

China and its neighbourhood: transformation, challenges and grand strategy

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Few countries in the world have such complex and complicated neighbourhood relations as China, which today shares land borders with 14 countries and has eight maritime neighbours. This simple geographical fact means that China and its neighbours are closely bound by geography. There is, in other words, no escape from the tyranny of geography for China in conducting its diplomacy towards its neighbours. The rise of China presents new challenges and opportunities for the development of its neighbourhood relations and its regional strategies.¹

To adequately understand China's relations with its neighbouring countries, however, one has to go beyond geography to consider how history, culture, geopolitics and geo-economics have shaped, and will continue to shape, these relationships. Serious consideration must also be given to the competing national interests of these various countries in the evolution of their increasingly interdependent social, economic and geopolitical relationships. China's relationships with its neighbours are further complicated by the close involvement of extraregional powers. How China should coexist with its neighbours and vice versa has always been both a critical and a difficult issue. There is clearly shared interest between China and its neighbours in handling their relations appropriately, and all will benefit if these relations are peaceful and friendly. Conversely, if they are mishandled, all sides will suffer. In other words, China and its neighbours will flourish or perish together. Such is the implication behind the Chinese leadership's call for the construction of a 'community of shared interests and common destiny' with its neighbours through a number of new initiatives.

This article discusses the challenges to China's relations with its neighbours against the background of its historical transformation, and considers the country's new grand strategy in shaping this regional relationship in the context of its rise.

Historical evolution and transformation

Historically, China maintained good relations with most neighbouring countries, forging a long peace in east Asia through the so-called tributary system, a stable structure of relationships between a strong and dominant China and its

¹ Jinghan Zeng, Yuefan Xiao and Shaun Breslin, 'Securing China's core interests: the state of the debate in China', *International Affairs* 91: 2, March 2015, pp. 245–66.

neighbours.² While the essence of this Sinocentric order was clearly hierarchical, it was characterized largely by friendly coexistence.³ Although China historically possessed unmatched hard (economic and military) power and unrivalled soft power (cultural, ideological and moral force), it did not seek to colonize its neighbours or to coerce them into change, with the notable exception of the expansionist policies of the Qing in the seventeenth and eighteenth centuries. Instead, it endeavoured to construct and sustain a Chinese world order based on the principles and norms of coexistence, promoting a community of ‘Tianxia’ where Imperial China reigned but did not rule.⁴

With the decline of Chinese power in the second half of the nineteenth century, this order disintegrated. Not only did China lose its capability to maintain the east Asian order, it became the victim itself of imperialist intervention, invasion and rivalry, with both Imperial Japan and Imperial Russia, its two most powerful neighbouring states, participating in the ‘scramble for China’ at the beginning of the twentieth century.⁵ In the second half of the nineteenth century, almost all of China’s neighbours were colonized by imperialist powers—not only Japan and Russia, but also Britain, France and the United States. China’s relations with those colonies became indirect. Many current issues in China’s relations with its neighbours, for instance territorial disputes, have their roots in the post-colonial state-building that occurred in the wake of the dismantling of these imperial structures.

The founding of the People’s Republic of China (PRC) in 1949 ended both the country’s internal turmoil and its historical decline. For relations with its neighbours, however, it heralded a period of complicated and difficult adjustment. For a long time, the PRC remained acutely vulnerable to foreign interference and intervention. In the complex environment of the Cold War, there was limited scope for China to shape its neighbourhood relations, and Chinese foreign policy towards its neighbours in this period was often reactive and defensive, determined largely by external factors. China’s participation in the Korean War is a good example of this pattern.⁶ Of course, the PRC also attempted on some occasions to take the initiative in pushing forward the development of new relationships in the

² Robert Kelly, ‘A “Confucian long peace” in pre-western east Asia?’, *European Journal of International Relations* 18: 3, pp. 407–30.

³ A Sinocentric order dominated by China existed for over 2,000 years in East Asia. As He Fangchuan pointed out, the expansion of China as a civilizational centre originally started from the Yellow River region, which gradually encompassed larger and larger areas as well as many non-Chinese peoples. The China-centred order gradually emerged to dominate the country’s relations with its neighbours. However, this did not mean that China could dominate permanently and in all contexts. See He Fangchuan, ‘On the Hua-Yi order’, *Journal of Beijing University* (social science edition), no. 6, 1998, p. 31.

⁴ Zhang Xiaoming, ‘The historical evolution of the relations between China and its neighbours: models and processes’, *Journal of International Politics*, no. 1, 2006, p. 60.

⁵ As China declined and lost influence over its neighbours, the concept of the surrounding areas for China also gradually vanished. The security threat to China mainly came from the surrounding/neighbouring areas. See Zhang Yunling, ‘Re-emergence of the concept of surrounding areas for China and rebuilding of the new order’, *Journal of World Economics and Politics*, no. 1, 2015, p. 8.

