

A Contesting State: China's support of regional cooperation as an affirmative response to the rifts of globalization

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Abstract: *China is taking decisive steps to put itself in the centre of the challenges that are taking place in the South Asia Region and using its economic might as a persuasive instrument to get accommodation of other Asian nations to its ascent. Several obstacles stand in its way, namely the shady heritage of the Cold War Era, the remembrance of Japanese atrocities and the intended creation of an East Asian community, departing from ASEAN group of nations. How fair is China decided to play in this game? What are the chances of Asian nations to resist to any temptation of hegemony? This article looks to the interdependences between China and its neighbors and to the vigilant role of the United States.*

In recent years, the vigorous Asia economy has been badly undermined by the global recession and the dynamic rapid growth of East-Asia economy achieved in recent decade eroded. Whereas, under the drive of economic globalization, the economic ties and mutual dependence of various Asian economic bodies were strengthened constantly, the driving force of Asian economic cooperation is also fortified, continually¹.

China's economic development has greatly encouraged the recovery and growth of Asian economies especially in the East Asia sub-region, confronting in the interim the different challenges rising from the dynamic interactions of economic globalization and the economic structural transformation in Asia. China's economy has pursued a remarkable and sustainable growth, bringing an enormous impact on the economic development of East Asia and Northeast Asia. China's economy has become the engine, the locomotive of the economic growth in East Asia. China has attained this role in the detriment of Japan, the Asian main economic power since the end of the Second World War and one of the United States chief allies in the Pacific Region.

Chinese economy enjoyed an average annual growth rate of 7%-8% in more

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than a decade; China includes among its major ten trading partners a large portion of East Asia nations. The total trading volume between China and its Asian partners is far larger than with any other partners; and the trading growth in Asia is also faster than in any other region in the world. The powerful growth of China's economy helped to stimulate the recovery of East Asia after the financial crisis of 1997-8. During the current economic meltdown, ignited by the north-American bonds market, China has performed an important and decisive role cooling the temperature of the international financial markets with its financial liquidity, one of the largest monetary reserves in the world.

The present crisis has affected all countries, but its impact in Asia has been much less severe than in the West and Japan. Within the G20, it has significantly strengthened the relative positions of emerging Asian economies, like China and India. Both are now members of the Financial Stability Board, an apex institution established to monitor global risks of financial crisis². China has added leverage to its own position tallying an Asian legitimacy to the solutions designed by the Western industrialized countries, sharing the bright of the flashes with Japan, a founder of the club and India, a competitor and a strong candidate to regional primacy. China and India yearn for a more relevant position in the board of the International Monetary Fund that conveys their relative position either regional or worldly³.

In comparative terms, East Asia is the world largest market with a combined population of 2 billion inhabitants and has accompanied China's economic growth, holding also half of the world's foreign exchange reserves. China alone has the top position with a reserve estimated in \$1.9 trillion (2008). Despite the fact that since the 1990s the economies of East Asia have gradually increased their economic interdependence through internal structural reforms and external liberalization and erstwhile have expanded intra-regional economic relations, the region still lacks a strong institutional framework to accommodate decisive issues such as lack of political trust, economic unbalance, security challenges and bilateral suspicions, trade and financial issues. A financial institutional structure has been talked between neighbours since the financial crisis in 1997 but little progress has been made⁴.

In terms of model of development, there has been since the 1990s a shift away from the previous <flying geese> Japanese model of economic integration structured on the basis of Japanese investment, technological transfer and supply of manufacturing parts in line with a hierarchical market exchange and regional division of labour and production networks, to a new sort of intra-regional economic integration. China economic integration in East Asia has, according to a study led by the World Bank⁵, contributed largely to the economic and trade growth in the region. It became an ideal base for product processing and assembling and a centre of

global manufacturing networks in East Asia. China has also joined the WTO, what makes China's economy more accountable in global and regional terms and functions as a wedge to open China's market both to Western counterparts and Asian nations.

China's core position in the dissolution of the *flying geese matrix* may be explained by the country's vast size, the different levels of development between its internal regions (and the co-respective levels of industrial performance) enabling China to co-operate with different countries by putting different Chinese provinces in contact with their Asian counterparts. When global FDI began to horizontally spread to China and other East Asian countries, the intra-regional industrial, trade and the linkages with global FDI became a relation of competition between countries of the same region for capital, financial resources and export markets. China looks to be the leading power in a new pattern of economic development in East Asia but through this path, China is confronted with domestic and external, economic, security and geostrategic defies. This makes China road walk uneasy.

China's influence on the world is complex and multifaceted. It involves not only international business and economics but also global politics, regional security and military equilibrium. As a result, the world has become more and more concerned with China's future economic growth as well as its social and political stability or the emerging of security issues that have been disguised. There is a mixture of views concerning the future of China's political economy, one being potential political and social instability possibly resulting from its growing income inequality and unbalanced regional development and the other the ability to lead other Asian nations in a sort of an economic conglomerate.

China posture in international affairs can be hardly explained by the popular belief among scholars, public officials and commentators that economic and technological forces have eclipsed the role of the nation-state and created a world economy in which political boundaries and national governments are no longer important. As Robert Gilpin, accurately, wrote: "in a higher integrated global economy, states continue to use their power and to implement policies to change economic forces in ways favourable to their own national interests and the interests of their citizenry. These national economic interests include receipt of a favourable share of gains from international economic activities and preservation of national autonomy (...) the interaction of the political ambitions and rivalries of states including their cooperative efforts, create the framework of political relations within which markets and economic forces operate"⁶.

This paper looks to give a broad view of the different factors and levels of analysis involved in the evaluation of China's role in the region, the reactions of East Asian nations to its pacific (or proto-hegemonic) emerging, the adjustments

introduced to its foreign policy under Hu Jintao, China's President, the role of ASEAN and the feasibility of an East Asian Community, the relations with Japan and the United States. The author argues that China is a complex nation (and problem) that speaks with different voices using, normally, its <soft power> to cohort the Asian nations and other time letting its dragon-force instinct to come to surface and dispute tiny territories like those small islands spread around the South China Sea for the glory of a past-grandeur. China seems interested in the building-up of a sort of Asian construct that aims to coordinate the process of regional integration looking to lead it. But at the same time, China acknowledges that this strategy stumble at ASEAN intent to create a Free Trade Asian region, by 2020.

Is China a *status quo* nation or a *revisionary power* as Alastair Johnson accurately put it?⁷

More than opposing schools of thought about what China intends to do or what role has the East Asia Region as such, there are notorious conflicting interests between China, Japan, and the East Asia small and middle-size nations. The apparent disagreement on a common approach to East Asia future lays down in the fear and animosity about the role Japan and China played during the Second World and the Cold War Era, respectively, in detriment of other Asian nations. History has a tremendous strength here and usually distracts regional actors from the superlative intentions. China has to be very persuasive, articulated and quiet to give assurances in projecting its complex power to East Asia region. But China is not alone in this game. The United States are an integrant part of the Cold War security framework build-up with Japan, South Korea and Taiwan to counterbalance the communist uprising. Even if the Cold War Era is far away, the U.S. has a decisive say about the structural changes to be about to be introduced in the Pacific Region. Japan is coming back from the puddle that felt during the Liberal Democratic Party dominium.

