

«(...) This volume contains many in-depth and well documented assessment that are often theoretically informed. They will be welcomed by other specialists in the field as well as by a wide range of students, journalists, business people, government officials and other interested readers endeavoring to come to better understandings about key regional trends.

This book makes no pretense of answering all the many questions that surround the ongoing debates about developments in East Asia. Rather, it provides portals through which readers can enter and come to a much deeper and clearer understanding about salient trends and issues.

«(...) In sum, the reader is encouraged to explore the assessments in this valuable volume with an open mind. The findings here allow for careful and balanced consideration of leading aspects of contemporary East Asia.»

Professor Robert Sutter, School of Foreign Service at Georgetown University (from this book's Preface)

«We cannot be successful today in any political or entrepreneurial activity worldwide if we do not properly understand the dynamics, capabilities and contradictions of East Asia, a region whose importance has grown tremendously in the last 30 years. Though this book does not provide solutions, it presents the different scenarios and opens new perspectives for those who take an interest in this subject. It is indeed an excellent collective research project on contemporary East Asia of utmost relevance.»

General Garcia Leandro, University Professor and Former Macao's Governor

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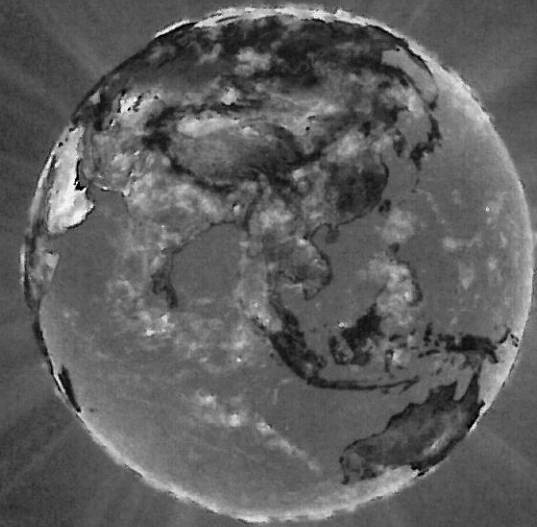
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Preface by ROBERT SUTTER

FÁTIMA AZEVEDO ALEXANDRE CARRIÇO MARIA RAQUEL FREIRE CARLOS
GASPAR DIANA SANTIAGO DE MAGALHÃES NUNO SANTIAGO DE MAGALHÃES
CARMEN AMADO MENDES NUNO CANAS MENDES HENRIQUE MORAIS MIGUEL
SANTOS NEVES RUI PAIVA RUI P. PEREIRA JOSÉ FÉLIX RIBEIRO HEITOR BARRAS
ROMANA ANTÓNIO EMÍLIO SACCHETTI JORGETAVARES DA SILVA RUI TRINDADE

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Preface

Robert Sutter

East Asia attracts growing interest in the West. The region is the world’s hotbed of economic growth, led by burgeoning China aided by more advanced Asian economies investing heavily in manufacturing and trading networks involving China. Western entrepreneurs clamor to join the China wave.

Though the West is focused more on security problems in the Middle East and the broader war on terrorism, East Asia looms large in western and international security calculations on account of the on-going crisis caused by North Korea’s nuclear weapons development and the on-again off-again tensions in the Taiwan Strait. Both areas deeply involve the United States, the world only superpower, and China, Asia’s leading power. The tensions over Taiwan are particularly dangerous as both Chinese and U.S. leaders have made it clear that they are prepared to engage in combat with one another if their core interests are challenged. Such a war between these two great powers would make recent wars in Afghanistan and Iraq seem very small by comparison. Once started, the war would be difficult to bound and would likely have catastrophic effects regionally and globally.

The order in East Asia is in a state of transition and the end point is not clear. Fluidity and flux in such an area of great international importance means that western and other international observers need to watch closely for signs and trends of change that could have important implications in other parts of

National Motives, Approaches and Goals of China's Foreign Policy

Carmen Amado Mendes

Introduction

Today's importance of the People's Republic of China as an international actor is unquestionable. Its emergence goes beyond the economic field. Besides its prominence in commercial terms, China has consolidated its military power and actively developed diplomatic relations both with Asian as well as African and Latin American countries, as well as strategic partnerships in Europe. Therefore, an analysis of Chinese foreign politics is of extreme importance, a strategy craftily implemented using *soft power* strategy and conditioned by strong national interests.

