily between the US and Europe. Such 'partnership' agreements are forms of 'structure' aimed at managing trade much in the same ways that NATO and similar alliances have managed or tried to manage state security cooperation in the post-1945 period.

By deliberately excluding China from participation, the originators of the TPP and TTIP have precipitated what may be called a form of 'negative constructivism' that will prove soon to be, as Wendt observed in the context of neo-realist state security, "what states make of it" (Wendt 1987, p. 395). This form of trade management is dividing the United States on non-traditional axes, with Democratic Party financial stalwarts such as 'Big Labor' joining both 2016 Presidential candidates opposing the partnerships, leaving the Barack Obama administration supporting them. An end result may be chaotic, but for the moment another theory of international relations appears to be emerging: 'neo-liberalism', with both the East and West desiring not to interrupt the free flow of trade upon which each relies economically, while China makes an effort to flex its muscles across Asia in the guise of state security, with the US joined by other Asian nations determined to hold China back militarily without undermining it economically, or undermining themselves also economically in the process. At the end of September 2016, China warned that the US that if it deploys its Terminal High Altitude Area Defense (THAAD) anti-missile system as planned in the Republic of Korea, the US will 'pay the price' in the form of a 'counter attack' because "[l]ike any other country, China can neither be vague nor indifferent on security matters that affect its core interests, [...] [and] [t]he deployment will severely damage regional strategic security interests and harm the regional strategic balance" (Blanchard 2016). Does this mean that increased military cooperation between the West and its Asian Allies will be followed by a decrease in Chinese economic cooperation? It does seem to underscore the accuracy of Waltz when he wrote in 1979: "In a self-help system, considerations of security subordinate economic gain to political interest" (Waltz 1979, p. 107), because, said differently, it means that in a more rational system, considerations of economic gain

should come ahead of political interest. In a sense, this means that mutual economic interests create political interest, and this is what is meant by 'Liberalism'. Will it mean additionally that economic cooperation between China and the Russian Federation with China and Russia as a captive buyer and captive seller respectively of Russian energy take precedence over their mutual security fears born in mutual distrust along their long and intermittently unstable common border?

## Conclusion

The US's pivot to Asia on balance in the ultimate analysis has harmed traditional Allies of the West along the Western Pacific Rim, largely by spawning resurgence of an earlier Sino-Russian alliance that had remained dormant. By providing key Asian allies of the West with an excuse for complacency, the US encouraged countries of the EU to depend on the US and NATO instead of upon themselves for defence, as well as by cutting security-related financial assistance even by almost 80% to the US's oldest Asian ally, Thailand, the US has harmed its Asian allies as well. The US has attempted to hedge between neo-realism security concerns and neo-liberal trade prosperity, functionally trying to have its proverbial cake and eat it also. That seldom will work. It has not worked in this context very well. Neo-realist security traditions appear to have been blurred with neo-liberal trade temptations, the result forming a 'neo-liberalism' paradigm that could work if it contained the best ingredients of each, appears more to contain some of the worst elements of each, making it difficult to prosper. Confrontation more than cooperation seems to have become the unwanted end result. Either the US's next president will have to increase the military commitment substantially to the Western Pacific Rim or turn tail and 'pivot' away to somewhere else. If Asia is becoming a 'closing door' to the West, then Europe's door of opportunity to China will have to close in response, proportionally if feasible. Better that 'doors' to both Asia and Europe remain open. With all that said, strength fosters peace, as President Ronald W. Reagan showed the world with his Strategic Defense Initiative, and the momentary confrontation in the East and South China Seas may yet inspire cooperation between China on the one hand and its Asian neighbours in partnership with the West on the other. If so, the risk and tribulations will be worth the cost eventually. Only time will tell, but this should be evident within the first one thousand days of the Trump administration.

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# **The impact of the US Rebalancing Policy toward Asia Pacific on International Relations in the region**

## **Abstract**

The importance of Asia-Pacific region in United States (US) foreign policy increased in recent years. The US paid special attention to the region during the Obama era declaring the region as a 'pivot'. The US rebalancing policy has economic, political/diplomatic, and military dimensions aimed to increase the US presence in the region and close cooperation with the US's allies. The growing influence of China in combination with the South and East China Sea problems led to the US administration coming up with the rebalancing strategy. The US conducted this policy together with its engagement with China. Therefore, China's perception of the US rebalancing as a kind of containment strategy would not be helpful for the continuation of the strategy. Lack of harmony and disagreements among the US allies in the region challenged the rebalancing policy. The increasing importance of the region in the world economy and the existence of problems in South and East China Sea mean that the US would continue political, economic and military engagement in the region. This paper analyses the main parameters and shortcomings of the US rebalancing strategy in Asia-Pacific and its regional and global implications.

**Key words:** U.S., China, Asia-Pacific, rebalance, Obama, China Sea.

## **Introduction**

United States (US) President Obama is well known for giving priority to South and East Asia in US foreign policy. The increasing importance of the Asia-Pacific region is the main reason for the US declaration that it

would 'pivot' to the region. The Asia-Pacific economically and politically is taking a central place in world politics. China's active involvement and growing influence in the region and its stand on the South and East China Sea disputes are considered as challenge by the US administration. The US rebalancing policy aimed at strengthening the US ties with its regional allies and expanding the US military presence in the region. There are economic, politic/diplomatic and military aspects of the strategy. The Trans-Pacific Partnership (TPP) includes countries that encompass 40% of the global GDP and thus is one of the most important economic aspects of the rebalancing strategy. In the diplomatic field the US administration followed policy of deepening engagement with regional multilateral organizations like the ASEAN Regional Forum. The military aspect is an important part for the rebalancing policy. The US conducted joint military exercises with its allies and took serious steps to increase its naval presence in Asia-Pacific.

In this paper the US rebalancing policy will be analyzed dealing with its shortcomings and the US relations with key regional actors. The US position regarding the South and East China Sea problems will also be evaluated with the parameters of the rebalancing strategy. The paper aims to try to understand the reasons of the US rebalancing policy and the difficulties of following the policy while continuing its current engagement with China. To conduct the rebalancing policy without creating at least the perception of containment is the difficult job. The paper evaluates this policy whilst stressing the fact that the world is quite different than the Cold War era in which the US engaged in an active containment strategy against the Soviet Union. On the one hand, the paper explains the interest of the parties in the region with the realist and neo-realist view, on the other hand it accepts that regional and global parameters, especially the current relations between the US and China, have different aspects than realist arguments envisaged.

As Robert Sutter, Michael Brown, Timothy Adamson, Mike Mochizuki, and Deepa Ollapally argued, that despite the fact that there has been considerable continuity in US policy toward Asia-Pacific region, the US reestablished its regional priority and the rebalancing policy should be considered significant shift in the US policy. Obama considered the region as a geostrategic priority and showed this with increasingly high-level diplomatic engagements (Sutter et al. 2013, pp. 6–7). Although the rebalancing policy has political/diplomatic and economic dimensions, some just emphasized its military dimension. Robert Ross considered

rebalancing policy as shifting in strategy in order to bolster the US defensive ties with countries and expand its naval presence. He argued that US enhanced presence in the region will reassure ally states (see Ross 2012, pp. 70–82). Arguments emphasized the military dimension of the strategy generally view the rebalancing as a kind of containment policy against a rising China. In China some considered the rebalancing strategy as ‘peaceful containment’ like Zhu Feng, who argued that the US will continue its engagement policy with China while trying to consolidate its leadership. Some, like Jin Canrong and Wang Yizhou, argued that this is betting on both sides and not simply a containment. They evaluated the rebalancing policy as it includes both engagement and precautionary measures (Dong & Chengzhi 2013, pp. 9–12).

Hillary Clinton explained the US rebalancing policy in her article titled “America’s Pacific Century.” She described the Asia-Pacific as a key of global politics. She emphasized the necessity to improve allies’ defense capacities and to upgrade security and stability, the US will redistribute its forces in Asia in order to be more effective towards security threats. She also described the policy as the US strategic return of Asia-Pacific. Clinton also focused on economic importance of the region and economic aspects of the US strategy. She stated that “a focus on promoting American prosperity means a greater focus on trade and economic openness in the Asia-Pacific.” She links the region’s economic growth and its potential for continued growth in the future with security and stability. She emphasized the US’s military role for that and argued that territorial and maritime disputes as well as new threats for the freedom of navigation requires the US to have politically sustainable force posture in the region (Clinton 2011, pp. 56–63).

The US Freedom of Navigation Operations in the South and East China Sea were viewed by China similar to a Hollywood blockbuster. China also considered the operations as undermining the authority of China. Hu Bo argued that these operations exert pressure on China and also appeases US allies in the region and serves as useful diplomatic tools for the US (Bo 2016). Glaser stated that China needs a favorable regional security environment and China will try to reach an understanding with its neighbors. However, China should face pressure and US backing of ASEAN members is necessary. The US should have clarified the limits of its involvement in regional disputes to its allies so they would know how to deal with China (Glaser 2012, p. 8).

This paper anticipated the fact that the US rebalancing policy has multidimensional aspects and it cannot be considered as just a military

strategy to contain China. However, the character of the South and East China Sea disputes dictated the overemphasized notion of the military aspect of the strategy. This caused additional difficulty for the US to follow the rebalancing policy together with the engagement with China. The success of the strategy necessitated more emphasis of diplomatic and economic aspects of rebalancing. There is also another issue which would impact the direction of rebalancing, in that how the policy will be perceived by China. That is why to analyze China's perception and evaluation of rebalancing policy is necessary to assess the impact of the rebalancing policy in the region.

## **How is the US Asia-Pacific Policy Shaped? The Reasons for Rebalancing**

The US administrations throughout history have been interested in the Asia-Pacific region. During the Cold War era the region was important to prevent the Soviet influence and invasion from the view of the US. After the Cold War, the Asia-Pacific became important in the political and economic standing of the US in the world. However, there are developments which forced the US policy makers to pay attention to the Middle East. For example, just before the formal end of the Cold War, the US engaged in a war in Iraq, due to the Saddam Hussein's invasion of Kuwait. In 2001, the US faced the 9/11 terrorists attacks and Operation Enduring Freedom conducted in Afghanistan (Kasım 2013a, pp. 35–36). Following this, the US invasion of Iraq in 2003 was another element, which increased the US's focus to the Middle East. This does not mean that before the Obama era the US totally neglected the Asia-Pacific. Post-Cold War US Presidents Bill Clinton and George W. Bush also actively engaged in the Asia-Pacific. For example, Clinton declared the New Pacific Community Initiative in 1993. Bush promoted bilateral cooperation with regional allies and encouraged free trade agreements with them. In 2006 the US conducted the largest Pacific Ocean military exercise since the Vietnam War (see Sutter et al. 2013, pp. 5–6). However, Obama's focus on the region was much more extensive and assertive. President Obama had a new approach towards the Asia-Pacific region. He announced a renewed US focus on the region and Obama reoriented significant elements of the US foreign policy towards the Asia-Pacific (Campbell and Andrews 2013, p. 2). Obama launched the US policy of a 'strategic pivot' or 'rebalancing' during his landmark address to

the Australian Parliament on November 17, 2011. Obama stated that “Our new focus on the region reflects a fundamental truth – The United States has been, and always will be, a Pacific nation.” “Here, we see the future. As the world’s fastest-growing region – and home to more than half the global economy – the Asia Pacific is critical to achieving my highest priority, and that’s creating jobs and opportunity for the American people.” Obama further emphasized that he made a deliberate and strategic decision that the US will play a larger and long-term role in shaping the Asia-Pacific region and its future (Remarks by President Obama to the Australian Parliament, 17 November 2011).

