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**China, Institutional Leadership and Regional Order: The
Cases of ASEAN Plus Three and the Shanghai Cooperation
Organization, 2007 - 2017**

Wai Hong Tang

A thesis submitted in partial fulfillment of the requirements for the
degree of Doctor of Philosophy in Politics and International Studies

Department of Politics and International Studies
University of Warwick

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Abbreviations

ABMF	ASEAN+3 Bond Market Forum
ABMI	Asian Bond Markets Initiative
ACFTA	ASEAN-China Free Trade Area
ADB	Asian Development Bank
AIF	ASEAN Infrastructure Fund
AIIB	Asian Infrastructure Investment Bank
AMF	Asian Monetary Fund
AMM	ASEAN Foreign Ministers' Meeting
AMRO	ASEAN+3 Macroeconomic Research Office
APEC	Asia-Pacific Economic Cooperation
APT	ASEAN Plus Three
APTERR	ASEAN Plus Three Emergency Rice Reserve
ARF	ASEAN Regional Forum
ASA	Association of Southeast Asia
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
BIMP- EAGA	Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area
BRI	Belt and Road Initiative
CDM	ASEAN Plus Three Clean Development Mechanism
CEPEA	Comprehensive Economic Partnership for East Asia
CGIF	Credit Guarantee and Investment Facility
CMI	Chiang Mai Initiative
CMIM	Chiang Mai Initiative Multilateralization
CMIM-PL	CMIM-Precautionary Line
CNPC	China National Petroleum Corporation
COC	Code of Conduct in the South China Sea
CPC	Communist Party of China
CSTO	Collective Security Treaty Organization
CTBT	Comprehensive Nuclear-Test-Ban Treaty

DOC	Declaration on the Conduct of Parties in the South China Sea
EAEC	East Asian Economic Caucus
EAEG	East Asian Economic Group
EAERR	East Asia Emergency Rice Reserve
EAFTA	East Asia Free Trade Area
EAS	East Asia Summit
EAVG	East Asia Vision Group
EAVG II	East Asia Vision Group II
EDB	Eurasian Development Bank
EEU	Eurasian Economic Union
EID	ASEAN Plus Three Emerging Infectious Diseases Program
EPQI	Expanded Partnership for Quality Infrastructure
EPRD	Economic Review and Policy Dialogue
ERIA	Economic Research Institute for ASEAN and East Asia
EU	European Union
FDI	Foreign Direct Investment
FTAAP	Free Trade Area of the Asia-Pacific
GDP	Gross Domestic Product
GMS	Greater Mekong Subregion
ICCPR	International Covenant on Civil and Political Rights
IMF	International Monetary Fund
IR	International Relations
IS	Islamic State
JBIC	Japan Bank for International Cooperation
JOGMEC	Japan Oil, Gas and Metals National Corporation
LMC	Lancang-Mekong Cooperation
LMI	Lower Mekong Initiative
MPAC	Master Plan on ASEAN Connectivity
NATO	North Atlantic Treaty Organization
NEAT	Network of East Asian Think-Tanks
NEXI	Nippon Export and Investment Insurance
ODA	Official Development Assistance
PLAAF	People's Liberation Army Air Force

PLAN	People's Liberation Army Navy
PPP	Purchasing Power Parity
RATS	Regional Anti-Terrorist Structure
RCEP	Regional Comprehensive Economic Partnership
RMB	<i>Renminbi</i>
SCO	Shanghai Cooperation Organization
SEANWFZ	Southeast Asian Nuclear Weapon-Free Zone
SEATA	Southeast Asia Treaty Organization
SREB	Silk Road Economic Belt
TAC	Treaty of Amity and Cooperation in Southeast Asia
TPP	Trans-Pacific Partnership
TRIP	International Relations Teaching, Research & International Policy Survey
TTIP	Transatlantic Trade and Investment Partnership
UN	United Nations
UNSC	United Nations Security Council
WTO	World Trade Organization

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Declaration

I declare that this thesis is my own work and has not been submitted for another degree at another university.

Wai Hong Tang

Abstract

This thesis examines China's leadership behavior in ASEAN Plus Three (APT) and the Shanghai Cooperation Organization (SCO) after the global financial crisis. Notwithstanding the Chinese government's rhetoric, the question of leadership in the two regional institutions was pivotal to the rising power's renegotiation of the geopolitical definition of East and Central Asia. Adopting an interdisciplinary and eclectic approach, this thesis dissects institutional leadership as the ability to promote an institution's identity by guiding its adaptation to a changing environment. Based on a conception of leadership behavior as the combination of relationship and task, I develop an analytical framework of six types of leadership behavior – delegating, supporting, brokering, soft selling, hard selling and directing – to explain how a leader responds to external challenges.

This thesis finds that although China demonstrated increasing capacity to provide public goods, it remained unable to unite member states behind its purpose. Under Hu Jintao, the precedence of relationship over task led Beijing to promote APT and the SCO's identities through supporting and soft selling, employing its capabilities to advance capacity building while proposing institution-building initiatives. The combination of external and internal pressure, however, led task to precede relationship under Xi Jinping. The launch of the Belt and Road Initiative and other parallel initiatives constituted China's attempt at hard selling in economic cooperation by redefining collective purposes and initiating structures of cooperation on its own terms. Nevertheless, the problem of trust, together with structural and institutional constraints, confined Chinese institutional leadership in both APT and the SCO largely to functional tasks in the economic domain, and consequently prevented the two regional institutions from fully adapting to a changing environment. China's behavioral shift represented a change in its approach toward the geopolitical reconstruction of East and Central Asia, from anchoring them to APT and the SCO under Hu Jintao to (re)integrating them into an expanding, Sino-centric geopolitical construct of periphery under Xi Jinping.

Introduction

Although power transition has always been one of the leitmotifs in the study of international relations, the “rise of China” has assumed increasing importance since the global financial crisis. The widely-perceived decline of the United States and the shifting balance of power have given rise to a view among scholars, policy elites and the public that a systemic change, if it has not already occurred, is approaching.¹ While China’s comprehensive national power (综合国力) is a subject of ongoing debate, it is important to not just define and measure Chinese power but also examine its use. The question of leadership is the key to explaining the dynamics between China’s rise, order and change in world politics.

This thesis investigates China’s leadership behavior in ASEAN Plus Three (APT) and the Shanghai Cooperation Organization (SCO) in the first decade after the global financial crisis (2007-2017). While the systemic event ushered in an increasingly influential China in global and regional governance, opinions on the rising power’s capacity and readiness to lead have become more divided than ever. The discrepancy between representation and reality and between efforts and outcomes was arguably the starkest in China’s periphery (周边), where the successes and failures in its quest for leadership found the greatest embodiments in APT and the SCO. While China played a central role in their establishment and has since remained their most ardent champion, the ineffectiveness of the two regional institutions seemed to be the antithesis of the importance Beijing attached to them.

The discrepancy raises questions about Chinese international leadership. This thesis argues that although the rising power was increasingly capable of providing the

¹ See, for example, Kishore Mahbubani, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*, (New York: Public Affairs, 2008); Fareed Zakaria, *The Post-American World*, (New York: W. W. Norton & Company, 2008); Christopher Layne, “This Time It’s Real: The End of Unipolarity and the *Pax Americana*,” *International Studies Quarterly*, Vol. 56, No. 1 (March 2012), 1-11; Charles Kupchan, *No One’s World: the West, the Rising Rest, and the Coming Global Turn*, (New York: Oxford University Press, 2013); Amitav Acharya, *The End of American World Order*, (Cambridge: Polity Press, 2014); Jonathan Kirshner, *American Power After the Financial Crisis*, (Ithaca: Cornell University Press, 2014). For global public opinion, see, for example, “World’s Leading Superpower: Will China Eventually Replace the U.S. as the World’s Leading Superpower?” Pew Research Center, (Spring 2017), <http://www.pewglobal.org/database/indicator/33/survey/all/>

public goods that other member states needed, it remained unable to unite them as a group behind its purpose. To illustrate my argument, I will address three questions in the following chapters:

1. How did China exercise leadership in APT and the SCO?
2. How did China's leadership behavior change from the Hu Jintao to the Xi Jinping era?
3. Why wasn't China able to exercise effective leadership in the two regional institutions?

Drawing upon leadership research from International Relations (IR), Sociology and Social Psychology, I examine institutional leadership as the ability to maintain and promote an institution's identity by guiding its adaptation to a changing external environment. How a leader acts in response to external challenges, however, depends on how it weighs the need to consider followers' interests against the need to accomplish collective purposes on its own terms. Based on a two-dimensional view of leadership behavior as the combination of relationship and task, I develop an analytical framework of six types of leadership behavior: delegating, supporting, brokering, soft selling, hard selling and directing.

China's quest for institutional leadership in APT and the SCO represented its ongoing struggle to renegotiate the geopolitical definition of East and Central Asia. Under Hu Jintao, China sought to promote the two regional institutions' identities and their adaptation to a changing international environment through supporting and soft selling. As relationship took precedence over task, Beijing promoted collectively agreed purposes by providing public goods and proposing initiatives in institution and capacity building. Increasing time pressure for change, however, led to the precedence of task over relationship under Xi Jinping. Notwithstanding its rhetoric, China's launch of the BRI and other initiatives represented an attempt at hard selling in economic cooperation by redefining collective purposes and initiating structures of cooperation on Chinese terms.

Structural, political and institutional constraints, however, restricted Chinese institutional leadership in both the economically-oriented APT and the security-

oriented SCO largely to the economic domain. Although the growth of Chinese power enabled Beijing to expand its diplomatic and material investment in economic cooperation, low level of trust among member states prevented China from uniting them behind its preferences in the “critical decisions” concerning membership, institution building and external relations of the two regional institutions. As a result, Chinese institutional leadership in the first decade after the global financial crisis was confined to functional tasks with low uncertainty and interdependence. Rather than changing APT and the SCO’s leadership deficit, China’s leadership behavior expedited their fragmentation.