⁶ China had to become involved in the Korean War in 1950 in order to protect the newly established republic when the war arrived at its border, as Mao Zedong thought that the United States would invade China using the Korean Peninsula as a gateway. See Cao Yuyang, ‘Mao Zedong’s judgement of the war threat after the founding of new China’, *Journal of Military History*, no. 1, 2011, p. 66.

region. For instance, the Five Principles of Peaceful Coexistence (mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence) were first formulated in June 1954 between the Chinese Premier Zhou Enlai and his counterparts Jawaharlal Nehru of India and U Nu of Myanmar.⁷ These principles were endorsed and accepted at the Bandung Conference in 1955 by participating Asian and African countries, which made them the basic norms for international relations among this group of states.⁸ These principles represented a departure from China's traditional hierarchical concept of international order and a new foundation for the construction of a post-colonial and post-imperial international order. However, the Cold War confrontation between China and the United States, and the split between China and the Soviet Union, not only made Beijing a sworn enemy of both these powers, but also prevented it from implementing the Five Principles of Peaceful Coexistence in dealing with its neighbourhood relations. As a result, China had difficult and poor relations with a majority of its neighbours from the 1950s through to the 1970s.

China's relations with its neighbours witnessed significant changes following Beijing's adoption of a policy of reform and opening up from the late 1970s. As part of this new direction, China needed to attract foreign investment and to gain access to international markets, both of which required it to establish better relations with western countries. Taking the opportunity provided by the improvement in Sino-American relations, China quickly established diplomatic relations with a number of neighbouring countries in the 1970s, including Japan, Malaysia and Thailand. China's opening up and development policy provided the political drive for further improvements in relations with its neighbours, while similar policies carried out by those neighbours prepared the ground for it to develop extensive economic relations in the region.⁹ In the quest for a stable and peaceful international environment and an open and cooperative economic climate conducive to its own development, China changed its strategic thinking and took proactive measures to develop and improve relations with its neighbours.¹⁰ As a result, both political and economic relations between China and its neighbours saw rapid development and significant change. For example, China wrote off its past grievances and started to normalize its relations with the Soviet Union even before the end of the Cold War.

⁷ For the Five Principles of Peaceful Coexistence, see Yin Yang, 'Five Principles of Peaceful Co-existence', 1 Jan. 2011, <http://blog.hiddenharmonies.org/2011/01/01/the-five-principles-of-peaceful-coexistence/> (unless otherwise noted at the point of citation, all URLs in this article were accessible on 23 May 2016).

⁸ Some Chinese scholars claim that China first proposed those principles, and India and Myanmar simply agreed to them. See Zheng Ruixiang, 'The historical background and significance of Five Principles of Peaceful Co-existence', *Journal of Contemporary Asia-Pacific Studies*, no. 6, 2004, pp. 4, 7. See also Yang, 'Five Principles of Peaceful Co-existence'.

⁹ Lee Lai To argued, for example, that China's relationship with ASEAN members in the 1990s 'was preceded by a very long period of uneasiness, suspicion and even animosity in the Cold War period', and that 'mutual trust could not be built up overnight'. See Lee Lai To, 'Dealing with a rising China in the new millennium: a view from ASEAN', in Zhang Yunling, ed., *Making new partnership: a rising China and its neighbours* (Beijing: Social Sciences Academic Press, 2007), pp. 137, 146.

¹⁰ Yunling, ed., *Making new partnership*, pp. 2, 6–9.

By the late 1990s, China had normalized relations with all its neighbours, an important landmark in a changing picture. One of the most important steps in improving neighbourhood relationships was the successful conclusion of negotiations on the demarcation of land borders with Russia and Vietnam, along with an agreement with New Delhi on maintaining stability in the disputed areas on the border with India.¹¹ China's subsequent economic rise has enabled it to claim to be the largest trading partner of all its neighbours. In 2010, China's GDP overtook Japan's to make it the largest economy in Asia and the second largest in the world.¹² China has also become an active player in promoting and participating in regional initiatives for integration and cooperation. These are significant historic changes, which show that China has gradually returned to its position at centre stage of the region.

Now that China has once again become a strong power, how will it live with its neighbours in this new context? And what kind of relationships will it construct with them? China has put forward a number of principles for building good neighbourly relationships and partnerships, and has declared itself to be seeking friendship, common security and shared prosperity with the neighbouring countries. More recently, it has also taken significant moves to give first priority in its diplomatic work to developing relations with its neighbours. This represents an important adjustment in Chinese foreign policy and poses significant challenges. As Wenwen Shen remarked: 'It will be a difficult balancing act for China—on the one hand demonstrating that it is back as a major power after the century of humiliation; and on the other wishing to be regarded as an important but peaceful neighbour.'¹³ After the 18th national congress of the Chinese Communist Party, the new generation of leaders formulated new guidelines for China's neighbourhood diplomacy, which feature 'amity, sincerity, mutual benefit and inclusiveness' as key principles in an attempt to construct a 'community of shared interests' and a 'community of common destiny' with neighbouring states.¹⁴

In summary, China has repeatedly adjusted its policies towards its neighbours, taking new measures as a result of each shift. The main thrust in the first period (before adopting the reform and opening-up policy) was to defend China against foreign intervention and invasion, and to strive for survival and coexistence; in the second period (before the 18th national congress), the emphasis was on friendly coexistence and peaceful development. We are now in the third period, in which the policy priority in neighbourhood relations is active promotion of a community of shared interests and common destiny. While the emphases and features may vary across different periods, the PRC's central concept of order based on the

¹¹ China and Vietnam signed an agreement on the demarcation of the Beibu Gulf exclusive economic zone in 2004 and another on their land border in 2008. China signed an agreement with Russia on their land border in 2004, and a document on political guidelines for stabilizing the border area with India in 2005.

¹² On China's surpassing Japan as the second largest economy in GDP terms, see <http://www.huanqiu.com/zhuanti/fiance/chinagdp/>.