One of the main reasons for the shift of US policy towards Asia-Pacific was the economic success of the Asia-Pacific countries. Security aspects combined with the rise of the Peoples Republic of China (PRC) was another reason for the US’s new engagement. In fact, Obama underlined the importance of security during his speech in the Australian Parliament saying that “we seek security, which is the foundation of peace and prosperity.” Obama also mentioned that the US modernized its defense posture across the Asia Pacific and it would be more broadly distributed and maintaining the US strong presence in Japan and Korea while enhancing the US presence in Southeast Asia (Remarks by President Obama to the Australian Parliament, 17 November 2011).

The US’s first priority in order to implement its rebalancing policy was to strengthen the US alliances. The US particularly paid attention to its relations with Japan and the South Korea. The US-Australian relations have been focused also in this context. The US also tried to improve its relations with other regional states and emerging powers. The US-PRC relations, its relations with India and the US-Taiwan relations are important to build understanding and enhance cooperation in the Asia-Pacific for the US strategy. The US’s rebalancing policy has an economic aspect, which aims to facilitate Asia-Pacific economic integration. The US paid special attention to the Asia-Pacific Economic Cooperation (APEC) and the TPP. The US joined negotiations for the TPP in 2010 and the agreement was signed on February 4, 2016. The US also focused on improving multilateral institutions of the region. The US acknowledged that a strong and integrated ASEAN is in the US’s national interest (Campbell & Andrews 2013, pp. 4–7).

The US attended at a record level key Southeast Asian diplomatic conferences and increased military and economic engagement in the Asia Pacific countries. Despite the fact that the rebalancing strategy has not

only military component, it also has economic and political dimensions, it was perceived by the PRC as the US's containment strategy. The military aspect of the rebalancing required strong military ties with Australia, Singapore, and the Philippines (see Sutter et al. 2013, pp. 11–13). In 2011, the US signed an agreement with Australia, which includes the deployment of 2,500 US marines to Australia. The agreement represented the first long-term expansion of US military presence in the Asia-Pacific since the end of the Vietnam War (Calmes 2011). The US signed a 10-year agreement with the Philippines which gave the US military greater access to the bases in the Philippines. The US received the right to rotate troops and other military assets throughout Philippine territory without the ownership of bases, which is prohibited according to the Philippine Constitution. The US also reached an agreement with South Korea to improve the joint operation of the existing missile defense system (Kasım 2014). In fact, the other regional countries, which feel suspicious about the PRC's activities in the region, demanded active US involvement and they seek opportunity to train, exercise, and interact with the US military. However, the US engagement in the Asia-Pacific embedded a broader national agenda including diplomacy, trade, development, values, and multilateral institutions (Campbell & Andrews 2013, p. 8). Economic aspects of the rebalancing are mainly presented with the TPP, which includes 12 states and their GDP encompassing 40% of the global GDP. Although the TPP was signed on February 4, 2016, the ratification process of the agreement in the parliaments of the signatory countries continued.

The question raised about the TPP's sustainability regarding the establishment of a regional trade network, since the PRC is not a part of it (see Atı 2016, p. 63). In fact the TPP was introduced as a tool to limit the uncontrollable spread of Chinese economic expansion. President Obama in his State of Union Address to Congress in January 2015 stated that "China wants to write the rules for the world's fastest-growing region. That would put our workers and our businesses at a disadvantages. Why would we let that happen? We should write those rules. We should level the playing field" (see Remarks by the President in State of the Union Address, 20 January 2015). Some argued that Chinese participation in the TPP should be considered. This is similar to Clinton's strategy to support the PRC's integration into the World Trade Organization. The US could continue economic and diplomatic engagement with China and try to display the benefits of cooperation. China on the other hand might try to persuade US allies that it will not pose a threat to countries in

the region while placing more emphasis on diplomatic efforts (Hsu 2015; Sutter et al. 2013, p. 5).

The US new engagement of the Asia-Pacific was the response of the rise of the region and increasingly assertive policy of the PRC. As a result the US rebalancing policy was generally perceived an attempt to contain China. However, there were problems and shortcomings of this policy and the perceptions which later resulted in criticism of the US's new engagement in the region.

### **Shortcomings of the US Rebalancing Policy**

Obama's rebalancing policy had some risks and shortcomings. One question should be asked is how this policy would be conducted together with engagement with China. If the US would continue in engagement policy toward China, the rebalance strategy requires careful implementation. Despite the statements that the US would not want to exclude China from regional initiatives, China perceived the US policy as a containment strategy. The difficult job for the US administration is that while the US continues its commitment toward regional allies, it must also avoid provoking China and continue to pursuing constructive engagement. However, the rebalancing strategy might face budgetary restrictions since military engagement in Asia-Pacific requires a large naval presence and active military support of the US allies. To avoid this obstacle, budget cuts is to be minimized to the navy. The US also faced criticism from Europe as neglecting European allies following the rebalancing strategy in Asia-Pacific (see Kasım 2015, pp. 90–91).

The rebalancing policy is supposed to restrict 'rising China's' influence in the Asia-Pacific. However, China's stand on the regional issues has not changed and the US regional allies increased their demands for support from the US. Although some argued that the rebalance does not mean just to contain China, it is viewed as a way to contain China in the Asia-Pacific and the world. Therefore, some argued that the US strategy has failed because it has not been hard enough on China (Connelly 2015, pp. 2–5). The US allies also expected from the US at least to restrict China if not a total containment strategy. The US foreign policy and Obama's statements about the rebalancing may not be considered as enough reassurance for the US allies since they need to see definite US commitment in a time of the crisis. That is why conjectural problems in

the US would impact on its allies. For example, Obama did not attend APEC Forum in 2013, which questioned the US commitment to the Asia-Pacific, although Obama did not participate because of the domestic crisis. Countries like Vietnam would shape its China policy through measuring the US support and commitment (see Parlez & Cochrane 2013).

In the case of massive trade between the US and China, the US rebalancing policy could not be evolved into a Cold War type containment strategy, as Joseph Nye argued that the US containment strategy of the Soviet Union refers to virtually no trade and little social contact. Yet the US currently maintains a massive trade agreement with the PRC and extensive social contacts including 157,000 Chinese students at US universities (Nye 2013). The US direct investment to the region is over 700 billion USD and annual US exports more than 400 billion USD.<sup>1</sup> Therefore, the conditions are very different from the Cold War era.

One of the obstacles for the effective US rebalance strategy to the Asia-Pacific is the lack of interest towards the region within the US Members of Congress. They are interested in the region just due to a large immigrant or ethnic population in their district. The Asia-Pacific, despite the Obama administration's over focus on the region, has captured very little attention of the US public and media. For example during President Obama's travel to China, Myanmar, and Australia in November 2014, the press plane chartered for the trip was half full (Connelly 2015, p. 11).

Another US shortcoming in the rebalance strategy was lack of harmony among US allies. For example, while the US is trying to establish triple special alliance among US-Japan-South Korea, however, disputes between Japan and South Korea regarding the so-called 'comfort women' issue to the territorial dispute, weakened the US position in the region and gave greater movement to act for China (Çolakoğlu 2016, pp. 60–61).

## **South and East China Sea Problems: The Headache for the US Rebalancing Strategy**

Another dispute, which creates a rift among the US allies, is the South and East China Sea problems. Particularly the South China Sea dispute became a widely discussed problem due to its potential to cause armed

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<sup>1</sup> <http://www.statista.com/statistics/188604/united-states-direct-investments-in-the-asia-pacific-region-since-2000/>.

conflict in the region. The PRC, Vietnam, the Philippines, Indonesia, Singapore, Malaysia, Brunei, and Taiwan have clashing sovereignty claims over the South China Sea.

The South and East China Sea disputes put the US in a difficult situation due to the disputes between Taiwan and Japan and Taiwan and Philippines, which are the US allies in the region. For example, a Taiwanese fisherman was shot by the Philippine coast guard in the disputed Exclusive Economic Zone (EEZ), which created tension between Taiwan and the Philippines in 2013. Taiwan demanded a formal apology from the government of the Philippines, compensation for the fisherman's family, cooperative investigation and punishment of the perpetrators, as well as the launching of talks on a bilateral fishery arrangement in order to prevent similar incidents to be repeated in the future. The US also put effort so these types of incidents were not to be repeated among its regional allies. The last thing the US wants is conflict between two important partners in the region: Taiwan and the Philippines (Kasım 2013).

The conflict takes place around Spratly (Nansha) and Paracel (Shisha) islands as well as the Pratas (Tungsha), Natuna, and Scarborough Shoal. The PRC claims sovereignty on the map with a U-shaped line referred to as the 'nine-dash line' (Tsirbas 2016). Actually the 'nine-dash line' was originally identified as the 'eleven-dash line'. In 1947, the Kuomintang (KMT) government of China released a map titled "position of the South China Sea Islands." The eleven-dash line was used to define a scope of Chinese sovereignty over the South China Sea at that time. After the Chinese communists took power of the mainland, they cancelled the two intermittent lines and the PRC started to use the nine-dash line to support its sovereignty claims over the South China Sea. The reason for that was basically the ideological cooperation between the PRC and the regime in North Vietnam (Pu 2015).

Taiwan presented similar arguments regarding sovereignty over the South China Sea. Taiwan's argument bases itself on historical grounds to justify its claims over the area. However, there are differences between the PRC's and Taiwan's positions. Taiwan upholds its claims to sovereignty over the South China Sea. However, Taiwan does not fully support the PRC's South China Sea policy. Taiwan adheres to the notion that the dispute to be solved through international law since it does not support territorial sovereignty through the man-made islands. Taiwan promotes cooperation among regional countries to solve the dispute and does not support the unilateral extraction of sand from the seabed or the reclamation of land from underwater reefs (Yann-Huei Song 2015).

Overlapping claims regarding the Parcel (Shisha) islands have caused conflict between Vietnamese troops and the PRC. As a result, the PRC seized the Parcel (Shisha) Islands, killing more than 70 Vietnamese soldiers in 1974. In 1988, 60 more Vietnamese soldiers died in the conflict. Natural resources, especially oil and gas reserves, are the key factors that triggered the sovereignty dispute in the South China Sea. In May 2014, the PRC's drilling operations near the Parcel (Shisha) Islands carried out by maritime vessels were intercepted by Vietnam's vessels. Thus, a collision occurred between the Vietnamese and the PRC vessels and caused riots targeted against the Chinese living in Vietnam. As a result, Taiwanese factories were also attacked (Chubb 2014). Similar problems have occurred between the PRC and the Philippines over the Spratly Islands (Nansha). The Philippines applied to the Permanent Court of Arbitration and called for a halt on all construction projects in the South China Sea. The US would be pushed to be involved in the China-Philippines conflict because of the 1951 Mutual Defense Treaty between the US and Philippines. Despite that fact that the treaty states

Each Party recognizes that an armed attack in the Pacific Area on either of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common dangers in accordance with its constitutional processes. Any such armed attack and all measures taken as a result thereof shall be immediately reported to the Security Council of the United Nations. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.<sup>2</sup>

The US is not inclined to take sides in the territorial disputes in the South China Sea. On the other hand, regarding the dispute between Japan and China about the Senkaku (Diaoyu) Islands, the US president expressed clear support for Japan, stating that Article 5 of the US–Japan Mutual Cooperation and Security Treaty included the disputed islands (Panda 2014).

The South China Sea dispute caused tension among the US and the PRC. In October 2015, a US destroyer vessel passed through the PRC's artificially constructed islands, and the PRC intercepted their vessels. Freedom of navigation in the region caused a rift between the US and PRC over the right of US military vessels to operate in China's 200 mile EEZ. The US is based its argument about the United Nations Convention on the Law of the Sea (UNCLOS) and stated that nothing in UNCLOS and

<sup>2</sup> See [http://avalon.law.yale.edu/20th\\_century/phil001.asp](http://avalon.law.yale.edu/20th_century/phil001.asp).

state practice prevents the right of military forces of all nations to conduct military activities in EEZ's without coastal state notice or consent. The US reconnaissance flights conducted in China's EEZ are intercepted routinely by the PRC. A possible miscalculation may cause military escalation and an unexpected acceleration of political crisis (Glaser 2012, pp. 1–2; Larter 2016). Despite the fact that the US bases its arguments on UNCLOS, the US Congress declined to ratify UNCLOS, which weakens the US role regarding the subject matter (Connelly 2015, p. 11). The US military presence and passage near the China's artificial islands each time caused China to emphasize its claims and a harsh response to the official level. For example after the five-day patrol of the US Stennis Carrier Strike Group in the South China Sea, PRC Foreign Minister Wang Yi stated that "like the tide that comes and goes, none of these attempts will have any impact. History will prove who is merely the guest and who is the real host" (Larter 2016).