The shift in China’s leadership behavior represented an important change in its approach toward the geopolitical reconstruction of East and Central Asia. Under Hu Jintao, China’s efforts to promote APT and the SCO’s identities constituted an attempt to anchor the two regions to the two institutions. The launch of the BRI and other parallel initiatives under Xi Jinping, however, marked the beginning of an attempt to reintegrate East and Central Asia into an expanding, Sino-centric geopolitical construct of periphery.

Contributions

This thesis contributes to the study of Chinese foreign policy in four ways. First, it provides an alternative interpretation of the rising power’s international behavior. Multilateralism and regionalism have become key pillars of Chinese foreign policy since the mid-nineties. After the global financial crisis, China not only strove to play a greater role in the existing institutional architecture, but also launched a variety of institutional initiatives. This thesis shows that China’s leadership behavior was driven by the need to weigh relationship against task. In this regard, Beijing’s ambiguity over the question of leadership was a manifestation of the contradictions in its grand strategy of “peaceful development.” The analytical framework of leadership behavior presented here can be applied to the study of China’s behavior in other institutions such as BRICS – how contextual factors influence the way it engages other member states, the type(s) of tasks it accomplishes and its ability to promote institutional adaptation to a changing international environment. This will enable us to better understand the similarities and differences in outcomes across institutions.

Second, the comparative study of APT and the SCO contributes to a more comprehensive understanding of China's activities in regional institutions that remain relatively understudied.² The existing scholarship has for a long time tended to see China as a reactive actor either to be socialized or preoccupied with balancing against the United States. Nevertheless, if legitimacy and followership are central to leadership, order and change in world politics, it is equally important to study how the rising power engages other states. This thesis demonstrates the need for further research on China's behavior in international institutions situated at the margins of American power and the liberal international order.

Third, by analyzing the BRI in the context of Chinese diplomacy in APT and the SCO, this thesis provides a more nuanced understanding of the Xi Jinping administration's foreign policy. While the BRI and other grand schemes have captured the attention of academic and policy communities both inside and outside China, one cannot understand why they assume their current form, what purposes they serve, and how Beijing promotes their development without understanding the successes and failures of the country's peripheral diplomacy since the end of the Cold War. Last but not least, the in-depth analysis of Chinese-language sources contributes to better understanding in the academic and policy communities outside China of how the country's foreign policy elites view international politics, where their perceptual gap with the world lies, and why it matters.

ASEAN Plus Three, the Shanghai Cooperation Organization and the Question of Leadership

While I employ the concept of leadership to explain China's behavior, Beijing has shunned the term since Deng Xiaoping's exhortation at the turn of the nineties that the country should "bide its time and hide its capabilities" (韬光养晦) and "neither bear the standard nor take the lead" (不扛大旗不当头).³ The interplay of external and

² For an earlier attempt to compare ASEAN and the SCO, see Stephen Aris, "A New Model of Asian Regionalism: does the Shanghai Cooperation Organization have more potential than ASEAN?" *Cambridge Review of International Affairs*, Vol. 22, No. 3, (2009), 451-67.

³ Qian Qichen [钱其琛], "Learn Deng Xiaoping's Thought on Diplomacy in Depth, Improve Our Diplomatic Work further in the New Period – Remarks at the Opening Ceremony of the Ministry of Foreign Affairs' Seminar on Deng Xiaoping's Thought on Diplomacy" [深入学习邓小平外交思想, 进一步做好新时期外交工作—在外交部《邓小平外交思想研讨会》开幕式上的讲话], *People's*

internal developments, however, provided the incentives for the rising power to pursue international leadership. As chapters one and two will show, China's quest for leadership is integral to its ongoing struggle to renegotiate the international order and its role in it. International institutions are the locus of the renegotiation over what the rising power's legitimate interests, rights and responsibilities should be.

APT and the SCO embody the successes and failures in China's struggle to renegotiate order in its peripheral regions.⁴ Although the former is formally led by the Association of Southeast Asian Nations (ASEAN), China has played a central role in both regional institutions since the very beginning. APT and the SCO are similar not only in their membership composition, institutional design and geostrategic potential, but also in their ineffectiveness. As a result of their perceived insignificance and opaque decision-making structures, both regional institutions remain understudied. APT and its affiliated Chiang Mai Initiative (CMI) received considerable attention in the first decade after their establishment.⁵ However, attention declined as the process of East Asian regionalism relapsed into stalemate. Meanwhile, as the first intergovernmental organization named after a Chinese city, the SCO is the subject of a large and still growing Chinese-language literature. Yet, notwithstanding some major contributions, the organization has been represented in diametrically opposed ways outside China, from the "NATO in the East" and the "most dangerous organization that Americans have never heard of" to a "geopolitical bluff" and a "useless talk shop."⁶

Daily [人民日报], (12th December 1995),

<http://zg.people.com.cn/GB/33839/34943/34983/2642135.html>

⁴ For a major contribution to the study of the renegotiation on East Asian order after the end of the Cold War, see Evelyn Goh, *The Struggle for Order: Hegemony, Hierarchy, & Transition in Post-Cold War East Asia*, (Oxford: Oxford University Press, 2013).

⁵ See, for instance, Richard Stubbs, "ASEAN Plus Three: Emerging East Asian Regionalism?" *Asian Survey*, Vol. 42, No. 3, (May/June 2002), 440-455; Mark Beeson, "ASEAN Plus Three and the Rise of Reactionary Regionalism," *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, Vol. 25, No. 2, (August 2003), 251-68; Markus Hund, "ASEAN Plus Three: Towards a New Age of Pan-East Asian Regionalism? A Skeptic's Appraisal," *The Pacific Review*, Vol. 16, No. 3, (2003), 282-417; William W. Grimes, *Currency and Contest in East Asia: The Great Power Politics of Financial Regionalism*, (Ithaca: Cornell University Press, 2009).

⁶ Kinming Liu, "The Most Dangerous Unknown Pact," *The New York Sun*, (13th June 2006),

<https://www.nysun.com/opinion/most-dangerous-unknown-pact/34366/>;

Murat Laumulin, "The Shanghai Cooperation Organization as 'Geopolitical Bluff?' A View from Astana," Institut Français des Relations Internationales, (2006),

<https://www.ifri.org/sites/default/files/atoms/files/laumullinenglish.pdf>;

Parag Khanna, "Waving Goodbye to Hegemony," *The New York Times Magazine*, (27th January 2008),

<https://www.nytimes.com/2008/01/27/magazine/27world-t.html>; Joshua Kurlantzick, *Charm*

Ineffectiveness, however, does not negate the need for further study. Indeed, their continued ineffectiveness has important implications for China's leadership behavior and the geopolitical reconstruction of its peripheral regions. As chapters four to seven will show, leadership deficit in both APT and the SCO was all the more significant after the global financial crisis, a potential "critical juncture" wherein the shifting balance of power and time pressure for change provided China with an opportunity to shape the trajectory of institutional change. Although the launch of the BRI, the AIIB and other initiatives under Xi Jinping has further diverted the already scant attention away from APT and the SCO, we could neither understand Beijing's grand schemes nor evaluate their prospect without understanding the leadership challenge China faced in the two regional institutions.

APT and the SCO are not the only successful cases of Chinese institutional leadership. For instance, the Six-Party Talks, which were launched in 2003 to address the North Korean nuclear issue, epitomized the multilateral turn of China's regional security diplomacy.⁷ However, notwithstanding discussions about transforming the dialogue into some form of permanent mechanism, the Six-Party Talks had an even lower degree of institutionalization than APT and the SCO. The early success of the negotiations, moreover, did not last. North Korea's resumption of missile and nuclear tests ended Pyongyang's participation and hence the Six-Party Talks in 2009.

The New Development Bank (NDB) and the AIIB are arguably China's most "successful" institution-building initiatives under Xi Jinping. In particular, with a broad-based membership and an institutional design comparable to that of other multilateral development banks, the AIIB has become the focus of research on China's "institutional statecraft."⁸ Nevertheless, given that the NDB and the AIIB were

Offensive: How China's Soft Power is Transforming the World, (New Haven: Yale University Press, 2008), 197. Monographs on the SCO in English include Thrassy N. Marketos, *China's Energy Geopolitics: The Shanghai Cooperation Organization and Central Asia*, (London: Routledge, 2009); Stephen Aris, *Eurasian Regionalism: The Shanghai Cooperation Organization*, (Basingstoke: Palgrave MacMillan, 2011); Weiqing Song, *China's Approach to Central Asia: The Shanghai Cooperation Organization*, (Abingdon: Routledge, 2016).

⁷ Evan S. Medeiros and M. Taylor Fravel, "China's New Diplomacy," *Foreign Affairs*, Vol. 82, No. 6, (November/December 2003), 22-35.

⁸ G. John Ikenberry and Darren J. Lim, "China's Emerging Institutional Statecraft: The Asian Infrastructure Investment Bank and the Prospects for Counter-Hegemony," The Brookings Institution, (April 2017), <https://www.brookings.edu/wp-content/uploads/2017/04/chinas-emerging-institutional-statecraft.pdf>. There is a burgeoning literature on the NDB and the AIIB. See, for instance, Helmut

established only five and four years ago respectively, it is still too early to assess Chinese institutional leadership in the two multilateral development banks.

