PART I

Foreign Policy Approaches to Security Concerns in Asia

Chapter 1

Not So Peaceful: China's Rise and Geopolitics in Asia

Joseph Tse-Hei Lee

Introduction

China today projects economic and political strength to rival that of the United States. Combining the transformative power of market economy and the strength of authoritarian rule, the Communist leadership adapts certain tenets of capitalism such as welcoming foreign investment, deregulating its labor market, and building infrastructure, while maintaining tight control over government, military, public security, and information. As a state-managed economy employing gradualist reforms in a post-communist era, China distinguishes itself as a model of development for other countries to follow. Meanwhile, the U.S. invasion of Afghanistan and Iraq committed American military power to two costly campaigns. The failure of Washington to denuclearize North Korea and Iran destroyed the perception of the United States as being able to control the arms race. Detecting a shift in the balance of power in China's favor, the Communist leadership has advocated a global order built on multilateralism, and formed alliances with many developing countries.

China under Hu Jintao marked itself by the concept of a peaceful rise (*heping jueqi*). Through leadership that was nonthreatening to its neighbors, China asserted that it had risen rather than stood up (*qilai*) in a geostrategic sense. This Chinese term for rise, *jueqi*, likewise contrasts with the perceived decline of the West. Harvard historian Niall Ferguson (2012) calls China an informal imperialist that exercises indirect power through economic dominance and military influence. Hu's vision revealed the new confidence of

Chinese leaders to access energy resources, to reshape international institutions, and to compete with the United States (Mark, 2012, pp. 124–126). Even though China does not possess the infrastructure to be a First World state, it has the ability, resources, and political will to lead the developing world. The last few years, however, witnessed a deterioration of the diplomatic goodwill and reassurance that China had built on its peripheries for decades. When China exercised its newfound power after the 2008 global financial crisis, it aroused new tensions with neighbors.

Most studies on China's rise have focused either on its grand strategy to pursue security for economic growth (Jacques, 2012; Rozman, 2010) or on its challenges to the U.S.-dominated global order (Odgaard, 2007, 2012). Little attention has been paid to the interrelated issues confronting the Communist leadership: how to co-opt the international world for a rising China, how to minimize disagreements with neighbors, and how to advance a Chinese model of development. This chapter addresses these issues by historicizing the evolution of China's geopolitical strategy from the Maoist era (1949–1976) to the present. It examines the Chinese strategic thinking in four spatial settings: Muslim-dominated Central Asia, maritime Southeast Asia, the Korean peninsula, and the Indian subcontinent. The Chinese strategic concerns are comparable in these regions, but the ability to pursue security interests is contingent on many circumstantial factors. This study draws on some snapshots of the North Korean nuclear crisis and the South China Sea sovereignty disputes to discuss the continuities and breakpoints in China's strategic outreach in a multipolar world.

Realpolitik in Chinese Diplomacy

Pragmatism shaped China's diplomacy more than revolutionary idealism. The Maoist era witnessed the country's transformation from a Soviet ally into a champion of the Third World (Lee, 2009). With the inauguration of the People's Republic, China faced diplomatic isolation imposed by the West. The United States, through its military presence in Japan and South Korea, sought to contain Maoist China in Northeast Asia. The Korean War (1950–1953), a Sino-American war fought on Korean soil, turned out to be a successful Chinese response to the military challenge of the West. From 1950 to 1957, China saw itself a protégé of the Soviet Union. In return, Moscow sent technicians to assist China's industrialization. However, after Stalin's death in 1953 and the suppression of the Hungarian Uprising in 1956, ideological differences culminated in the 1960 Sino-Soviet split and the withdrawal of Soviet aid. Without support from the socialist world, China

looked elsewhere for diplomatic recognition. Mao Zedong conceived a coalition of radical forces in the Third World against U.S. imperialism and Soviet revisionism: an alliance made up of the independent African, Asian, and Latin American states. This strategy was encapsulated during the Cultural Revolution by the slogan, "All people of the world unite, to overthrow American imperialism, to overthrow Soviet revisionism, to overthrow the reactionaries of all nations!" (Van Ness, 1993, pp. 203–204).

By positioning China as a Third World country, Mao gained certain global recognition. For Mao the Third World represented tremendous potential, being a place where old political alliances were crumbling and new ones had yet to be formed. In September 1965, Commander of the People's Liberation Army Lin Biao (September 3, 1965, p. 24) announced, "The United States and Western Europe are cities of the world, whereas Asia, Africa, and Latin America are rural areas of the world." In Chinese Communist rhetoric, it was the countryside that encircled the cities and ensured the success of the peasant revolution. When China appealed to the Third World, it invoked anticolonial rhetoric to support local independence struggles. Despite admiration for Maoism, few Third World countries followed China's leadership against the two superpowers. During the Cold War, China was still a middle power, lacking military and economic capacity sufficient to counter either American or Soviet influence.

Deng Xiaoping's reforms after 1978 departed from Maoism. For Deng economic modernization took precedence over revolutionary struggle: no matter whether the cat was black or white, as long as it caught mice it was considered a good cat. Deng's pragmatic policies created the conditions for today's fast-growing economy. First, since its entry into the World Trade Organization in November 2001, China has been integrated into the global economy, attracting foreign capital and expertise to modernize its infrastructure and socioeconomic practices. Second, the state has held profit-making as the criterion for assessing the performance of government officials. The quest for profit pressurizes bureaucrats to implement growth policies locally. Third, reforms have rejuvenated the crumbling economy and reduced China's poverty rate. From a rate over 50% in the Maoist era, poverty in 2011, calculated as an annual income of less than 2,300 yuan or US$361, has fallen to around 10% (Meisner, 1996, pp. 512–513; He, November 30, 2011).