As part of its policy of rebalancing, the US tried to promote close cooperation among its allies. The Philippines and Japan signed an important defense agreement on February 29, 2016. The agreement allowed the transfer of defense equipment and technology from Japan to the Philippines and it made possible for the Philippines and Japan to conduct joint research and development, and even joint production of defense equipment and technology (Castro 2016). Taiwan proposed the South China Sea Peace Initiative on May 26, 2015, by urging all parties to comply with international law and reduce tension. In 2013, Taiwan and Japan managed to sign a fishing agreement over the East China Sea that granted Taiwanese vessels access to the disputed waters of the Senkaku (Diaoyu) Islands. Taiwan's initiative for the South China Sea bore its first fruit on November 5, 2015, when Taiwan and the Philippines signed the Facilitation of Cooperation on Law Enforcement in Fishery Matters agreement that reduced fishery tension between the two (Kasim 2016). However, the dispute, particularly regarding Taiping Island, continues between Taiwan and the Philippines. Historically, Taiwan claimed that Taiping (Itu Aba) Island qualified as an island according to the specifications of Article 121 of UNCLOS. Taiwan argued that Taiping Island can sustain human habitation and economic life of its own. But, the Philippines argued that Taiping is not an island because of its lack of water supply and fertile soil making it inconvenient for habitants. However, Taiwan stated that Taiping Island is the only island in the Spratly (Nansha) Islands to have its own sources of potable water. The US has not clarified its position

regarding on Article 121 and arguments of Taiwan and the Philippines. Some in the US administration argued that the US is entitled to claim an EEZ around all its possessions, whether inhabited or not, without regard to size or location (Song 2016; Kasım 2016). Taiwan did not recognize the Philippines application to the Permanent Court of Arbitration on the South China Sea disputes. Taiwan stated that the Philippines did not extend an invitation to Taiwan to participate in its arbitration with mainland China, since the arbitral tribunal did not solicit Taiwan's views. Therefore, Taiwan refuses to recognize the arbitration or any agreements since it will not affect Taiwan (Tiezzi 2015). The Philippines won the arbitration case against China. The Permanent Court of Arbitration decided that the Philippines has exclusive sovereign rights over the West Philippine Sea in the South China Sea and that China's nine-dash line is invalid. However, China and Taiwan do not recognize the arbitration (Santos 2016).

The success of the US rebalancing strategy is very much dependent on the relations among its allies. Therefore the relations among the Philippines, Taiwan, Japan, Vietnam, Australia, Malaysia, and Indonesia will indicate the future of US regional policy. In fact most regional states supported the US rebalance policy although some like Thailand and Malaysia avoid choosing sides between the US and China. Countries which have territorial and security disputes with the PRC, such as Japan, the Philippines, and South Korea, gave open support to the US policy. The real challenge for the US is to provide strategic reassurance to its allies without provoking a strategic backlash from the PRC (Sutter et al. 2013, p. 3).

## Conclusions

The US foreign policy paid attention to the Asia-Pacific due to the region's strategic and economic importance for the US. During the Cold War era, Asia-Pacific policy focused on preventing communist expansion. After the Cold War the US policy focused on economic integration and protect of freedom of navigation in the South and East China Sea. Although Bill Clinton and George W. Bush also paid attention to the region, the Obama era was important in terms of its rebalancing policy which has diplomatic/political, economic, and military dimensions. The US declared its objective to play a larger and extensive role in shaping the future of the region. However, as we discussed in the paper there

are risks and shortcomings in the US strategy. To conduct the policy at the same time the engagement with China is difficult and challenging. China perceived the US strategy as containment of China. The US allies in the region expected the US to reduce China's influence whatever the means necessary. However, another difficulty is the lack of cooperation and harmony among the US allies. This even carries risk of conflicts among them. The US also has domestic constraints to carry out the rebalancing policy. One constraint is budgetary, which may become an issue regarding having a large naval presence in the region permanently. Another constraint is the lack of interest towards the region in the US Congress. The US has also been criticized by its European allies for giving too much emphasize on the Asia-Pacific and neglecting Europe.

The US rebalancing policy was the result of the increasing influence of China and the region's growing impact on world politics. The US aimed to show that it would continue to engage in the Asia-Pacific and continue to support its allies, with domestic problems not diverting the US from its policies. The US worried that the maritime territorial disputes will negative have impact on trade across the Asia-Pacific region. To prevent this, the rebalancing policy was implemented using political/diplomatic, economic and military means. As this paper clearly indicates that the rebalancing strategy is mainly analyzed by many by just focusing on the military part of it. However, the rebalancing, as it was mentioned in this paper, can only have a meaningful result if other aspects of the strategy are also being used. If the strategy is not all about containing China, the US should put more emphasis on diplomatic and economic means and institutions in the Asia-Pacific region. Since the US does not want to be involved directly in the military conflict in the region, it would be an option for the US to help the Philippines, Vietnam, and other allies to enhance their capabilities to defend their maritime claims.

In the near future China cannot match the hard and soft power capacities of the US. Therefore to keep peace and security in the Asia-Pacific is in the interest of both the US and China. The US should give more attention on how China perceives the rebalancing strategy. As long as China perceives it as a containment strategy it will concentrate on increasing its military presence in the region. However, military confrontation and any kind of interruption of the trade in Asia-Pacific would not be the interest of China. This fact may force the parties of the South and East China Sea problem to reach a kind of consensus at least to prevent military conflict from erupting. The US rebalancing policy and its support of its allies may give China

a message to compromise with other regional actors. The challenge for the US is to do that without provoking China. The economic integration and continuation of regional economic growth will help the rebalancing strategy and to improve relations between China, the US, and its allies.

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## **Asian Development Bank and Asian Infrastructure Investment Bank – is cooperation possible?**

### **Abstract**

The Asian Development Bank (ADB) is a well-known financial institution operating in the Asia-Pacific region since 1966. The rise of this multilateral organization was sponsored mainly by Japan, for which, no doubt, it is still an important instrument of external policy. However, nowadays the ADB constitutes 67 members (48 regional and 19 non-regional), including PR China. With an impressive budget (ca. \$20 billion) and focus areas ranging from social development to information technologies, the ADB is an important source of development funding.

The Asian Infrastructure Investment Bank (AIIB) is a rather new initiative, only opening up for business in January 2016. Based in Beijing, it is a multilateral organization comprising 57 founding members (37 regional members and 20 non-regional partners), excluding Japan and the United States. The creation of the AIIB is a reaction to the fiasco of the transformation of global financial institutions like the International Monetary Fund and the World Bank Group. China's intentions in initiating the AIIB are clearly something other than altruism. It might be seen as part of a win-win economic cooperation strategy that could benefit both regional and national development processes. Like the ADB, the AIIB focuses on the development of infrastructure and other productive sectors in the Asia-Pacific region.

The question is, should we anticipate strong rivalry between these two institutions, as political realism would suggest, or will the ADB and the AIIB find a way to offer their best to the Asia-Pacific countries without any major conflict?

**Key words:** ADB, AIIB, development banks, Asia.

## Introduction

The very idea of setting up a new multilateral financial institution was met with scepticism and harsh criticism from the outset. This was followed by a negative media campaign launched mainly by the United States (US) and Japan. Despite these attempts to suppress the Chinese proposal, various other countries, including some of Washington's and Tokyo's closest partners, were convinced of the merits of the newly proposed initiative. Although still in its infancy, the Asian Infrastructure Investment Bank, hereafter referred to as the AIIB, will almost certainly play an increasingly important role, not only in Asia, but also in the broader global context.

The justification for such strong opposition towards the creation of the AIIB was based on concerns over the perceived additional risk to the already established Asian Development Bank (ADB). The ADB and the AIIB are both international organizations with the mission of promoting social and economic development in Asia. This is done through capital lending to member countries. The former institution is often described as being dominated by the US and Japan, while the latter is presented in Western media as an instrument of Chinese foreign policy. This allowed alarmist observers to paint the picture as one of the AIIB threatening ADB's position by creating political and economic alternatives for various Asian nations. Arguably, this negative analysis is far too narrow in investigating the possibilities of further fruitful cooperation between these two entities.

The aim of the paper is to examine the feasibility of successful cooperation between the AIIB and the ADB. This examination needs to ask:

1. Are there any major differences between the ADB and the AIIB in terms of strategic goals, membership, governance, and financial capabilities that would make cooperation impossible?
2. Is conflict of interests inevitable? If not, what is the whole spectrum of possible relationship models between both organizations?
3. Do the first months of the AIIB's existence prove initial criticism to be accurate or rather far-fetched?

The main part of the text is divided into three sections. The first one is a basic comparative analysis of both banks. The second identifies and explains possible scenarios of ADB–AIIB relationship. The final section takes the realistic view of the actual ongoing relationship between the two

banks and how this differs from the projections of the concerned voices raised at the very thought of AIIB's arrival on the scene. Having considered the various possible scenarios, the author presents his opinion of the most likely outcome as to the interaction between the two banks in the future.

The paper identifies six logically possible scenarios of future ADB–AIIB relations, listed in order of probability. They are presented on a spectrum of possible outcomes ranging from the absolutely negative, “Sino-Japanese full scale rivalry via AIIB–ADB confrontation,” to the idealistic, “Extensive cooperation and coordination.” The advantages and disadvantages for the various players involved are presented, including non-regional and local. Based on their current economic and political interests, non-regional actors could either stimulate ADB–AIIB cooperation, or use their resources and political clout to escalate regional conflict.

As the AIIB started its operations in January 2016 there is not a sufficient number of sources covering the real ADB–AIIB interactions or even comparing these two banks. The existing texts are mainly press articles speculating on the nature of the Chinese proposal and its influence on regional geopolitics in Asia. This is why this analysis is based mainly on information shared by both organizations in the form of reports, official documents and posts on their websites. This sort of data is far from conclusive, but it helps to capture current processes and real intentions of decision makers, not just opinions of other authors. Future analyses will allow the formulation of more sophisticated and further developed conclusions that will be based on the long term experience of ADB–AIIB relations and hard data on the financial activity of the latter. This article offers a quick snapshot of both institutions, as they stand at the beginning of their relationship. It helps to compare these organizations and realize that, contrary to alarmist calls from some media, rivalry is just one option on offer to their main shareholders. The choice between further cooperation and/or hostility remains in the hands of the nations involved, rather than media and political commentators.

## **1. ADB and AIIB – the comparison**

Even a cursory glance at the backgrounds of the ADB and the AIIB offers some indications as to the future relationship between these two organizations. To what extent might existing differences between the ADB and the AIIB hinder their cooperation?

Both institutions are multilateral development banks with very similar objectives. The ADB's aim is to promote social and economic development through the provision of loans, technical assistance, grants, and equity investments, while the AIIB focuses on "the development of infrastructure and other productive sectors in Asia" (ADB's website; AIIB's website; Nelson 2015, pp. 3, 17).

The comparison of these banks is undoubtedly complicated. Having only opened for business in January 2016, the AIIB could be considered the "New kid on the block", when compared to the ADB ('The old guard'), which has been in operation since 1966, with traditional relations all across Asia and an established position within the international system of development assistance (Haas 1974, pp. 281–296; AIIB's website; Wildau & Mitchell 2016).