¹³ Wenwen Shen, 'China and its neighbours: troubled relations', EU-Asia Centre, 1 March 2012, http://www.eu-asiacentre.eu/pub_details.php?pub_id=46.

¹⁴ Xi Jinping, 'Let the consciousness for the community of destiny find its root in the neighbouring countries', Xinhua, 25 Oct. 2013, http://news.xinhuanet.com/politics/2013-10/25/c_117878944.htm.

principles of equality, peaceful coexistence and cooperative development remains unchanged.¹⁵

China's emerging grand strategy in respect of its neighbourhood relationships is marked by a growing confidence in its ability to shape the regional environment and is underpinned by several important ideas.¹⁶ This overarching strategy reflects new thinking on how to position China among its neighbours and how to understand the new importance of the country's neighbourhood to its pursuit of Great Power status.

Two of these ideas are particularly worth mentioning. One is the notion that all China's neighbouring areas must be taken as a single region closely connected and inseparably bounded by shared interests, of which China is an integral part and in which it plays an indispensable role in constructing a 'community of shared interests and common destiny'. This is a significant change. It means that China will no longer look at its relationship with any one of its neighbours in only bilateral and linear terms, but will see it as part of the overall relationship with its integral neighbourhood region. The other is the view of this integral neighbourhood region as strategically indispensable in supporting China's rise to Great Power status. This means that China will no longer regard its neighbourhood region as a source of threat to its security, but will see a good relationship with its neighbours as the foundation of its search for security. This is a completely new understanding. It is this idea that informs China's initiatives to construct a 'community of shared interests and common destiny' with its neighbours.

To put these new ideas into practice, however, is no easy job. The neighbouring countries are highly diverse in terms of political system, level of economic development, degree of social cohesion and historical relationship with China. Further difficulty lies in the fact that there are all sorts of complicated contradictions and conflicts of interest among China's neighbours themselves; and in the further factor of intervention and interference from extraregional powers that engage in overt and covert competition in the region. This last point is perhaps best illustrated by the recent US 'pivot' to Asia and the heightened tensions in the South China Sea.¹⁷ In addition, China's 'century of humiliation' at the hands of western imperial powers may have left a legacy of a 'victim complex' among some Chinese people, and may encourage a 'revenge sentiment' among others; both attitudes may foster extreme nationalist ideas at a time when China is becoming strong and powerful.¹⁸ Furthermore, as a rising power, China will naturally expand its interests and exert its influence, which may lead to competition or conflict with

¹⁵ For a detailed analysis by the present author of the evolution of China's policies on the neighbourhood relationship, see Yunling, ed., *Making new partnership*.

¹⁶ See Zhang Yunling and Tang Shiping, 'China's regional strategy', in David Shambaugh, ed., *Power shift: China and Asia's new dynamics* (Berkeley: University of California Press, 2005), pp. 52–3.

¹⁷ 'The impact of US "pivot to Asia" to China and how to respond by China' (in Chinese), 16 May 2012, http://wenku.baidu.com/link?url=03om6tu3i_7S7EgyS2vGS8HU_i_HoiyFv6tDBGrER9iwI4ctIQRtB-kioNNTl6klNftKJI65CK7qutktbusK2CeppOscE9NdodKAoRStRzRsS.

¹⁸ Nationalism is often grafted on to patriotism for political purposes, which may also encourage anti-foreign sentiment in some circumstances. See Qin Xuan, 'How to understand the current nationalism?', *People's Forum*, no. 3, 2012, pp. 34, 35.

other Great Powers in the region in various forms, including the possible use of military force. Such action may lead China's neighbours to question its proclaimed intention to take the path of peaceful development.¹⁹

Today, no country has the military capability to invade China. This is an important historic change in China's geopolitical situation. To become an amicable Great Power, as some Chinese officials have advocated,²⁰ China needs not only power, but also wisdom and patience. Under such circumstances, it can be said that to a great extent the time-frame of China's development and rise will be determined by its patience; when its patience fades, the period of opportunity will be interrupted and the dream of national renewal and rejuvenation will be hard to realize. As I have argued elsewhere, a rising power is most prone to undertaking risky adventures because it overestimates its power. China currently faces such a predicament.²¹ China is in the historical process of growing from a big (but weak) country into a Great Power. What it needs is time and a favourable environment for its continued rise, in order to engage in the necessary process of learning how to behave as a Great Power.

New challenges

In recent years, there have been growing tensions in China's neighbourhood areas.²² As China rises, so also does distrust on the part of neighbouring countries. Some of them are worried about China's possible hegemonic ambition, fearing it may strive to dominate regional affairs.²³ Phrases such as 'the China threat' and 'China's assertiveness' are readily found in media reports. The territorial disputes, and the maritime disputes in the East China Sea and the South China Sea in particular, have led to a deterioration in China's relationships with Japan and with some ASEAN members.²⁴ There has been widespread concern that the confrontation in the East China Sea and the South China Sea may get out of control, leading to military conflict. This situation is made much more complicated by the announcement and implementation of the American 'pivot/rebalancing to Asia' strategy, which has stoked strategic competition between the United States and a rising China in the region.²⁵ The US has announced publicly that it will come to the aid of Japan in the

¹⁹ As David Shambaugh commented: 'Although China's posture of late has been largely reassuring to the region, its past behavior has not always been so. Long memories, residual concerns, and irredentist issues remain ... and as a consequence several states appear to be practicing various types of "hedging" strategies.' See Shambaugh, ed., *Power shift*, p. 41.