China has reiterate often that the US has nothing to do with the East Asian Region and has been pressing ASEAN (Association of Southeast Asian Nations) to exclude the United States, India or even Australia from the extended outlines of ASEAN (ASEAN Plus 3 or ASEAN Plus 6). But this jim-jam gives contradictory signals to its neighbours. Is China in good faith? Has China plans to become, whenever it feels strong enough, a hegemonic power in Asia and then in the world? Is China effectively bound to repeated promises of peace and harmony?

1. Globalization and China's emergence as a regional power. How the world sees it.

At an earlier participation at Asia-Pacific Economic Cooperation Forum (APEC) meeting in Brunei, Chinese President Jiang Zemin stated that China's participation in economic globalization is to be "an objective requirement for economic

development", and that globalization has a salutary impact on international relations. He noted that "closer economic and technological ties between nations and regions constitute a positive factor to promote world peace and stability"; but raised concerns that globalization "has negative consequences widen an economic gap between and within nations and allowing 'some countries' to 'force their own values, economic and social systems on other countries by taking advantage of economic globalization"⁸.

Zemin words disclosed the divisions that exist among China officials on the potential negative effects globalization has, already, in China but at the same time foster the conviction that China had no alternative but to march full-steam ahead⁹. China officials regard the U.S. not only as the globalization leading advocate and benefactor but mirror globalization itself as an element of a U.S. strategy to achieve global hegemony and disguise its real intentions towards China and China's national strategy.

From a geostrategic standpoint, strong countries surround China. Japan and Korea lie to the east, Russia to the north, India to the west. The only outlet for Chinese regal ambitions is Southeast Asia. Most Southeast Asians understand that China is rapidly becoming the predominant power in the region and already behave, accordingly. Beijing's diplomats have successfully translated China's burgeoning economic clout into political influence, leaving in question the U.S. role in and commitment to the region, even with its traditional allies and friends¹⁰.

According with some views¹¹ it is inevitable that China someday becomes the world biggest economy, and happens to be in a position to take full advantage of the process of globalization. This course is already on the run and China is granted a quarter more votes in the IMF than it have before. It stills lags behind the United States (10% of the votes), Japan, Germany, France and Britain but China's economy is already larger than the economies of France and Britain. China may have, here, a case to pick more votes if its growth continues and achieve it at the detriment of senior members, pressing the system to open and change. The United States – looking from its own economic standpoint - wants China to take more responsibility for international financial imbalances, v.g. allow the yuan to float on the world markets in order to freeze its trade deficit with Beijing. China looks for additional bargaining weight in the World Bank, and in the World Trade Organization, the first one controlled by the United States; the second by the U.S. and the European Union. This is already a likely first response to the question we formulate in the introduction: although no more a revolutionary power, like it was during the Cultural Revolution, China wishes to have a strong say in the redesign of the rules of the international economic system, created by the Breton Woods conference, half a century ago, and leaded since then by the U.S.

A new generation made its way to the frontline of power in China and has a different articulation of the problems than the one expressed, by Jiang Zemin, in the abovementioned quote. It utters a deep awareness of the challenges posed by globalization, and exhibits a refreshing willingness to see it as a force that can be harnessed to attain economic and political change in the domestic front. This generation believes that China has the ability to meet already now these challenges, which are essential if China intends to secure a front place in the world; it recognizes, also, that economic globalization is a *double-edged sword* for China¹². Although certainly an engine for economic growth, if globalization is mishandled, the transformative force captured in it could very well disrupt China's chase of a great-power status. Why? Because it introduces powerful sources of economic vulnerability. In other words, because it exacerbates economic interdependence putting China depending on others' skillfulness and macroeconomic competence. Similarly, the growth of non-traditional threats, such as international terrorism, the outbreak of pandemics, represent serious challenges to China's security, at a global level.

Therefore, the Chinese government has sought to handle this process by reconfiguring its thinking about national security and taking steps such as domestic banking reforms and active trade diplomacy to defend the country's economic interests. The fact that Chinese political elites today perceive issues as diverse as capital flows, weapons proliferation, epidemics, terrorism and cyber crime, in the framework of globalization, suggests that the country's views of the phenomenon have evolved in tandem with its tumultuous quest for development, security, and status, during the past decade¹³. The fact that China's support for globalization has never wavered, even through a variety of subsequent foreign policy tests, reflects a strategic choice, by China's leaders, to deepen the country's participation in the world economy as the best way to track economic modernization, cope with U.S. hegemony, and fulfil Beijing's great-power aspirations.

In different occasions and departing from a more gloomy view on the risks of accommodating globalization, President Hu Jintao have made unambiguous appeal to China's new strategic doctrine:

We live in a world of deepening economic globalization, where interests of countries intertwine and their destinies are increasingly interdependent. To promote universal development, for common prosperity serves fundamental interests of people of all countries. The most immediate and pressing task we face now is to, strengthen international cooperation on development the Millennium Development Goals (MDGs).

*(Statement at the Meeting on Financing for Development of the United Nations Summit, New York, 14th September, 2005)*¹⁴

He remarked also at the 2005 Fortune Global Forum:

The theme of the Forum "China and the New Asian Century" (...) also shows that with surging economic globalization, China and Asia are quickly becoming a new growth engine for the world while the global boom is also generating more important opportunities for China and Asia. Continued mutually-beneficial economic cooperation and rising interdependence among the world's countries will usher in an even better future for global economy in development¹⁵.

Hu Jintao and other Politburo leaders acknowledge that the emergence of China's as engine of economic world growth puts both opportunities and threats to China's pathway. Along with it, some concerns that foremost boost in military spending means that world most populous country may be seeking a position as Asia-Pacific Region's biggest power, have made its way. Even though the assurances given by him and Wen Jiabao, in every regional or international forum, a long-term stake for peace and regional stability is required. In the 2005 APEC annual meeting, Hu tried to quiet down the spirits affirming that "China remains a developing country. The Chinese nation loves peace and China will firmly adhere to the rode of peaceful development"¹⁶. Later, at April 18, 2009, at the Boao Forum in southern China's Hainan province, Premier Wen Jiabao was also quick to eulogize relations between Beijing and the new American administration, during a meeting with former President George W. Bush, declaring: "since President Obama has come to power, Sino-US relations have got off a good start. The two countries are working together to establish cooperative Sino-US relations in the 21st Century"¹⁷.

The political public statements of the Chinese leaders are worthily to be praised but need to be taken into context of the so-called "China's peaceful rise". China's rapid and unanticipated emergence as an economic, political and military power and its significant and expanding presence in regional and global affairs is raising many eyebrows. China surpassed Japan as Asia's leader in terms of import-export and military spending. Measured, in purchasing power parity, China's economy is larger than Japan's. The prospect of a smooth and peaceful adjustment to China's emergence, as a regional power and major player in global economic and political fields, has been compared to the United States own experience. The rise of the United States in the late 19th and early 20th centuries explains that peaceful emergence of new powers can occur. But this peaceful emergence is just one of many possibilities¹⁸. The history of regional and global adjustment to the ascent of new powers has often been punctuated by large-scale military conquest and political and economic disruption. The Napoleonic wars, Japan's colonization of East Asia, the World Wars of the 20th Century are illustrations of the conclusion that

armed conflict on a large scale is the most typical backdrop of the emergence of newly powerful states¹⁹.