The ADB constitutes 67 members (48 regional and 19 non-regional), including the People's Republic of China (PRC), compared to the AIIB with 57 founding members (37 regional members and 20 non-regional partners), excluding Japan and the US. As of the end of June 2016, 48 Prospective Founding Members had confirmed their will to join the AIIB by ratifying the Articles of Agreement. The eight remaining countries have until the end of 2016 to ratify (ADB's website; Asian Development Bank 2015b; AIIB's website; Berwin, Leighton & Paisner 2016, p. 1; Xinhua News Agency 2016b).<sup>1</sup>

Several ADB members are noticeable by their absence from the AIIB, some perhaps more surprising than others: the US, Japan, and Canada, all important ADB shareholders, have shown no interest in joining, for obvious political reasons. Taiwan was refused membership because of its diplomatic rivalry with the PRC. Hong Kong SAR has expressed an interest in joining, but has been put on hold due to its non-state status. We can see the focus of the AIIB being Asia rather than Asia-Pacific, when we note the absence of 13 Pacific states from its membership.

Looking from another perspective, we can see several founding members of the AIIB are not members of the ADB: Brazil, Russia, and South Africa from the BRICS block, as well as various players from the Middle East, and, perhaps more surprisingly, Iceland, Malta, and Poland.

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<sup>1</sup> Brazil, Egypt, Iran, Italy, Malaysia, the Philippines, South Africa, Spain, and Uzbekistan.

There are no major, structural differences between the ADB and the AIIB, both adopting the templates of the World Bank:

- 1) Board of Governors – composed of representatives of each member state;
- 2) Board of Directors – elected by the Board of Governors;
- 3) Senior Management – President, vice-Presidents and other top executives.

The international nature of the management structure should prevent the dominance of any single state within both institutions and allow for a more business oriented style of management and communication (ADB's website; 2015 Annual Report: Asian Development Bank 2015a, pp. 4–5; Asian Development Bank 2016; AIIB's website; Berwin, Leighton & Paisner 2016, pp. 1–2; Morris 2015; Qing 2015).

ADB's capital is USD 147 billion compared to AIIB's USD 100 billion of original authorized capital stock (sum of all shares).<sup>2</sup> Both institutions want to do business within sovereign and non-sovereign sectors (the vast majority of the ADB's activity is in government loans and logic suggests that the same will apply to the AIIB). Despite this similarity there is an enormous disparity in the scale of financial activity of each organization. In 2015 the ADB approved USD 27.17 billion of financial operations, mainly in the form of loans, but also grants, equity investments, guarantees, technical assistance, and co-financing (including trust funds). During its first six months in operation the AIIB had signed up to just five projects (Asian Development Bank 2015a, pp. 3, 6–7; Asian Infrastructure Investment Bank 2015, art. 3; AIIB's website; Middleton 2016).

The total value of these projects is USD 2.66 billion, with AIIB's contribution being USD 0.66 billion. The AIIB has expressed its intention to raise its level of involvement to USD 10–15 billion per year and only time will tell if this ambition can be realized. Three out of five of the existing projects are to be co-financed by other development banks, including the ADB who will take the leading role in administration. It is unclear whether the AIIB intends to use these relationships as part of a short term strategy to compete with, even possibly replacing, the ADB,

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<sup>2</sup> As of 26th of June 2016 the AIIB has gathered capital subscriptions totaling USD 85.91 billion, the remaining capital will be guaranteed as soon as the other Prospective 8 Founding Members ratify the AIIB's Articles of Agreement (Asian Infrastructure Investment Bank 2016b).

at some point in the future. Alternatively, it could use these joint ventures as part of a longer term plan to improve, strengthen and reduce the cost of the existing development framework in Asia. The co-financing and cooperation between the ADB and the AIIB has not only been shown to be possible, but has already started. The continued success or failure of this depends on both banks' main shareholders' ongoing assessment. Almost certainly, it will take years for the AIIB to equal the financial operating capabilities of the ADB. The more established ADB can be rest assured that any 'threat' posed by the development and growth of the AIIB is a long way off.

**Table 1.** AIIB's projects as of end of June 2016

#	Title	Total Value (USD)	AIIB's contribution (USD)	Co-financing institution
1.	<i>Indonesia: National Shum Upgrading Project</i>	1.74 billion	216.50 million	World Bank
2.	<i>Bangladesh: Power Distribution System Upgrade and Expansion Project</i>	262.29 million	165 million	none
3.	<i>Tajikistan: Dushanbe-Uzbekistan Border Road Improvement Project</i>	105.90 million	27.5 million	European Bank for Reconstruction and Development
4.	<i>Pakistan: National Motorway M-4 (Shorkot-Khanewal Section) Project</i>	273 million	100 million	ADB and the United Kingdom's Department for International Development
5.	<i>India: Transmission System Strengthening Project – Tamil Nadu</i>	282.9 million	150 million	none

Source: AIIB's website.

Both organizations share similar goals and their focus areas are almost parallel.

**Table 2.** The ADB's and AIIB's focus areas

Asian Development Bank	Asian Infrastructure Investment Bank
<p>Main: infrastructure (water, energy, transport, urban development, information and communications technology), environment, regional cooperation and integration, finance sector development and education</p> <p>Additional: health, agriculture and natural resources, public sector management</p>	<p>Infrastructure and other productive sectors in Asia, including: energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development, logistics</p>

Source: ADB's website; Asian Development Bank 2015a, pp. 10–15; AIIB's website; Asian Development Bank Xinhua News Agency 2016b.

Such a high degree of convergence may prove to be a help or a hindrance for the cooperation between the two banks moving forward.

The division of voting power within the AIIB is one of the most contentious issues under discussion. Under the existing voting system the PRC have 29.9% of voting power within the organization. Once all 57 Founding Members have ratified the AIIB's Articles of Agreement, the PRC's voting power will settle at around 26%. Even with this sharp reduction China will still maintain a de facto veto power in a limited number of Super Majority vote decisions. This does not mean that the PRC will be able to unilaterally impose any decisions on the AIIB's operations and bank members' status. As in other multilateral banks, even main shareholders have to persuade other states to accept their ideas and create a coalition before voting takes place. When we compare the PRC's position within the AIIB to other influential members (India's current/projected voting power is 8.63%/7.51%; Russia 6.81%/5.93%; Germany 4.77%/4.15%, and South Korea 4.03%/3.5%), Beijing's advantage is evident. Even BRICS countries, voting together (around 43% of cumulated voting power) are not going to be strong enough to steer AIIB's operations on their own (AIIB's Asian Infrastructure Investment Bank 2016b; Morris & Higashikokubaru 2015).

This could be compared with the governance of the ADB where the top five members by voting power are: Japan 12.8%, the US 12.71%, the PRC 5.46%, India 5.37%, and Australia 4.93%. Basically, the PRC's influence within the AIIB's structures is equal to US-Japanese dominance over the ADB. The votes of Washington and Tokyo supported by Australia, New

Zealand, and the ADB's European members are enough to take a binding decision (Asian Development Bank 2015b).

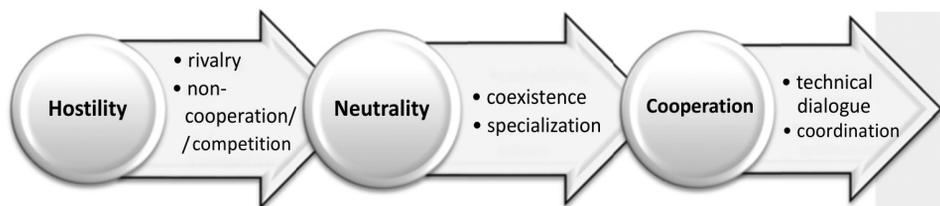
Ironically, the easiest way to decrease the power of the PRC within the AIIB's structures would be the joining of the bank by Japan and/or the US. Their accession would lead to a significant reduction in the existing voting power of current shareholders, i.e. would neutralize the Chinese de facto veto power. However this opportunity has not been taken by the Japanese and US governments.

Clear similarities, in terms of their statutory goals, management structures, focus areas, and governance systems, will undoubtedly influence the future relations of the ADB and AIIB. These factors could potentially lead towards rivalry or, in a more optimistic scenario, closer collaboration between these two organizations. Differences also exist in terms of experience, financial capabilities and membership. The limited experience of the AIIB will make expressions of rivalry unlikely, at the moment. The membership of each bank will support projects in keeping with their broader geopolitical and geoeconomical visions. This might push the ADB towards the Trans-Pacific Partnership and the AIIB to the One Belt, One Road initiative.

## 2. Possible scenarios for the ADB–AIIB relationship

The future of ADB-AIIB relations are not written in stone. This relationship will fall into one of three broad categories: out and out rivalry; neutrality; and maximum cooperation. The character of the relationship will be defined by each player's level of commitment, their attitude towards and acceptance of structures put in place to achieve agreed mutual goals.

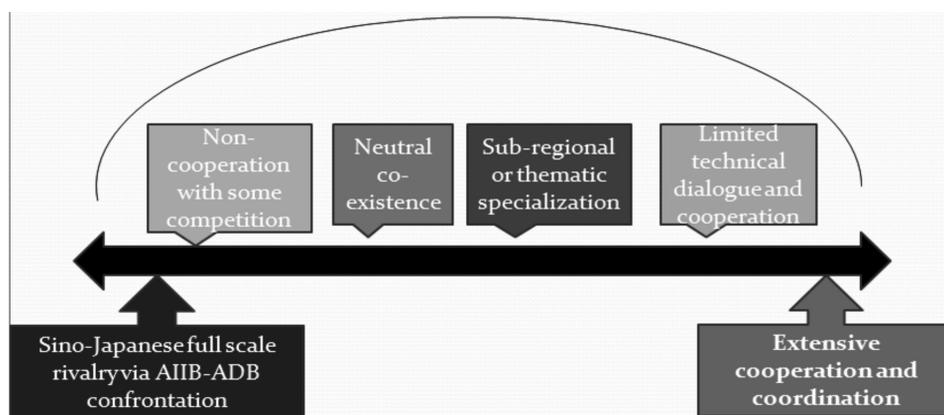
**Hostility** between the two institutions could take the form of absolute rivalry, or some less exaggerated form of non-cooperation and competition. **Neutrality** could result from calculated decision to leave rivalry aside and simply concentrating on fulfilling economic tasks, or even as an unintentional outcome of doing business (assisting Asian countries) in a different way, leaving less incentive for interference. Finally, **cooperation** between the ADB and the AIIB does not necessitate full partnership and complete coordination. It can also be expressed through technical dialogue and limited joint initiatives in areas of common interest, while at the same time allowing for the autonomy of each bank.



**Figure 1.** Possible ADB–AIIB relationship patterns and its subtypes

Source: based on author's estimation.

Out of these broad categories we can imagine six possible scenarios, as presented below. They are presented on the axis of possible outcomes from the most pessimistic 'Sino-Japanese full scale rivalry via ADB–AIIB confrontation' to the extremely idealistic 'Extensive cooperation and coordination'.



**Figure 2.** Spectrum of possible outcomes

Source: based on author's estimation.

How the 'Sino-Japanese full scale rivalry via AIIB–ADB confrontation' scenario might play out? Both financial institutions set extremely high levels of credit in competition for business and reduced their function to instruments of foreign policy. The setting of strict eligibility criteria for potential borrowers, restricting access to funds from the 'rival' institution, would be used for political gains. This 'politics over economics' approach would have a direct negative effect on the quality of services provided. This could escalate regional rivalry and exacerbate existing tensions within the global South.

**Table 3.** Pros and cons of the ‘Sino-Japanese full scale rivalry via AIIB–ADB confrontation’

	Pros	Cons
Donors (banks and main shareholders)	Powerful enhancement of foreign policies	Substantial financial costs; strong international criticism
Recipients	Rapid inflow of additional capital	Regional political destabilization
Non-regional parties	Maintenance of the West's central position in the World economy	Risk of future loss of trade options

Source: based on author's estimation.