²⁰ See e.g. Wang Yi on China's major power diplomacy: Mission of the People's Republic of China to the European Union, 27 June 2013, <http://www.fmprc.gov.cn/ce/cebe/chn/zgwj/t1053777.htm>.

²¹ See Zhang Yunling, 'Seeking the virtuous movement between China and the world', *International Economic Review*, no. 4, 2013, p. 57.

²² On, for example, the tensions between China and Vietnam, see Will Freeman, 'Why you should pay attention to rising tensions between China and Vietnam', Think Progress, 21 May 2014, <http://thinkprogress.org/world/2014/05/21/3439317/tension-china-vietnam/>.

²³ See David Abraham and Meredith Ludlow, 'China's new plan for economic domination', *The Atlantic*, 18 May 2011, <http://www.theatlantic.com/international/archive/2011/05/chinas-new-plan-for-economic-domination/239041/>.

²⁴ Takashi Inoguchi, 'A call for a new Japanese foreign policy: the dilemmas of a stakeholder state', *International Affairs* 90: 4, July 2014, pp. 943–58.

²⁵ Mark Beeson and Fujian Li, 'What consensus? Geopolitics and policy paradigms in China and the United States', *International Affairs* 91: 1, Jan. 2015, pp. 93–109.

event of a conflict with China over the territorial disputes in the East China Sea.²⁶ It has also strengthened its strategic relationship with both the Philippines and Vietnam, each of which has territorial disputes with China in the South China Sea.

How to assess such a complicated situation in neighbourhood areas is of great importance to foreign policy-makers in China. In his speech at the Central Conference on Work Relating to China's Neighbourhood Diplomacy in 2013, President Xi Jinping insisted that the situation in the neighbourhood areas is generally stable and in the main characterized by good neighbourly and friendly relations, mutual benefit and cooperation.²⁷ Others see it differently, arguing that China is besieged on all sides and is threatened from the north, south, east and west in its neighbourhood areas.²⁸ Some even claim that China's current security situation is similar to that of the late Qing period.²⁹

In my view, the changing regional environment for China's national security is not threatening; in fact, it is better now than at any time in modern history, since China is now capable of managing and controlling the situation. It should be recalled that, as noted above, in the years after the founding of the PRC its neighbourhood areas were the main sources of security threat to the new republic. For quite a long time, China was defensive and reactive in its responses to security threats in order to safeguard its national security and regime survival. On many occasions, China was forced by external factors to make such responses, including resort to military action or even war. After the reform and opening up, China took the initiative to foster a peaceful international environment conducive to its economic development, which meant promoting favourable conditions for improving its neighbourhood relations. Since then, China has not only established normal relations with all of its neighbours and solved most of its land border disputes with them, as mentioned above; it has also successfully established strategic partnerships with a number of neighbouring countries, including Russia and Pakistan.³⁰ Through numerous bilateral and multilateral free trade agreements, it has promoted regional and subregional economic cooperation and integration with great success. As a result, shared interests with its neighbours have significantly expanded, as China has once more become the biggest market for them all. This is a regional order that is based on and reflects an improved relationship with those countries, in which China is in a position to exert significant influence and play a leadership role.³¹

²⁶ 'Obama says US will defend Japan in island dispute with China', *Guardian*, 24 April 2014, <http://www.theguardian.com/world/2014/apr/24/obama-in-japan-backs-status-quo-in-island-dispute-with-china>.

²⁷ See 'Xi Jinping made an important speech at the Central Conference on Work Relating to China's Neighborhood Diplomacy', *Xinhua*, 25 Oct. 2013, http://news.xinhuanet.com/politics/2013-10/25/c_117878944.htm.

²⁸ Wenwen Shen, 'China and its neighbours: troubled relations', 1 March 2012, http://www.eu-asiacentre.eu/pub_details.php?pub_id=46.

²⁹ See Shen, 'China and its neighbours'.

³⁰ In 1996, China and Pakistan established a strategic cooperation partnership; in the same year, China and Russia established strategic consolidation partnership relations.

³¹ It is argued that an important change in China's handling of its relations with its neighbours is that it has become more self-confident. This self-confidence has been reflected in two ways: one is that China more often takes active initiatives, and the other is that China accepts and involves itself in regional institutional arrangements. See Wan Jisi, 'China's changing role in Asia', in Kokubun Ryosei and Wang Jisi, eds, *The rise of China and a changing East Asian order* (Tokyo: Japan Center for International Exchange, 2004), p. 19.

The real challenge is that China's rise from a weak country to a powerful state has triggered multiple and complex reactions and has required significant and profound adjustment of regional relationships. For some of its neighbours, China's return to strength may exacerbate longstanding disputes. This is because when China was weak and of little concern to neighbouring countries, such disputes were shelved. Now that China is stronger the case is different, both for it and for its neighbours. Having lost much in the century of decline and humiliation, China hopes to recover what was seized from it when it becomes strong. It feels that it is unreasonable for it to be expected to tolerate these historic losses any longer. In the Chinese view, this is not about revenge but rather represents a return to the rightful balance of things. However, among its neighbours there is a growing fear that a strong China may seek regional hegemony at the expense of their vital interests. In the words of Martin Jacques, 'any fundamental change in the position of China in the region, and the consequent balance of power between China and its neighbouring states, could well see a reversion to a more tributary state relationship'.³² Some consensus seems to have emerged among regional states that such a prospect must be prevented from taking shape. In particular, those countries that have territorial disputes with China have taken various measures to this end, including strengthening their alliance with the United States and forming 'quasi-alliances' in the region.³³