The choice of two regional institutions that exclude the United States also raises the question about whether China and the United States' interests are "fundamentally incompatible."⁹ As chapters one and two will show, while the two great powers have for the most part tried to accommodate each other to a certain degree, they have continued to disagree on the terms of the international order and Beijing's role in it. This explains, on the one hand, why many in the West perceive China's noncompliance with liberal international rules and norms as a sign of irresponsibility and unpreparedness to lead, and, on the other hand, why China's foreign policy elites consider ideas like "responsible stakeholder" or "G2" nothing but the hegemon's attempts to subjugate a peacefully rising power. Thus even though the two great powers have occasionally been able to exercise joint leadership on individual issues such as climate change, they have not been able to do so consistently through well-established institutions. Yet, as chapters four to seven will show, the irony in China's quest for institutional leadership in APT and the SCO is that while both regional institutions were established to constrain American hegemony, the rising power's increasing dominance has fueled mistrust among member states and hence undermined its efforts. As I will discuss in the conclusion, this has important implications for rethinking the relationship between China's rise, order and change in world politics.

Analytical Framework of Leadership Behavior

This thesis develops an analytical framework to explain China's leadership behavior in international institutions. Leadership's omnipresence in human social life and its multidimensional nature have led scholars across paradigms and disciplines to

Reisen, "Will the AIIB and the NDB Help Reform Multilateral Developmental Banking?" *Global Policy*, Vol. 6, No. 3, (2015), 297-304; Gregory T. Chin, "Asian Infrastructure Investment Bank: Governance Innovation and Prospects," *Global Governance*, Vol. 22, No. 1, (January-March 2016), 11-26; Xiao Ren, "China as an Institution-Builder: The Case of the AIIB," *The Pacific Review*, Vol. 29, No. 3, (2016), 435-42; Hong Yu, "Motivation behind China's 'One Belt, One Road' Initiatives and Establishment of the Asian Infrastructure Investment Bank," *Journal of Contemporary China*, Vol. 26, No. 105, (2017), 353-68.

⁹ "Are U.S. and Chinese National Interests Incompatible?" *Foreign Affairs*, (14th August 2018), <https://www.foreignaffairs.com/ask-the-experts/2018-08-14/are-us-and-chinese-national-interests-incompatible>

approach the subject from different perspectives. For the purpose here, I draw upon leadership research not only from IR but also from Sociology and Social Psychology. The analytical framework proceeds from Philip Selznick's concept of institutional leadership as the ability to maintain and promote an institution's identity by steering its adaptation to a changing external environment.¹⁰ Meanwhile, based on a behavioral, two-dimensional view of leadership as the combination of relationship and task, I identify six ideal types of leadership behavior: delegating, supporting, brokering, soft selling, hard selling and directing. While the focus here remains on China as the leader, the analytical framework underscores the nature of leadership as situational by explaining how the rising power weighed the need to consider followers' interests against the need to accomplish collective purposes on its own terms as it sought to promote APT and the SCO's adaptation to a changing international environment.

Method and Sources

Within-Case Comparison

This thesis is designed to enable comparison of China's leadership behavior across both space and time. Conceptual ambiguity and the distinctive nature of international institutions in Asia, however, raise the question about the comparability of APT and the SCO. The former has been referred to as a "process" or "mechanism," whereas the latter is designated as an intergovernmental organization.¹¹ Nevertheless, they are both structures of rules and norms that govern relations between member states with highly asymmetric capabilities. Moreover, their institutional designs are defined by informality, low degree of intrusiveness and consensus decision-making. Even though APT and the SCO were first launched for economic and non-traditional security cooperation respectively, both regional institutions were intended from the beginning to perform functions in both domains. But whereas APT is formally led by ASEAN, China is the SCO's *de facto* leader. Still, as chapters four to seven will show, China's

¹⁰ Philip Selznick, *Leadership in Administration*, (New York: Harper & Row Publishers, 1957), 20-1.

¹¹ "2nd Joint Statement on East Asia Cooperation: 'Building on the Foundations of ASEAN Plus Three Cooperation,'" in *ASEAN Plus Three Documents Series 2005 – 2010*, (Jakarta: ASEAN Secretariat, 2011), 77-81, <http://www.asean.org/wp-content/uploads/images/2012/publications/ASEAN%20Plus%20Three%20Document%20Series%20005-2010.pdf>; "Report of the East Asia Vision Group II (EAVG II)," The East Asian Vision Group II, (1st November 2012), 25, http://asean.org/storage/images/2013/external_relations/Report%20of%20the%20EAVG%20II.pdf

leadership challenges in the two regional institutions were highly similar.

The first decade after the global financial crisis corresponded with the Hu Jintao administration's second term and the Xi Jinping administration's first term. In the light of the ongoing debate on China's future under Xi Jinping, comparison between the two administrations will provide a more comprehensive understanding of the continuity and change of the rising power's foreign policy. As chapters five and seven will show, China's leadership behavior underwent a significant change from supporting and soft selling under Hu Jintao to hard selling under Xi Jinping. On the other hand, notwithstanding the launch of new foreign policy concepts and initiatives, the Xi Jinping administration continued to wrestle with the same challenges that hampered its predecessor's pursuit of institutional leadership.

Analytic Eclecticism

Drawing upon leadership research across paradigms and disciplines, this thesis embodies what Sil and Katzenstein call "analytic eclecticism." Its aim, as they point out, is to identify the interconnectedness and complementarity of explanations with seemingly incompatible assumptions by

extricat[ing], translat[ing], and selectively integrat[ing] analytic elements – concepts, logics, mechanisms, and interpretations – of theories or narratives that have been developed within separate paradigms but that address related aspects of substantive problems that have both scholarly and practical significance.¹²

Given the omnipresence of leadership in human social life, its multidimensional nature and the limitations of leadership research in IR, an interdisciplinary and eclectic approach is necessary for dissecting a phenomenon characterized by complex interactions between multiple actors. Nevertheless, analytic eclecticism raises the question about the relationship between interrelated variables. This question is of particular importance here, since leadership as a form of agency cannot be understood outside the context of the "agent–structure problem" in IR and social sciences in

¹² Rudra Sil and Peter J. Katzenstein, *Beyond Paradigms: Analytic Eclecticism in the Study of World Politics*, (Basingstoke: Palgrave Macmillan, 2010), 2-3, 10.

general.¹³

My theoretical starting point corresponds in general with that of neoclassical realism.¹⁴ Structure, which consists in the distribution of capabilities, does not determine behavior and outcomes; rather it defines the parameters within which other variables influence how individual states perceive and act.¹⁵ Thus, while relative capability advantage is not the prerequisite of leadership, it gives a powerful state a greater potential scope of action. On the other hand, relative material capabilities do not determine whether a state is capable and ready to lead, let alone how it leads. To neoclassical realists, structural effects on state behavior are mediated by intervening variables at domestic level.¹⁶ But while domestic variables including ideology, identity, elite perceptions and economic policy – as chapters one and two will show – are important to understanding China’s leadership behavior, the study of institutional leadership requires me to consider variables that belong to neither systemic nor unit level, including institutional design, trust and task.¹⁷ I will discuss how these variables combine with capability to influence leadership behavior in chapter three.

A number of issues, however, needs to be clarified before proceeding further. To begin with, while leadership research in behavioral sciences is driven by the aim of

¹³ See, for instance, Alexander E. Wendt, “The Agent-Structure Problem in International Relations Theory,” *International Organization*, Vol. 41, No. 3, (Summer 1987), 335-70; David Dessler, “What is at stake in the agent-structure debate?” *International Organization*, Vol. 43, No. 3, (Summer 1989), 441-73; Martin Hollis and Steve Smith, “Beware of Gurus: Structure and Action in International Relations,” *Review of International Studies*, Vol. 17, No. 4, (October 1991), 393-410; Roxanne Lynn Doty, “Aporia: A Critical Exploration of the Agent-Structure Problematique in International Relations Theory,” *European Journal of International Relations*, Vol.3, No. 3, (1997), 365-92; Andreas Bieler and Adam David Morton, “The Gordian Knot of Agency-Structure in International Relations: A Neo-Gramscian Perspective,” *European Journal of International Relations*, Vol. 7, No. 1, (2001), 5-35. For the debate on agency and structure in social sciences, see, for instance, Anthony Giddens, *The Constitution of Society: Outline of the Theory of Structuration*, (Berkeley: University of California Press, 1984); Margaret S. Archer, *Structure, Agency and the Internal Conversation*, (Cambridge: Cambridge University Press, 2003); Alex Callinicos, *Making History: Agency, Structure, and Change in Social Theory*, (Leiden: Brill, 2004).

¹⁴ Gideon Rose, “Neoclassical Realism and Theories of Foreign Policy,” *World Politics*, Vol. 51, (October 1998), 144-72; Brian Rathbun, “A Rose by Any Other Name: Neoclassical Realism as the Logical and Necessary Extension of Structural Realism,” *Security Studies*, Vol. 17, No. 2, (2008), 294-321; Steven E. Lobell, Norrin M. Ripsman and Jeffrey W. Taliaferro (eds.), *Neoclassical Realism, The State, and Foreign Policy*, (Cambridge: Cambridge University Press, 2009).

¹⁵ Rose, “Neoclassical Realism and Theories of Foreign Policy,” 146-7, 151-3.