There are at least three situations that could trigger this scenario:

- an extreme escalation of political tension between the PRC and Japan – both countries undoubtedly have influence over the AIIB and ADB respectively. The severe crisis in their mutual political relations would probably result in the decision to use all bilateral and multilateral channels, including these financial institutions, to gain the support of other Asian states and diminish the political clout of the other side;
- a real threat to main shareholders' geo-economic projects (One Belt, One Road initiative/Trans-Pacific Partnership) – similar to the reaction in the case of a political crisis, the strategy of full scale rivalry using all available means could be introduced by Japan and the PRC due to some perceived serious economic threat. Such dangerous conditions might be brought about by one of these regional powers attempting to convince other Asian states to be bound only to his existing trade agreements, thereby putting the success of any alternative venture at great risk;
- extreme competition for scarce resources – the future possibility of crucial resources becoming less and less available might result in both development banks morphing into structures to gain access to these assets. If this happened the scenario of harsh rivalry would very likely follow.

The second possible scenario, ‘Non-cooperation with some competition’, would involve the relationship between the AIIB and ADB being redescribed as a competition rather than a fierce rivalry. This more relaxed relationship would still involve a significant degree of competition and reluctance to develop joint initiatives and principals. This reluctance to cooperate because of political differences could result in wasteful

duplication of energy and resources in attempts to achieve the same economic ends. A reduction in the rivalry of this scenario will allow for recipients to access funds from both banks, but the norms and procedures of each institution would differ, resulting in high transaction costs for the borrowing nations. Each bank would continue to ask its members for funds to increase its capital stock to gain a comparative advantage over its 'rival'.

**Table 4.** Pros and cons of the 'Non-cooperation with some competition'

	Pros	Cons
Donors (banks and main shareholders)	Moderate support for foreign policy goals and economic strategies	Some international criticism
Recipients	Easy and stable access to additional sources of capital	Lack of coordination of national and regional investments
Non-regional parties	Additional capital subscriptions and special funds as a means of evidencing bilateral profits	Incompatibility of development policies in Asia

Source: based on author's estimation.

Potential causes for the level of competition suggested in this scenario are:

- a reduction in the perceived influence of the ADB within the region – if the first years of the AIIB's operations resulted in reducing the position and general impact of the ADB, the latter would surely reject any cooperation with the newcomer and move towards political and economic competition;
- the perception, over time, of the AIIB as ineffective – in case of a discontent of major AIIB stakeholders about the bank's efforts to achieve set goals and visions, the bank's board would have to implement slightly more 'aggressive' market strategies to improve its effectiveness in maintaining and developing its political influence;
- worsening political tensions over the regional economy – should efforts to stimulate the local Asian economy be hit by another major economic crisis, a great demand for both capital flows and political leadership would inevitably follow. In such circumstances each individual bank would have to undertake emergency measures to try to save the economies of their borrowing nations, as there would be insufficient time to negotiate joint programs and procedures. At the first signs of any

economic growth both organizations would argue about its own crucial role in getting the regional economy ‘back on track’, claiming that its role had been more productive than its rival’s;

- absolute incompatibility of strategic goals of China and Japan – the likelihood of growing competition between these two banks is directly related to the yawning gap between the foreign policies of their two major funders.

The ‘Neutral coexistence’ is more of an ‘economics over politics’ scenario, based on an assumption that both organizations would concentrate on their development goals rather than furthering any purely political agenda. Acting individually, and without interfering with the other, each bank accepts the absence of common interest, but does not allow this difference to fuel any rivalry. This stabilizes the volume of credit allowing both institutions to concentrate on quality over quantity of service. The differences in norms and procedures between the ADB and AIIB still results in high transaction costs for borrowing nations.

**Table 5.** Pros and cons of the ‘Neutral coexistence’

	Pros	Cons
Donors (banks and main shareholders)	Opportunity to concentrate on grand geo-economic projects	Reduction in effectiveness of support for foreign policies
Recipients	Regional stability	Lack of investment coordination; reduction in capital available
Non-regional parties	Stability crucial for import/export; constant incentives for global GDP growth	Less opportunities (no pretext) for political interference into Asian affairs

Source: based on author’s estimation.

The scenario of ‘Neutral coexistence’ would be a direct consequence of such factors as:

- concern over the projected cost of the ADB–AIIB rivalry as per the previous two scenarios – there is no doubt that rivalry and competition are costly options, as they involve a significant volume of credit and the need for additional capital subscriptions from bank shareholders. Therefore, it is more likely that the ministries of finance, and other decision makers, are going to support neutrality rather than any ADB–AIIB confrontation;

- realization that a pragmatic approach will best achieve long-term strategic goals – assuming that the real agenda of each bank is not to work in direct opposition to its counterpart, it is going to be cheaper and safer, at least up to certain point, to avoid direct disputes;

- recognition by member nations that the long term economic goals of the ADB and AIIB are not mutually exclusive – the future strategies of both organizations are dependent on their shareholders' perception of the global situation and how the operation of each bank can minimize threats to their individual economies. Each bank's ability to achieve this without interfering in the business of the other institution, will have a direct effect in the avoidance of any areas of conflict.

The scenario of 'Sub-regional or thematic specialization' suggests that a conflict of interest can also be avoided by the banks choosing separate areas of specialization; this could be geographical specialization or a difference in focus areas. In each case both banks would work towards separate economic goals determined by major stakeholders, any foreign policy goals being noticeable by their absence. While a steady volume of credit and quality of service would contribute towards a pro-effectiveness agenda, the lack of any shared procedures would still prove to be a nuisance for borrowing nations.

**Table 6.** Pros and cons of the 'Sub-regional or thematic specialization'

	Pros	Cons
Donors (banks and main shareholders)	Precision in designing solutions vital to the success of grand geo-economic projects	Very limited support for current foreign policies of Japan and China
Recipients	Improvement in development cooperation quality	Some recipient countries may feel neglected
Non-regional parties	Availability of reliable instruments through which donors can offer aid	Limitation of political influence in Asian affairs

Source: based on author's estimation.

Reasons for this scenario becoming a reality may include:

- an apparent divergence of the practical involvement of each bank based on differences in chosen priorities – the recognition that actual flows of money prove both institutions are, in fact, interested in tackling different issues, or concentrating their efforts in different parts of Asia could be seen as a the implementation of a neutral strategy in their mutual relations;

- perceived improvement in effectiveness brought about by division of labour – different specializations might occur as a consequence of general agreement between international development actors and result in an increase in the effectiveness of ongoing social and economic cooperation;
- preference for pragmatism over the pursuit of short term goals – the notion that the member countries of each bank can benefit more from the banks' more standard economic activities than embarking on any impulsive and potentially destabilizing political struggles for a position within the region.

The next scenario, 'Limited technical dialogue and cooperation', is a move towards 'full cooperation', while limiting shared activities in technical dialogue and co-financing agreements. In this case several joint workshops, conferences, agreements, other forms of exchange of knowledge would take place. Both banks would provide each other with analytical support, technical consultations and a flow of information. Frequent negotiations would allow co-financing of various projects. The trilateral nature of such cooperation would enable all parties to exchange resources, experience and ideas, enriching both banks' services, while expanding the AIIB's capabilities. The ADB would gain some influence in

**Table 7.** Pros and cons of 'Limited technical dialogue and cooperation'

	Pros	Cons
Donors (banks and main shareholders)	Stability, opportunity to learn and improve own services	Possibility of skewing the original purpose and character of certain crucial projects as a result of dialogue and negotiations; increased limitations of support for shareholder foreign policy
Recipients	Coherent and more effective assistance; stability; substantial decrease of transaction costs	Significant delays in trilateral negotiations
Non-regional parties	Economic stability and a degree of influence over ongoing investment plans; stimulation of global GDP	Potential long term loss of influence due to increasingly successful cooperation between Asian nations

Source: based on author's estimation.

the shaping of the AIIB's activities and standards, but both organizations would still remain independent in the field of strategic goals and core operations. Obviously, this sort of relationship between the ADB and AIIB would involve their engagement in further extensive dialogue on the effectiveness of their financial activity.

The above scenario could be triggered by:

- recognition by all parties of the potential gains in moving away from more competitive attitudes towards a more cooperative approach to business – to achieve that, shareholders of both institutions need to work towards building mutual trust. Certainly, this shift would also require time for all parties to closely monitor the development of both banks' activities and make several serious assessments to weigh up mutual benefits or otherwise before reaching a conclusion of adopting this model or not;
- the AIIB's strategy to counter initial criticisms and create a new and more positive image on the world stage – this provides the opportunity for the AIIB to quickly allay concerns expressed by its critics, proving its reliability as a serious development actor;
- the ADB's hope to avoid criticism of political motivation in its perceived reluctance to accept the AIIB as a regional actor – the perception of 'the old financial guard demonstrating an irrational 'knee-jerk' reaction to the 'new kids on the block' is something the ADB might like to avoid;
- an easing of Sino-Japanese political tensions – undoubtedly, the removal of stumbling blocks between the major shareholders, or at least to the point at which they could be excluded from any multilateral development negotiations, would go a long way to facilitating long-term fruitful ADB–AIIB cooperation.

In the final scenario, called 'Extensive cooperation and coordination', we would expect to see intensive dialogue, leading to a shared stance on priorities, agreement on what each bank wants to achieve and how they will cooperate to meet these objectives. This might also promote the idea of a new body whose function would be to coordinate activities and establish norms, standards, and procedures, to be adopted by both banks (as was done in the case of the Coordination Group of Arab and OPEC aid institutions). This body might also provide a platform for further dialogue between Asian Pacific emerging donors (the PRC, India, Taiwan, Thailand, Singapore) and OECD Development Assistance Committee members active in the region (Japan, South Korea, Australia, New Zealand, the US, and the EU). This could be the first step towards long-term regional economic integration, potentially resulting in a new pan-Asian free trade agreement.

**Table 8.** Pros and cons of the 'Extensive cooperation and coordination'

	Pros	Cons
Donors (banks and main shareholders)	Reduced operational costs; proving international criticism to be false; incentive for further integration	Constraints on foreign policy options due to the perceived conflicting interests of banks and politicians; possible loss of focus in financial support for long term geo-economic projects
Recipients	Effective and coordinated assistance; possible further benefits from regional integration and stability	Potential conditionality requirements
Non-regional parties	Opportunity to develop interregional dialogue as a counterbalance to the dominance of any single nation	Long-term risks related to the shift in the global economy (dynamic empowerment of various Asian economies)

Source: based on author's estimation.

This optimistic, and perhaps idealistic, scenario could become a reality as a consequence of:

- banks' agreement of shared interests and strategic goals – this consensus would be reached through labourious negotiations aimed at maximizing the benefits to the region as a whole;
- the recognition of cooperation as a form of anti-crisis regional response, thereby avoiding wasteful competition – initiated as a response to substantial financial problems, not only of aid recipients, but also the main sponsors of both institutions. Extensive cooperation between the ADB and AIIB, in this case, would be out of necessity rather than choice, in order to save the Asian economy;
- the elimination of major political tensions between banks' main shareholders – should be considered as a *sine qua non* condition of this scenario.

### 3. Reality check

Serious doubts were expressed with the very first proposals of setting up a new regional development institution in Asia. To its doubters, the AIIB was seen as a potential rival for the existing financial institutions:

the World Bank and ADB. Western criticisms were based on concerns as to whether or not the AIIB would follow international standards, particularly on environmental and social safeguards. Concerns were also expressed on the governance of the bank – the possibility of Chinese domination and concentration on Beijing strategic goals, the effectiveness of anti-corruption measures and transparency of decision making. The absence of conditionality to loans offered by the AIIB is perceived as a threat to the existing neoliberal practices of the World Bank practices et al, something clearly at odds with the Washington Consensus. The unofficial diplomatic campaign – led by the US and Japan – concentrated on generating fears over the geopolitical effects of the AIIB's establishment: presenting the organization as an instrument of Chinese soft power and being a part of a broader strategy of countering US 'leadership' in the region. It was even suggested that the AIIB's investments in ports and harbours could potentially be used to expand Chinese naval presence in different parts of Asia. The initial goal of the campaign was to discredit the very idea of setting up the bank, later becoming an exercise of discouraging the West's international partners from accessing the bank. Washington and Tokyo failed to achieve any of these targets (Nelson 2015, pp. 17–18; Qing 2015; S.R. 2014; Bastin 2015; Domínguez 2014; Sobolewski & Lange 2015; Asia News Network 2015; Watt, Lewis & Branigan 2015).