In diplomacy, Deng's principle of lying low and biding time (*taoguang yanghui*) called for normalizing relationship with the capitalist world and diffusing worldwide concerns about the China threat (Chen and Wang, 2011). China supported the U.S.-dominated global order and joined the International Monetary Fund, the World Bank, the World Trade Organization, and the

World Health Organization in order to be treated as an equal. The country sent officials and students to receive training from the West rather than assigning them to serve the Third World. As a result, communism lost its credibility, replaced by nationalism as a new force Deng used to re-appeal to the citizenry. Deng died in 1997 and his successors, Jiang Zemin and Hu Jintao, continued the pro-Western foreign policies.

A dramatic twist took place after the terrorist attacks of September 11, 2001. The War on Terror deepened anti-American sentiment in the Islamic world. Identifying a shift in the global balance of power, China repositioned itself to fill the power vacuum left by the United States and forged closer relations with neighboring countries.

The Shanghai Cooperation Organization as a Eurasian Security Alliance

Both Russia and the United States dictate China's strategy toward Central Asia. China worried about the destabilizing effects of the collapse of communism in Central Asia, where Islamic groups could arouse nationalist sentiment among Muslims in the Xinjiang Uyghur Autonomous Region. As the Chinese geopolitical interest hinged on expanding ties with the independent Central Asian states, a bilateral strategy would curtail terrorism, separatism, and extremism. Against this backdrop, the Shanghai Cooperation Organization (SCO), known as the Shanghai Five (i.e., China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan), was founded on April 26, 1996. Uzbekistan joined in June 2001 (Chung, 2010, pp. 56–57). China has emerged as a winner because it used the SCO to protect Xinjiang against the surge of Islamic fundamentalism and to access energy resources for development.

When the United States exploited the War on Terror to expand into Afghanistan and Central Asia, China and Russia transformed the SCO into a new Eurasian defense alliance. In 2002, China and Kyrgyzstan carried out their first joint military exercise. In 2005, China and Russia launched a high-profile military drill in Russia's Vladivostok. In 2007, all member states launched an anti-terrorism drill near the Ural Mountain city of Chelyabinsk in Russia. The military cooperation coincided with Vladimir Putin's decision to resume regular bomber patrols over the Atlantic, Pacific, and Arctic Oceans. Putin's order responded to the relocation of North Atlantic Treaty Organization (NATO) forces closer to Russia's western frontier as NATO expanded to include the Czech Republic, Hungary, Poland, and the former Soviet republics of Latvia, Lithuania and Estonia. These exercises revealed the determination of China and Russia to deal with conventional and

nonconventional threats, and to discourage Central Asia from turning to the West for security assistance (Chung, 2010, p. 68). However, one should be aware of the divergent interests between China and Russia. On July 17, 2012, the confrontation between the Russian coastguard and two Chinese fishing boats in the Sea of Japan led to a diplomatic incident, and on July 31, Putin pressurized China to back down by contemplating the possibility of inviting the Dalai Lama to visit Russia. In order for the SCO to work, China must manage its peaceful rise without incurring Russian hostility in Central and Northeast Asia.

In addition, the Chinese expansion into Central Asia is driven by the need to reduce its dependence on Middle Eastern oil. As the second largest oil consumer in the world, China has relied on the Persian Gulf for supplying over 50% of its oil. In 2006, the International Energy Agency in the United States estimated that the world's oil demand would increase by 47% from 2003 to 2030, and that China and India would account for 43% of that increase in global oil use (Energy Information Administration, 2006). This raises several logistical problems. First, China only started to establish its strategic oil reserves in 2005. The strategic reserves are expected to be completed by 2020 to provide China with three months' oil supply at the current level of consumption. Before 2020, China is vulnerable to fluctuations in oil prices caused by crises in the Middle East. Second, China does not have a strong navy to protect its oil tankers sailing through the Indian Ocean and the Straits of Malacca. China still depends on the United States to protect these ocean lanes. Beijing worries that Washington could disrupt seaborne oil imports into China during military confrontations over Taiwan or sovereignty disputes in the South China Sea (Chen, 2010).

Given its dependence on Middle Eastern oil, the only feasible strategy for China is to get along with the United States, which controls access to the Persian Gulf. In this regard, the oil and natural gas fields in Central Asia provide an attractive source of energy to fuel China's economy. The newly constructed Kazakhstan–China oil pipeline and Turkmenistan–China gas pipeline are called the "Silk Road for oil" (Liao, 2006). In 2005, the state-owned China National Petroleum Corporation took over Petro-Kazakhstan, and this enabled Beijing to control the second largest oil company in Kazakhstan. These energy development projects have integrated the Central Asian economy into China.

The Chinese expansion into Central Asia has influenced the economy in Xinjiang, a Muslim-majority region along the old Silk Road. In Kashgar, a city close to the border with Pakistan, car-owners and bus drivers use natural gas instead of petroleum. There are many natural gas stations along the highways.

The widespread use of the natural gas reveals a strong determination on China's part to diversify its energy supply system.

The linkages between China and Central Asia are shown in the daily life of ordinary people in Xinjiang. Urumqi, the regional capital, is crowded with Russian, Central Asian, Persian, Afghani, and Pakistani merchants. Beijing has used its Muslim frontier to reach out to Islamic communities in Eurasia. The Xinjiang Networking Transmission Limited, which runs the Urumqi People's Broadcasting Station and the Xinjiang People's Broadcasting Station, and which broadcasts in the Mandarin Chinese, Uyghur, Kazak and Mongolian languages, has begun English broadcasting programs for Pakistan, Afghanistan, and Central Asia. China is keen to counter the spread of liberal values from the West, and to portray itself as a land of opportunity for young Muslims in the region. Furthermore, the Overseas Chinese Affairs Office of China's State Council conducted detailed surveys of the Han and Uyghur migrants in Central Asia and Russia's Far East, and the Chinese embassies often interfered in business disputes on behalf of these migrants. Li Lifan (2013) of the Shanghai Academy of Social Sciences advises Beijing to use the migrants as a smokescreen to advance national security interests. Whatever China is doing in Central Asia involves a combination of strategic and economic concerns.

