

MAKING NEW PARTNERSHIP

A RISING CHINA
AND ITS NEIGHBORS

Edited by Zhang Yunling



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Foreword

Few countries like China that have so many neighbors with great diversity. For China, the relationship with its neighbors likes a mirror, when it is good, China is good, and when it is bad, China is also no good. Due to its special importance, China always handles the relations with its neighbors very carefully.

With China's new rise, the relations with its neighbors are experiencing significant readjustment and change. In general, in order to develop a favorable situation and environment in the vast neighboring area, China has made great efforts to improve its relations with all its neighbors by solving the disputes, establishing strategic partners, developing economic, as well as political and security cooperation, while at the same time, the neighboring countries also have new interests to develop a close relationship with a rising China for their own development and security. The two way movements have changed the map of the neighborhood relations.

However, China's rise is a complex phenomenon that brings about different impacts to different countries. Thus, the reflections from the neighboring countries to China's rise are quite different. There are still some remaining old issues that need time to be solved and also new emerging issues which require careful management.

This book is based on a research project led by me with the participation of the scholars and experts from China and the neighboring countries. The authors wrote their papers from different angles and with different perspectives, which may provide a colorful picture on the relations between China and its neighbors.

Due to the size of the project and the current book, we can not write on the relations between China and every individual neighbor. Thus, some papers are

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the regional perspective. Our study also includes two papers on the USA who is considered to be a special and important neighbor for China.

This research is financed by the Ford Foundation. Together with this book in English, another book written by Chinese scholars will be published in Chinese at the same time.

I would express my sincere thanks to the Ford Foundation for its valuable financial support. My gratitude should be given to the authors who finished their papers on time and actively participated in the workshop of the project, also to my assistant Ms. Li Mo who was responsible for project management and to Ms. Liu Zun who helped to read some papers.

China's rise is a long historical process. The readjustment and change of the relations between China and its neighbors have just started. I hope more research works could be done in this area that could help people to have a better understanding on this great event in the 21st Century.

Zhang Yunling
October, 2007

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China and Its Neighbors: Relations in a New Context

Zhang Yunling^{*}

China needs a long term peaceful environment for realizing its modernization plan. The main objective of China's foreign policy is for creating such good environment. The relations with its neighbors are of special importance in China's foreign policy. After the Cold War, the relations between China and its neighbors have experienced significant changes with a general trend towards improvement and enhancement.

The neighboring diplomacy reflects China's growing interests in its neighboring regions since China is one of the few countries in the world that is surrounded by so many countries with so great differences.^① In a long time of the history, the relations with its neighbors have always had significant impacts to China, and the structures and patterns of them have shown as a mirror of China's rising or declining.

I. The Changing Situation

After the establishment of the People's Republic of China, the relations

* Zhang Yunling, Professor, Academy Member, Director of Academic Division of International Studies, Director of Institute of Asia-Pacific Studies, Chinese Academy of Social Sciences.

① As pointed out by Wang Gengwu, "China still faces powerful neighbors, unstable states, and potentially unfriendly alliances in almost every direction around its long land and sea boundaries". Wang Gengwu, "China and Southeast Asia", in David Shambaugh, *Power Shift: China and Asia's New Dynamics*, University of California Press, Berkeley, 2006, p.198.

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between China and its neighbors have experienced complex readjustments, with ups and downs, the good and the bad. In the 1950s, Due to China's "one side foreign policy", i.e., joining the Eastern Bloc led by the Soviet Union, the neighbors were divided into two groups in general with few exceptions, the Eastern and the Western.^① The diplomatic relations with the neighboring countries belonging to the Western world were blocked, and the relations with those belonging to the Eastern world developed quickly. But from the early 1960s, due to the worsening relationship with the Soviet Union, the structure and nature of the relations between China and its neighbors experienced fundamental changes. Aside from the Soviet Union, China's relations with Vietnam, India, Mongolia were deteriorated and turned to be hostile. Since China's major concern then was to deal with the threat from the Soviet Union, China managed to improve the relations with the Western bloc and formed a short lived anti-Soviet front. Following the breakthrough of the relationship between China and the United States, China normalized the relations with all neighbors belonging to the Western bloc, for example, with Japan, Thailand, as well as South Korea. Two major factors, i.e., China's reform and opening policy and the ending of the Cold War brought about significant readjustments and changes for the relations between China and its neighbors.