¹⁶ *Ibid.*

¹⁷ For the impact of different domestic variables on a state’s foreign policy, see Lobell, Norrin M. Ripsman and Jeffrey W. Taliaferro (eds.), *Neoclassical Realism, The State, and Foreign Policy*.

prescription, my aim, to use Verba's words, is a more modest one of "direct[ing] one's attention to certain significant phenomena and the relationships among them without presenting a coherent and interdependent set of propositions."¹⁸ Indeed, the problem of equifinality in the study of leadership – that different causal paths could lead to the same outcome – explains not only why rigorous hypothesis testing is difficult, but also why case study remains an indispensable tool in the study of leadership.¹⁹ Although some of the social psychological theories I draw upon have had little empirical support, this does not affect the validity of the analytical framework. As these theories were originally designed to explain leadership behavior of different actors in different social systems, their empirical tests are not relevant indicators of their usefulness as heuristic devices for explaining state behavior in international politics.²⁰

Assumption of China as a Unitary Actor

The choice of method and sources for the study of China's leadership behavior cannot be justified without considering the problematic assumption of the state as a unitary, coherent actor. While the assumption risks overlooking the influence of sub-state actors, any attempt to trace the decision-making process is complicated by the opaqueness of China's political system. Indeed, as Lo points out, even though scholarly attempts to typologize different views within the state or bureaucracy have deepened our understanding of the Chinese domestic discourse, one cannot infer from these typologies the influence each view has on policy making, since more often than not they all exercise some influence.²¹ Moreover, worldviews, interests and preferences often crisscross rather than align with social, political and administrative divisions.²² In this thesis, I will first analyze the Chinese domestic discourse in chapter two in order to illustrate the dominant thinking of the country's foreign policy elites. The analysis will inform the study of China's leadership behavior in APT and the SCO in chapters

¹⁸ Sidney Verba, "Sequences and Development" in Leonard Binder, James S. Coleman, Joseph LaPalombara et al., *Crises and Sequences in Political Development*, (Princeton: Princeton University Press, 1971), 283.

¹⁹ J Richard Hackman and Ruth Wageman, "Asking the Right Questions about Leadership," *American Psychologist*, Vol. 62, No. 1, (January 2007), 44.

²⁰ Gary Yukl, *Leadership in Organizations* (7th ed.), (Upper Saddle River: Prentice Hall, 2010), 250-1. For an assessment of the validity of the behavioral approach, see Timothy A. Judge, Ronald F. Piccolo and Remus Ilies, "The Forgotten Ones? The Validity of Consideration and Initiating Structure in Leadership Research," *Journal of Applied Psychology*, Vol. 89, No. 1, (February 2004), 36-51.

²¹ Bobo Lo, *Axis of Convenience: Moscow, Beijing and the New Geopolitics*, (London: Chatham House, 2008), 8.

²² *Ibid.*

four to seven.

Sources

This study is based on a combination of document analysis and elite interviews. The data consist of three types of authoritative and non-authoritative documentary sources – official documents, publications by Chinese policy elites and international non-authoritative sources. Despite the informality and opaqueness of APT and the SCO's decision-making structures, official documents of the two regional institutions and the Chinese and other governments provide important information about China's leadership behavior as well as the dynamics of cooperation and competition.

To analyze the evolving worldviews of the Chinese government and foreign policy elites, I draw upon large numbers of Chinese-language publications by Chinese academics, think tank researchers and (ex)officials. Some of them, such as the SCO's first Secretary-General Zhang Deguang or Chinese Academy of Social Sciences Professor Zhang Yunling, have participated in policy making and implementation in various capacities. Others, such as Tsinghua University Professor Yan Xuetong or retired Rear Admiral Yang Yi, are major voices representing different views among Chinese foreign policy elites.

Among Chinese-language, non-authoritative sources, of particular note are articles in leading foreign policy journals run by government-affiliated think tanks such as *Strategy and Management* (战略与管理), *Contemporary International Relations* (现代国际关系), *International Studies* (国际问题研究) or *Russian, East European and Central Asian Studies* (俄罗斯东欧中亚研究). The value of these publications as primary sources remains a subject of debate. Shambaugh argues that they provide “early warning indicators of policies.”²³ Medeiros, on the other hand, warns against overestimating their usefulness.²⁴ Indeed, there is a general consensus among the

²³ David Shambaugh, “China's International Relations Think Tanks: Evolving Structure and Process,” *The China Quarterly*, Vol. 171, (2002), 581.

²⁴ Evan S. Medeiros, “Agents of Influence: Assessing the Role of Chinese Foreign Policy Research Organizations after the 16th Party Congress,” in Andrew Scobell and Larry Wortzel (eds.), *Civil-Military Change in China: Elites, Institutes, and Ideas after the 16th Party Congress*, The United States Army War College, (2004), <https://ssi.armywarcollege.edu/pubs/display.cfm?pubID=413>, 291-5.

academics and researchers interviewed for this thesis that foreign policy journals do not have direct influence on policy making. Research that informs policy making primarily takes the form of internal reference (内部参考); foreign policy journals are first and foremost open platforms for academics, think tank researchers or (ex)officials to justify government policies and promote their own ideas.²⁵ These publications, in other words, are not indicators of what is to come but rather what has been decided.²⁶ On the other hand, they provide insights into the worldviews of those who do participate in policy making and the foreign policy elites in general.²⁷ In Medeiros' view, the analytical value of foreign policy journals is the greatest when they are analyzed over a long time period and complemented by interviews.²⁸

In this thesis, therefore, I draw upon Chinese-language publications that spanned over almost two decades. Notwithstanding their sheer volume, I do not adopt random sampling in data selection. While data selection based purely on the author's position or fame could cause selection bias, the data selected through random sampling, as Lynch points out, could turn out to be just "noise" rather than "signals."²⁹ Taking selection bias into consideration, I follow Lynch's method by first conducting a broad survey of the Chinese domestic discourse and then selecting materials that are more likely to contribute to the foreign policy debate.³⁰ Where useful, I refer to a considerable number of English-language, non-authoritative sources from other countries, from think tank publications like *Russia in Global Affairs*, English-language newspapers like *The Strait Times* to online media sources like Eurasianet.

Meanwhile, I conducted thirty semi-structured, anonymous interviews of Chinese academics and think tank researchers. Elite interviews are useful in identifying the gap in documentary sources. Despite the expanding scope and diversity of the Chinese domestic discourse, the majority of open sources adhere to the parameters of public discussion set by the government. Even if they do not actively promote and

²⁵ Medeiros, "Agents of Influence," 292.

²⁶ Medeiros, "Agents of Influence," 293.

²⁷ Nevertheless, as interviewee 7 pointed out, very few scholars could provide input into policy making processes. Interviewee 7, Beijing, 25th/30th March 2016.

²⁸ Medeiros, "Agents of Influence," 293.

²⁹ Daniel C. Lynch, *China's Futures: PRC Elites Debate Economics, Politics, and Foreign Policy*, (Stanford: Stanford University Press, 2015), xvi.

³⁰ Lynch, *China's Futures*, xiii-xvi.

justify government policies, for the most part they tend to tone down criticisms of the government or avoid reference to sensitive issues. Elite interviews could demonstrate the gap between public discourse and private opinions.

Outline of the Thesis

This thesis is divided into three parts. Chapters one and two put China's quest for institutional leadership in APT and the SCO in the context by analyzing the international and the Chinese domestic discourse on China's power and purpose. Chapter one shows that regardless of divergent perspectives, the dominant view considers China's power limited and imbalanced. Having increased primarily its share of international economic leadership, the rising power is not yet capable of challenging the United States' global leadership. Likewise, while scholars and policy makers differ widely in their views on the rising power's purpose, the general perception of China emerging from the discourse is one of a reformist stakeholder that seeks to change certain aspects of the existing order without overthrowing it.

Chapter two shows that although the imperative of "peaceful development" has led the Chinese government to shun the term leadership, the question of leadership has in effect been central to the grand strategic debate among the country's foreign policy elites since the early 2000s. The global financial crisis did not end but intensified the debate on the question of leadership and the continuing relevance of Deng Xiaoping's dictum of "biding its time and hiding its capabilities." China's uncertainty about its own power and ambiguous attitude toward the existing order meant that even though a changing international environment and domestic economic imperatives spurred the rising power to pursue an increasingly active foreign policy under Xi Jinping, Beijing has continued to exhibit a cautious attitude toward the question of leadership.

Together, chapters one and two reveal the perceptual gap between China and the world over what the rising power's legitimate interests, rights and responsibilities should be. Euro-American centrism means that skepticism about China's capacity to lead and mistrust of Beijing's purpose is rooted in Western perception of its authoritarian political system. *Status quo* bias, meanwhile, is manifested in the

equation of leadership with China's fulfillment of its "responsibilities" toward the liberal international order. China's quest for leadership, in this regard, is integral to its struggle for self-determination and great power status by renegotiating the international order and its role in it on its own terms. Institutions are viewed in both discourses as the locus of renegotiation. The entrenchment of the Western-led global architecture led the rising power to expand its diplomatic and material investment not only in the reform of existing institutions, but increasingly in the launch of parallel initiatives. Nevertheless, if leadership hinges on legitimacy and followership, the perceptual gap between China and the world over what the rising power's legitimate interests, rights and responsibilities should be underscores the problem of trust that has continued to hamper its quest for leadership.

Chapter three lays out the analytical framework of leadership behavior. IR scholars have for a long time conceived of leadership mainly as a role based on a state's relative power position and overlooked its behavioral dimension. While the institutionalist scholarship has filled the gap by examining different forms of leadership in international negotiations, its focus remains on the "bargaining" stage of institutional development and the various forms of influence derived from a leader's power resources. Based on Selznick's classic work *Leadership and Administration*, the analytical framework proceeds from the idea of institutional leadership as the ability to promote an institution's identity by steering its adaptation to a changing external environment. Adopting a two-dimensional view of leadership behavior as the combination of relationship and task, the analytical framework further dissects leadership behavior in international institutions by explaining how capability, positional authority, trust and task structure influence a leader's weighing of relationship against task as it responds to external challenges. The analytical framework identifies six ideal types of leadership behavior: delegating, supporting, brokering, soft selling, hard selling and directing.