Maritime Security in Southeast Asia

The Chinese pursuit of maritime security in Southeast Asia is less flexible than its expansion into Central Asia. China has actively undermined American regional influence. After joining the Asia-Pacific Economic Cooperation (APEC) in 1991, China used the forum to strengthen ties with maritime neighbors. Seeing the United States trapped in the wars in Afghanistan and Iraq, China appealed to Southeast Asia by endorsing multilateral structures, promoting free trade, and initiating security arrangements. In 2005, China encouraged the formation of the East Asian Community. Initially, China wanted to create a forum called "ASEAN plus Three" to improve trading relations between all 10 member states of the Association for Southeast Asian Nations (ASEAN) (i.e., Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and the three East Asian countries of China, Japan, and South Korea. However, Japan and other states protested and pushed China to accept the "ASEAN plus Six", a larger alliance composed of Southeast Asia, China, Japan, South Korea, India, Australia, and New Zealand. The East Asian Community was designed to build a Chinese model of economic integration, and from which Beijing could exclude the United States. Taiwan was another economy that was

excluded, but Beijing offered Taiwanese merchants tax exemptions for exporting agricultural products to the Mainland. This development was reminiscent of the Chinese tributary system which had dominated the South China Sea before the age of Western imperialism. It remains unclear whether the current development would lay the foundations for a China-centered economic union, and whether the Mainland market would lose its appeal in time of financial slowdown.

Besides economic ties, the Chinese model of top-down internet governance appeals to Southeast Asia. According to Sidney Y. Liu (2012), many Southeast Asian leaders adhered to the Chinese vision of the cyberspace as both an economic frontier to exploit and a political space to restrain. They turned to China to duplicate a wide range of surveillance technologies. Vietnam developed an internet firewall similar to China's Great Firewall to block sensitive online information, and Malaysia installed a Chinese-style Green Dam system. The security officials from Thailand, Cambodia, and Myanmar received training from China in internet control tactics. Meanwhile China doubled up the efforts to integrate all regional telecommunication networks. The most remarkable scheme was the Great Mekong Subregion Information Superhighway, launched in 2004 to construct a unified telecom network from Southwest China to Myanmar, Thailand, Laos, Cambodia, and Vietnam. Composed of three major telecom routes, the first one stretched from China's Nanning through Vietnam, from Hanoi in the north to Ho Chi Minh City in the south, with parts of the cable reaching Laos and Cambodia. The second route expanded from the Chinese city of Kunming to Vientiane in Laos and Bangkok in Thailand. The third one connected Dali in China with Yangon in Myanmar. Completion of this expensive and visible telecommunication infrastructure made China a reliable ally for these countries than either the European Union or the United States.

The Chinese concessive approach to economic matters differed from its maritime military build-up. Till recently, China had limited naval power to control strategic waterways in the South China Sea. As China started to build a blue-water navy, it regarded maritime Asia as an open frontier and saw no limit to project its power (Jacques, 2012, p. 374). The recent maritime sovereignty disputes aroused the suspicion of Southeast Asia toward China. These conflicts were part of an ongoing territorial dispute in the South China Sea. China proclaims to have sovereignty control over the entire maritime region, but Vietnam, Taiwan, Malaysia, Indonesia, Brunei, and the Philippines also claim to rule some of the resource-rich islands. The Sino-Vietnamese naval battle in 1988 demonstrated the determination of China to militarize its maritime frontier. Since 2010, there have been new anxieties among

littoral nations like the Philippines and Vietnam when China proclaimed the whole South China Sea to be an area of its "core concern" (Bhattacharya, 2011, p. 859). At the ASEAN Regional Forum in Hanoi in July 2010, Secretary of State Hillary Rodham Clinton proposed a multilateral framework to resolve maritime sovereignty disputes, and rejected bilateral talks that would only favor China. Fear of being marginalized, China condemned the ASEAN for providing Clinton a platform, and in so bullying Southeast Asia, China undercut decade-long diplomatic reassurances and confidence-building efforts.

In 2012, China started to prepare for conflicts on two maritime fronts: in the South China Sea with Vietnam over three island groups (i.e., the Spratlys, the Paracels, and Macclesfield Bank) and with the Philippines near the disputed Scarborough Shoal or Scarborough Reef (Huangyan Island), and in the East China Sea with Japan over the uninhabited Senkaku Islands (Diaoyu Islands). All the states refused to compromise. China succeeded in using Cambodia and Laos to out-maneuverer the claimant countries of the ASEAN and to contain the Vietnamese and Philippine protests. This manipulative tactic was based on the premises that the United States had little clout to keep the ASEAN intact, and that the ASEAN lacked a political will to confront China. Keen to consolidate his own power, China's new leader Xi Jinping dismissed any initiatives that would weaken Chinese sovereignty claims over the disputed territories. In January 2013, Chinese coastguards set out to intercept foreign ships entering the South China Sea, including islands claimed by Vietnam and the Philippines. Vietnam refused to back down because of domestic protests against territorial concessions with China (Clayton, August 24, 2012). In the Philippines, Benigno Aquino, Jr., adopted a tougher stance on sovereignty issues than his predecessor Gloria Macapagal-Arroyo, who he condemned as appeasing Chinese aggression. Such development highlights an institutional problem: no governance structure exists under the international law to deal with these overlapping claims to maritime territories, and to contain Chinese military power in this strategic area (Odgaard, 2002, pp. 59–106).