The changing situation has significant impact to the relations between China and its neighbors.

Firstly, a significant change of the ending of the Cold War is the restructuring of the big powers relations. As the confrontation between two blocs no longer existed, there emerged a new trend that big powers have started to seek a partnership relationship by supporting dialogue, consultation and cooperation though differences in their strategic interests and policies still exist. The United States is still a super power and has a dominant influence. But there emerge multi-polar players in the global and regional affairs that play positive balancing roles in keeping a relatively stable order. In current multi-layered regional

① This was an unwilling choice since the US-led Western world contained the newly established "red China". The following Cold War situation further intensified this division.

arrangements or institutions, big powers are engaged each other. This has made China's neighboring countries have more room to manage their relations with China and also with other powers, as well as to involve more frameworks. In some cases, middle powers even become the hub to engage the big powers (for example, ASEAN). In such a new situation, China finds broader and more flexible room for developing its relations with its neighbors, either in the bilateral or in the regional.

Secondly, another striking change is that new economic resurgence and ties have taken place between China and its neighbors. Following its reform and opening policy, Chinese economy has achieved remarkable success by keeping average 10% high growth for more than 20 years and it is expecting to have another two decades' similar dynamic growth. China becomes a growth engine for the regional economies and a growing Chinese market provides more and more opportunities for its neighbors. Thus, China becomes a bigger weight in its neighbors for developing their outside relations and making gains. Countries in the neighboring regions have adopted more open policies in their economic development and foreign economic relations. They take China as a big market for their economic development. At the same time, China also sees the neighboring countries more important ever because they are either rich resource suppliers, or capital (FDI) and technology providers. The increasing shared economic interests and interdependence make China and its neighbors closer. In this situation, both sides have found their new interests in forging a close and cooperative relationship.

Thirdly, regional cooperation has become a fast developing trend. Asian regional cooperation comes late, but with an emerging dynamics. We have witnessed some new features in the process of Asian regional cooperation: multi-layered structure and open regionalism. In East Asia, initiated and led by ASEAN, several cooperative frameworks, for example, "ASEAN+1", "ASEAN+3" have been developed, and the cooperation has achieved significant progress. For example, under the "ASEAN+" frameworks, there are many achievements in the regional cooperation: the institutional for annual leaders' meetings, ministers' meetings, the regional monetary cooperation (based on Chiang Mai Initiative), market liberalization (ASEAN and "ASEAN+1" FTAs,

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and a new "10+3" FTA initiative), as well as sub-regional economic cooperation (GMS). East Asia has expended its cooperation to a larger regional framework by organizing East Asian Summit and inviting non-East Asian countries, India, Australia and New Zealand as the members. The establishment of Shanghai Cooperation Organization (SCO) is another great achievement whose members are from China's Northern and Western neighboring regions. By starting with anti-terrorism, SCO now has extended its cooperation to the economic and also political areas. In South Asia where the relations used to be problematic because of a troublesome China-Indian relationship, the new trend has also emerged since China and India are engaging each other and improving their relations,^① and China becomes an observer of SAARC. The new regional cooperation initiatives have made China in a center place in bridging its neighbors together.

However, problems, old and new; challenges and even new threats are still there which China has to handle carefully.

——Newly emerging issues, for example, the threat of non-traditional security, instable and high price resource supply, etc. These issues are usually contagious and competitive, and most of them are in the neighboring areas.

——Potential explosive "hot spots", for example, crisis of North Korean nuclear issue and provocative independent movement in Taiwan. China has tried hard to play an active role in reducing the tensions and solving the nuclear crisis. Although some progress has been made, but there is still a long way to go before finally establishing a stable and peaceful Northeast Asia security system. The tension in the Taiwan Strait is still existing, especially when political uncertainty in Taiwan continues.