In chapters four to seven, I will apply the analytical framework to explain China's leadership behavior in APT and the SCO. Chapter four shows that the interplay of international and domestic developments after the global financial crisis increased the pressure on China to pursue institutional leadership in APT. Regional

common interests, shifting distribution of power and ASEAN countries' capability deficit provided an opportunity for China to lead by supporting and soft selling. Under Hu Jintao, the precedence of relationship over task led Beijing to promote collectively agreed purposes by deploying its capabilities in support of capacity building while proposing institution-building initiatives. China's greatest success was in financial cooperation, wherein it shared joint leadership with Japan in institution and capacity building. Nevertheless, structural, political and institutional constraints restricted the domain, form and scale of Chinese institutional leadership. Low level of trust, in particular, prevented China from mobilizing member states as a group behind its preference in the "critical decision" concerning regional free trade. As a result, Chinese institutional leadership throughout the Hu Jintao administration's second term was confined largely to functional tasks in the economic domain with low uncertainty and interdependence. Notwithstanding the shifting regional balance of power, China was far from displacing Japan's role in the supply of regional economic goods. The abandonment of the East Asia Free Trade Area (EAFTA) and the idleness of Chiang Mai Initiative Multilateralization (CMIM) indicated the thirteen-member institution's inability to fully adapt to a changing international environment.

Chapter five shows that the buildup of international and domestic pressure, together with APT's impasse, led to a shift in China's leadership behavior to hard selling under Xi Jinping. As task took precedence over relationship, China engaged member states selectively and individually rather than as a group. Beijing's proposals of a "China-ASEAN community with a shared future" and a "2+7 cooperation framework," as well as its launch of the AIIB and Lancang-Mekong Cooperation (LMC), constituted an attempt to redefine collective purposes and initiate structures of cooperation on its own terms. Nevertheless, structural, political and institutional constraints continued to restrict Chinese institutional leadership in very much the same way as they did during the Hu Jintao era. Rather than promoting APT's identity, China's hard selling intensified Sino-Japanese leadership competition and furthered the regional institution's fragmentation.

If China was not successful in uniting East Asian states behind its purpose in the ASEAN-led regional institution, would the rising power be able to do so in an

institution founded by itself? Chapters six and seven show that China faced very much the same leadership challenge in the SCO as it did in APT. Although the SCO was established first and foremost for security cooperation, member states' lingering mistrust of China and Beijing's self-restraint severely restricted the organization's security functions and prevented it from responding effectively to external challenges. Indeed, China continued to defer responsibilities for regional security leadership to Russia. On the other hand, the global financial crisis provided incentives for China to break the impasse of regional economic cooperation under the SCO. As was the case in APT, although member states' capability deficit and their demand for public goods provided an opportunity for China to exercise institutional leadership through supporting and soft selling, their negative perception of the rising power's growing influence prevented Beijing from uniting them behind its preferences in the "critical decisions" on the establishment of a free trade area, a development fund and a development bank. Russia's leadership aspirations and its mistrust of China led Moscow to check Beijing's influence by blocking the latter's institution-building initiatives on the one hand while pushing for India's accession to the organization on the other. Consequently, Chinese institutional leadership was confined largely to functional tasks in the economic domain with low uncertainty and interdependence.

Chapter seven shows that China's hard selling in economic cooperation with the launch of the BRI failed to promote the SCO's adaptation to a changing international environment. Although American withdrawal from Afghanistan compelled China to shoulder greater responsibilities for the rebuilding of Afghanistan than before, Beijing continued to concentrate its diplomatic and material investment in the economic domain. The launch of the Silk Road Economic Belt (SREB) constituted its attempt to redefine collective purposes and initiate structures of cooperation on its own terms. Notwithstanding the agreement between China and Russia on the integration of the SREB and the Eurasian Economic Union (EAEU), Moscow's leadership aspirations and member states' mistrust of China continued to prevent Beijing from securing their support for its institution-building initiatives in trade and finance. The tension between the SREB and the EAEU, the shift in the locus of activities to parallel mechanisms, and the accession of India and Pakistan threatened to undermine the organization's identity and further its fragmentation.

China's behavioral shift marked a significant change in the rising power's approach toward the geopolitical reconstruction of its peripheral regions. Under Hu Jintao, China considered APT and the SCO the closest embodiments of its conception of East and Central Asia. Its pursuit of institutional leadership, therefore, represented an attempt to anchor the two regions to the two institutions. The launch of the BRI under Xi Jinping signified a shift from consolidating the boundaries, structures and rules of East and Central Asia to reintegrating the two regions into an expanding, Sino-centric construct of periphery.

The conclusion reviews the key findings of this thesis, discusses their implications and explores future directions for research. To begin with, the findings underscore how the perceptual gap between the rising power and the world has shaped the dynamics of cooperation and competition. Moreover, they demonstrate the indivisibility of domestic politics and foreign policy, as China's behavioral change was driven as much by domestic as by international pressure. In this regard, Beijing's struggle to balance relationship and task was a manifestation of the contradictions in its grand strategy of "peaceful development." Indeed, notwithstanding its unprecedented scale, the BRI remains in essence a compromise between relationship and task. The study of China's leadership behavior leads us to rethink about international political change. The findings suggest that Beijing's initiatives amounted to change by addition rather than by replacement, as they are not so much parallel as "parasitical" to the current international order. Finally, I identify four future directions for research, including China's leadership behavior in other international institutions; Beijing's legitimation strategy; the relationship between multilateralism, minilateralism and bilateralism; and the relationship between China's rise, order and change.

China's rise, the late Singaporean leader Lee Kuan Yew predicted, would force the world to search for "a new balance in 30 to 40 years."³¹ What will such a new balance look like depends on how "the biggest player in the history of the world" combines its power and purpose.³² To understand the significance and implications of

³¹ Kuan Yew Lee, *Lee Kuan Yew: The Grand Master's Insights on China, the United States and the World*, (Cambridge: The MIT Press, 2012), 42, ProQuest E-Book.

³² *Ibid.*

China's struggle for institutional leadership in APT and the SCO, I will first analyze the international and the Chinese domestic discourse on the "rise of China."

1. Power and Purpose: the “Rise of China” from Western Perspectives

The “rise of China” seems to have become a premise on which scholars and policy makers contemplate order and change in world politics in the twenty-first century. It is certainly unlikely that anyone would question if China really “matters” today as Segal did two decades ago; yet the debate on *how* it matters has become more intense than ever.¹ The growing belief that American unipolarity and the liberal international order have or will come to an end has raised questions about the rising power’s capacity, readiness and strategy to lead Asia and the world. If leadership hinges on legitimacy and followership, how other states assess China’s power and purpose affects their attitude toward its quest for leadership, which, in turn, shapes the rising power’s leadership behavior. The question of perception is where academic and policy debate becomes crucial.

This and the next chapter examine the international and the Chinese domestic discourse on the “rise of China.” The international discourse, as the following discussion will show, is intellectually ambiguous yet politically important. Behind the façade of plurality, it manifests Euro-American centrism at two levels. To begin with, scholars have long debated and criticized Euro-American centrism in IR.² There seems to be no better evidence of disciplinary bias than the International Relations Teaching, Research & International Policy (TRIP) survey, which covered academics in 32 countries and 9 languages. According to the survey, 53% of respondents categorized their approach as realist, liberal or constructivist; overall, more than 70% of them identified themselves with one of the major Western theoretical paradigms. The ten

¹ Gerald Segal, “Does China Matter?” *Foreign Affairs*, Vol. 78, No. 5, (Sep/Oct 1999), 24-36.

² See, for instance, Steve Smith, “The Discipline of International Relations: Still an American Social Science?” *The British Journal of Politics and International Relations*, Vol. 2, No. 3, (October 2000), 374-402; Robert M.A. Crawford and Darryl S.L. Jarvis (eds), *International Relations – Still an American Social Science?: Toward Diversity in International Thought*, (Albany: State University of New York Press, 2001); Amitav Acharya and Barry Buzan (eds), *Non-Western International Relations Theory: Perspectives on and beyond Asia*, (Abingdom: Routledge, 2010); Ching-Chang Chen, “The Absence of Non-Western IR Theory in Asia Reconsidered,” *International Relations of the Asia-Pacific*, Vol. 11, No. 1, (January 2011), 1-23; John M. Hobson, *The Eurocentric Conception of World Politics: Western International Theory, 1760-2010*, (Cambridge: Cambridge University Press, 2012); Helen Louise Turton, *International Relations and American Dominance: A Diverse Discipline*. (Abingdom: Routledge, 2016).

most influential scholars according to respondents are all Anglo-American.³ Theoretical dominance, meanwhile, leads to and is in turn bolstered by institutional bias. The top ten taught and research postgraduate programs, as well as the ten most influential journals and publishers, are all in the United States and the United Kingdom. This partly explains why 86% of respondents based their scholarship on one of the major Western theoretical paradigms at the beginning of their career.⁴ Certainly we should avoid overstating the dominance of any country, paradigm or agenda in IR. As Turton's study shows, not only is the discipline more diverse than assumed; there have been continuing efforts to promote theoretical, thematic and methodological pluralism.⁵ Nonetheless, academia in the United States and the West have continued to play a leading role in disciplinary development.