Soft power implies the ability to influence through persuasion rather than through coercion, i.e., using all activities which are not within the scope of security, whether it is humanitarian aid, culture, bilateral and multilateral diplomacy and economic investment (Kurlantzick, 2006: 1). Before signing those treaties China considers "unequal" (19th century), when the Middle Empire dominated Southeast Asia using a taxation system, it would resort to soft power: the ideals of Confucius and commerce functioning as attracting elements (Terril, 2005: 52). Noteworthy is the fact the hegemony of the

Middle Empire was not solely based on peace and that soft power was often complemented by military interventions (Godement, 2006: 51-52).

This historical argument may explain Chinese present tendency to dominate the region of Asia-Pacific no longer through Confucianism but through economic power, considering that an East Asian economic system is emerging with China as its center (Terril, 2005: 52 e Kurlantzick, 2006: 1). Commerce and economic integration are much safer ways for growth than military domination (Mahbubani, 2005: 49). China's commercial and financial influence guarantees the country some soft power. Its growing internal market, tourism, media and language are poles of attraction, especially in countries which identify with Asian values. In the case of China, soft power has a different connotation from that of European soft power: it means embracing civilization, education and culture, democratization of international relations and a harmonious international society based on Confucian values (Godement, 2006: 60).

This paper will focus on Chinese foreign policy and its actual trends, and will analyze China's policy for Asia. It argues that Chinese foreign policy is based on internal concerns: political stability, economic development and regional security. Finally, it will analyze China's use of soft power, either in isolation or combined with hard power, to meet those objectives.

Internal political stability

Chinese leaders have mostly resorted to nationalism to ensure internal political stability. There are two reasons for this: history – the refusal to accept subordination to powers responsible for past Chinese “humiliation” – and ideology – progressive reform from communism to nationalism, since communism has lost its “legitimacy” after the dissolution of the Soviet Union. Nationalism, whose origins lie in the treaties China considers “unequal” (19th century) and the occupations by foreign powers, leads to the need to recover from those humiliations, making it a priority in Chinese foreign policy (Zhao, 2005: 79). After a century of misfortune, also filled with internal convulsions and civil war (Mahbubani, 2005: 51), China's emergence poses a dilemma: whether it should attempt to recover imperial supremacy in Asia or join the international community (Terril, 2005: 52). This dilemma is visible in many of China's foreign policy, which moves forward in both directions.

Ideology, as instigator of nationalism, has been used by the Chinese Communist Party (CCP) as an element of national union and as means to ensure it remains in power and preventing possible protest against a regime not sanctioned by elections (Terril, 2005: 54). Therefore, part of Chinese assertiveness in the international scene is motivated by insecurity about its authoritarian regime (Friedberg, 2007). As such, nationalism may be seen as a stabilizing factor internally and externally, since it fosters moderate behavior by Chinese leaders in order to attain a power status in the international scene (Shen, 2007).

Thus, if we analyze China's bilateral relations with its neighboring countries and its involvement with multilateral military institutions in Asia, it is obvious that the country has tried to have the responsible-actor position, which has contributed to boost its national pride. In the 1980s, the adoption of a new foreign policy, “a policy of peace and independence”, was simultaneous to the changes in relations with other Asian countries. As a consequence, China has no declared enemies (Terril, 2005: 56). This situation resulted from the normalization of China's relation with the Soviet Union and the control division of Central Asia, the relation with Indonesia and the recognition of South Korea, and the active participation in regional and international organizations (Terril, 2005: 56).

Chinese nationalism, however, has its less positive sides, such as its control policy over Tibet and Xinjiang (Terril, 2005: 52) and its attitude towards Taiwan. Taiwan has been subjected to both China's soft and hard power, through the growing reinforcement of Chinese military capabilities and its recurring threats to use force (Godement, 2006: 58). This increase in China's military power has affected Taiwan's foreign policy and contributed to the decline of the pro-independence Taiwanese movement (Ross, 2005: 81). Yet, recently Chinese policy towards Taiwan has been more constructive (Lampton, 2005: 80). Preferring soft power over hard power, China expects that the intense economic and commercial relation will bring them closer and avoid the use of force (Mahbubani, 2005: 56). Meanwhile, Taiwan's internal policy and the United States and Japan's position regarding this issue may develop in favor of PRC's interests; China expects to use these factors so as to attain a better military positioning and thus meet its objective (Terril, 2005: 58).