——"China threat", along with its rise China becomes more attractive to its neighbors due to increasing interests, but at the same time, some suspicions and vigilance also exist, either as a result of China's competition, or because of its growing influence.

A fundamental change comparing to the past for China in handling the

① China and India are trying to unload their historical burden and developing cooperation. You Yulong, "China-Indian cooperation and its future", *South Asian Studies*, No.1, p.3.

complex situation in the neighboring regions is that China becomes more confident and takes more initiatives in easing tensions and developing the consultative and cooperative relations with its neighbors.

II. China's Strategy and Policy to the Neighbors

The neighboring regions are vital for China's survival and development. History shows that China suffered if the neighboring areas are unstable and China benefited if those are stable and friendly.

The neighboring regions are of special and great significance in China's new drive for establishing a long term peaceful environment for realizing its modernization ambition. China strives to develop a stable, cooperative and prosperous neighboring area in a new context by identifying them as the priority of China's foreign policy. In managing to develop such an environment, China has made several efforts in improving and strengthening the relations with its neighbors since the 1990s, which has brought about positive results.

1. Managing the Disputes

China has many neighbors directly or indirectly. After establishing the People's Republic of China, an important work for it was to settle the border lines with its neighboring countries. However, due to the complex reasons, some of the territory disputes still remain unsolved. In the second half of 20th Century, China had military clashes with Russia, India and Vietnam because of the worsening political relations.

With an improved international environment, China has tried new efforts to solve the border problems with Russia and Vietnam, as well as with India. For border settlement with Russia, due to the historical reason, it needed great wisdom to reach the agreement based on the spirit of compromise and cooperation. In July 2001, the two sides signed "The Treaty of Good-Neighborliness and Friendly Cooperation", which was considered to be "an important milestone in the development process of bilateral ties". The Complementary Agreement signed in 2004 together with other two boundary agreements signed prior to that marked the complete identification of the trend

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of the over 4300 km-long China-Russia border line.^① For the border disputes between China and Vietnam, the issue was even more complex and sensitive. The two countries normalized their diplomatic relations in 1991 after decades hostility under a China-Soviet Union conflict. Then they made great efforts to solve their border disputes by negotiating both land border line and the sea line in the Beibu Bay area. China and Vietnam signed the land border treaty on December 31, 1999, and then the agreements of Beibu Bay Territorial Sea, the Exclusive Economic Zone and Continental Shelves and the Agreement, as well as the Fishing Cooperation in the Beibu Bay.^②

Until now, the only remaining unsolved land border dispute is with India, which now seems to be more optimistic since two governments are working together in a more cooperative spirit. In 1996, China and India signed an agreement on "Confidence Building Measures in the Military Field along the Line of Actual Control in the China-India Border Areas". In the agreement, they committed to maintain peace and tranquility along the line of actual control in the border areas and reaffirmed that "neither side shall use or threaten to use force against the other by any means or seek unilateral military superiority", and also take "effective confidence building measures in the military field along the line of actual control in the border areas between the two sides".^③ Although the conclusion of the negotiations still needs very hard work and seems no time table yet, but both sides show patience and good will.

The disputes on the islands in South China Sea between China and some ASEAN countries are considered to be very dangerous. Due to the complexity

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- ① See Treaty of Good-Neighborliness and Friendly Cooperation Between the People's Republic of China and the Russian Federation on July 24, 2001, and the Joint Statement of China and Russia on Oct. 16, 2004.
 - ② In 2000, China and Vietnam signed Joint Statement on All-round Cooperation in the New Century that set up the guiding principle of "long-term stability, orientation towards the future, good-neighborliness and friendship and all-round cooperation". See "Joint Statement on All-round Cooperation in the New Century between the People's Republic of China and Socialist Republic of Vietnam", Dec.26, 2000, www.fmprc.gov.cn.
 - ③ Agreement Between the Government of the People's Republic of China and the Government of the Republic of India on Confidence Building Measures in the Military Field Along the Line of Actual Control in the China-India Border Areas, Jan.16, 2002, www.fmprc.gov.cn.

and sensitivity of those issues, it is not easy to find a quick solution. For the sake of developing good bilateral relations and stabilizing the neighboring areas, China put forward the principle of “laying aside disputes and jointly exploring resources” that helps to develop a cooperative atmosphere.