As a response to the criticism the AIIB initiated its own media and diplomatic campaigns and took the more important step of clarifying its various social and economic policies: Environmental and Social Policy, Operational Policy on Financing, General Conditions for Sovereign-Backed Loans, Procurement Policy, and Policy on Prohibited Practices. The implementation of these regulations should ensure the high standards and quality of AIIB's operations and "ensure that the Bank does business with trustworthy parties who adhere to the highest integrity standards." According to Sir Danny Alexander, the AIIB's Vice-President, the "management of the bank will ensure that all those policies are implemented in detail on each and every project." A similar attitude was expressed by Jin Liqun, the bank's president, who, speaking on the possibility of co-financing projects with established donors, said that the criteria for cooperation with the AIIB must include gains for local people and adherence to the highest possible social and environmental standards. The adoption of policies close to those of the World Bank and the ADB helped the AIIB to counter initial criticisms and to convince various governments to join (AIIB's website; Asian Infrastructure Investment

Bank 2016a; 2016c, 2016d; 2016e; 2016f; 2016g; Lean 2016a; Mainichi Japan 2015).

From the stated aims of the AIIB and ADB there exist no clear conflict of interests which should, theoretically, result in fruitful cooperation. The AIIB's website states that "The Bank's foundation is built on the lessons of experience of existing MDBs [Multilateral Development Banks] and the private sector. [...] AIIB will complement and cooperate with the existing MDBs to jointly address the daunting infrastructure needs in Asia. The Bank's openness and inclusiveness reflect its multilateral nature" (AIIB's website).

This pro-cooperation attitude has also been expressed by both banks' presidents. The ADB's leader, Takehiko Nakao, said that the "ADB has been working closely with AIIB throughout its establishment process. We will further strengthen our cooperation in promoting sustainable growth, reducing poverty, and combating climate change in the region." His AIIB counterpart, Liqun Jin, declared that the "AIIB looks forward to deepening our already strong relationship and expanding our collaboration as we seek to address the significant infrastructure financing needs in the Asia region." In his words both organization believe that they "are complementary to each other and we will be working together in the future" in reality, the optimistic language used for 'future cooperation' is a redescription of the existing, ongoing relationship between the two (ADB's website; Xinhua News Agency 2016a; Mainichi Japan 2015).

Even before the AIIB was up and running, the ADB had already expressed its support for its new multilateral partner. The ADB waited until the time the Articles of Agreement were ready to be signed and the deadline for submission of membership applications had passed, before offering its services. It was well known that the AIIB would be 'starting its journey' with several ADB members, including various EU members, South Korea, and Australia, on board. ADB President Takehiko Nakao and AIIB President-Designate Liqun Jin met twice in 2015 to discuss possible frameworks for cooperation. As a result of these meetings the ADB helped the AIIB Multilateral Interim Secretariat to create operational policies, especially those of procurement and environmental and social safeguards. It is said that the ADB was encouraged to offer its assistance to the AIIB by the US government, as it was a chance to shape the new institution without US or Japanese membership. This wise strategy had to be introduced as an alternative to the failure of US-Japanese diplomatic attempts to suppress the AIIB's idea before it achieved international legitimization. So far, this

new attitude seems to be working well. The ADB offered its expertise to help the AIIB design better demand driven services to meet the great need in various sectors of the Asian economies. This sort of arrangement could build a truly win-win cooperation, with both banks agreeing to identify projects for possible co-financing, with special attention being given to the sectors of: transport, energy, telecommunications, rural and agriculture development, water, urban development, and environmental protection. On the May 2, 2016, the ADB and the AIIB presidents signed a memorandum of understanding which creates a legal foundation for joint financing of projects. The first co-financed investment is "Pakistan's M4 highway project, a 64-kilometer stretch of motorway connecting Shorkot to Khanewal in Punjab Province." The ADB will play the role of lead co-financer, responsible for the project's administration, giving the organization more opportunity to influence its new counterpart (ADB's website; Xinhua News Agency 2016a; AIIB's website; China Daily 2016; Lean 2016b).

Despite Chinese dominance and US/Japanese fears behind their attempts to suppress its birth, the AIIB should not be strictly perceived as an instrument of Chinese foreign policy. As a multilateral financial institution, its agenda cannot be restricted to the interests of one country, as can be seen in bilateral aid agencies. The bank is not limited to the 'One Belt, One Road' projects, or even formally bound to this investment strategy. The first five revealed projects are totally independent from this initiative (Mainichi Japan 2015; AIIB's website).

Finally, the profile of the AIIB's decision-makers should also be considered. The bank's top officials, including its president, previously served as senior executives at: the ADB, World Bank, European Bank for Reconstruction and Development, Korea Development Bank, African Development Bank, and various national governmental institutions. All the experience of the senior management officers and their international contacts suggest that the AIIB, at least within the next couple of years, should lean towards cooperation with other development agencies, including the ADB, instead pursuing the costly rivalry (AIIB's website; Berwin, Leighton & Paisner 2016).

The arguments presented above show that while some cooperation between the ADB and the AIIB is possible and even quite probable, the likelihood of the banks managing to achieve the utopian outcome of the scenario expressed as 'Extensive cooperation and coordination' remains very low. Although confrontation is not expected in the short

term, we should expect some competition developing over the longer term. The scenario based on technical dialogue and cooperation looks to be the most likely outcome.

**Table 9.** Scenarios' plausibility test

Scenarios	Plausibility
Sino-Japanese full scale rivalry via AIIB-ADB confrontation	very unlikely
Non-cooperation with some competition	likely
Neutral coexistence	even
Sub-regional or thematic specialization	even
Limited technical dialogue and cooperation	very likely
Extensive cooperation and coordination	very unlikely

Source: based on author's estimation.

## Conclusions

As the analysis demonstrates the ADB and the AIIB are based on the same models of management and governance. This involves a tripartite governing format, both institutions consisting of a board of governors – board of directors, and a senior management team. The international character of both banks is represented not only through its board's composition, but also through the number and variety of nations holding shares issued by both institutions. This is also evidenced by the inability of any single shareholder to impose its unilateral decision to dominate the whole organization. Lots of Western criticism was focused on the PRC's de facto veto power within the AIIB, perhaps ironic when we consider the existing power of Japan and the US to block almost any decision of the ADB. Both organizations share a common interest in terms of their statutory goals and focus areas. The analysis found some significant areas in which these organizations differ. The most obvious of these would be: the limited experience of the AIIB. Obvious disparity in financial capabilities and clear divergence in their member countries. The US and Japan displayed a clear lack of interest in joining the AIIB, while the BRICS, and various Middle Eastern countries, were easily persuaded to come on board. The organizational model shared by both banks could potentially give rise to some form of natural competition between them. At the same time, these structural similarities may also allow clearer positive dialogue

between top decision makers, who will all undoubtedly have extensive experience in multilateral negotiations, and so effectively will be able to 'speak the same language', thereby avoiding more obvious obstacles.

Ultimately, the future of ADB-AIIB relations regarding any strategy for ongoing collaboration will be determined by their main shareholders. Only time will tell whether the relationship, now still in its infancy, will be of a hostile, neutral, or cooperative nature.

Not only is cooperation between the ADB and AIIB possible, but is in fact an ongoing reality. While clear objectives have been decided upon to be of mutual benefit to the banks (win-win), it is essential not to forget the *raison d'être* of these institutions which should be the improvement in living standards of the citizens of borrowing nations. For this reason, every effort to advance cooperation and quality of services to achieve a truly win-win-win outcome is vital.

While the history of ADB-AIIB relations may be very short, it has already shown great promise. In spite of their initial anxieties, the ADB has assisted its new counterpart during its setting up period. Their relationship being further reinforced by the signing of a memorandum of understanding that has already produced a joint investment project. Taking into consideration the fact that they are multilateral organizations, obviously governed in a different way than bilateral agencies, we can predict that, out of six logically possible situations, that of the 'Limited technical dialogue and cooperation' is the most plausible. The hyper-pessimistic, 'Sino-Japanese full scale rivalry via AIIB-ADB confrontation' and the ultra-optimistic, 'Extensive cooperation and coordination', are found to be very unlikely, at least for today. Putting idealism aside, we cannot totally rule out some form of competition between these two banks, as they follow the interests of their main shareholders, including regional powers.

Most likely the ADB and the AIIB will engage in technical dialogue and cooperate on an operational level, however some degree of competition on a strategic level should also be expected. This would mean acting together in cases of single projects, maintaining a flow of useful information and know how, as well as co-hosting international conferences and workshops. Areas where serious competition will prove problematic are: requests for financial assistance to nations with membership of both banks, and/or either bank attempting to wield its influence to promote their different visions of regional economy or grand geo-economic initiatives.

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# **Constructing a desired image of China: Picture of territorial controversies in Chinese language textbooks**

## **Abstract**

China is one of the Asian countries, whose borders are contested by different actors on the geopolitical stage, who do not agree on the Chinese version of geography. As China is strengthening its soft power, one of the tools for the spreading of the Chinese version of the map of Asia are textbooks for teaching the Chinese language. Since 2004 China has been setting up Confucius Institutes around the world to spread its language and culture. There are some concerns and controversies arousing around Confucius Institutes, seen as Chinese government-backed institutions present on Western universities, and questions about their role in creating Chinese soft power.

The purpose of this article is to understand one aspect of language education, that is how the Chinese territory is shown to the students of the Chinese language in the textbooks that are used in the Confucius Institutes.

**Key words:** Chinese language textbooks, Confucius Institute, geography, soft power.

## **Introduction**

Chinese history and geography are continuously re-constructed and re-memorized based on contemporary social and political needs of the nation and its elites. Since the end of the 19<sup>th</sup> century, an evolution of describing the Chinese nation can be observed, by either integrating or excluding certain parts, both geographical and ethnic or demographic. Sun Yat-sen in *The Three Principles of the People* presented China as having

territorial aspirations towards Hong Kong, Korea, Taiwan, Pescadores Islands, Burma, Annam (northern part of Vietnam), and territories north of Amur River. He also showed some sentiments towards the former Imperial Chinese tributary system territories, including the Ryukyu Islands, Siam (Thailand), Sulu Archipelago (Philippines), Java, Ceylon, Nepal, and Bhutan (Sun 1937, pp. 33–35). Another Chinese leader, Mao Zedong in the interview given to Edgar Snow in 1936, expressed his conviction that in the future “the Outer Mongolian Republic will automatically become part of the China Confederation, at their own will. The Mohammedan and Tibetan peoples, likewise will form autonomy republics attached to the Chinese federation [...] Burma, Indo-China, Korea and Mongolia are illegally annexed parts of China which must be restored to it” (Snow 1937, p. 102; Yahuda 2000, p. 28). Mao eventually resigned from a broad idea of a Chinese federation, but some of his territorial ambitions tended to show up in the later decades.

When it comes to the definition of the Chinese nation, in Mao Zedong’s China, according to Townsend (1996, pp. 28–29), there were “four different Chinese Nations”: (1) official one of state nationalism, nation composed of all People’s Republic of China (PRC) citizens, including Han and non-Han people; (2) defined by ethnic nationalism and political reality, PRC’s Han nation; (3) PRC citizens and compatriots from Hong Kong, Macau, and Taiwan; (4) in the sense of ‘Chineseness’, including all Chinese around the world, who share a cultural attachment to China.