China usually raises the counterargument that it is different from the Western powers, and senses its own national challenges, in different ways. Japan was not really a western country, on the contrary, when it embarked in the perilously adventure that take it to drop atomic bombs in Hiroshima and Nagasaki, which anticipated the end of the Second World War. But has mentioned elsewhere²⁰, China may not be enough convincing in pleading for peace and non-belligerency. No nuclear power [except North Korea] have engaged militarily today, preferring to be part of a thickening web of trade, investment, technology transfer and commercial diplomacy; and taken successful membership of multilateral political and economic organizations and broad-based economic integration through trade, capital markets and networks of multinational corporations. These innovations highlight that "the dynamic adjustments associated with China's economic and political rise could proceed without massive strife" according with the same viewers.

Recently appointed Chinese ambassador in ASEAN, Dr Xue Hanqin, former ambassador to the Netherlands and a doctorate from Columbia Law School (New York), declared in an interview to *The Strait Times* that "military clashes between China and its Southeast Asian neighbours are a thing of the Cold War past", extracting from the meetings with Asian counterparts that "China is no longer seen as a threat", haven't even mentioned that "China is rising militarily and economically and we are worried". In an unusual personal declaration to international press, the Chinese diplomat confessed struck by the warm atmosphere, a "feeling of being among family members". And she added: "we feel very close. When we interact, no matter how different our points of view are, everyone feels comfortable"²¹.

The opening of China to the outside world has been quite dramatic and impressive. China's trade ratio, combining value of exports and imports as percentage of GDP, has jumped from low levels, reflecting the typical communist isolation, to heights that no other nation has achieved, ever. According with Keller & Rawsy²², China's trade ratio in 2004 of 70% of GDP was far higher than comparable figures related to the United States, Russia, India, Brazil or Japan. China's new status, as the world leading recipient of foreign direct investment, has catapulted China to a level of economic openness never experienced. China's push to join the WTO, followed by multiple initiatives to reduce barriers to intra-Asian economic linkage sees deeply rooted in China's long-term national interest. This reflects, according with the same authors, a behaviour that "bears similarities to U.S. actions in the immediate aftermath of World War II". China takes the lead in proposing reductions in trade barriers and offering immediate unilateral

concessions to assure the confidence of reluctant partner nations.

China ascent to majesty has not catch by surprise its interlocutors but produced contradictory responses. Strong mainland economic links have inspired elements of Taiwan's business community to oppose the independence-oriented policies of last-President Chen Shui-bien. This may be the main reason for Ma Ying-jeou surprising victory in Taiwan's presidential elections and for the electorate acceptance of deeper relations with China²³.

The influent economic journal, *Business Times*, echoed declarations of the CEO of Malaysian national agency MATRADE, to the question "is China a threat or an opportunity?", saying that²⁴ "Malaysia is not spared from the effects of China's success, being a key export market, a principal source of imports, a significant contributor to tourists arrivals and a major employer of Malaysian professionals". In 2008, - he continues – "China was Malaysia fourth largest trading partner and a larger provider of imports and overtook Singapore to become China's largest trading partner among ASEAN countries".

But even this positive assessment of China's leadership in Asia is more multifaceted than it looks. Asian countries are beginning to see China's rise as an amalgamated phenomenon. In Japan, India and much of Southeast Asia there are expectations that China's growth will turn to be an economic stimulus for their national economies. But there is also the consciousness that an Asia subjugated to China would not be in the interest of them. The more Asian think about it, the less they want any one country to become their leader; nor has any Asian country shown the ability to do this²⁵. The commentator quotes Simon Tay, a Singapore scholar: "people speak of China's soft power; but this is a misunderstanding of the term, coined by Joseph Nye. *Soft power* means the appeal of one's culture, ideas, and principles. China has no soft power. No one in Asia wants the Chinese dream or pines to live in a Chinese world, even the Chinese don't really know what that would mean". Singapore's Senior Minister, Goh Chok-Tong, has publicly chided the U.S. for its disengagement from Southeast Asia. He noted in a June 9 speech that in the past decade, China has successfully launched 27 separate ASEAN-China mechanisms at different levels, while 28 years after the U.S.-ASEAN dialogue was formalized in 1977, "there are currently only seven U.S.-ASEAN bodies and they meet only infrequently."²⁶

To put it event more bluntly²⁷ "the idea that we can manage China's rise is comforting because it gives a sense of control and mastery, and of paternalistic superiority. With proper piloting and steady nerves on our part [America], the massive Chinese ship can be brought to safety into harbour and put at anchor (...) wisely managed China can be a friend. Bad managed it can become a very dangerous power (...) The history of rising powers, however, and their attempted

management by established powers provides little reason for confidence or comfort. Rarely have rising powers risen without sparking a major war that reshaped the international system to reflect new realities of power". And Robert Kagan rebukes, brashly:

Today we look back at those failures [Germany's rise under Bismarck, Japan's rise after 1938] and ruminate on the mistakes made with the usual condescension that the present has for the past. But there is no reason to believe we are any smarter today than the policymakers who "mismanaged" the rise of Germany and Japan. The majority of today's policymakers and thinkers hold much the same general view of global affairs as their forebears; namely that commercial ties between China and the other powers, especially with Japan and the United States, and also with Taiwan, will act as a buffer against aggressive impulses and ultimately ease China's integration into the international system without war. Once again we see an Asian power modernizing and believe this should be a force for peace. And we add to this the convictions, also common throughout history, that if we do nothing to provoke China, then it will be peaceful., without realizing that it may be the existing international system that China find provocative.

2. Asia regional trade agreements. China's role in Asia global trade.

Half of the world trade is now conducted under preferential trade agreements up from 40 percent in 1988-92²⁸. East Asia have assist to an enormous collection of proposals for preferential agreements, both regional and bilateral, but although some of them have failed most of the economies in the region are seriously engaged in developing this sort of trading relationships while others are considering cautiously approaches to it. They include China, Japan and South Korea, which were, previously, against any sort of preferential agreement. In the mid-1990s, economies in the region pursued a unilateral and non-preferential route to trade liberalization and argued that this path contributed to growth, development and integration in economic terms. But new type of initiatives like the ASEAN Free Trade Area indicate a change of direction, in the previous course. The ASEAN is an economic gathering forum established on 8 August 1967, in Bangkok, by five original Member Countries (Indonesia, Malaysia, The Philippines, Singapore, and Thailand)²⁹. It is currently formed by 10 East Asian nations: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Being an enterprise central to Asian dialogue and exchange of communication, if the accord to achieve a Free Trade Area is reached, the region will the world's biggest free trade area, encompassing 1.7 billion people, a collective GDP of almost

US\$2 trillion and an intra-regional trade of US\$1.2 trillion. Other proposals include bilateral cooperation between Japan and Korea, between Japan and Singapore and between ASEAN, China, Japan and Korea (ASEAN Plus 3). This documents a change in attitudes and mainly (in strategic terms) the need to accommodate to China's ascent to dominance.