China and ASEAN reached the agreement on keeping South China Sea stable by signing statement for the shared principles of conduct in the disputed area, which has shown its positive effect in preventing confrontation, especially possible military clash.^① A big step then has been made among China, Philippines and Vietnam on jointly investigating the resources in South China Sea area that opens the possibility for cooperative exploration in the future. Due to these efforts, the situation in the South China Sea area has become stable, and the relations between China and ASEAN are significantly improved.

However, there are still unsolved disputes on Diaoyu Island and the Exclusive Economic Zones (EEZ) with Japan, and also with two Koreas on the EEZ. The dispute on the EEZ between China and Japan has become a motional issue in the bilateral relationship though the talks between two governments are going on. China proposed to explore the resources jointly, but the response from Japan is not active yet. A cooperative atmosphere between the two needs a general improvement of the relations between the two countries.

2. Improving Bilateral Relations

The bilateral relations are the most important part in forming a peaceful and cooperative environment in China's neighboring areas. The formation of a good bilateral relationship contains various aspects: political, economic, security, social, as well as cultural developments. China has improved relations with almost all of its neighbors. China has pursued a policy of “building good

① In 2002 and 2003, China and ASEAN signed three important documents. One is Declaration on the conduct of the parties on the South China Sea, in which they committed “peaceful settlement of territorial and jurisdictional disputes”, “intensifying efforts to seek ways, in the spirit of cooperation and understanding, to build trust and confidence”, and another is that China acceded to the Treaty of Amity and Cooperation in Southeast Asia, and the third is that they signed the Joint Declaration on Strategic Partnership for Peace and Prosperity, in which they committed a comprehensive and forward-looking cooperation focusing on politics, economy, social affairs, security and international and regional affairs. See three documents at www.aseansec.org.

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relations and partnership with neighbors” based on a cooperative spirit and efforts to create consultative mechanism or institutions. For big and medium neighbors, China manages to establish strategic partnership relationship for both bilateral improvement and broad issues. For less developed neighbors, China tries to provide more assistance and market access (to China’s market). Although Distrust still exists among China’s neighbors on China’s strategic intension and how using its rising power, China tries its best to win the trust of its neighbors.^①

A big challenge to China is how to handle a newly emerged Russia after the Cold War. Fortunately, the two quickly identified their shared interests. They signed “Sino-Russian Joint Statement on Worldwide Multi-Polarization and Establishment of New International Order” in 1997 and “Treaty of Good-Neighborliness and Friendly Cooperation” in 2001. China and Russia have developed their strategic relationship both in bilateral, regional and global context, and they have found more shared interests for working together.^② The two countries committed to be a trustworthy strategic partner and cooperate closely in the bilateral relations and the international issues. The two sides have found that they “share the same or identical positions on a series of key issues”.^③ Although Russia keeps vigilant on China’s rise and growing influence, the two countries have enhanced their cooperation in vast areas, including energy, space and especially the military. The stable and cooperative relationship between China and Russia helps significantly for a good China’s neighboring environment.

At the same time, China also worked hard in developing the cooperative relationship with newly independent Central Asian countries. China quickly established diplomatic relations with all 5 Central Asian Countries and expressed

① China has put forward the principle of “building good-neighborly relationship and partnership with neighbors” and “fostering a friendly, secure and prosperous neighborly environment”. See “Deepen Comprehensive Cooperation and Enhance China-ASEAN Strategic Partnership”, speech of Wen Jiabao on the Ninth China-ASEAN Summit, Kuala Lumpur, Malaysia, Dec.12, 2005.

② China and Russia signed the Treaty of Good-Neighborliness and Friendly Cooperation on July 16, 2001, which set a foundation for the later improvement of the relations.

③ See Sino-Russia Joint Statement, Dec. 10, 1999.