Despite Taiwan's apparent tolerance, if it decides on a unilateral declaration of independence, the CCP is left with at a dead end. If the Chinese leaders retaliate, the US may respond, if they don't, they may lose legitimacy both internally and externally and risk their own survival (Ross, 2005: 82, 85-86).

Whenever the independence movements in Taiwan gain visibility, Chinese leaders feel compelled to emphasize that if Taiwan declares its independence, China will militarily retaliate (Mahbubani, 2005: 56). In fact, this policy has been useful for China: on the one hand, it keeps the status quo, on the other, it legitimizes international acknowledgement of the "One-China principle"

Though Chinese foreign policy towards neighboring countries has been very pragmatic, that is not true as far as Taiwan and Japan are concerned. In this case, nationalism is also manipulated by the CCP as source of legitimacy to remain in power and leads not to pragmatism but to assertiveness in Chinese foreign policy: due to strong internal interests, China cannot show flexibility towards these two. For the Chinese leaders, Taiwan is an internal affair which should not become part of the international agenda (Wang, 2005: 46 e Gode-ment, 2006: 58).

As far as Japan is concerned, the bad Sino Japanese relations have fueled Chinese nationalism and united the population around the CCP. The Japanese leaders have avoided taking political stands on Taiwan publicly as these may worsen the already rocky Sino Japanese relations, even though they support the cause of Taiwan (Mahbubani, 2005: 57). Japanese openness to Taipei's pro-independence movement, evident by the visit of the president of Japan, Lee Teng-hui, in December 2005, is one of the many distabling factors in the relations between the two countries (Wang, 2005: 44).

So far, the commercial relations between the two countries have not been affected (Pei e Swaine, 2005: 1), but they both fear the other's military capabilities and are involved in territorial disputes (Zissis, 2006: 1). Despite their economic relations, Japan and China view each other as hostile, competing for political influence and economic interests in Asia, in an environment of uncertainty in terms of the strategic balance in East Asia (Pei e Swaine, 2005: 1). Political antagonism has increased due to a series of incidents, such as the visit of Japan's Prime Minister Koizumi to the "Yasukuni Shrine", where the criminals of war are buried who committed atrocities in China during the Second World War. There is a new version of history books in Japan which omit these atrocities (Zissis, 2006: 1). The Chinese leaders have made use of its historical conflicts with Japan to boost nationalism (Chung, 2005: 90). The demonstrations against the Japanese history books, for example, were tolerated (or even incentivated) by the Chinese government (Mahbubani, 2005: 57).

Besides these badly resolved history issues, Japan and China have been involved in territorial disputes on natural resource exploration in the East China Sea (Zissis, 2006: 1). Sino-Japanese relations have deteriorated due to

some incidents or political mishaps on both sides: in November 2004 a Chinese submarine entered Japanese territorial waters without permission (Wang, 2005: 44). Moreover, China has already expressed its intention to veto Japan as a member of the United Nations Security Council (Garten, 2005: 3). Japan, on the other hand, did not respond to the institutionalization of economic cooperation in East Asia as China expected (Wang, 2005: 44). So as to restrain China, though not in an explicit way (Chung, 2005: 90), Japan has reinforced its cooperation with the United States, becoming their main ally against China (Ross, 2005: 82).

Economic growth

In our analysis of nationalism as a conditioning factor in Chinese foreign policy, we realized that internal political stability is a major concern of the Chinese government. The other priority is continuing economic growth, which, internally, has served as a source of legitimacy for the CCP, both because the population's standard of living has substantially improved and because it is a source of national pride and thus feeds nationalism (Terril, 2005: 54). Externally, this growth is the basis for the emergence of China as an international great power (Zhao, 2005: 82).