There are several reasons underlining this sort of agreements³⁰: first, the concern that diminishing the risk of financial contagion and exchange rate instability departing from the Asian financial crisis (1997) and confirmed by the current world economic meltdown, is urgent; second, the need for smaller economies to deepen cooperation with China - the major Asian import market and a very strong competitor in export markets; third, the interest of Asian corporations and entrepreneurs to get preferential access to foreign markets; finally, the belief that strengthening economic cooperation may rise new chances to build a sense of community or overpass tensions between neighbours, making possible round-tables between senior officials, ministers or leaders. This trend has been obsessive the community gathering targeted by ASEAN or APEC.

Market-driven integration or regionalization has since the mid-1980s been occurring in East Asia, through trade and investment linkages. At a first stance the process was driven by unilateral reforms in individual countries and by the logic of <flying geese> pattern of relocating production processes from: Japan to East Asia newly industrializing economies (NIEs), during the 1970s and 1980s; to Southeast Asia during the mid-1980s and early 1990s; to China in the late 1980s and 1990s. This relocation happened when flows of foreign direct investment, especially intraregional FDI, accelerated into each group of countries. To support the vertical specialization and division of production along the chain of value, intraregional trade grew rapidly. Table 1³¹ gives a good view of the bilateral trade agreements achieved by larger East Asian nations.

Table 1 – Regional Trading Arrangements involving East Asian countries

	<i>Bilateral Asia Pacific</i>	<i>Type of Agreement</i>	<i>Situation</i>	<i>Year</i>
1	Singapore-Australia	FTA	Approved	2000
2	Singapore-Canada	FTA	Under Negotiation	2001
3	Singapore-Chile	FTA	Under Negotiation	2000
4	Singapore-Japan	New Age CEP	Signed	2002
5	Singapore-Mexico	FTA	Under Negotiation	1999
6	Singapore-New Zealand	CEP ³²	Implemented	2001
7	Singapore-Korea	FTA	Proposal	2001

8	Singapore-Chile	FTA	Under Negotiation	2000
9	Singapore-Taiwan	FTA	Proposal	2002
10	Singapore-USA	FTA	Implemented	2003
11	Korea-Australia	FTA	Under Negotiation	2000
12	Korea-China	FTA	Proposal	
13	Korea-Chile	FTA	Implemented	1998
14	Korea-Japan	FTA	Discussion	1998
15	Korea-Mexico	FTA	Discussion	2000
16	Korea-New Zeland	FTA	Discussion	2000
17	Korea-Thailand	FTA	Proposal	2001
18	Korea-USA	FTA	Under Negotiation	2001
19	Japan-Canada	FTA	Proposal	2002
20	Japan-Chile	FTA	Discussion	2000
21	Japan-Mexico	FTA	Discussion	1998
22	Japan-Thailand	CEP	Proposal	2002
23	Hong Kong-New Zealand	CEP	Discussion	2001
24	Thailand-Croatia	FTA	Proposal	2001
25	Thailand-Australia	FTA	Approved	2005
25	Thailand-Czech Republic	FTA	Proposal	2001
26	USA-Philippines	FTA	Proposal	2001
27	USA-Taiwan	FTA	Proposal	2001
28	USA-Thailand	FTA		

Source: Wikipedia (2007) and

http://www.apec.org/webapps/fta_rta_information.html#apec_fta

Notes: FTA- Free Trade Agreement; CEP – Closer Economic Partnership;

The abovementioned data allows three comments. First, the leading role of Singapore, one of ASEAN founders, in this sort of preferential treatment arrangement, coming from the need of the city-state to broaden its influence and use its strategic positioning in East Asia; second, the timidity of China on experimenting this advanced type of regional integration (only with South Korea) which implies that China doesn't want its leverage power to be diluted in alliances with middle-size and small-size nations; third, the sharp stake taken by Taiwan anchoring its survival prospects in three China competitors (Singapore, South

Korea and USA).

These arrangements are to be complemented with the identification of Asia main clusters (Table 2).

Table 2 – Regional Grouping involving East Asian countries

	<i>Name</i>	<i>Type</i>	<i>Situation</i>	<i>Year</i>
1	ASEAN Free Trade Area	FTA	Implemented	1992
2	AFTA Plus Australia and New Zealand	CEP	Discussion	1999
3	ASEAN Plus China	FTA	Negotiation	2001
4	ASEAN Plus Japan	CPEP	Discussion	2002
5	ASEAN-Korea	FTA	Discussion	2002
6	Singapore Plus EFTA	FTA	Implemented	2003
7	ASEAN Plus Three	FTA	Discussion	2000
8	ASEAN-Australia-New Zealand	FTA	Approved	2008

Notes: ASEAN – Association of Southeast Asian Nations; EFTA-Europe Free Trade Area; FTA- Free Trade Agreement; CEP – Closer Economic Partnership; CPEP – Comprehensive Economic Partnership;

A global assessment of the abovementioned data allow us to conclude that more than half of the East Asia countries are already linked through some sort of agreement, and that the bounding of the rest is quite under going through negotiations or, at least, official studies. The co-respective studies have conducted to the publishing of blueprints for a *Northeast Asia Free Trade Area* (NAFTA II), including China, Korea and Japan and a *East Asia Free Trade Area* (EAFTA) combining these three big nations and the ASEAN nations (this has been called also ASEAN Plus 3 (Bergsten, 2007). Japan has proposed broadening the group to ASEAN Plus 6, enlarging it to Australia, India and New Zealand. The Japanese proposal has, nevertheless, received severe criticism of Asian nations for

broadening it up to non-Asian countries, turning into to a sort of *Pacific Rim compound*³³. The ASEAN Plus Three has been targeted as the main vehicle to chase the goal of an East Asian Community [EAC], for the countries of the region. In the annual summit on January 17, 2007, in Cebu (the Philippines), the 10-ASEAN members expressed their preference to this sort of comprehensive and loosen alliance.

The cancellation of ASEAN Summit, scheduled to Bangkok, for the 11 April 2009, was considered a disaster for Thailand and for the entire grouping of Southeast Asian nations. The summit was an option to start a novel dialogue with international institutions such as the IMF and cast shadows of doubt on the capacity of the organization to overcome their operational difficulties, and turn to be more than a <talkshop>, a comprehensive policy-driven engine for East Asia, as a whole³⁴. Saving the day, the finance ministers of ASEAN, plus China, Japan and South Korea counterparts agreed on May 3, 2009, in Bali (Indonesia) to create a foreign currency reserve pool among the ASEAN Plus 3, in the context of CMIM (Chiang Mai Initiative Multilateralization), an initiative created, two years ago, to combat emergent financial problems.

Japan and China are to contribute with 38,4 billion dollars each, South Korea with 19.2 billion and among the ASEAN countries Indonesia, Singapore, Thailand and Malaysia agreed to provide 4.44 billion dollars each³⁵. The ministers were careful to explain that the scheme was intended to supplement existing international financial institutions and not to circumvent the International Monetary Fund. But in the western world this statement has convinced few people.