The United States is the country that has made the most notable strategic adjustment in dealing with the rise of a powerful China.³⁴ This is quite understandable, for the rise of China as a Great Power inevitably constitutes a challenge to the US-dominated regional and international system.³⁵ In the first decade of the twenty-first century, the strategic focus of the United States was on anti-terrorism. When China rose to become the second largest economy in the world and was considered to be trying to transform the regional and indeed the global order,³⁶ the United States adjusted its global strategy and shifted its focus to addressing the China challenge. For this purpose, the United States mobilized its resources and drew in other forces in an attempt to constrain China from expanding its operating space, contain its increasing influence and prevent it from replacing or weakening the US presence and impact in the region. This is the real background of the American 'pivot to Asia' strategy.³⁷

³² Martin Jacques, *When China rules the world: the rise of the middle kingdom and the end of the western world* (London and New York: Allen Lane, 2009), p. 419.

³³ See Mark E. Manyin (coordinator), *Pivot to the Pacific? The Obama administration's 'rebalancing' toward Asia*, CRS Report for Congress (Washington DC: Congressional Research Service, March 2012), <http://fas.org/sgp/crs/natsec/R42448.pdf>.

³⁴ Harsh V. Pant and Julie M. Super, 'India's "non-alignment" conundrum: a twentieth-century policy in a changing world', *International Affairs* 91: 4, July 2015, pp. 747–64.

³⁵ For example, as Robert Sutter commented, 'a key question is how China's rise in Asia has affected US policy', and 'the prevailing pattern has been groups of US officials highlighting the challenges to US interests posed by China's rise to argue for more activism and change in US policy in Asia'. See Robert Sutter, 'Dealing with a rising China: US strategy and policy', in Yunling, ed., *Making new partnership*, pp. 361, 370.

³⁶ See e.g. Martin Sieff, 'China wants its own "new world order" to oppose US version', *Rense.com*, 2002, <http://rease.com/general19/oppo.htm>.

³⁷ Some Americans argue that 'China's rise is the big story in East Asia' and 'the United States is the only country with enough muscle to check China's rise'. See Matt Schiarenza, 'What exactly does it mean that the US is pivoting to Asia?', *The Atlantic*, 15 April 2013, <http://www.theatlantic.com/china/archive/2013/04/what-exactly-does-it-mean-that-the-us-is-pivoting-to-asia/274936/>.

Japan has also made a significant strategic adjustment. It felt great pressure when China's GDP overtook its own in 2010. It began to ponder seriously how to coexist with a strong China, its traditional regional rival. Japan became the most powerful country in Asia at the turn of the twentieth century. Although it suffered crashing defeat and destruction during the Second World War, it soon recovered and became a major power with the second largest economy in the world in the late 1960s. China's rapid economic growth since 1979 has contributed to the sustained rise of its comprehensive national power, including military power. As the gap between the Chinese and the Japanese GDP continued to widen after 2010, the Japanese government felt that it could no longer sit idle. Despite the leaderships of the two countries having agreed to shelve the dispute over the Diaoyu Islands when diplomatic relations were normalized in 1972, Tokyo pushed the issue back into the spotlight by nationalizing the islands in 2012.³⁸ After his re-election in 2012, Prime Minister Shinzo Abe used the so-called 'China threat' as a pretext for pushing ahead with constitutional reform and lifting the ban on collective self-defence, at the expense of Japan's relations with China. As a consequence, relations between the two countries have deteriorated further. Behind the specific disputes lies a more fundamental challenge to the constellation of power in east Asia, as China's rapid rise has seen it supplant Japan as the most powerful and most influential country in east Asia. Both China and Japan need to make strategic adjustments in dealing with this challenge, if an overall confrontation between the two countries is to be avoided in the best interests of both.³⁹ This readjustment is also the key to the solution of the Diaoyu Islands dispute.

The issue of the South China Sea poses a high strategic risk. Both the Philippines and Vietnam have become more assertive and aggressive in their longstanding territorial and maritime disputes with China here.⁴⁰ In addition, the territorial and maritime disputes in the South China Sea have drawn in other powers, notably the United States, making the situation in these waters more complex and challenging.⁴¹ China is often criticized as a bully, flexing its muscles and attempting to expand its power and influence in the region.⁴² Such criticism has been expressed in spite of the fact that China and ASEAN have made combined efforts to agree on a declaration on the conduct of parties in the South China Sea.⁴³ These recurrent

³⁸ See e.g. Ahn Huyen, 'Japan's nationalization of Senkaku islands (Diaoyu islands) infuriates China', Voice of Vietnam World Service, 11 Sept. 2012, <http://vovworld.vn/en-US/Current-Affairs/Japans-nationalization-of-Senkaku-Islands-infuriates-China/106516.vov>.

³⁹ See Zhang Yunling, 'China's surrounding regional environment and Sino-Japanese relations', *Journal of Japanese Studies*, no. 5, 2014, p. 13.

⁴⁰ See Katherine Morton, 'China's ambition in the South China Sea: is a legitimate maritime order possible?', *International Affairs* 92: 4, July 2016, pp. 909–940 in this issue.