Detecting the rising discontent over Chinese offshore power projection, the United States supported the ASEAN to deal with China through multilateral negotiations, and clarified the status of the South China Sea as a maritime commons, a transportation corridor for all countries. Washington backed its rhetoric with actions that included conducting joint military drills with Japan and the Philippines to deter potential Chinese attacks, and expanding mutual defense assistance with Japan and South Korea (Armitage

and Nye, Jr., August 2012). The Obama administration deployed an advanced missile-defense system in Japan and permitted South Korea to launch long-range ballistic missiles (Shanker *et al.*, September 18, 2012, p. A8; Choe, October 8, 2012, p. A6). In preparation for widening its influence, the United States strengthened the military capacities of the Philippines, Thailand, Indonesia, and Singapore, and connected the maritime disputes with its anti-terrorist campaign against the Muslim rebels within these countries (Glassman, 2007). While Washington has reassured the ASEAN of the U.S. presence *vis-à-vis* China, its response to a rising China seems moderate. The concern for stable Sino-American relations always takes precedence over the impulse to confrontation.

Nevertheless, the costs of the Chinese naval power projection outweighed the benefits. The aggressive actions taken by Beijing jeopardized its relations with Southeast Asia. In September 2012, Prime Minister Lee Hsien-Loong of Singapore warned China not to dismiss the United States as a declining power, and urged Chinese leaders to resolve the sovereignty disputes through the ASEAN (Perlez, September 7, 2012, p. A12). Worse still, there was little coordination among different Chinese ministerial agencies in handling maritime crises. The Ministry of Foreign Affairs and the People's Liberation Army lacked adequate maritime knowledge and expertise. When the Ministry of Fisheries sent its huge surveillance boats to patrol the disputed territories, the Southeast Asian governments mistook these vessels as regular naval ships, threatening regional stability and risking an arms race. The absence of interagency coordination in maritime affairs made it difficult for Chinese leaders to assess the complexity of maritime disputes and to prevent them from escalating into diplomatic incidents. For example, China began sea trials in 2011 for its first aircraft carrier, a modified version of a Soviet vessel, and planned to build more carriers to patrol the East China and South China Seas. On July 25, 2012, China surprised the world by building a garrison of 1,200 soldiers and creating the Sansha municipality on a disputed island of 2.13 km^2 (0.82 square miles) in the Paracels, known as Xisha in the Chinese official literature (Stearns, July 27, 2012). China has utilized this offshore base to patrol major waterways claimed by Vietnam and the Philippines, demonstrating its willingness to use force to defend the maritime frontier. But the tiny garrison is vulnerable to attacks by other nations because the closest Chinese territory is Hainan province, about 350 km (217.48 miles) away. The South China Sea sovereignty disputes have sharpened the irreconcilable differences between China and Southeast Asia over control of maritime space, and the crises may prompt Southeast Asia to side with the United States against China.

China and the North Korean Nuclear Crisis

As the North Korean nuclear crisis evolves, China has played a proactive role in the six-party nuclear talks. China supports North Korea because of the necessity to defend its frontier from the U.S. forces in South Korea and Japan. China is determined to reduce U.S. hostility toward Pyongyang and marginalize American influence in Northeast Asia. On October 9, 2006, North Korea conducted its first nuclear test which undermined the American strategic position in Northeast Asia. The test proved the capacity of North Korea to produce nuclear weapons. The key issue for the Bush administration was how to contain a nuclear North Korea (Sanger, October 10, 2006a, pp. A1, A6). On the following day, Secretary of State Condoleezza Rice asserted that the United States had no intention to attack North Korea, but threatened Pyongyang with sanctions if North Korea shared its nuclear knowledge with anyone else. Nevertheless, the Bush administration insisted on multilateral six-party nuclear talks to avoid direct negotiation with the North. On October 14, 2006, the U.N. Security Council adopted Resolution 1718, which imposed sanctions on North Korea. The Resolution urged all countries concerned "to intensify their diplomatic efforts, to refrain from any actions that might aggravate tension and to facilitate the early resumption of the Six-Party talks" (The United Nations Security Council, October 14, 2006). The Resolution was worded in such a way as to open the door for the next round of six-party nuclear talks.

At the same time, China and South Korea ignored the Resolution and continued their economic exchanges with North Korea. When North Korea's U.N. ambassador, Oak Gil-yon, accused the Security Council of being "gangster-like" for passing the Resolution and warned that Pyongyang would consider any pressure from the United States as a "declaration of war", Beijing pressurized Pyongyang not to conduct a second nuclear test. China also tightened cargo inspections at the border city of Dandong and ordered local banks to freeze money transfers to North Korea. It was rumored that China might cut its low-cost oil supplies through a cross-border pipeline which provide over 80% of North Korea's energy (Watts, October 20, 2006). What China did was to bring the North Koreans and Americans to the negotiation table. The Chinese intervention prevented the escalation of tensions and provided the United States with a face-saving opportunity to extricate itself from a nuclear crisis. On October 31, 2006, China announced the six-party nuclear talks to be resumed.

The immediate reactions from the United States and China to North Korea's nuclear test had significant geopolitical implications. The United

States tested the level of tolerance of China, South Korea, Japan, and Russia toward the use of force against North Korean nuclear facilities. But trapped in the wars with Afghanistan and Iraq, the United States was incapable of attacking the North. As David E. Sanger (October 15, 2006b, p. A4) points out, "It is hard to remember a moment when the world's sole superpower seemed less positioned to manage a fractured world. It is not only that American hard power is tied up in Baghdad and Kabul; Mr. Bush has acknowledged that soft power (i.e., the ability to lead because you are admired) is suffering too." When the United States recognized its own vulnerability, it turned to China for help.