Nowadays the Chinese nation is still in the process of reconstructing. The idea of nation and nationalist attitudes are modified by the Communist Party of China. This process can be perceived by the constructivists’ approach to nation. Eric Hobsbawm (2008, pp. 263–307) recognized nations as the constructs of deliberate social engineering. Thus, symbols, histories, myths, were instruments of social control by the ruling elite. Depending on the needs of that elite, the political or cultural understanding of the nation would be used, and particular elements could be accented. As in the case of many other nations, in China we may find some places, cities or tourist destinations, without which the describing of the nation would not be possible, such as Beijing, the Yellow River and the Great Wall. Some others may be seen controversial, like Tibet, Taiwan, or Xinjiang. To understand how the Chinese nation and its territory are perceived nowadays, we can refer to the tools of socialization prepared for its own people, as well as those addressed to other nations.

Education is an important aspect of soft power. The importance of promoting their own language in foreign countries is seen by many governments as an essential part of creating a desired image of the nation and the state. China was not the first to promote its culture and language throughout the world, but followed the popularity of French as the language of diplomacy in the 17<sup>th</sup> and 18<sup>th</sup> centuries, and English in the 19<sup>th</sup> and 20<sup>th</sup>. Meanwhile numerous countries have launched institutions dedicated to teach language and promote culture: British Councils, German Goethe Institutes, Spanish Cervantes Institutes, Japan Foundation, and many more. Since China began gaining more attention and power on the international stage, Beijing also wanted to use language as a soft power tool. Nevertheless, Mandarin is not a widely spoken language, and is perceived by many people as one of the most difficult languages to learn. Since opening the first Confucius Institute in 2004, these institutions have been supposed to convince foreigners that it is possible to learn Chinese, and to offer them that opportunity, by sending abroad Chinese language teachers and teaching materials, by offering scholarships to study in China, setting up the standard Chinese proficiency test, and organizing various cultural and educational events.

The supreme institution dedicated to the promotion of Chinese language is the Chinese National Office for Teaching Chinese as a Foreign Language, abbreviated to Hanban, which is affiliated with the Chinese Ministry of Education. The official reason for its creation is the development of China's economy and exchange with the world, which provided "a sharp increase in the world's demands for Chinese learning" (Hanban 2014b). Hanban is responsible for the Confucius Institutes program, especially for financing it, training Chinese teachers and organizing the Chinese Bridge Competition. According to its declaration, Hanban "is committed to providing Chinese language and cultural teaching resources and services worldwide" (Hanban 2014a). Hanban "drafts international Chinese teaching standards and develop and promote Chinese language teaching materials" (Hanban 2014a).

Publishing and distribution of teaching materials may be perceived as a part of an intentionally created policy in many different ways. The discussion of the content of history textbooks may reach far beyond the borders, as during the Japanese history textbooks content crises in 1982 and 2005 between Japan and China, and Japan and Korea. Processes of teaching and learning a foreign language include – apart from the

obvious linguistic elements – also knowledge of the culture, history, geography, and politics of a given country. A positive image of a nation is also seen in the materials to teach many languages as foreign, including Polish (Nowakowska 2013). And it also creates a picture of a country in the minds of the language learners. The aim of this study was to show what geographical image of China is presented in textbooks for teaching the Chinese language. From all of the Chinese geographical and social diversity, which places were chosen to be most representative, and how were they described? Another research question, derived from the political controversy surrounding the Confucius Institutes, was whether, and in which context, the names of disputed territories appear in textbooks, in order to promote the image of China, considered appropriate by the authorities. The main hypothesis of the article is that the textbooks published in China are presenting the picture of the country, which is not only positive, but also deliberately chosen to produce a demanded vision of China – as modern, but also proud of its history and tradition, diversified in ethnic and cultural sense, but also unified as one nation. Another hypothesis of the research is that the more often and earlier in the process of learning some geographical objects appear, the greater importance is attached to them.

## Literature Review

There have been some articles focused on the Chinese language textbooks content, but they lack the analysis of aspects other than linguistic. Cynthia Y. Ning (2001) in the text “Second-language Studies and College-level Chinese-language Textbooks in the United States” presented a critical approach to structures and formats of the traditional textbooks, and focuses on such characteristics as grammar-orientation, communicative curriculum, and task-based activities. There is also an article by Wang Min and Wei Dongying (2007) about the Chinese geography textbooks, but it is focused on sustainable development and environmental education.

On the other hand, some articles about the whole process of teaching language by the Confucius Institutes, including non-linguistic, political aspects, were written by Western scholars, for instance Don Starr (2009) “Chinese Language Education in Europe: The Confucius Institutes,” James F. Paradise (2009) “China and International Harmony. The Role

of Confucius Institutes in Bolstering Beijing's Soft Power." None of the found texts touches the content of the Chinese language textbooks. Thus the presented research is innovative.

Realizing that this is an initial phase of a wider research project, the development of research is planned towards the analysis of awareness and knowledge of Chinese language learners – by studying cognitive maps, spatial representations of China that are kept within the minds of Chinese language students, as such research has not been conducted yet either.

## Materials and Methods

In the first phase of the research, which is presented in this article, the textbooks for adult students of the Chinese language from the very beginners to the *Hanyu Shuiping Kaoshi* (HSK) level 3 were taken into account. The reason for that was that these books may reach the largest audience, since most of the students cease to learn Chinese before reaching the HSK3 level of language proficiency. According to the research conducted in 2016 among Polish learners of Chinese language,<sup>1</sup> only 32% of them were learning Chinese longer than three years, and 29% passed examination HSK 4 or higher. The database of the textbooks consisted of over twenty titles. According to results of the abovementioned research, three-quarters of the Polish learners were using at least one of those textbooks, mostly the *New Practical Chinese Reader*, *Contemporary Chinese* and *Boya Chinese*.

The analyzed textbooks were published between 2002 and 2013 by various publishing houses from the People's Republic of China. All of them were approved by Hanban, and promoted by that institution, as they were sent by the Division of Teaching Resources to Confucius Institutes abroad as an element of the material support for them.

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<sup>1</sup> Unpublished research conducted by the Author and Mao Rui, online in June–July 2016, among 423 learners of Chinese language from all major and some minor educational institutions teaching Chinese (Warsaw University, Poznan Adam Mickiewicz University, Jagiellonian University, Silesia University, Lodz University, Gdansk University, SWPS University, Catholic University of Lublin, Confucius Institutes in Krakow, Poznan, Opole, and some language schools), as well as individual learners and Polish students at Chinese universities.

**Table 1.** Database of the textbooks

Name	Volumes	Publishing house
1	2	3
<i>Boya Chinese</i> 博雅汉语	1, 2	Peking University Press
<i>Chinese for Beginners</i> 初级汉语课本	1	Beijing Language and Culture University Press
<i>Contemporary Chinese</i> 当代中文	1, 2, 3	Sinolingua
<i>Conversational Chinese 301</i> 汉语会话301句		Beijing Language and Culture University Press
<i>Experiencing Chinese: Experiencing Culture in China</i> 体验汉语 文化篇		Higher Education Press
<i>Experiencing Chinese: Living in China</i> 体验汉语 生活篇		Higher Education Press
<i>Experiencing Chinese: Traveling in China</i> 体验汉语 旅游篇		Higher Education Press
<i>Road to Success</i> 成功的路	Threshold, Lower Elementary 1, 2, Elementary 1, 2	Beijing Language and Culture University Press
<i>Meeting in China</i> 相会在中國	Speaking 1, 2	Beijing Language and Culture University Press
<i>Modern Chinese Beginner's Course</i> 初级汉语课	1, 2	Beijing Language and Culture University Press
<i>Great Wall Chinese</i>	1–6	Beijing Language and Culture University Press
<i>A Key to Chinese Speech and Writing</i>	1	Sinolingua
<i>Practical Chinese Reader</i> 实用汉语课本	1, 2	The Commercial Press
<i>New Practical Chinese Reader</i> 新实用汉语课本	1, 2	Beijing Language and Culture University Press
<i>Living in China – Spoken Chinese for Foreigners</i> 生活在中国		Beijing Language and Culture University Press
<i>The World of Chinese</i> 汉语世界	1, 2	Foreign Language Teaching and Research Press
<i>Chinese Conversation for Foreigners</i> 外国人汉语会话课本	1, 2	Beijing Language and Culture University Press

1	2	3
<i>Communicate in Chinese</i> 交际汉语 (phrasebook)	1-4	科学普及出版社
<i>Chinese in Hand</i> 中文在手 (phrasebook)	<i>Basic Chinese</i> 基础篇, <i>Daily Chinese</i> 生活篇, and <i>Travel Chinese</i> 旅游篇	People's Education Press

In the first stage of research, which is presented in this article, a total of 932 units (lessons) were analyzed, in total 40 volumes of textbooks. In the content of each lesson geographical names were identified. Among all of the lessons there were 266 lessons including any kind of them. These names appeared in the new words sections, in the texts, dialogues, and a few times in the texts in English, presenting additional information about China and Chinese culture. Besides quantitative analysis, an analysis of content of the texts was also conducted. The context of the sentence in which names appeared was also analyzed, for instance: objective or evaluative description, relation to which sphere: geography of China, economy, transport, leisure, weather, and cuisine.

## Discussion of the results

According to expectations, some of the names were particularly popular, and those were the locations that may be seen in tourist folders, creating a kind of showcase of the country. Unbeatable in first place was taken by the capital city, Beijing. It was mentioned 96 times, that is in 36%, if we take only texts with geographical names into account, or in 10% of all lessons. Second place was taken by another famous Chinese city, namely Shanghai: it appeared 63 times, 24%.

Besides these two metropolises, the Great Wall took third place (39 times as Changcheng, plus sometimes a particular section of the Great Wall was mentioned: mostly it was Badaling (8 times), Mutianyu (2 times), as well as Jinshanling and Simatai (1 time each), altogether in 15% of the lessons). The Great Wall was described as "one of the world's wonders in ancient architecture" (Practical Chinese Reader), and even – mistakenly – "the only human construction visible from the moon" (A Key to Chinese Speech and Writing). The Chinese idiom *Bu dao Changcheng fei haohan*, meaning "He who has never been to the Great Wall is not a true man," was placed in a number of texts. Students

are taught that climbing the Great Wall should bring great emotions and experience of a beautiful landscape (Contemporary Chinese, New Practical Chinese Reader, Living in China).

When it comes to the cities besides Beijing and Shanghai, they were left far behind. Among the relatively popular there were: Xi'an (10%), Harbin, Guangzhou (Canton), Hangzhou, Nanjing, Guilin (all of them 6%), and also Tianjin, Suzhou, and Chongqing (5%). Special Administrative Region Hong Kong (5% of the lessons) was three times more popular than Macau (around 2%). Taipei was mentioned in three lessons, that is less than 2% of the lessons with any geographical name.

**Table 2.** Names of the Chinese cities mentioned in the textbooks.

Name of the city	Number of lessons	Percentage among lesson with names (in %)	Percentage among all the lessons (in %)
1	2	3	4
Beijing	96	36	10
Shanghai	63	24	7
Xi'an	27	10	3
Ha'erbin	17	6	2
Guangzhou	17	6	2
Hangzhou	17	6	2
Nanjing	16	6	2
Guilin	15	6	2
Tianjin	14	5	2
Hong Kong	14	5	2
Suzhou	14	5	2
Chongqing	10	4	1
Kunming	8	3	1
Luoyang	7	3	1
Chengdu	7	3	1
Qingdao	7	3	1
Sanya	6	2	1
Lhasa	5	2	1
Dalian	5	2	1
Lijiang	5	2	1

1	2	3	4
Shenzhen	4	2	< 1
Macau	4	2	< 1
Wuhan	4	2	< 1
Taibei	3	1	< 1
Yangshuo	3	1	< 1
Kaifeng	3	1	< 1
Xiamen	3	1	< 1
Dali	2	1	< 1
Lanzhou	2	1	< 1
Chengde	2	1	< 1
Pingyao	2	1	< 1

Source: results of the research.