Last but not the least in its first meeting with Hu Jintao, the new Japanese Prime Minister, Yukio Hatoyama, late September 2009, argued that "resolving the countries prolonged dispute over East China Sea could be the starting point of creating and East Asia Community". The Community proposed by Hatoyama would include Japan, China, South Korea and members of the ASEAN and will adopt a common currency. The joint development of East China Sea gas fields between Japan and China (and other projects) could likewise be the starting point for this East Asian Community³⁶.

China's trade relations with Southeast Asia

Today China is the third larger contributor to the world trade growth after the U.S. and the E.U.; China trade has have a decisive effort on the economic and trade growth of developing countries. For instance, China's overall trade with Africa rose from \$10.6 billion en 2000 to \$40 billion in 2006. There is a consensus that China's economic power has become an important force for promoting regional economic cooperation and trade growth and helping to spur East Asian economic recovery.

Japan has been acknowledging that its swift recovery has been due in a large part to its exports to the Chinese market. The 1997 financial crisis shows that China made a major contribution for the region's economic recovery, using its interrelations. According with Li Xing and Zhang Shengjun³⁷, bilateral trade between China and Southeast Asia nations has reached \$40 billion per year and exports to China have been bigger than those to any other place in the world. Chinese statistics show that from 1990 to 2005, China-ASEAN trade volume increased an average of 22 percent on year-year basis, four percent higher than the growth rate of China's overall foreign trade volume to the corresponding period.

In 2006, China-ASEAN trade reached \$160.8 billion, a 23,4 percent increase compared with the previous year. Currently, China and ASEAN are each other's fourth largest trading partners. The rise of China changed the East and Southeast regional landscape by two ways: the first one, China's participation in the production network contributed to the prosperity of intra-regional trade; the second, China is turned into an active team member in Asia institutional structuring. This involvement has been either called an *<iron embrace>* to Asian nations or the creation of a *Chinese sphere of influence*. It is impressive the progress China's exports through the Southeast Region have made (Table 3).

Table 3**Trade flows between regions and the countries in East Asia Region**

Exporting destiny	East Asia		China		Japan	
	1990-94	2000-04	1990-94	2000-04	1990-1994	2000-04
East Asia	44.1	49.0 ↑	6.4	11.1 ↑	8.6	8.2
Indonesia	62.0	56.9	3.6	5.4 ↑	32.9	21.0
Malaysia	54.7	45.2	2.5	5.3 ↑	13.6	11.35
Philippines	36.1	53.7 ↑	1.2	4.2 ↑	17.4	16.4
Singapore	48.2	56.4 ↑	2.0	6.1↑	7.8	7.0
Thailand	41.7	48.3 ↑	1.5	5.3↑	17.3	14.7
China	60.5	45.3	----	-----	15.8	14.3
Hong Kong	47.0	55.5 ↑	29.9	39.3 ↑	5.4	5.4
Taiwan	42.7	55.2 ↑	0.0	10.3 ↑	11.3	9.2
Korea (South)	40.8	46.6 ↑	4.2	15.6 ↑	15.7	9.8

Japan	34.6	43.1 ↑	3.7	10.0 ↑	-----	-----
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Note: Ratio of exports to an export destiny relating to the global trade volume; ↑ indicates growth.

Source: Li Xing & Zhang Shengjun (2009) using Direction of Trade Statistics, International Monetary Fund, and ESDS International.

The table indicates a substantial increase of intraregional East-Asian trade, in the first quarter of the decade and a good penetration of East Asian trade flows in the Philippines, Singapore, Thailand, Hong Kong, Korea and Taiwan (Malaysia appears as the sole exception). China has made foremost progress in penetrating the East Asia Markets, namely Indonesia, Singapore, Thailand, Korea, Japan or even Taiwan (the data show that the political stressing of the last ten years had no effect on China-Taiwan bilateral trade). Trade ratio from Japan to other countries declined, substantially, as the apathy of the Japanese economy forced it to loose market quota, in every market.

If we compare the Chinese data with the ASEAN statistics, for the same period, the conclusion one may take about intraregional and interregional trade is not much different. The data is quoted from Francis & Kallummal ³⁸and reported to 2007.

Table 4
Top 10 Export Markets of ASEAN-6 (1993-2007)
 (Percentage share in total exports)

Country of destination	1993-1997	1998-2001	2006	2007
ASEAN	23.7 (1 st)	22.2 (1 st)	25.2 (1 st)	25.6 (1 st)
US	19.5 (2 nd)	18.9 (2 nd)	12.9 (2 nd)	12.7 (2 nd)
EU-15	14.5 (3 ^d)	18.2 (3 ^d)	12.6 (3 ^d)	12.7 (EU-25) (2 nd)
Japan	13.8 (4 th)	11.8 (4 th)	10.8 (4 th)	10.3
China	2.3	3.3	8.7 (3x)	10.9 (3 ^d)
Hong Kong	4.6	5.2	???	6.5
Korea (South)	2.9	3.3	3.4	3.9
Taiwan	3.2	2.4	-----	-----
Australia	1.8	2.3	3.1	3.7
India	1.0	1.6	2.5	2.8
Others	14.0	12.0	-----	-----
Total (US \$million)	283226	357985	750708	870.979

Source: ASEAN Trade Statistics Database and European Commission³⁹

Looking at the distribution of ASEAN-6 total exports by destination we may conclude that with a share of 24% the intra-regional market was the largest market for ASEAN, in 1997 and that share increased until 2007, for 25%. The United States were the single largest market (country) for ASEAN during the 1993-7 and 1998-2001 periods, decreasing 6 percent in 2006 and 2007. Japan diminishes its importance as prompt destiny for ASEAN exports; but China reach a rising importance in ASEAN-Asia trade, accomplishing five times the ratio of 1997, in 2007. In the case of the E.U. the decline was not so sharp and equalizes the U.S. share in 2007. Now the imports (still Francis & Kallummal):

Table 5
Top 10 Import Suppliers of ASEAN-6 (1993-2007)
 (percentage share in total imports)

Country of origin	1993-1997	1998-2001	2006	2007
ASEAN	17.6 (2 nd)	20.5 (1 st)	25.0 (1 st)	27.6 (1 st)
Japan	23.1 (1 th)	18.1 (2 th)	12.3 (2 nd)	12.5 (3d)
US	15.4 (3d)	16.2 (3d)	9.8 (5 th)	9.6
EU-15	14.8 (4 th)	12.3 (4 th)	10.1 (4 th)	10.7 (EU-25) (4th)
China	2.6 (7 th)	4.8 (5 th)	11.5 (5x) (3d)	13.6 9 (2 nd)
Korea (South)	3.6	4.1	4.1	5.3
Taiwan	3.7	2.4	-----	-----
Australia	2.4	2.5	2.0	2.1
Hong Kong	2.0	2.4	???	2.3
India	0.8	0.9	1.5	1.7
Others	14.2	14.8	-----	-----
Total (US \$million)	303137	298491	654098	777.583

Source: ASEAN Trade Statistics Database

In comparative terms, the share of ASEAN global imports from ASEAN members showed a large increase putting it as the first provider of imports for ASEAN, as a grouping. Japan declined its share and reach in 2007 about 12% of total ASEAN imports, broadly half of ASEAN originated imports. This tendency was coupled by the United States, whose exports to ASEAN declined strongly, through the decade, being the financial crisis that exploded in 1997, one of the reasons for that. China registered a dramatic boost as one of the largest imports providers for ASEAN, passing from the 7th position in 1997 to the 5th en 2001 and reaching the 2d position in 2007, representing afterwards five times the quota of 1997.