The continuation of the six-party nuclear talks in late 2006 and 2007 led to the North Korean agreement to disable its nuclear facilities in exchange for 950,000 metric tons of fuel oil in aid (Cooper, October 4, 2007). At the inter-Korean summit meeting in Pyongyang on October 4, 2007, South Korean president Roh Moo-hyun and the North's leader Kim Jong-il agreed to work toward signing a formal peace treaty to end the Korean War. This was a significant concession by the North. For decades, the North had asserted that South Korea would not be involved in any peace negotiations because only North Korea, China, and the United States signed the 1953 armistice. Evidently, China has not only mediated between the United States and North Korea in the six-party nuclear talks, but also facilitated the inter-Korean summit meeting in October 2007.

The Chinese position was to prevent any confrontation in Northeast Asia and urge the United States to negotiate directly with North Korea. Since the collapse of the Soviet Union, China tried to replace the Cold War structure with a new international order. The Sino-American relationship today is shaped by the North Korean nuclear crisis and the Taiwan Question. In a trade-off, China did not oppose the U.S. invasion of Afghanistan and Iraq, while urging the United States to reduce its support for Taiwanese military. To gain Chinese support, the United States postponed the sale of arms to Taiwan (Pomfret, February 25, 2003). Therefore, the involvement of China in North Korea was both a defense against any regime change in Northeast Asia and a response to the Sino-American dispute over Taiwan.

As North Korea recognized the difficulty of using force to unify the divided nation, its strategic objectives have shifted "from ambitious, aggressive, and hostile ones in the 1960s to more defensive ones in the 1990s onwards" (Michishita, 2010, p. 1). Pyongyang is more concerned about regime survival than reunification. In addition to the nuclear weapons program, the North Korean leaders manufactured several military incidents to

put pressure on the United States, South Korea, and Japan. On April 5, 2009, North Korea launched a long-range rocket but it was a failure. On April 14, North Korea withdrew from the six-party nuclear talks and on May 25, it tested a nuclear weapon to withstand international pressures. It was through China's intervention in early October that North Korea returned to the negotiation (Moore, 2012).

Unfortunately China failed to have North Korea suspend its nuclear weapons program in exchange for aid. The last two years saw a dramatic decline of Chinese influence in North Korea. During mounting military conflicts on the Korean peninsula in 2010, China refused to criticize North Korea's belligerent behaviors towards the South. The North sank a South Korean corvette in March 2010, killing 46 sailors. It also fired artillery shells on Yeonpyeong Island in November, killing four people and marking the first direct attack on the South since the end of the Korean War in 1953 (Naoko, March/April 2012). The Chinese non-cooperation alienated the United States, South Korea, and Japan. The United States urged South Korea and Japan to form an alliance for mutual protection. With or without China, the United States stepped in to maintain the balance of power in Northeast Asia. The collision between a Chinese fishing boat and the Japanese coastguard in summer 2010 reinforced this image of an uncooperative China. Even though Japan backed down against strong domestic pressure, China suspended the supply of rare earth. As a result, many public opinion polls in South Korea and Japan regarded China as a serious threat to regional security.

Following the death of Kim Jong-il on December 17, 2011, his 29-year-old son Kim Jong-un took over the North Korean leadership. During the previous six-party talks and the U.S.–North Korea bilateral dialogues, the Obama administration sought to denuclearize the North through a combination of political pressure and economic incentives (Ahn, 2011). North Korea agreed in February 2012 to end all nuclear-related programs in exchange for food aid from the United States. A month later, however, the announcement of a North Korean satellite launch undermined the agreement. The new leader Kim Jong-un went ahead with satellite launches in April and December 2012, respectively. The regime resorted to military adventurism in order to legitimate the inexperienced third Kim (Sanger and Broad, December 13, 2012, p. A15). Although the first satellite rocket failed to enter its pre-set orbit, the United States condemned the act and suspended the food aid program to North Korea. The short-lived dialogue between Washington and Pyongyang ended. Tensions worsened after North Korea conducted the third nuclear test on February 12, 2013 and threatened to attack U.S. military bases in Northeast Asia.

The recent North Korean nuclear crisis has major implications for the Sino-American encounters. First, the United States bypassed China in the six-party nuclear talks to pursue bilateral negotiation with North Korea. Even though Kim Jong-un launched the satellite rockets and declared North Korea to be a nuclear state in a constitutional revision, Washington never ruled out the reassurance of regime survival and economic aid in exchange for the North's denuclearization. Second, China misjudged the international situation and overestimated its ability to use the six-party nuclear talks to undermine the U.S. leadership. The initial confidence of Hu Jintao was based on China's new economic strength as the biggest buyer of U.S. Treasury bounds, the largest trading partner with the United States and Japan, and the seemingly least affected country in the 2008 financial crisis. But making other countries financially dependent differed from the art of winning trust and exercising leadership. The refusal of China to criticize North Korean attacks on the South revealed the remnants of the Cold War thinking and the insensitivity towards the Korean and Japanese concerns for peace. When China alienated many of its neighbors, the diplomatic reassurance of the Dengist era disappeared. Instead of using North Korea to counter the United States, China has yet to prove itself a neutral powerbroker in Northeast Asia (Rozman, 2010, pp. 38–44).

The Chinese Containment of India

Chinese diplomatic relationship with India is problematic. The Sino-Indian encounter has witnessed a change from rivalry to collaboration. With the exception of the early 1950s, Sino-Indian relations were characterized by border conflicts, regional rivalries, and strategic, military and economic competition. Sino-Indian border conflicts resulted from the rejection by Beijing of the British-drawn McMahon Line of 1913–1914 separating India and Tibet, the flight of the Dalai Lama to India after the 1959 Tibetan Uprising, as well as the dispute following the 1962 border war in which China seized 38,000 km^2 (14,670 square miles) of Indian territory in Aksai Chin, and another 5,180 km^2 (2,000 square miles) of northern Kashmir that Pakistan ceded to Beijing under a 1963 pact.