Therefore, the second type of internal motivation of China's foreign policy is realistic. As Friedrich Ratzel suggested (see *Leis do Crescimento Espacial dos Estados*, 1895), the state's "appetite" increases according to its power and its need for resources (Friedberg, 2007) justifies attempting to expand "vital space". As such, Chinese economic growth increased its "appetite" for influence and control and led to the desperate search for resources. One of China's greatest internal challenges is precisely the fact that its natural resources are insufficient (Zheng, 2005: 21). As a consequence, one of the objectives of Chinese foreign policy is to recover territories Peking claims already belong to China. Taiwan and several other islands rich in natural resources, in the Yellow Sea, in the South China Sea and in the East China Sea (Terril, 2005: 58) are not only valuable in themselves but also represent additional territorial waters.

However, the desire to ensure continuing growth will not necessarily result in *realpolitik* but may rather lead to an essentially defensive foreign policy. This perspective views China as recovering from being economically behind and having a weak position regarding the United States, as a member of several international organizations just to keep their agendas far away from its interests

(Terril, 2005: 51). Therefore, after many years of negotiations on the South China Sea disputes, a "Declaration on the Conduct of Parties" (Godement, 2006: 60) was issued in 2002.

Besides political stability and economic growth, China's foreign policy is also influenced by feelings of vulnerability and insecurity. On the one hand, Chinese leaders feel strong because of the country's economic growth, on the other, they feel vulnerable due to the risk of Taiwan unilaterally declaring its independence. There is a third motivation behind China's foreign policy, though: security at a regional level, as means of not placing the other two priorities in danger. Without border security, China will experience difficulties in keeping its levels of economic growth, which have functioned as guarantee of political stability. These secondary internal motivations have led to great pragmatism in China's relations with its neighboring countries, namely, with India and Russia (Mahbubani, 2005: 55).

Regional security

With the rapid growth of its economy, India has become more appealing, extending its relationship to several strategic partners, including China and the United States, and promoting some hegemonic ambitions (Wang 2005: 43 and Chung, 2005: 92). With the standardization of Sino-Indian relations, in the wake of decades of animosities, India and China intensified economic and commercial ties and established bilateral strategic and military dialogues (Atal, 2005: 104 and Godement, 2006: 64). As a nuclear, military and economic power, India plays a strategic role in regional equilibrium. From the North-American point of view, it helps to counteract Chinese expansion in South-East Asia and in the Indian Ocean (Chung, 2005: 92 and Godement, 2006: 69-70). However, India does not openly support contention measures against China (Godement, 2006: 69-70), although it is deeply drawn by Chinese economic development. From the Chinese point of view, India neutralizes the North American influence. Russia shares the point of view of the United States and China: it sees in India a form of stabilizing China's power and of limiting the United States' power in the region (Atal, 2005: 103).

In 2005, China and Russia granted India observer status in the Shanghai Cooperation Organization (SCO) in an attempt to prevent tight Indo-American ties from developing (Atal, 2005: 104). However, to make up for the possible creation of an Indo-Russian bloc that would place its own interests in

jeopardy, China also pressed for Pakistan to be given observer status. Besides playing in favor of maintaining regional equilibrium, the bringing in of India to the SCO also contributed to the efforts of China and Russia in the control against terrorists and on energy talks – it should be noted that India imports two-thirds of the oil it consumes (Atal, 2005: 103). Nonetheless, in the energy sector, China's negotiations with SCO countries have been bilateral, which has enabled the organization to remain ambiguous in its goals and results achieved (Godement, 2006: 67). Despite the economic, military and political cooperation between China and Russia, strategic competition persists.

According to Chinese leaders, "peace and development" are the key goals of its foreign policy. But are they not instead the means to reach other goals (Terril, 2005: 52)? China's true goals are unknown, as a result of the secrecy of the Chinese regime, but they clearly involve keeping the US at bay and preventing alliances between other Asian powers, namely Japan, India and Russia, in order to reach supremacy in East Asia and in continental areas (Friedberg, 2007). Several obstacles to Chinese expansionism have been raised: the collision of economic and cultural interdependency with political paternalism; the US, Japan, India, Russia and the other powers may not permit a new Middle Kingdom and China knows this (Terril, 2005: 52 e 61).

In a realistic approach, from a security point of view the goal of China's foreign policy is of supremacy in relation to Japan and India, and replacing the United States as the prime influence in Asia – what some authors call "Chinese Monroe Doctrine" in East Asia (Kurlantzick, 2006: 4 and Terril, 2005: 56). This goal, of subordinating the region's interests to China rather than to the US, seems to be reaching its end: the leaders of South-East Asia no longer question the emergence of China and give its elites the treatment previously reserved for the United States (Kurlantzick, 2006: 4). China has replaced the US as the main agent responsible for the economic growth and political stability of the region (Ross, 2005: 81).