Content analysis of the texts revealed how those cities were described with their own special characteristics. The capital city is the most important and most prestigious place in the whole country, therefore it must present itself as perfect. Beijing therefore was presented as “country’s chief political, economic and cultural centre” (Practical Chinese Reader), “ancient city and cultural centre of China” (A Key to Chinese Speech and Writing), as a city of long and rich history (Modern Chinese Beginner’s Course, New Practical Chinese Reader, Road to Success), famous in the world. Beijing is an ancient city, with many historical objects worth to be visited (Living in China). Not often a modern face of Beijing was commented, once: as “becoming a cosmopolitan city as its economy continues to develop” (New Practical Chinese Reader). Only one critical aspect was shown, namely that the transportation situation is not great (Go2China Lessons). A lot of attention was also paid to the weather: summer were described as hot and dry, and it was recommended to visit Beijing in autumn.

Not only Beijing, as a main municipality in China, was presented in the largest number of lessons, but also a significant number of its tourist spots were showed in them. The Forbidden City, Gugong, ranked fourth among all of the geographical names. It was mentioned in 29 lessons (11%) as the most popular tourist destination in Beijing. According to the textbooks, on the city map we may also find: the Summer Palace Yiheyuan (23 times, 9%, and the 6<sup>th</sup> name in total), “as the most popular ancient garden” (Practical Chinese Reader), Tiananmen (22 times, 8%), Temple of Heaven

Tiantan (17 times, 6%), Fragrant Hills Park Xiang Shan (11 times, 4%), whose autumn red leaves were praised (Practical Chinese Reader), then also Beihai lake (10 times, 4%), and Wangfujing street (3%). Occasionally some other places in Beijing could be found: Quanjude Beijing Duck Restaurant, hutongs (presenting old Beijing culture and lifestyle), Liulichang Street, Silk Market, Xizhimen, Qianmen, Zhongnancun, Xidan, Old Summer Palace Yuanmingyuan, Yonghegong Lama Temple, and the Great Hall of the People, “which was built in only 10 months” (Practical Chinese Reader). Tiananmen Square was “regarded as the symbol of new China” and it was mentioned that “many important state ceremonies and mass rallies have been held on Tiananmen Square” (Practical Chinese Reader). On the photos that may be found in the textbooks, the architecture of China is presented usually with the Temple of Heaven, Forbidden City. Also, spectacular modern buildings, such as Bird Nest Olympic Stadium, are shown as the illustration of transformations taking place in Beijing in the last years.

Shanghai, in contrast to the mostly traditional Beijing, in many texts was described as China’s biggest city. Also, it was the largest industrial centre of the country (New Practical Chinese Reader, Road to Success). Shanghai was presented as the most beautiful international city in China. It should be underlined that Shanghai may be international, but, according to the text, it has its own characteristics, very different from European and American municipalities (Contemporary China). In one of the texts Shanghai was compared to Beijing, and described as more lively, and offering more business and trade opportunities, hosting more factories, and restaurants. Among other sites, Yuyuan garden neighborhood was praised for its tasty snacks (Conversational Chinese 301). On the other hand, its streets are narrower, the parks are not as big nor beautiful as in the capital city, and has much less historical spots (Modern Chinese Beginner’s Course). The weather in Shanghai is described as a coastal city in the southern part of China (Road to Success), hot and humid (Great Wall Chinese).

Most of the names of other Chinese cities and provinces appear in lessons about weather and transportation, as destinations of the travels or places from where the characters originate from. Xi’an is presented as a city of culture, full of historical sites (Road to Success, Hanyu Jiaocheng), of which one was listed: the Terracotta Army. That would be a right place to visit for those who would like to learn about China’s history (Contemporary Chinese). Harbin, on the other hand, is described as the

winter capital of China, with beautiful winter landscape, ice sculptures, and ice lanterns in particular (Hanyu Jiaocheng, Great Wall Chinese). The weather there is described as cold (Boya), but its citizens like to swim in cold water (Road to Success). In the context of Guangzhou, the Cantonese dialect was mentioned, but with a note that Mandarin is widely spoken in a public sphere (Conversational Chinese). Hangzhou is a city, which “Marco Polo described as the noblest and the finest city in the world, famous for its lake” (A Key to Chinese Speech and Writing). You may also find the saying *Shang you Tiantang, xia you Su Hang* meaning that just as there is paradise in heaven, there are Suzhou and Hangzhou on earth. Guilin is praised for its natural landscapes (Conversational Chinese, Hanyu Jiaocheng, A Key to Chinese Speech and Writing).

**Table 3.** Chinese provinces by the biggest popularity

Name of the city	Number of lessons	Percentage among lesson with names (in %)	Percentage among all the lessons (in %)
1	2	3	4
Sichuan	22	8	2
Yunnan	15	6	2
Guangdong	14	5	2
Xinjiang	11	4	1
Hainan	11	4	1
Xizang	10	4	1
Shandong	10	4	1
Shanxi	10	4	1
Zhejiang	9	3	1
Hunan	8	3	1
Anhui	8	3	1
Fujian	4	2	< 1
Dongbei	4	2	< 1
Qinghai	4	2	< 1
Guizhou	4	2	< 1
Shaanxi	4	2	< 1
Henan	3	1	< 1
Guangxi	3	1	< 1
Heilongjiang	3	1	< 1
Jiangxi	3	1	< 1

Table 3 cont.

1	2	3	4
Neimengu	3	1	< 1
Jiangsu	3	1	< 1
Hebei	3	1	< 1
Hubei	3	1	< 1
Liaoning	3	1	< 1
Jilin	3	1	< 1
Gansu	2	1	< 1
Ningxia	2	1	< 1

Source: results of the research.

When it comes to the provinces, obviously not all of them were represented on the same level. The most widespread name is Sichuan (22 times, 8%), usually in the context of its famous cuisine, for instance the hot pot. Then there was Yunnan province (15 times, 6%), with many ethnic minorities (Hanyu Jiaocheng) and tasty snacks (Conversational Chinese 301), and Guangdong (14 times, 5%).

The question how the places that are sensitive to the Chinese government such as Taiwan, Tibet, or Xinjiang, were presented in the textbooks was also interesting. The Chinese teachers sent by Hanban have to obey the laws of China and try to avoid being involved in activities contrary to the interests of China. How often the autonomous regions were presented in the analyzed textbooks? In fact they were less popular than it was expected: Xinjiang (11 times) and Tibet (10 times) appeared in a slightly more than 4% of the units, while Inner Mongolia, Guangxi, and Ningxia were hardly ever described. Xinjiang was praised as a region where tasty fruits were grown, and texts about other regions were nonexistent. Taiwan was mentioned in 5 lessons, so around 2% of the lessons (Taibei in 3 lessons), of course never as the Republic of China, just as one of China's provinces.

In the analyzed textbooks some of geographical objects, such as rivers and mountains, were also present. Yangtze River Changjiang (15 times, 6%) was more popular than the Yellow River Huanghe (9 times, 3%). Yangtze was described as one of the longest in the world, while the Yellow River valley as "the cradle of the ancient Chinese civilization" (Practical Chinese Reader). Of among the mountain ranges, Chinese language students learn mainly about Huang Shan (12 times, 5%) and Tai Shan (11 times, 4%), and rarely Emei Shan, Wutai Shan or Hua Shan. Mount Everest was mentioned only three times, much less often than expected.



**Map 1.** Provinces of the PRC, Special Administrative Regions and Taiwan according to the popularity in analyzed textbooks

Source: results of the research.

Among the tourist destinations that were expected to be more popular, but in reality appeared in less than 1% of the texts, there were the following: Terracotta Army, Three Gorges, West Lake, Ming Tombs, Hainan island and Sanya city, Jiuzhaigou Valley, Mogao Caves, Emei Shan, and Shaolin Temple. One of the reasons why these destinations were not so popular in the textbooks, may be that their names are difficult to learn or pronounce. But even if we take a closer look at the data including photos' content, additional vocabulary, and introduction about China provided in English, they were also not that popular.

## Conclusions

There are many components used to construct the soft power of a country. Among them, language education aimed to foreigners may play an important role and can be used to build up the desired image of

a nation. Those textbooks are used in the process of learning Chinese by foreigners, who tend to tie their life or careers with China, so the possibility of shaping their picture of that country cannot be neglected. How can we describe this particular soft power tool, a result of the combination of language education, tourism promotion, and border controversies?

Based on research, it seems that in the first stage of language education the greatest importance is given to strengthen the interest in ancient Chinese culture, not the contemporary one. In the second stage the effects of modernization and economic development are highlighted.

In this context it is not surprising that the most popular architecture objects in the textbooks were the Great Wall and the Forbidden City. The importance of the Great Wall for the national pride of the Chinese people could not be underestimated. Its uniqueness in the world has been emphasized on many occasions in the context of cultural policy in China, therefore, such a high position of the Great Wall is not surprising. The Great Wall appears in the first verses of the national anthem, on the 1 RMB banknote, and also in the name of one of the Chinese textbooks series. The myth of its visibility from space has been repeated so often, that many Chinese and foreigners believed it – and as it may be noticed, this myth was still present in some of the textbooks. The Forbidden City, now a museum, could be seen as a proof of the richness of Chinese culture, although most valuable collections were taken to Taiwan in 1949. At the same time the Forbidden City served as an example of the disastrous Western influence in China, since after the suppression of the Boxer Rebellion, European troops plundered the imperial palace. Both of these historical objects were described as beautiful, making a great impression on the visitors. They were the evidence of the magnificence of Chinese history and culture.

It is worth to mention, that for the last decades of constant growth, China has been building a picture of a country of fast development, that positively affects not only biggest municipalities of East coast, but also interior provinces. In the analyzed textbooks, however, presented pictures of cities and provinces may only strengthen the stereotypes and deepen divisions. Foreign Chinese language students could learn about the sites well-known for their history and tradition, like Beijing and Xi'an. Later on, most modern and developed cities, such as as Shanghai and Guangdong, were presented.

If some distant provinces were mentioned, they were praised only for their cuisine, traditional culture of ethnic minorities and nature, not

economic or social development. That could be a sign of still existing internal, geographical and ethnic essentialism. The description of minority regions was limited to their characteristics related to ethnicity. Culture of national minorities in China is often considered interesting as a kind of colorful folklore, so their representatives are displayed in folk costumes, and also the local cuisine is appreciated. From the early decades of the 20<sup>th</sup> century the Chinese Marxist-Leninists promised material and cultural progress to minorities that inhabit remote regions, described as backward and feudal. Even today the problems of minorities having lower social status than the Han people, and forced to match with the level of Han culture, were not solved yet. The culture of national minorities is considered as popular destinations for both local and foreign tourists, but not having much to offer in comparison to the Chinese high culture, even if it is in contrary to official multinational policy guidelines. During the annual meetings of the National People's Congress, representatives of national minorities are shown in the media wearing multicolored, traditional dresses, while members of the Han majority usually wear Western-type suits or military uniforms. It shows a different approach to these groups, which is similar with Anthony D. Smith's (2003, pp. 95–130) 'missionary nationalism' of great empires. The same approach seems to apply to the picture of distant provinces in the analyzed textbooks.

Contrary to the hypothesis, the names associated with controversy, such as Tibet, Taiwan, and Xinjiang, were not particularly emphasized in the analyzed textbooks. The information about the islands in the South China Sea or Diaoyu/Senkaku islands were nonexistent. Perhaps more advanced learners would encounter them in the next volumes of the textbooks. This requires further study.

In short, what image of China can get a learner Chinese from Chinese textbooks for beginners? China is displayed as a great civilization and rich culture, the country which is geographically diverse, inhabited by people with different ethnic, cultural, culinary characteristics. A country on the road to modernization, which has already benefited some parts of the state, but not distant provinces, still being the folklore, multi-cultural background for more economically developed and enjoying long history and high culture parts of China.

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