China sought to avoid confronting a powerful India south of the Himalayas. Beijing was concerned when India permitted the creation of the Dalai Lama's exiled government in Dharamsala. It responded by supporting Pakistan in the 1965 Indo-Pakistani War (Garver, 2002). The wider Cold War conflict further complicated the Sino-Indian relations as shown by the Soviet alliance with India and the U.S. support for China from the 1970s

onwards. Despite the gradual Sino-Indian rapprochement after the visit of Indian Prime Minister Rajiv Gandhi to Beijing in 1988, China refused to sacrifice its strategic partnership with Pakistan. This two-front threat — Pakistan to the west and China to the north and northeast — gave rise to Indian leaders' worries about China's containment policy.

Two security issues have shaped the latest development of Sino-Indian relations. One issue has to do with China's concern about the spread of Islamic extremism from Central Asia to Xinjiang. An unstable Pakistan threatens the security of Chinese western frontier. In May 2009, several identifiable groups with al-Qaeda links attacked Chinese investors and workers in Pakistan. Seeing the escalating instability in Pakistan, China worried about a political void left by the U.S. military withdrawal and the use of Pakistan as a training ground for Islamic militants in Xinjiang (Smith, 2011). Another issue concerns the Chinese naval expansion into the Indian Ocean and Arabian Sea. To protect its lines of communication across the Indian and Pacific Oceans, China has constructed new ports, maritime communications, and overland transport routes in Pakistan and Myanmar, respectively. In December 2011, China announced to build an anti-piracy base in the Seychelles. These efforts were designed to strengthen Pakistan against India (Vines, 2012).

Indian policymakers always view China as an interloper in South Asia, an external power that challenges India's natural sphere of influence. With the end of the Cold War, the United States has become a new force that affects the regional balance of power. As a rising power, China perceives South Asia as a legitimate area for flexing its muscles against India and the United States. In response to this Chinese encirclement, India has pursued security relations with Vietnam, Japan, and Taiwan. Evidently, Beijing and New Delhi have adopted defensive security measures to compete with each other in the wider Asian region (Malik, 2001).

Domestic Discontents and Governance Crises

Over the last decade, Hu Jintao's vision for China proved ambitious: recasting China as a responsible international player and emphasizing consensus-building and multilateralism in dispute resolution. In choosing pragmatism over ideology, China's leaders opened themselves to negotiate and compromise with any government. Before Aung San Suu Kyi was freed from house arrest in November 2010, Chinese officials met with Burmese opposition leaders in Beijing for talks on future collaboration. Shortly after Arab Spring swept through the Middle East and North Africa, China negotiated with revolutionary leaders in Tunisia, Egypt, Libya, and Syria for deepening

economic ties. Aware of the vulnerability of its overseas strategic interests and investments in the event of a collapse of the government, China has worked to balance the interests of all factions. As with his predecessors, Xi Jinping continues to exploit foreign affairs to foster internal stability and economic development, but he has yet to overcome four institutional limitations.

First, China's rise to power is not so peaceful at all. Its pursuit of peaceful rise is fraught with paradoxes, and has destabilized domestic politics. As Beijing failed to resolve maritime sovereignty disputes with neighbors through negotiation, many netizens organized protests to express their nationalist sentiments and destroyed foreign factories in China. The waves of nationalism have swept across the country with the public outcry for sanctions against foreign countries and the hostile remarks by commanders of the People's Liberation Army. The widespread "China can say No" attitude has prevented the Chinese leaders from embracing new diplomatic initiatives to solve the disputes.

Second, hostility toward liberal intellectuals, critical journalists, and ethnic minorities continues in present-day China. Imprisonment of Nobel Peace Prize laureate Liu Xiaobo, persecution of Tibetan Buddhists, and forced exile of dissidents show that the state has tightened its grip upon the citizenry despite its rhetoric of tolerance and compassion. In Chongqing municipality until recently, Bo Xilai, son of revolutionary hero Bo Yibo, gained much attention employing Maoist rhetoric and state-sponsored welfare projects for political gain. With the downfall of Bo Xilai, the Communist leadership has demonstrated its awkwardness in resolving the contradictions of both Maoist past and reformist present. Displays of assertiveness and confidence occur, moreover, with rising discontents that inhibit real self-assertiveness. Since the 2008 financial crisis, Chinese leaders have recognized the need to transform its export-led economy into one driven by domestic consumption. Nevertheless, the dramatic political crisis in the wake of the fall of Bo Xilai and the leadership succession in late 2012 discouraged any ambitious leaders from addressing these structural problems and experimenting liberal reforms.

Third, the reality of an economic slowdown in China suggests that while state-led capitalism has run its course, the Chinese Communist Party cannot appeal to its neighbors with material incentives. According to Carl E. Walter and Fraser J. T. Howie (2011), the state refused to transfer power to entrepreneurs and financial professionals, while ruling elites mainly used state-run commercial banks to drive growth that covered up nonperforming debts and distorted the value of bank assets. Whereas sustainable growth required China's consumers to buy more local products, urging a massive transfer of wealth to the citizenry in order to do so, the state did the opposite by

increasing spending on fixed investment. The injection of stimulus money into state-owned enterprises and large infrastructure projects was not sustainable. Since late 2011, many private enterprises have been bankrupt because they lacked the connections to secure bank loans that could resolve their cash flow problems. Whether or not China postpones a crisis for the time being, the days of being perceived as the world's economic miracle are numbered.