Passing now to China exports, it will be interesting to notice (still quoting Francis & Kallummal) that China exports grew more than 31% during 2002-06, and that the U.S. become China's largest market. The U.S. share in China's

total exports increased from 17% in 1995 to 21% in 2006. Japan kept its position as China's third market dropping 9% from 1995 to 2006 (10%). There was minor increase in the E.U. and ASEAN-5 share in Chinese exports. In ASEAN the larger share of China's exports went to Singapore, increasing slightly Malaysia share of China's global exports. The aggregate share of ASEAN-5 in China's exports departed from 6.1% in 1995, to 6.1% in 2000 and 6.4% in 2006⁴⁰. It becomes obvious, through this exercise, that ASEAN's total exports and imports increased, significantly, through the 1990s and early 2000s, and China attain the position of ASEAN chief trade partner.

Concluding this section, China has become one of the chief peers of ASEAN, giving a central assistance to Asia when the financial crises punished Asian economies, in late 1990s. The relative closeness of China's economy allow it to protect from the most troubled upshots of other Asian economies, more exposed to currency downgrading and to the impact of *bhat* [Thai currency] mining. This smart strategy allowed Beijing to circumvolute Asian doubts of China's tentacle asphyxiation and force China policymakers to look with different eyes to the central role of ASEAN as a cradle of some sort of East Asian Community. The start of the 2000s confirms the recognition by China of the renowned maxim that *is better to keep your friends close to you; and your enemies even closer*.

3. The security "issue" in Southeast Asia. Contradictory perceptions.

The economic interactions described in the last section have been followed by a larger advancement of Chinese military capabilities. It has been alleged that the projection of economic prosperity into military strength fulfils China's ambitions, dating from late nineteenth-century, to surpass the humiliations of successive "unequal treaties", starting with the 1842 Nanking agreement that finished the first Opium War. The United States Department of Defense, on its 2003 annual report on Chinese military power, observed that "preparing for a potential conflict in the Taiwan Strait is the primary driver for China's military modernization". But in the 2006 report the Pentagon authenticate "a process of long-term transformation from a mass army designed for protracted wars of attrition on its territory to a more modern force capable of fighting short duration, high intensity conflicts against high-tech adversaries"⁴¹. China's advances in engineering education and other areas of electronics and information technology will continue to translate into more sophisticated weaponry. This instillation of digital technology (for instance through the Galileo Sino-European program) is pushing up China's capabilities at the same

time its High-End sectors aggressively compete for global market share with commercial counterparts in the United States, the European Union and Japan.

The U.S. Quadrennial Defense Review foresees China's "potential to compete military with the United States and field disruptive military technology that could over time offset traditional U.S. military advantages". Chinese plans would not foresee a military race with the United States leadership in nuclear weapons, long-range delivery systems and countermeasures, space-based military assets, or control of high-seas areas. It seems – that for the time being – China's military options and priorities function within the context of current economic realities. Interdependence is broad and deep, but discussions surrounding Chinese economic priorities take into account a large-scale involvement with global markets and Chinese companies making high-profile bids in the pursuit of establish brand names and technology resources like the acquisition of Lenovo of IBM's PC Business and the interest in strategic European industries⁴². Official defence spending has increased markedly, at double-digit annual rates since the early 1990s, assessing foreign sources this value a few times larger than the official Chinese defence budget. This may place China second or third in the overall world defense spending.

A July 2003 report by the U.S. Department of Defense stated that China's defence spending amounted to "as much as \$65 billion" a year. China has been purchase large numbers of advanced Russian military equipment and technology, particularly in air and sea power. Even though Western manufacturers have maintained the embargo on military sales to China since the 1989 Tiananmen crackdown, Russian suppliers were ready to meet Chinese requests, including naval surface combatants, submarines, fighter aircraft, and surface-to-air, air-to-air, and surface-to-surface missiles. The Russian equipment and the Chinese development of shorter-range ballistic missiles, has been deployed to deter Taiwan moving towards independence and to warn the United States not to intervene⁴³.

Some of the more optimist observers of China intent to agree that China's future economic security rest more on international cooperation and commercial diplomacy than on military strength or force projection capabilities. They assert that China continues to expand its military power in order to protect its borders, to strength the leverage over Taiwan's political future and to support its claim to great power status. There are signs that China looks to establish dialogue with the United States about the security issues involved in the geopolitics of the Asia-Pacific Region⁴⁴. The moderate pessimists predict that China probably overtake Japan in the next decade or

two to become Asia's "major regional military power" and remembers that the Chinese build-up in air and sea power will require "a continued robust U.S. naval and air presence that can likely offset the ability of Beijing to leverage future military capabilities into a real advantage against the U.S. and allied interests in the Asia-Pacific Region over the next twenty years" and warns "that the Taiwan Strait is an area of near-term military concern"⁴⁵.

On April 2009, delegations from naval fleets of 14 nations met at the Chinese port of Qingdao to mark the 60th anniversary of the founding of the People's Liberation Army Navy. In the occasion, President Hu Jintao trumpeted China's emergence as a building maritime power while assuring the audience that "China would never seek hegemony, nor would it turn to arms races with other nations. Instead Chinese navy would lead the region into harmonious seas"⁴⁶. China's rhetoric has convinced few people. In 2008, China's annual military budget increased around 20% to \$60 billion, though American sources put the number around \$150 billion. The most recent Pentagon report on the PLA warned of China's ability "to develop and field disruptive military technologies, tactics that will disrupt regional military balances and have implications beyond the Asia-Pacific"⁴⁷. China's strategic interests now cover most of the world's continents and continue involved in lingering territorial disputes with its neighbours. In response to China's rise as a maritime power neighbouring countries have beefing up their fleets. One month later the Qingdao "show", Vietnam has announced its purchase of six kilo-class submarines from Russia; on May 2, the Australian government published a paper outlining a twenty year, \$74 billion plan to revitalize its navy.

China is on the crossroads. For sometime took into account the need to conceal with its neighbours and interconnected its economy with regional economies. At the same time, gave contradictory signals that looks to be more than an industrious and non-violent neighbour: a country worthy of its past of former grandeur. Just after the Cold War end, China's leaders realize that the future security and prosperity of China require the cultivation of a deep relationship with Asia-Pacific as a whole, and each of its nations per se, being the region crucial to the Chinese economy and strategic interests. China's emergence as a regional player raised new problems and challenge the current distribution of power based on America predominance; it poses new problems for smaller neighbours that try to engage the giant neighbour through the framework of multilateral institutions in the hope of mitigate its potential for turmoil⁴⁸.