⁴¹ See Zhao Weihua, 'Models for resolution of the China–Vietnam dispute in the South China Sea: the role of external major powers and international law', *Journal of Contemporary Asia–Pacific Studies*, no. 5, 2014, pp. 97–102.

⁴² See 'Obama: China "using muscle" to dominate in South China Sea', BBC News, 10 April 2015, <http://www.bbc.com/news/world-asia-china-32234448>.

⁴³ China and ASEAN signed the declaration on 3 Nov. 2002 and agreed on a guideline for implementation of the declaration on 20 July 2011. See 'Declaration on the conduct of parties in the South China Sea', http://asean.org/?static_post=declaration-on-the-conduct-of-parties-in-the-south-china-sea-2; see also Addul Khal

disputes have had a negative impact on relations between China and ASEAN, and also on the stability of the region as a whole.

These challenges are indeed daunting for China. However, if we take its neighbourhood areas as an integrated region, and if these challenges are viewed in terms of China's historical development from a weak country to a powerful state, then an objective analysis suggests that these challenges are a natural corollary of the general restructuring of relations between China and its neighbours and of the regional international order in the context of China's rise to renewed power through a century-long process of profound transformation.

Towards a new grand strategy

The historic transformation of China from a century of decline and humiliation to a century of national rejuvenation will inevitably have a great impact on relations with its neighbours and bring about significant changes in the structure of power in the regional international system. In other words, with China's rise to Great Power status, not only will its neighbourhood relations be subject to constant readjustment, but also the regional order will be gradually reconstructed and redefined. China is now going through the most crucial period of this long historical process of great transformation. It is from this perspective that we can arrive at a better understanding of the general trend of the changes and challenges now confronting the country.

As well as taking this long historical perspective, it is also important to emphasize that evaluation of the challenges presented to China's neighbourhood relations must take its neighbourhood areas as an organically integrated region. From this organic perspective, it is clear that China's relationship with its neighbourhood region is generally stable and that no hostile encirclement exists. All countries, including those in dispute with China, hope to maintain stability in the region and to develop peaceful and cooperative relations with Beijing. The individual challenges mentioned above are not systematically threatening to China's strategic goal and they can be managed with care. Taking China as an integral part of this organic region, we can see more clearly that it is the fundamental changes in and to the country itself that are the most crucial factors affecting the regional transformation and the power transition. The corollary of this is that China, through judicious adjustment of its own grand strategy, can play a pivotal role not only in shaping the regional order to fulfil its best interests, but also in stopping relations with its neighbours from deteriorating to the detriment of its national interests. This perspective suggests, then, that China can actively shape the region rather than responding defensively and reactively to challenges and crises.

China's grand strategic thinking about shaping its neighbourhood relations should, therefore, be based on three key considerations. First, it should take full advantage of the period of strategic opportunity for the transformation of China.

and Desy Nurhayati, 'South China Sea guidelines agreed', 21 July 2011, *Jakarta Post*, http://asean.org/?static_post=declaration-on-the-conduct-of-parties-in-the-south-china-sea-2.

Second, it should make every effort possible to preserve a peaceful environment and to ensure that no war will happen in its neighbourhood region. Third, it must have the strategic patience to implement a grand strategy that can stand the test of time and change.

The process of realizing the dream of rejuvenating the Chinese nation is still ongoing. Economic development remains the most important task, for China is still a developing country. It needs to further deepen the reform and opening-up process in order to achieve the successful transformation of its economic development model and to increase its comprehensive national power. As President Xi Jinping has emphasized, 'we still have a long way to go and much hard work to do before we can turn our dream into reality', and 'we should be guided by the strategic thinking that only development will make a difference, and steadfastly take economic development as the central task'.⁴⁴ This long historical process of national rejuvenation should not be disrupted. This should be the bottom line of China's grand strategic thinking.

The next 20–30 years are an important period of strategic opportunity for China. In the three decades or so since the beginning of economic reform and opening up, China has achieved fast economic growth by following the path of peaceful development, capitalizing on its comparative advantage of abundant labour, and making full use of foreign investment and the world market. In the foreseeable future the high-growth model of the economy will be replaced by the 'new normal' of moderate but high-quality growth. At the same time, the regional and international environment will be more challenging.

Preventing war from occurring in its neighbourhood must be a chief strategic goal as well as a guiding principle for China's grand strategy. In the century of China's decline and humiliation, numerous wars divided and fragmented it as a nation and a state. After the founding of the PRC, wars broke out from time to time in its neighbourhood areas, in some of which it was forced to become involved. All these wars inflicted huge losses on China and delayed the process of its economic development. To avoid the occurrence of war in its neighbourhood in future years, China is likely to seek to enhance its ability to control the situation in the region and to ensure that it has the capacity to prevent any other country or countries from launching war against it and its friendly neighbours. It is also important that China itself refrains from resorting to war or the use of force as a means of resolving conflicts and disputes with its neighbours.⁴⁵ To enhance its capacity to prevent others from waging war against itself, China seems set on building up its comprehensive national power, especially its military power. While pursuing this goal, it is equally likely that China will make more effort to identify its military buildup as a means of enhancing regional security. Although

⁴⁴ Xi Jinping, *The governance of China* (Beijing: Foreign Language Press, 2014), pp. 38, 43.