Finally, market liberalization is a double-edged sword. The rapidity with which the state has achieved growth has created tensions and conflicts at all levels. Extremely efficient and highly urban, China's development has yielded growth rates above those of most developed nations. But its new wealth is unevenly distributed, its labor market ruthless, and its living environment Dickensian. As popular protest becomes a prominent mode of political participation, the danger of ineffective governance is from within. As many as 180,000 strikes, demonstrations, and protests were reported in 2010; an average of 493 incidents per day. This official figure indicates a dramatic increase from the 90,000 incidents documented in 2006 and fewer than 9,000 in the mid-1990s (Sun, 2007). Even when successful in localizing these grievances, preventing them from spreading through nationwide networks and allying with rival factions in the Communist Party as happened in spring 1989, top leaders' freedom of action has been foiled by uncooperative, middle-ranking officials. In a recent rights-defense campaign (*weiquan huodong*) in Wukan, a fishing village outside Shanwei municipality in the Chaozhou-speaking region of Guangdong province, municipal and provincial authorities were assigned to negotiate with protestors. But they did nothing to coordinate with official actions. When Shanwei Municipal Party Secretary Zheng Yanxiong addressed Wukan villagers, he dismissed allegations of official corruption and forced land seizures. His remarks, broadcast live on TV, outraged the public. In the end, the government compromised with demonstrators, permitting Wukan villagers to elect their protest leaders as heads of the village committee (Wines, March 4, 2012, p. A8). After watching events like the one in Wukan, many Chinese elsewhere become politicized, ready to defend civil society against the state. The fear of instability has prompted the top leadership to concentrate on stability maintenance rather than external power projection.

Conclusion

The strategic goals of China in the early 21st century pertain to security reassurance, access to energy resources, and national image building. China has proved more capable of expanding into Eurasia through the multilateral SCO

than asserting effective control over the South China Sea. It has contained the rise of India in South Asia and exerted certain influence over North Korea. The regional variations of Chinese strategic outreach reject simple categorization and yield different policy outcomes. As China stands at the crossroads in dealing with new security challenges, it is important to examine four spatial dimensions of its strategic thinking and practices — the Central Asia, the South China Sea, the Korean peninsula, and the Indian subcontinent. Only by doing so can we appreciate the complexities of continental and maritime security and capture a sense of pragmatism among the Chinese leaders.

Two distinctive elements can be discerned from these cases. First, China has shifted the efforts from forging alliance with the Third World to competing with the United States across Asia. Given the long history of diplomatic isolation under Mao Zedong, China has embraced multilateral organizations and cooperated with regional states to mitigate conflicts. Far from creating a hegemonic control over its continental and maritime peripheries, China has integrated Central Asia, South Asia, and Northeast Asia into an emerging regional order in line with its strategic agendas. Whenever China shared clearer political and economic objectives with regional states, it could achieve favorable policy outcomes. The best example is the SCO in which China and Russia worked together to fight Islamic extremism and to counter the United States in Central Asia. But in the APEC, China shared fewer strategic interests with Southeast Asia and had great difficulty in limiting the U.S. influence in the Asia-Pacific waters. Second, China has recognized the high costs of undercutting old diplomatic reassurances among its neighbors. When the Obama administration condemned North Koreans for their provocative attacks on the South in 2010, China refrained from criticizing the North. The United States bypassed China and offered an alternative solution by urging South Korea and Japan to form a joint security alliance. Similarly, during the latest East China and South China Sea sovereignty disputes, the United States pressurized China to negotiate with Japan and Southeast Asia. If China wants to retain some room for maneuverer, it must devise a viable mechanism for dealing with North Korea and resolving maritime conflicts.

Faced with the concern about China's threat to regional stability, Dai Bingguo of the State Council announced that China had no intention to challenge the U.S.-dominated international system. This rhetoric has little appeal among regional governments. China today has to confront many negative attributes of globalization. Unprecedented growth gave China a temporary reprieve but the national economy has slowed down and the state has yet to offer a sustainable developmental strategy. In order to reset the global agenda when the opportunity arises, China must rebuild trust with

neighbors, formulate innovative mechanisms for dispute resolution, and develop interagency bodies for handling maritime and domestic security. Otherwise, it may miss the opportunity to get on the right track with other states and devolve into serious diplomatic rifts.

References

Ahn, MS (2011). What is the root cause of the North Korean nuclear programs? *Asian Affairs: An American Review*, 38, 175–182.

Armitage, RL and JS Nye, Jr. (2012). *The U.S.–Japan Alliance: Anchoring Stability in Asia*. Washington, DC.: Center for Strategic and International Studies.

Bhattacharya, P (2011). Back to the future: Changes among Chinese mandarins. *World Focus*, 383–384, 855–860.

Chen, D and J Wang (2011). Lying low no more? China's new thinking on the *Tao Guang Yang Hui* Strategy. *China: An International Journal*, 9(2), 195–216.

Chen, S (2010). China's self-extrication from 'Malacca Dilemma' and implications. *International Journal of China Studies*, 1(1), 1–24.

Choe, SH (2012). U.S. allows South Korea to extend range of missiles. *The New York Times*, 8 October, p. A6.

Chung, CP (2010). *China's Multilateral Cooperation in Asia and the Pacific: Institutionalizing Beijing's "Good Neighbour Policy"*. New York: Routledge.

Clayton, M (2012). Uncomfortable truths: Breaking the impasse in the South China Sea. *Asia Pacific Bulletin*, 178, 24 August. Available at http://www.eastwestcenter.org/sites/default/files/private/apb178_0.pdf [accessed on 24 August 2012].

Cooper, H (2007). North Koreans agreed to disable nuclear facilities. *The New York Times*, 4 October. Available at http://www.nytimes.com/2007/10/04/world/asia/04diplo.html?_r=1&ref=asia&oref=slogin [accessed on 23 May 2012].

Energy Information Administration (2006). *International Energy Outlook 2006*. Washington, DC.: Energy Information Administration. Available at http://www.eia.doe.gov/oiaf/ieo/oil.html [accessed on 23 May 2012].

Ferguson, N (2012). The interview: Niall Ferguson. *The World Today*, 68(1), 16–18.