From a geographical point of view, China extends beyond the confines of the Asia-Pacific looking into Inner Asia and to the borders of the Indian

Subcontinent. Until the advent of the European, China has not been challenged from the sea, and all the Chinese ruling class always thought of the sea as a natural barrier rather than a gateway. This mindset is changing high-speed and one basic challenge contemporary Chinese have is to move from a continental to a maritime player and become completely integrated in the Asia-Pacific region, a place of many archipelagos and some subcontinents.

There is no unanimous conclusion among observers, commentators and politicians on which direction is China headed to. Most of them see China expanding its regional role and influence to its periphery, and others assess that China's stance is "defensive" in order to create a pillow against external influences. Like the Great Wall was for centuries. China has a long history of seeking to prevent other powers from consolidating positions near its border: following the motto: *divine to reign*. Another group of observers ascribed a more ambitious and premeditated strategy to China, arguing that China is looking to create a sphere of influence in its backyard and taking time to become the dominant power. Whatever is, presumptuously, the discernment of Chinese interests it is clear that China's diplomatic efforts have been more sophisticated, marking a significant shift and improvement on previous policies⁴⁹.

For the sake of the argument China would prefer that the United States would move away from the Asia-Pacific Region and demise its six-decade-alliances with Japan, South Korea, the Philippines or Taiwan. Leaving all the space for China to move in and position itself. However absurd this scenario is, one can surely bet that in the event this comes true, war will return to Asia and China will fight all big Asian nations, using the glamour of nationalism, to hide its imperialist dreams. Men don't change and its plea for power and glory is stickled in human flesh. Or has Thucydides has written 2500 years ago⁵⁰:

In practice we always base our preparations against an enemy on the assumption that his plans are good; indeed, it is right to rest our hopes not on a belief in his blunders, but on the soundness of our provisions. Nor ought we to believe that there is much difference between man and man, but to think that the superiority lies with him who is reared in the severest school.

The United States have a central role in the Asia-Pacific region being the web of the defense security network that tie the US with Japan, Taiwan and South Korea. Being the American naval presence in the Pacific Ocean a basic requirement for keeping the peace and stability. No nation, except the United States, has the capacity to concentrate military assets near China's borders and use them as a deterrent wedge if China is tempted to invade Taiwan or

tackle its neighbours navy in the South China Sea. Less than a month after the successful visit by Hillary Clinton, the US Secretary of State to China (February 20 to 22, 2009), an incident provoke fresh friction in the US-China relations when a US surveillance vessel (the USS Impeccable) was harassed, in international waters, by five Chinese ships⁵¹. The analysis of the incident shows that the Chinese treat the South China Sea as its exclusive zone, closed to international navigation or at least to Chinese permission.

This belief has not legal entitlement. How far China intents to go next time? And what if the object of its rage is a less-powerful country like the Philippines, or Japan, or Indonesia? In that case what should be, then, the response of the United States and its Asian allies? East Asia may be ready for a new step towards a major economic integration but has still its feet excessively stuck in the past so one may presume that big nations always respond politely to incentives to accommodation, peace and self-restraint. Men rarely change and nations seldom do.

4. Conclusion

China's *Trojan Horse* tactics or its *Velvet Hug* to Asian nations – whatever name one may give to it – has hardly taken by surprise the ASEAN members, Japan or the United States. It is a game that China is playing with dedication and skilfulness. China ascent to primacy has been peaceful and confidence-building till now, helping Asian middle and small-sized nations to overcome their difficulties imprinted by the complex process of globalization, and resist in the turbulent waters of the current financial meltdown. But at the same time, China has hardly disguised its anxiousness to become a military power looking to solve the questions that history has put in its track: Taiwan, border disputes, extraterritorial disputes in the South China Sea. The increased fraction of China's budget dedicated to defense and navy equipping raises many doubts about China's true intentions in a time that there isn't, for more than 30 years war, in the region. In the horizon there is no Asian power with sufficient military and hard-power clout to dispute China's march to prominence. Only the United States has this capability, to articulate with other allies in the region [South Korea and Japan] a buffer force to any nightmare of a re-erected Asian co-prosperity Zone with China at the engine.

The creation of an Asian bloc or an *Asian Economic Community* envisaged by the extension of the Association of Southeast Asian Nations (ASEAN) to its larger neighbours (ASEAN + 3) or in Premier Yukio Hotoyama recent proposal to President Hu Jintao may have a positive outcome in these tensions, accelerating trade liberalization and providing additional financial resources to counter international monetary turbulence. China and Japan can use the Asia

integration to limit or, at least, to contain their rivalry reducing the risk of a future conflict. Without having a good idea of China's real intentions the United States – the other Pacific power – need to proceed wisely, supporting its own interests but taking into consideration East Asia interests, as a whole. Proceeding like this, acting like a responsible stakeholder of the international order, the U.S. may give an important message for China to keep still in a convergent course.

¹ Leisheng Zhan, *China Economy in East Asia Economic Development*, Center for Social Development Studies of Renmin University of China, at www.dur.ac.uk. Accessed at April 2009.

² Sudipto Mundle, “The China Syndrome”, *Times of India*, 13 May, 2009, at <http://timesofindia.indiatimes.com>. Accessed at June 2009.

³ Voting shares of China [4 per cent] and India in the IMF are expected to increase through an accelerated quota reform process, but the US will retain its de facto veto power with a 17 per cent share and the US, the EU and Japan will control, after it, 53 percent of IMF shares.

⁴ Li Xing and Zhan Shengjun, *China and Regional Integration in East Asia: Opportunities, Constraints and Challenges*, Working Paper n° 8, Center for Comparative Integration Studies, Aalborg University, Denmark, at http://vbn.aau.dk/fbspretrieve/16886620/CIIS_wp9.pdf. Accessed at April 2009.

⁵ Easper, Mona H [2007], *Trade Integration in East Asia: the role of China and Production Networks*, World Bank Policy Research Paper 4160, March.

⁶ Robert Gilpin, *Global Political Economy. Understanding the International Economic Order*, Princeton University Press, Princeton and Oxford, 2001, pp. 17-23.

⁷ Johnston, Alastair Iain, “Is China a Status Quo Power?”, *International Security*, Vol 27, No. 4, (Spring 2003): 5-56.

⁸ Quoted by Bannin Garrett, “China faces, debates the contradictions of Globalization”, *Asian Survey*, 1:3, (May-June 2001): 409-427.

⁹ Hongying Wang, *Chinese Participation in the International System and Its Impact on Domestic and Social Order*, paper prepared for the annual meeting of the American Political Science Association, Chicago, August 31st -September 2nd 2007 at www.allacademic.com/meta/p211948_index.html Accessed at April 2009.

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¹² Fewsmith, Joseph, “Generational Transition in China”, *Centre for Strategic and International Studies, The Washington Quarterly*, 25:4, (Autumn 2002): 23-35.

¹³ Yong Deng and Moore, Thomas G., “China views Globalization: Towards a New Great-Power Politics?”, *The Washington Quarterly*, 27:3, (Summer 2004): 117-136.