⁴⁵ On 22 Dec. 2005 the Chinese government issued a white paper on China's path of peace and development, in which it made a clear commitment to keep to this path. On 6 Sept. 2011 it issued another white paper, in which it reiterated its commitment to make the utmost effort to preserve peace and stability in the East China Sea, the South China Sea and China's neighbourhood areas. For the first white paper, see *China's peace and development path*, http://news.xinhuanet.com/politics/2005-12/22/content_3954937.htm; for the second, see *China's peace and development*, <http://politics.people.com.cn/GB/1026/15598621.html>.

China may be not in a position to deny others control of the region at present, it looks likely to be in a position to do so in the near future.⁴⁶

Disputes among nations, including territorial disputes, can never be resolved by war, which only deepens hatred. For China, it is a show of strength, not weakness, to refrain from using force against its neighbours in these disputes. Traditional Chinese culture sets the highest value on 'peace and harmony', commends the 'defusing' of contradictions, pursues the result of 'reconciliation' and believes in the tactical principle of 'subduing enemy troops without resorting to war'. When China was weak, war was sometimes imposed on it and was at other times a defensive choice for it. Now that China is getting strong and is able to make choices as it wishes, the time for it to display its 'culture of harmony' has come.⁴⁷

At present, only two countries have land territorial disputes with China, namely India and Bhutan. There is no expectation that war will break out between China and Bhutan. China and India have gone to war over their land border disputes in the past; however, the two countries appear to have reached agreement on stabilizing the border areas and are conducting talks on resolving their disputes. It is clear that neither side sees war as the solution.⁴⁸

The hot spots at present are the Diaoyu Islands in the East China Sea and the South China Sea territorial disputes with some south-east Asian countries. The Diaoyu Islands issue in the East China Sea goes beyond the territorial dispute between China and Japan to include the further complicating factors of the power transition between the two countries, the changing regional balance of power and a new strategic competition. Sha Zukang's comment that for China it is 'not worth fighting for a few rocks' is not a joke, but reflects serious strategic consideration.⁴⁹

With regard to the South China Sea issues, the most important point is that China should be able to control and stabilize the overall situation. By this I mean three things: that China should do everything it can to prevent the escalation of the disputes and to promote cooperation among the parties directly involved; that China should be open to dialogue with other concerned parties who are not directly involved in the disputes, but who have interests in the region; and that China should actively encourage ASEAN as a regional organization to play a posi-

⁴⁶ Zhou Fangyin has argued that China's rise means not just economic rise, but a transformation of the East Asian order. This will involve the United States' loss of its leading role in the security order, as China intends to provide the public goods for regional security. The key to a peaceful new order is that the major powers, especially the United States and China, manage to coordinate the transformation of the regional order. See Zhou Fangyin, 'China's rise, transition of East Asian order and direction of the future development for East Asian order', *Journal of Asia-Pacific Studies*, no. 5, 2012, pp. 25–6.

⁴⁷ Some Chinese scholars, such as Yu Dunkong, a senior fellow at the Chinese Academy of Social Sciences, argue that the essence of Chinese culture is 'harmony'. Yu has further argued that China's call to harmony shows the revival of its cultural tradition, and is not just a slogan but a real commitment. See 'Harmony: the universal value of Chinese culture', *Jin Yang Journal*, no. 2, 2014, pp. 4–5.

⁴⁸ See Sarah Watson and John Chen, 'Sino-Indian border talks not enough to defuse tensions', *The Diplomat*, 3 Dec. 2015, <http://thediplomat.com/2015/12/sino-indian-border-talks-not-enough-to-defuse-tensions/>; also M. K. Bhadrakumar, 'Pranabda returns to preventive diplomacy with China', *Indian Punchline*, 22 April 2016, <http://blogs.rediff.com/mkbhadrakumar/2016/04/22/pranabda-returns-to-preventive-diplomacy-with-china/>.

⁴⁹ Sha Zukang, a well-known Chinese diplomat, said that it is not worthwhile for China to launch a war on the Diaoyu Islands, which are only two big rocks. See News Report, 'It is not worth going to war with Japan over two big rocks, the Diaoyu Islands', *Tiexue.net*, 7 Dec. 2013, http://bbs.tiexue.net/post2_7008063_1.html.

tive role in stabilizing the overall situation in the South China Sea. The difficulty in addressing the South China Sea issues lies in the lack of trust between China and other claimants and parties. Chinese Foreign Minister Wang Yi has recently called for a 'dual track' approach to solving the disputes, that is, bilateral negotiations between China and the respective claimants, and cooperation between China and ASEAN on maintaining stability and cooperation overall.⁵⁰ There seems to be no consensus among the ASEAN claimants on their policies and approaches to the solution of the South China Sea disputes. Malaysia attaches importance to developing stable relations with China and manages to take a low profile on the disputes.⁵¹ The Philippines, apparently backed by the United States, has chosen to submit its disputes with China to the court of international arbitration under the UN Convention on the Law of the Sea, thus exerting maximum pressure on Beijing, while Vietnam takes a robust approach as it controls the largest number of islands and reefs in the South China Sea.⁵² There will be no easy and simple solution to these disputes. The challenge for China is how to maintain stability in the region while at the same time seeking to clarify its position on the 'U-shaped line', also known as the 'Nine-dash line',⁵³ when an appropriate opportunity arises. China should also take the initiative in pressing for the conclusion of negotiations on the code of conduct on the South China Sea.