Garver, JW (2002). The security dilemma in Sino-Indian relations. *Indian Review*, 1(4), 1–38.

Glassman, J (2007). Imperialism imposed and invited: The 'War on Terror' comes to Southeast Asia. In D Gregory and A Pred (eds.), *Violent Geographies: Fear, Terror, and Political Violence*, pp. 93–109. New York: Routledge.

He, D (2011). China takes a tough line on poverty. *The China Daily*, 30 November. Available at http://www.chinadaily.com.cn/china/2011-11/30/content_14184665.htm [accessed on 20 April 2011].

Jacques, M (2012). *When China Rules the World: The End of the Western World and the Birth of a New Global Order*. New York: Penguin.

Lee, JTH (2009). Zhongguo de disan shijie zhengce yu diyuan zhengzhi celue [The geopolitics of China's third world policy]. *Xianggang shehui kexue xuebo* [*Hong Kong Journal of Social Sciences*], 36, 139–161.

Li, L (2013). The SCO and how Chinese Foreign policy works: The global influence of its Central Asia policy. In M Fredholm (ed.), *The Shanghai Cooperation Organization and*

Eurasian Geopolitics: New Directions, Perspectives, and Challenges, pp. 152–161. Copenhagen, Denmark: Nordic Institute of Asian Studies.

Liao, JX (2006). A silk road for oil: Sino-Kazakh energy diplomacy. *The Brown Journal of World Affairs,* 12(2), 39–52.

Lin, B (1965). Long live the victory of people's war! *Peking Review*, 3 September, 9–30.

Liu, SY (2012). Harmonious online society: The China model in the information age. In JT-H Lee, LV Nedilsky and S-K Cheung (eds.), *China's Rise to Power: Conceptions of State Governance*, pp. 91–110. New York: Palgrave Macmillan.

Malik, JM (2001). South Asia in China's foreign relations. *Pacifica Review*, 13(1), 73–90.

Mark, CK (2012). *China and the World since 1945: An International History*. New York: Routledge.

Meisner, M (1996). *The Deng Xiaoping Era: An Inquiry into the Fate of Chinese Socialism, 1978–1994*. New York: Hill and Wang.

Michishita, N (2010). *North Korea's Military-Diplomatic Campaigns, 1966–2008*. New York: Routledge.

Moore, C (2012). Foreign policy and the six-party talks: The effects of regime type and state vulnerability. Ph.D. Dissertation, University of California, Irvine.

Naoko, A (2012). North Korea's third Kim. *World Affairs: A Journal of Ideas and Debate*, March/April, 15–20.

Odgaard, L (2002). *Maritime Security between China and Southeast Asia: Conflict and Cooperation in the Making of Regional Order*. Aldershot, UK: Ashgate.

Odgaard, L (2007). *The Balance of Power in Asia-Pacific Security: US–China Policies on Regional Order*. New York: Routledge.

Odgaard, L (2012). *China and Coexistence: Beijing's National Security Strategy for the Twenty-first Century*. Baltimore, MD: John Hopkins University Press.

Perlez, J (2012). Singaporean tells China U.S. is not in decline. *The New York Times*, 7 September, p. A12.

Pomfret, J (2003). Beijing is cool to Powell's pleas: Secretary sought more support for U.S. on North Korea, Iraq. *The Washington Post*, 25 February. Available at http://www.taiwansecurity.org/WP/2003/WP-022503.htm [accessed on 11 November 2007].

Rozman, G (2010). *Chinese Strategic Thought Toward Asia*. New York: Palgrave Macmillan.

Sanger, DE (2006a). Bush rebukes North Korea; US seeks New UN sanctions. *The New York Times*, 10 October, pp. A1, A6.

Sanger, DE (2006b). The lone superpower that couldn't. *The New York Times*, 15 October, pp. A1, A4.

Sanger, DE and WJ Broad (2012). After rocket launching, call for new sanctions. *The New York Times*, 13 December, p. A15.

Shanker, T, W Hoge and I Johnson (2012). U.S. accord with Japan over missile defence draws criticism in China. *The New York Times*, 18 September, p. A8.

Smith, PJ (2011). The China–Pakistan–United States strategic triangle: From cold war to the 'war on terrorism'. *Asian Affairs: An American Review*, 38, 197–220.

Stearns, S (2012). New Chinese base raises tensions in South China Sea. *Voice of America*, 27 July. Available at http://www.voanews.com/content/new-chinese-base-raises-tensions-in-disputed-south-china-sea/1447676.html [accessed on 1 August 2012].

Sun, L (2007). *Shouwei dixian: Zhuanxing shehui shenghuo de jichu zhixu* [*Minimal Responsibility: Basic Order of Social Life in Transitional Chinese Society*]. Beijing: Shehui kexue wenxian chubanshe.

The United Nations Security Council (2006). Resolution 1718: Non-proliferation/Democratic People's Republic of Korea. 14 October. Available at http://www.un.org/Docs/sc/unsc_resolutions06.htm [accessed on 11 November 2007].

Van Ness, P (1993). China as a third world state: Foreign policy and official national identity. In L Dittmer and SS Kim (eds.), *China's Quest for National Identity*, pp. 194–214. Ithaca, NY: Cornell University Press.

Vines, A (2012). India: Mesmerized by Chinese string of pearl's theory. *The World Today*, 68(1), 33–34.

Walter, CE and FTJ Howie (2011). *Red Capitalism: The Fragile Financial Foundation of China's Extraordinary Rise*. Singapore: John Wiley and Sons.

Watts, J (2006). North Korea backs down after Chinese pressure. *The Guardian*, 20 October. Available at http://www.guardian.co.uk/china/story/0,,1927638,00.html [accessed on 1 May 2013].

Wines, M (2012). Protest success unlikely to spur change in China: Village takes on fake democracy. *The New York Times*, 4 March, p. A8.