¹⁴ Hu Jintao, “Promote Universal Development to achieve Common Prosperity”, New York, September 14, 2005.

at <http://www.un.org/webcast/summit2005/statements/china05091eng.pdf>. Accessed at April 2009.

¹⁵ Hu Jintao, Speech at 2005 Fortune Global Forum, *People's Daily Online*, at <http://english.people.com.cn>. Accessed at 21.05.2009.

¹⁶ Associated Press, "Hu: China will contribute to Global Peace", November 17, 2005, at <http://news.yahoo.com>. Accessed at April 2009.

¹⁷ TodayOnline, "Chinese PM Wen and Bush talk ties, economics", April 19, 2009, at www.todayonline.com. Accessed at April 2009.

¹⁸ Check in this regard, Nial Ferguson, *Colossus. The Rise and Fall of the American Empire*, Penguin Books, London, New York, Toronto, Dublin and Victoria, 2005: 258-261.

¹⁹ Keller, William W., Rawski, Thomas G., *China's Peaceful Rise: Roadmap or Fantasy*, University of Pittsburgh, *Working Paper*, June 2007, at www.ridgway.pitt.edu/working_papers/China/KellerRawski. Accessed at April 2009.

²⁰ Keller, William W. and Rawski, Thomas G., "China's Peaceful Rise: Roadmap or Fantasy", in Keller, William and Rawski, Thomas G., *China's Rise and the Balance of Influence in Asia*, University of Pittsburgh Press, June 2007.

²¹ Strait Times, "ASEAN is like a family, says Chinese ambassador", May 6, 2009.

²² *Ibidem*.

²³ Michael Schuman, "Building Bridges to China", *Times*, May 15, 2009.

²⁴ *Business Times*, "China market offers opportunities for exports", May 18, 2009 at www.btimes.com.my. Accessed at June 2009.

²⁵ Fareed Zakaria, "The U.S. can out-charm China", *Newsweek*, December 12, 2005.

²⁶ Cited by Dana Dillon and John J. Tack, Jr, *China's Quest for Asia*, *ibid*,

²⁷ Robert Kagan, "The illusion of 'Managing' China", *The Washington Post*, May 15, 2005.

²⁸ Regional trading arrangements notified to the WTO reveal that more than twice as many preferential trading arrangements are in force today compared to 10 years ago. Nearly all WTO members (99.7 percent) now participate in RTAs and many belong to more than one. The major forms of regional preferential trading arrangements are: 1) Sectoral preferential trading arrangements, that include preferential tariffs in selected sectors of goods, such as the European Coal and Steel Community (ECSC) formed in 1957, and the ASEAN Preferential Trade Agreement (PTA) scheme; 2) Free Trade Area, an area where tariffs and other trade regulations that restrict trade (goods and/or services) among members are removed – the EFTA and NAFTA are good examples of this; 3) Customs Union, a free trade area plus harmonization of tariffs and trade regulations that face third countries (goods and/or services) – the EEC (European Economic Community) is an example of this type of preferential trade arrangement.

²⁹ Check <http://www.aseansec.org/64.htm>

³⁰ Pangestu, Mari, "New Regionalism: Options for China and East Asia", Centre for Strategic and International Studies, Jakarta Sudarshan Gooptu (World Bank) at <http://site.resources.worldbank.org>. Accessed at May 2009.

³¹ Quoted and simplified from Mari Pangestu, *ibidem*.

³² There isn't basic definition of what a *Closer Economic Partnership* is or is presume to be. Is basically a sort of planned and articulated cooperation between two countries starting from trade and investment and

coming to new areas that have gain strategic importance in recent years: security cooperation, counter-terrorism, military assistance, sustain development, technology transfer and innovation, human resources training, good governance, anti-corruption, new threats [nuclear proliferation, Massive Destructive Arms, environment and global warming, etc.

³³ China has opposed directly to the creation of such a sort of inorganic entity seeing it an effort of Japan to dilute Chinese influence by broadening the “10+3” to a “10+6”. There is some ground opinion that neither China or Japan are suited for a leadership role, because both are latecomers to the process of enlargement, having the first major domestic problems and provoking too may suspicions from others both inside and outside the region. Check Qin Yaqing, "Prospects for East Asia Community" in *Challenges to Trilateral Cooperation. The Trilateral Commission Tokyo Plenary Meeting 2006*". Trilateral Commission support on the 2006 annual meeting, Tokyo, April 22-26 as quoted by Bergsten (2007).

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³⁵ Monday Morning, "ASEAN, China, Japan, South Korea finalize Crisis Fund Pact" at <http://www.morning.com> ; EASTDAY, "ASEAN+3 finalize details of regional reserve pool to cope with crisis", May 4, 2009 at <http://english.eastday.com>. Accessed at May 2009.

³⁶ Asahi Shimbun, “Hatoyama pushes East Asian community”, 23.09.2009, at www.asahi.com. Accessed at 24.09.2009.

³⁷ Xing, Li & Shenjun, Zhang, “China and Regional Integration in East Asia: Opportunities, Constraints and Challenges”, Center for Comparative Integration Studies, CCIS Research Series, Working paper No. 9, 2009, at http://vbn.aau.dk/fbspretrieve/16886620/CIIS_wp9.pdf. Accessed at April 2009.

³⁸ Smitha, Francis & Kallummal, “The New Regionalism in Southeast Asian Trade Policy and Issues in Market Access and Industrial Development: an Analysis of the ASEAN-China Free Trade Agreement”, The Ideas Working Paper Series, Paper No. 06/2008. Available at www.networkideas.org/working/aug2008/06_2008.pdf. Accessed at April 2009.

³⁹ Adapted from *ASEAN-EU Bilateral Trade and Trade with the World*. at http://trade.ec.europa.eu/doclib/cfm/doclib_section.cfm?sec=113&lev=1&order=date.

⁴⁰ Smitha & Kallummal, *ibidem*.

⁴¹ Annual Report to Congress, Military Power of the Peoples’ Republic of China 2003, Executive Summary and Annual Report to Congress, Military Power of the People’s Republic of China 2006, Executive Summary, at hongkong.usconsulate.gov...Accessed at April 2009.

⁴² China’s government and the large natural-resources companies it controls have made little secret of their hunger for foreign assets. In 2005 America’s Congress objected to the efforts of the partially state-owned China National Offshore Oil Corporation (CNOOC) to buy Unocal, an American rival. Chinalco, a state-controlled aluminum firm, has stirred up opposition in Australia with its bid to enlarge its stake in Rio Tinto, an Anglo-Australian mining giant. PetroChina, China’s largest energy company will pay \$1 billion for the 45% stake in Singapore Petroleum held by Keppel Corp, a conglomerate in which Temasek, Singapore’s state investment fund, owns a big shareholding. *The Economist*, “Sino-Trojan horse”, May 29, 2009.

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- ⁴⁷ *Ibidem*.
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- ⁴⁹ The Stanley Foundation, “China and the Southeast Asia”, Policy Bulletin, 44th Strategy for Peace Conference, October 16-18, 2003, Airlie Center, at www.api.stanleyfoundation.org. Accessed at May 2009.
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