It was in the context of disciplinary bias that the discourse on the "rise of China" emerged. Notwithstanding the diversity of the research agenda, China has become one of the most important subjects of study today. According to the TRIP survey, 30% of respondents considered China's rising economic or military power one of the three most important foreign policy issues facing their countries. The shortage of country expertise, however, is shown by the fact that less than 1% and 2% of respondents identified China as their primary or secondary country of study.⁶ Meanwhile, as Kristensen's survey shows, although the number of journal articles on China and other rising powers has steadily increased, only a very small percentage of the articles were authored by local academics.⁷ Between 2010 and 2015, Chinese scholars contributed less articles to the top 20 IR journals than their colleagues in Norway, Sweden or Switzerland.⁸ Moreover, it remains highly exceptional for non-Western scholars to contribute to theory building; those who do continue to base their work on existing Western theoretical paradigms.⁹ Consequently, Chinese scholars have primarily played the role of "native informants" providing in-country expertise

³ "Teaching, Research & International Policy," College of William & Mary, (2014), <https://trip.wm.edu/charts/#/fullreport/38>

⁴ *Ibid.*

⁵ Turton, *International Relations and American Dominance*.

⁶ "Teaching, Research & International Policy."

⁷ Peter Marcus Kristensen, "How Can Emerging Powers Speak? On Theorists, Native Informants and Quasi-Officials in International Relations Discourse," *Third World Quarterly*, Vol. 36, No. 4, (2015), 637-8.

⁸ Kristensen, "How Can Emerging Powers Speak?" 640.

⁹ Kristensen, "How Can Emerging Powers Speak?" 641-3.

or “quasi-officials” defending the government’s policy.¹⁰ They will have their “voice” heard only when they address the Euro-American-centric agenda on the “rise of China.”

On the other hand, the weight China’s foreign policy elites give to the views of their Western and especially American counterparts – as epitomized by China Foreign Affairs University’s ranking of the most influential American “China watchers” in 2015 – reinforces Euro-American centrism in the both the discipline and the discourse on the “rise of China.”¹¹ As the university’s president Qin Yaqing pointed out, the study of international relations in China has for a long time been driven by the ethos of “learning from the West.”¹² The process of “Westernization” has accelerated with an expanding cohort of foreign educated scholars and the translation of Western literature.¹³ Although dissatisfaction with Euro-American centrism has given rise to efforts to develop a “Chinese School” of IR, scholars have continued to engage in the debate on the “rise of China” in Western terms.¹⁴

This chapter shows that despite divergent assessments, the dominant view in the international discourse considers China’s power limited and imbalanced. The rising power has increased primarily its share of international economic leadership, but it is far from capable of mounting a comprehensive challenge to the United States’ global leadership. Likewise, while scholars and policy makers differ widely on China’s purpose, the general perception of the rising power is one of a reformist

¹⁰ Kristensen, “How Can Emerging Powers Speak?” 643-8

¹¹ “China Foreign Affairs University Research Group Published Report on American ‘China Watchers’” [外交学院美国“知华派”专家评估项目组发布排名报告], *People’s Daily* [人民日报], (16th January 2015), <http://world.people.com.cn/n/2015/0116/c1002-26395604.html>

¹² Qin Yaqing, “Why is there no Chinese International Relations Theory?” in Amitav Acharya and Barry Buzan (eds.), *Non-Western International Relations Theory: Perspectives on and beyond Asia*, (Abingdon: Routledge, 2010), 37-9.

¹³ Qin, “Why is there no Chinese International Relations Theory?” 29-32; Muthiah Alagappa, “International Relations Studies in Asia: Distinctive Trajectories,” *International Relations of the Asia-Pacific*, Vol. 11, No. 2 (May 2011), 211.

¹⁴ For the debate on a Chinese school of international relations, see, for instance, Feng Zhang, “The Tsinghua Approach and the Inception of Chinese Theories of International Relations,” *The Chinese Journal of International Politics*, Vol. 5, No. 1, (1st March 2012), 73-102; Nele Noesselt, “Revisiting the Debate on Constructing a Theory of International Relations with Chinese Characteristics,” *The China Quarterly*, Vol. 222, (June 2015), 430-48; Yongjin Zhang and Tengchi Chang, *Constructing a Chinese School of International Relations: Ontological Debates and Sociological Realities*, (Abingdon: Routledge, 2016).

stakeholder that seeks to change certain aspects of the existing international order without overthrowing it.¹⁵

Skepticism of China's capacity to lead and mistrust of its purpose, as the following discussion will illustrate, stem first and foremost from Western views on its political system. *Status quo* bias, meanwhile, is expressed in an implicit equation of leadership with China's fulfillment of what the United States and the West consider its "responsibilities" toward the liberal international order. As a result, the scholarship on China's multilateralism has for a long time tended to see the rising power as a reactive actor either to be socialized or preoccupied with balancing against the United States. Nevertheless, China has demonstrated increasing capacity and readiness to exercise leadership not only within existing institutions, but also through the launch of parallel institutions and initiatives. The periphery has become the locus of China's struggle for self-determination and great power status.

1.1 Power: The Means of Leadership

1.1.1 Rising, Risen, or Begun to Rise

Expectations of Chinese international leadership emanate first and foremost from a growing perception of its rising power. While the works of scholars like Kang, Wang as well as Schell and Delury remind us that China's worldviews, identities and interests have informed the rising power's behavior in distinct ways, the Chinese *weltanschauung* has evolved, particularly since the mid-nineteenth century, in parallel with its changing position in the international distribution of power.¹⁶ As 1.2 and 2.1.1 will show, historical memories of China's dominance in East Asia and the nation's

¹⁵ See, for instance, Yong Deng, *China's Struggle for Status: The Realignment of International Relations*, (Cambridge: Cambridge University Press, 2008); Barry Buzan, "China in International Society: Is 'Peaceful Rise' Possible?" *The Chinese Journal of International Politics*, Vol. 3, (2010), 5-36; Gregory Chin and Ramesh Thakur, "Will China Change the Rules of Global Order?" *The Washington Quarterly*, Vol. 33, No. 4, (October 2010), 119-138; Shaun Breslin, "China's Emerging Global Role: Dissatisfied Responsible Great Power," *Politics*, Vol. 30, No. 1, (2010), 52-62; David Shambaugh, *China Goes Global: The Partial Power*, (Oxford: Oxford University Press, 2013).

¹⁶ David C. Kang, *China Rising: Peace, Power, and Order in East Asia*, (New York: Columbia University Press, 2007); Zheng Wang, *Never Forget National Humiliation: Historical Memory in Chinese Politics and Foreign Relations*, (New York: Columbia University Press, 2012); Orville Schell and John Delury, *Wealth and Power: China's Long March to the Twenty-First Century*, (Little, Brown, 2013).

“victimhood” during the “century of humiliation” have shaped the rising power’s perception of itself and others.

Although it is generally agreed that China is a great power, there are divergent assessments of its power, growth, and power position in the international system. In 1999, Segal dismissed China as a “second-rank middle power” whose influence was overblown in 1999; only five years later, Ramo already considered China “a rival of the United States in many important areas” and anticipated it to become the “greatest asymmetric superpower the world has ever seen.”¹⁷ On the eve of the global financial crisis, Leonard saw the country as a “miniature USA” in terms of political influence.¹⁸ After another five years, however, Shambaugh emphasized that China remained a “partial power” due to its imbalanced influence, free riding behavior and lack of a comprehensive vision of world order.¹⁹ Indeed, China is a country marked by contradictions that it could be simultaneously viewed as a developing country, a regional power, an emerging power, a global power and a quasi-superpower.²⁰

The multitude of labels attests to the conceptual ambiguity in the discourse. To begin with, as Chestnut and Johnston point out, there is no consensus on how “rise” should be defined and measured.²¹ Their study finds that although China’s capabilities as a percentage of the United States’ capabilities increased steadily, their gap continued to widen in absolute terms until 2014.²² China’s rise, in short, has just begun.²³ Likewise, based on sixteen indicators of military, economic and soft power, the annual study by Spain’s Elcano Royal Institute shows that China overtook Germany to become second in global presence only in 2015.²⁴ While China has since

¹⁷ Segal, “Does China Matter,” 24, 35-6; Joshua Cooper Ramo, “The Beijing Consensus,” The Foreign Policy Centre, (2004), 2-3, 37-8, <http://fpc.org.uk/fsblob/244.pdf>

¹⁸ Mark Leonard, *What does China Think?* (London: Fourth Estate, 2008), 8.

¹⁹ Shambaugh, *China Goes Global*, 6-7; 175-6, 246.

²⁰ Shaun Breslin, “China and the global order: signally threat or friendship?” *International Affairs*, Vol. 89, No. 3, (2013), 616-7.

²¹ Sheena Chestnut and Alastair Iain Johnston, “Is China Rising?” in Eva Paus, Penelope B. Prime and Jon Western (eds.), *Global Giant: Is China Changing the Rules of the Game?* (New York: Palgrave MacMillan, 2009), 238-42.

²² Chestnut and Johnston, “Is China Rising?” 242-8.

²³ Chestnut and Johnston, “Is China Rising?” 248.

²⁴ Iliana Olivié and Manuel Gracia, “Elcano Global Presence Report 2016,” Real Instituto Elcano, (2016), 15,

http://www.realinstitutoelcano.org/wps/wcm/connect/22da46004ca35c14a512efb6e29671b7/Global_Presence_2016.pdf?MOD=AJPERES&CACHEID=22da46004ca35c14a512efb6e29671b7

increased its edge over other great powers, its gap with the United States has widened. In 2015, China's global presence was 38% of that of the United States; it fell to 30% a year after.²⁵ The trajectory of power shift led Brooks and Wohlforth to define the current international system as a "1+Y+X" system wherein China is an "emerging potential superpower" distinct from other secondary powers yet incapable of challenging American unipolarity.²⁶

China's relative power position is no less equivocal at the regional level. On the one hand, Kang and Ma conclude that a Sino-Japanese regional power transition has already taken place.²⁷ The rise of Donald Trump and American isolationism, meanwhile, were believed to speed up China's rise to regional hegemony.²⁸ Others, on the other hand, argue that the United States still retains significant advantage over China in many areas.²⁹ Before changing his view after the beginning of the Trump presidency, White argued that China was "trapped" in the position as a potential, emerging superpower that was "too strong to accept a subordinate role under American leadership" but "not yet strong enough to lead Asia itself."³⁰ As chapters four to seven will show, while shifting regional balance of power enabled China to increase its share of leadership in East and Central Asia, the rising power was far from displacing the role of Japan and Russia in the supply of regional economic and security public goods.