All of the countries in South-East Asia recognize the "One China" policy and only Singapore maintains (unofficial) ties with Taiwan (Chung, 2005: 94). Burma and Laos have clearly entered China's sphere of influence and the same may happen to Thailand and Malaysia (Terril, 2005: 57). Vietnam and Indonesia have put aside their protracted differences and have strengthened economic relations (Chung, 2005: 89). In the case of Indonesia, these relations are fuelled by the abundant natural resources that are used to satisfy China's requests. The tightening of political ties between the two countries hinders Indonesia's cooperation with the United States and with Australia. In this

way, China is able to discretely counteract Australian and US influences in the region (Chung, 2005: 93).

The competition between China and other key partners in Asia extends to the United States, made worse by the ideological differences between the two countries, including issues on democracy (Friedberg, 2007). Chinese leaders criticize North American unilateralism and defend the "democratization of international relations", despite the fact that in practice they attempt to implement the American model of power and influence (Godement, 2006: 56) and to pass the image that China is not on a lower standing than the United States in the hierarchy of international relations (Terril, 2005: 57).

The September 11 and the invasion of Iraq have numbed the United States' concern with the rise of China (Mahbubani, 2005: 59). During a period of repose, the North American policy centered on economic cooperation, on the fight against terrorism and on stability in the Taiwan Strait. Currently, however, the unfavorable consequences of China's economic and military growth for US safety are once again on the North American agenda (Ross, 2005: 81). Chinese leaders look down upon stepping up their military expenses, when compared to the military capacity and the hard power of the United States, and defend their strategy of soft power, based on the North American precedent (Godement, 2006: 56). They see the United States – a country able to exert strategic pressure on China – as a threat to the internal security and stability (Wang, 2005: 39). The US policy for Taiwan, for example, is viewed with great mistrust by China and all that is needed is a diplomatic slip for it to turn into a real threat to Sino-American relations (Mahbubani, 2005: 55).

The US have in fact been the power that has most pressured and destabilized China, leading it to seek forms of counterbalancing the North American power (Mahbubani, 2005: 49 e 57). An example of this destabilization is the manner in which they reinforced their main alliances in the Pacific, causing Japan, Australia and several ASEAN States to view China as a threat (Chung, 2005: 88). Sino-American cooperation is well accepted by China as it not only helps to ensure the aforementioned economic growth priority, but it is also beneficial to the United States (Wang, 2005: 39). In fact, for the United States it would be far better to prevent the deterioration of Sino-Japanese relations and to integrate China in the regional security structure, the best guarantee of regional and worldwide equilibrium (Lampton, 2005: 79). This would not prevent them from containing China's soft power in situations where it is manipulated to satisfy the hard power goals that threaten US interests. For example, situations that place in jeopardy territorial integrity and the

democratization of countries in South-East Asia and that put in danger the regional support of the US in the event of conflict, namely the Taiwan Strait (Kurlantzick, 2006: 6).

China's cooperation in the "six party talks" for the denuclearization of North Korea is of crucial importance to the United States and has increased the strategic value of China. Besides continued strong tensions between Washington and Pyongyang (Wang, 2005: 45), China is the only country with persuasive power over North Korea, as the sole supplier of oil and provisions to this country (Chung, 2005: 91). In response to the request by the United States in March 2003, China cut supplies for a few days. The importance given by the United States to the North Korean issue and the manner in which they depend on China for its resolution has brought about a change in Sino-American relations, giving China bargaining power (Mahbubani 2005: 58).

China disagrees with pressure politics and sanctions against North Korea, stating that the best way to resolve the nuclear conflict is through persistent diplomacy and Inter-Korean economic ties (Chung, 2005: 91). The Chinese policy of obtaining peace by keeping the status quo does not correspond to the interests of the US, who clearly prefer the imposition of sanctions (Terril, 2005: 56). Despite its long-standing alliance with the United States, South Korea agrees with the Chinese position and has refused sanctions.