The key factor, of course, is how to handle relations with the United States. Beijing's purpose in proposing the construction of a new type of major power relationship with the United States is to avoid conflict, especially war, between China as a rising power and the United States as a well-entrenched hegemon. China is doing so not out of fear of or submission to the United States but on the basis of new strategic thinking designed to avert the historical tragedy whereby a rising power is bound to launch a war against the hegemonic power in seeking domination. This is the core of the proposal for building a new type of relationship between the two major powers.⁵⁴ The United States is probably unwilling to accept the concept, but has no better option than engaging China.⁵⁵

⁵⁰ Wang Yi made this call at the ASEAN+1 (China) foreign ministers' meeting on 9 Aug. 2014. See Wang Yi, 'To solve the dispute on the South China Sea by the dual track', Xinhua, 9 Aug. 2014, http://news.xinhuanet.com/world/2014-08/09/c_1112007229.htm.

⁵¹ See 'US think tanks on Malaysian strategy to the disputes on South China Sea: more prudent', 7 April 2014, <http://mil.news.sina.com.cn/2014-04-07/1406772644.html>.

⁵² See Bonnie S. Glaser, 'Armed clash in the South China Sea', Contingency Planning Memorandum no. 14 (New York and Washington DC: Council on Foreign Relations, April 2012), <http://www.cfr.org/world/armed-clash-south-china-sea/p27883>.

⁵³ This line, showing the waters and islands claimed by China, was first used on a map of the South China Sea in the 1930s, resurrected on an official map in the 1940s and re-presented in a map submitted to the UN Secretary-General in 2009.

⁵⁴ State Councillor Yang Jiechi has summarized the core principles of the new type of major power relationship between China and the United States as 'mutual respect, non-conflict and non-confrontation, and win-win cooperation'. See report of interview, 'Explaining the connotation of China-US new major power relationship', speech on China-US strategic dialogue, 12 July 2013, <http://ucwap.ifeng.com/news/zhuanti/fcmdh/zx/news?aid=65626775>.

⁵⁵ As Cheng Li and Lucy Xu have remarked, the Obama administration has cautiously refrained from accepting the concept. One reason is that the United States is particularly sensitive to how adoption of this concept would be portrayed by its allies in the region. See Cheng Li and Lucy Xu, 'Chinese enthusiasm and American cynicism over "new type great power relations"', *The World Post*, 14 Feb. 2015, http://www.huffingtonpost.com/cheng-li-and-lucy-xu/china-new-power-relations_b_6324072.html.

Conclusions

It should be noted that there have already been some new features in China's relations with its neighbours. The most significant are a substantial extension of shared interests, the establishment of subregional dialogue and cooperation mechanisms embodying this convergence of interests, and, and most importantly, the pivotal constructive role played by China itself in these changing relationships. These new developments are on the whole conducive to constructing a peaceful and cooperative neighbourhood for China. China should have confidence not only in itself but also in the international environment it has fostered, especially in its neighbourhood region, for its economic development.

In the final analysis, relations in the region should be understood from the complementary perspectives of the neighbourhood as an integral region and China as an integral part of its neighbourhood. The first of these, 'China's neighbourhood as an integral region', requires Beijing to take an overview and evaluate the regional situation as a whole; the second, 'China as an integral part of its neighbourhood', requires it to respect the interests and concerns of its neighbours. A further significant point is that the neighbourhood is not closed but open; it is no longer possible, and indeed not necessary, to return to the historical Sinocentric order based on the tributary system. China's neighbourhood region has become increasingly integrated, while remaining as diverse as before. The ever-expanding congruence of interests between China and its neighbours is accompanied and contested by their various conflicts of interest, generating both competition and cooperation among them. President Xi Jinping has recently called for the construction of a 'community of shared interests and common destiny' among China and its neighbours based on the new guiding principles of 'amity, sincerity, mutual benefit, and inclusiveness'.⁵⁶ China has also launched a series of new initiatives to implement its 'one belt, one road' strategy.⁵⁷ All these developments are evidence of China's return to centre stage as a leading power in the regional international system. How this great historic transformation of the region plays out will depend on the will and wisdom of a rising China and of its neighbours.

⁵⁶ Xi Jinping, 'Let the consciousness of a community of common destiny be rooted in the neighbouring countries'. It is considered that the call to build a community of common destiny shows a genuine focus of China's foreign policy on its neighbourhood areas. See Liu Zhenmin, 'To adopt the win-win strategy and build the community of common destiny in Asia', *Journal of International Studies*, no. 2, 2014, p. 3.

⁵⁷ 'One belt, one road' refers to two initiatives undertaken by China. Xi Jinping announced the initiative to build the Silk Road Economic Belt on 7 Sept. 2013 during his visit to Kazakhstan (see Xi Jinping, 'Let's build a Silk Road Economic Belt together', 7 Sept. 2013, <http://news.sina.com.cn/c/2013-09-07/135928157658.shtml>) and called for the building of the Twenty-first Century Maritime Silk Road during his visit to Indonesia on 3 Oct. 2013 (see Xi Jinping, 'China is willing to build the Twenty-first Century Maritime Silk Road together with ASEAN countries', Xinhua, http://news.xinhuanet.com/world/2013-10/03/c_125482056.htm, 3 Oct. 2013). He further urged progress on both projects during the eighth working meeting of the central leading group on finance and economics on 4 Nov. 2014 (see Xi Jinping, 'To facilitate the process of building the Silk Road Economic Belt and the Twenty-first Century Maritime Silk Road', CRI online, 6 Nov. 2014, <http://gb.cri.cn/42071/2014/11/06/6891s4757587.htm>).