The above discussion shows that the "rise of China" is to some extent a discursive construct. The domain-specificity of leadership, however, requires us to

²⁵ Olivie and Gracia, "Elcano Global Presence Report 2016," 15; Iliana Olivie and Manuel Gracia, "Elcano Global Presence Report 2017," Real Instituto Elcano, (2017), 13, http://www.realinstitutoelcano.org/wps/wcm/connect/55cd0a89-ecf6-4cdb-bd45-978d2bd4bde8/Global_Presence_2017.pdf?MOD=AJPERES&CACHEID=55cd0a89-ecf6-4cdb-bd45-978d2bd4bde8

²⁶ Stephen G. Brooks and William C. Wohlforth, "The Rise and Fall of the Great Powers in the Twenty-first Century: China's Rise and the Fate of American's Global Position," *International Security*, Vol. 40, No. 3, (Winter 2015/16), 42-3.

²⁷ David C. Kang and Xinru Ma, "Power Transitions: Thucydides Didn't Live in East Asia," *The Washington Quarterly*, Vol. 41, No. 1, (2018), 137-54.

²⁸ See, for example, Jennifer Lind, "Life in China's Asia: What Regional Hegemony would Look Like," *Foreign Affairs*, Vol. 97, No. 71, (March/April 2018), 71-82.

²⁹ David Shambaugh, "U.S. – China Rivalry in Southeast Asia: Power Shift or Competitive Coexistence?" *International Security*, Vol. 42, No. 4, (Spring 2018), 85-127.

³⁰ Hugh White, *The China Choice: Why We Should Share Power*, (Oxford: Oxford University Press, 2012), 60.

examine different “faces” of Chinese power in order to understand how the rising power might attempt to lead.³¹ As the following discussion will show, the domain and instruments of Chinese international leadership remain first and foremost economic. China’s domestic developmental challenges, its “soft power deficit” and international anxiety about its behavior led many to retain skepticism about the rising power’s capacity to lead.

1.1.2 Economic Power

Four decades of “reform and opening-up” mean that economic power continues to be the cornerstone of China’s “comprehensive national power” and the principal instrument of leadership. What Jacques calls the “gravitational pull” and “centrifugal impact” of China’s economic rise owe first and foremost to size and speed.³² As White points out, China’s workforce is four times larger than that of the United States; in other words, the rising power will overtake the hegemon even when its productivity per capita is merely one-fourth of the latter’s.³³ Yet what distinguishes China from previous rising states, according to Kyngé, is not just size but also the “compression of developmental time.”³⁴ The amalgamation of “Industrial Revolution-era labor costs and twenty-first century production technology” has led to high productivity, enormous comparative advantage and historic growth.³⁵ Around the time of the global financial crisis, Bergsten et al already saw China as a “global economic superpower” whose economy was sufficiently “large,” “dynamic” and “open” to have structural impact on the global economy.³⁶ The rising power’s persistent pursuit of an economically-oriented grand strategy, Lee Kuan Yew argued, will enable it to “suck” Southeast Asia, and eventually South Korea and Japan, into its economic orbit.³⁷

³¹ For a comprehensive study of Chinese power, see David Lampton, *The Three Faces of Chinese Power: Might, Money, and Minds*, (Berkeley: University of California Press, 2008).

³² Martin Jacques, *When China Rules the World: The Rise of the Middle Kingdom and the End of the Western World*, (New York: Allen Lane, 2009), 378.

³³ White, *The China Choice*, 29.

³⁴ James Kyngé, *China Shakes the World: A Titan’s Rise and Troubled Future – And the Challenge for America*, (Boston: Houghton Mifflin Company, 2006), 29.

³⁵ Kyngé, *China Shakes the World*, 33-4.

³⁶ C. Fred Bergsten, Charles Freeman, Nicholas R. Lardy and Derek J. Mitchell. *China’s Rise: Challenges and Opportunities*, (Washington DC: Peterson Institute for International Economics and Center for Strategic and International Studies, 2008), 9.

³⁷ Lee, *Lee Kuan Yew*, 6.

It is the prospect of a power transition from the United States to a non-liberal democratic rising power that has generated so much anxiety about China's purpose and the future of international leadership. Maddison predicted on the eve of the global financial crisis that China would overtake the United States as the world's largest economy around 2015.³⁸ By 2030, the Chinese economy will comprise a quarter of the world's gross domestic product (GDP), with a per capita GDP one third above world average.³⁹ His prediction was echoed by Subramanian, who argued that by 2030 China will dominate the global economy as the British Empire did around 1870 or the United States after the Second World War. The Chinese currency *renminbi*, meanwhile, could displace the US dollar as the world's reserve currency as soon as the early 2020s.⁴⁰ Hitherto their predictions have turned out to be generally accurate. According to the International Monetary Fund (IMF), China's GDP as a percentage of the United States' GDP rose from 25% to 62% in the first decade after the global financial crisis, and is projected to reach 88% by 2023.⁴¹ If calculated in purchasing power parity (PPP), China already overtook the United States as the world's largest economy in 2014.⁴² In 2016, the IMF included the *renminbi* as the fifth currency of its basket of special drawing rights (SDR).

A giant economy provides China with the instruments of international economic leadership – production capacity, market, capital and innovation.⁴³ To begin with, China now demonstrates the potential to contest for global leadership in critical domains, as epitomized by its “technological leapfrogging.” According to one measure, the capacity of China's technological industry grew from only 15% of that of its American counterpart in 2012 to 42% in the next six years.⁴⁴ The aggregate venture capital raised by Chinese technological companies, meanwhile, reached 85%

³⁸ Angus Maddison, *Chinese Economic Performance in the Long Run: Second edition, Revised and Updated, 960-2030 AD*, (OECD, 2007), 93.

³⁹ *Ibid.*

⁴⁰ Arvind Subramanian, *Eclipse: Living in the Shadow of China's Economic Dominance*, (Washington D.C.: Peterson Institute for International Economics, 2011), 39-42, 99, 101-2.

⁴¹ “World Economic Outlook Database,” The International Monetary Fund, (April 2018), <http://www.imf.org/external/pubs/ft/weo/2018/01/weodata/index.aspx>

⁴² *Ibid.*

⁴³ For example typologies of Chinese power, see, for example, Lampton, *The Three Faces of Chinese Power*, 88; Shaun Breslin, “China's Global Power/China as a Global Power” in Jae Ho Chung (ed.), *Assessing China's Power*, (Basingstoke: Palgrave MacMillan, 2015), 235.

⁴⁴ “Schumpeter: Chinese Tech v American Tech,” *The Economist*, (17th February 2018), 69.

of that of their American competitors in 2017.⁴⁵ In specific areas such as electronic commerce and payment, China trails only slightly behind or is already ahead of the United States. In the view of former chairman of Alphabet Eric Schmidt, China will surpass the United States in artificial intelligence by 2025.⁴⁶ China's technological leapfrogging might eventually give Beijing an opportunity to exercise leadership by initiating structures of international cooperation in technology on its own terms.⁴⁷

The sheer weight of the Chinese economy also accords Beijing an increasingly important role in the supply of international public goods. Norrlof and Reich's study shows that although the United States remained the principal stabilizer of the global economy, China's role had become so significant by the time of the global financial crisis that except international policy coordination, the responsibilities for providing a market for distressed goods, providing countercyclical capital buffers, stabilizing exchange rates and serving as lender of last resort were more evenly divided between the two powers.⁴⁸ If the current trend continues, China, they conclude, will displace the United States as the principal stabilizer of the global economy in the future.⁴⁹

The resilience of the Chinese economy in the global financial crisis, the appeal of the "China model" of development and Western malaise gave the rising power the legitimacy to mobilize developing countries behind its quest for global governance reform. As I will further discuss in 1.3.3, China, while playing an increasingly important role in decision-making within existing institutions, launched new institutional and regional initiatives such as the BRI, BRICS and multilateral development banks. Situated at the geopolitical margins of American power and the liberal international order, APT and the SCO became the platforms for China's pursuit of international leadership. The United States' isolationist turn under Trump and

⁴⁵ *Ibid.*

⁴⁶ "Schumpeter"; See also "The Challenger," *The Economist*, (17th March 2018), 19-22.

⁴⁷ "The Battle for Digital Supremacy," *The Economist*, (17th March 2018), 11

⁴⁸ Carla Norrlof and Simon Reich, "American and Chinese Leadership during the Global Financial Crisis: Testing Kindleberger's Stabilization Functions," *International Area Studies Review*, Vol. 18, No. 3, (2015), 9-18.

⁴⁹ Norrlof and Reich, "American and Chinese Leadership during the Global Financial Crisis," 17-8.