Convergence with China, which extends beyond purely economic field, has led South Korea to abstain from adopting positions that contradict the Chinese policy (Chung, 2005: 91). This convergence has also been seen on China's side, taking advantage of South Korea's differences with the United States in the "six party talks" (Friedberg, 2007). China is more interested in the unification of North and South Korea than Japan or the United States and South Korean leaders trust China's policy for North Korea more than that of the United States, thus weakening the alliance with this country (Chung, 2005: 92). Nevertheless, the nuclear issue of North Korea and the consequent arms race in North-East Asia is a source of common concern for Beijing, Tokyo and Seoul and could lead to a convergence of the three countries in the search for common solutions (Zissis, 2006: 1).

The non-interference position in the internal affairs of other States, applied in the negotiations with North Korea, has also benefited China in its relationship with countries afraid of international sanctions, such as in Africa and Latin America, and has led China to opt for multilateralism. In soft power diplomacy, if in Central Asia China participates in the SCO, in East Asia it has become a member of all of the organizations: Asia-Pacific Economic

Cooperation (APEC), Association of Southeast Asian Nations (ASEAN), ASEAN Regional Forum (ARF), Council for Security Cooperation in Asia-Pacific (CSCAP) (Godement, 2006: 64). On the other hand, most Asia-Pacific countries have tightened diplomatic and economic ties (Wang, 2005: 43). In short, also in South-East Asia one of China's primary goals has been to ensure peace, so as not to interfere with its economic growth (Kurlantzick, 2006: 4).

Conclusion

This article has looked at how China's internal priorities, namely political stability, economic growth and regional security, condition its external policy. It argues that nationalism, while a source of legitimacy of the PCC on an internal level, has served as a factor of internal political stability. At a regional level, it has contributed to the accountability of China, both in terms of its bilateral relations and in multilateral terms; on the other hand, it has worsened relations with Japan and the ongoing tension in the Taiwan Strait. The second priority, keeping up the pace of economic growth and the consequent need to access natural and energy resources, has brought a certain amount of pragmatism to China's relations with its neighbors, namely Russia and India. To ensure internal political stability and economic growth, China seeks a peaceful regional framework, a fact which is reflected in its demarches to guarantee regional security, giving rise to theses on its peaceful rise.

This pacifism may however be no more than a means to a very assertive end. Doubts remain as to China's options in the security area and their consequences to regional equilibrium. Many Asian countries strive to counteract the growth of the Chinese power with other strategic relations, albeit not an alliance against China (Godement, 2006: 70). In fact even those that are most suspicious of China's strategic ambitions have not openly drawn up a contention strategy (Chung, 2005: 94).

A series of factors, such as the political regime and the unexpected economic success, have brought about a change of paradigm in the manner in which the world sees China: from the paradigm of a weak, politically fragile China with a transition economy, there has been a shift to the paradigm of a strong China, of a rising and highly competitive power (Lampton, 2005: 73-74). As a result of some blunders by the United States, namely the delayed reaction to the Asian financial crisis and the obsession with the fight against post 11 September terrorism, and the growth of China's soft power, South-East Asia

currently views China as the greater regional power (Kurlantzick, 2006: 1). Asian societies, with the exception of Japan and Taiwan, have a more positive image of China than the United States (Shambaugh, 2005).

Economic development and a more sophisticated diplomacy have led to the generalized acceptance of the growing influence of China in the region (Chung, 2005: 94). The strategies of the neighboring Asian countries have been centered around commercial ties with China and the benefits of Chinese economic growth to the region (Chung, 2005: 88).

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China's Rise and the World Factor: Financial Risks and Virtues

Rui Pava

« Le Paradigme de la Chine »

« Le paradigme de la Chine tient en peu de mots : beaucoup d'espace, beaucoup de gens, beaucoup de temps. Elle est, à nul autre pays pareille. On peut ajouter à sa singularité : beaucoup d'agriculture, beaucoup de cohérence culturelle, beaucoup d'influence sur ses voisins et sur le monde».

Pierre Gentelle¹

1. Introduction

This essay aims at evidencing the main pillars of the Chinese economic (apparent ?) success, from the Chinese conceptual and pragmatic model of development to other sources of interest, but at the end of the day, stressing the role of the heart of the financial system, its (not so matured) banking system.

¹ *Chine, peuples et civilization*, (sous la direction de P. Gentelle), (2004), Paris, La Découverte, p.26.