China's global governance initiatives led some to conclude that Washington has lost its leadership to Beijing.⁵⁰

1.1.3 Domestic Hurdles to International Leadership

Although China has increased its share of international economic leadership, many believe that it is still far from capable of challenging the United States' global leadership. Despite four decades of historic growth, what some refer to as an "economic superpower" remains a developing country in per capita terms. In 2017, China was "poorer" than Equatorial Guinea, Lebanon and Grenada in terms of per capita GDP.⁵¹ The gap between China and the United States in per capita GDP, Christensen argues, means that any attempt to extract national resources for major foreign policy initiatives will be considerably costlier to Chinese than American society.⁵²

The Xi Jinping administration's "Made in China 2025" (中国制造 2025) initiative represents the rising power's ambition and its struggle to build an innovation-based economy. Although Chinese products have become increasingly competitive, as much as 80% of the country's high-tech, high-value-added exports continue to come from foreign-invested corporations.⁵³ If measured by national investment in research and development, China still trails significantly behind the United States in innovation.⁵⁴ Indeed, China's "technological leapfrogging," as Kyngge points out, has been driven not so much by research and development as by international commerce, which enables the rising power to move up the value-added ladder quickly through acquisition, technology transfer or piracy.⁵⁵ In finance, notwithstanding the IMF's

⁵⁰ See, for instance, Antony J. Blinken, "Trump is Ceding Global Leadership to China," *The New York Times*, (8th November 2017), Nexis.

⁵¹ "World Economic Outlook Database."

⁵² Christensen, *The China Challenge: Shaping the Choices of a Rising Power*, (New York: W. W. Norton & Company, 2015), 66-7.

⁵³ Yukihide Hayashi, "Science and Technology Cooperation between China and Leading Nations," Japan Science and Technology Agency, (January 2016), 14, https://www.jst.go.jp/crds/pdf/en/CN20160127_EN.pdf

⁵⁴ Michael Beckley, "China's Century? Why America's Edge Will Endure," *International Security*, Vol. 36, No. 3, (Winter, 2011/12), 63-73; Brooks and Wohlforth, "The Rise and Fall of the Great Powers in the Twenty-first Century," 22-6; "Gross Domestic Spending on R&D," Organization for Economic Cooperation and Development, (2018), <https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm>

⁵⁵ Kyngge, *China Shakes the World*, 114-20.

inclusion of the *renminbi* in its SDR basket, the fact that the currency is not freely and fully traded continues to rule out the prospect of Chinese international financial leadership. Indeed, the US dollar still comprises 64% of the world's total foreign exchange reserves; only 1.1% are in the *renminbi*.⁵⁶

The effectiveness of Chinese economic statecraft also should not be exaggerated. As Norris and others have shown, relative capability advantage does not guarantee foreign policy success.⁵⁷ Beijing's ability to control sub-state actors, which is crucial to the success of economic statecraft, has turned out to be considerably constrained.⁵⁸ Chinese economic power has been most effective when deployed to "multiply" shared preferences or pressurize weaker states on symbolic issues.⁵⁹ The outcomes became mixed when Beijing sought to change target states' preferences, whether through persuasion, inducement or coercion.⁶⁰ Moreover, the usefulness of economic power is sometimes offset by its "side effects." China's dumping of cheap products, its "scramble" for raw materials and Chinese companies' irresponsible business practices have provoked backlash in both developed and developing countries.⁶¹ In the West, mistrust of the authoritarian Chinese government has generated growing concern with how Beijing might turn its economic influence into "sharp power" to interfere with other states' domestic affairs.⁶² As chapters four to seven will show, the findings of this thesis largely correspond with these views. China's leadership behavior was most effective when it provided the public goods that its neighbors needed. On the other hand, negative perception of China's growing

⁵⁶ Joseph Nye, "America Still Holds the Aces in its Poker Game with China," *The Financial Times*, (2nd November 2017), 9, ProQuest.

⁵⁷ William J. Norris, *Chinese Economic Statecraft: Commercial Actors, Grand Strategy, and State Control*, (Ithaca: Cornell University Press, 2016); Evelyn Goh (ed.), *Rising China's Influence in Developing Asia*, (Oxford: Oxford University Press, 2016); James Reilly, "China's Economic Statecraft: Turning Wealth into Power," Lowy Institute for International Policy, (November 2013), http://sydney.edu.au/arts/government_international_relations/downloads/documents/Reilly_China_Economic_Statecraft.pdf

⁵⁸ Norris, *Chinese Economic Statecraft*.

⁵⁹ Goh, "Conclusion" in Goh (ed.), *Rising China's Influence in Developing Asia*, 280; Reilly, "China's Economic Statecraft," 9-10.

⁶⁰ Goh, 280.

⁶¹ Lampton, *The Three Faces of Chinese Power*, 92-5, Reilly, "China's Economic Statecraft," 11-2; Tom Miller, *China's Asian Dream: Empire Building along the New Silk Road*, (London: Zed Books, 2017), Chapter 4.

⁶² Juan Pablo Cardenal, Jacek Kucharczyk, Grigorij Mesžnikov et al., "Sharp Power: Rising Authoritarian Influence," National Endowment for Democracy, (December 2017), <https://www.ned.org/wp-content/uploads/2017/12/Sharp-Power-Rising-Authoritarian-Influence-Full-Report.pdf>

economic influence prevented Beijing from mobilizing support behind its institution-building initiatives in trade and finance.

To many, however, the greatest pitfalls on China's quest for leadership remain internal. Slumping global commodity demand and rising domestic labor costs have rendered China's export-led growth model increasingly unsustainable.⁶³ The 4-trillion-*renminbi* stimulus program has only postponed the country's economic slowdown; without fundamental reform, it has exacerbated the problems of excess capacity, low-return investment and mounting debt.⁶⁴ This led some scholars and observers to conclude that China faces increasing risks of a financial crisis.⁶⁵ The passage of the "Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform" (中共中央关于全面深化改革若干重大问题的决定) demonstrated the Xi Jinping administration's awareness of the urgency of structural economic reform. Yet, as the vagueness of the document suggests, the speed of reform is still considered too slow to enable China to escape from stagnation.⁶⁶

In this regard, China's quest for institutional leadership in APT and the SCO, as chapters four to seven will show, was as much a response to domestic economic challenges as to a changing international environment. The need to sustain growth and expedite structural reform led Beijing to promote the two regional institutions' adaptation to a changing international environment through institution-building initiatives in trade and finance. The Hu Jintao administration's failure to mobilize support behind its purpose, however, paved the way for its successor's embarkation

⁶³ Timothy Beardson, *Stumbling Giant: The Threats to China's Future*, (New Haven: Yale University Press, 2013), 60.

⁶⁴ Martin Wolf, "China's Struggle for a New Normal," *Financial Times*, (23rd March 2016), Factiva; Paul Krugman, "When China Stumbles," *The New York Times*, (8th January 2016), https://www.nytimes.com/2016/01/08/opinion/when-china-stumbles.html?_r=0. The magnitude of these problems is a subject of debate. For a different perspective, see Yukon Huang and Canyon Bosler, "China's Debt Dilemma: Deleveraging while Generating Growth," Carnegie Endowment for International Peace, (18th September 2014), <http://carnegieendowment.org/2014/09/18/china-s-debt-dilemma-deleveraging-while-generating-growth-pub-56579>

⁶⁵ Andrew Collier, "China's Shadow Finance Time-bomb could Trigger Crisis," *The Financial Times*, (26th June 2017), ProQuest; Martin Wolf, "China's Debt Threat: Time to Rein in the Lending Boom," *Financial Times*, (26th July 2018), ProQuest; William Yang, "Will China's High Debt levels Spark a Financial Crisis?" *Deutsche Welle*, (14th March 2018) <https://www.dw.com/en/will-chinas-high-debt-levels-spark-a-financial-crisis/a-42976238>

⁶⁶ David Shambaugh, *China's Future*, (Cambridge: Polity Press, 2016), 8-11.

on the BRI and a corresponding shift in China's leadership behavior from supporting and soft selling to hard selling.

Besides structural economic challenges, four decades of growth have spawned social and environmental problems – from population aging, inequality, corruption to pollution – of a magnitude that lead many to retain skepticism not only about China's capacity to lead but also its long-term domestic stability.⁶⁷ Such skepticism is expressed in its most extreme form in the "China collapse thesis." In 2001, Chang claimed that China was beset by so many problems that it was close to collapse.⁶⁸ Fourteen years later, Shambaugh argued that "[t]he endgame of Chinese communist rule" had not only "begun" but "progressed further than many think."⁶⁹ Mattis went so far as to call for the United States to "prepare" for China's collapse.⁷⁰ While the "China collapse thesis" has hitherto remained a hypothesis, its recurrence reflects Western skepticism about the rising power's authoritarian political system. To many, as long as the Communist Party of China (CPC) continues to flinch from the political reform necessary to address the country's domestic challenges, they will prevent it from assuming global leadership.⁷¹ Under Xi Jinping, however, China has moved "backward" politically from what Shambaugh calls "soft" to "hard authoritarianism."⁷²

Rudd and White, however, argue that such skepticism is based on the assumption that there exists only one single political model for sustainable economic growth.⁷³ Indeed, not only has the CPC proved to be more resourceful and adaptable

⁶⁷ Beardson, *Stumbling Giant*, 137-211; Kyngé, *China Shakes the World*, 51-2, 129-81; Susan Shirk, *China: Fragile Superpower*, (New York: Oxford University Press, 2007); Regina M. Abrami, William C. Kirby and F. Warren McFarlan, *Can China Lead? Reaching the Limits of Power and Growth*, (Boston: Harvard Business Review Press, 2014).

⁶⁸ Gordon G. Chang, *The Coming Collapse of China (2nd ed.)*, (London: Arrow Books, 2002).

⁶⁹ David Shambaugh, "The Coming Chinese Crackup," *The Wall Street Journal*, (7th March, 2015), C1, ProQuest.

⁷⁰ Peter Mattis, "Doomsday: Preparing for China's Collapse," *The National Interest*, (2nd March 2015), <http://nationalinterest.org/feature/doomsday-preparing-chinas-collapse-12343>

⁷¹ Martin Wolf, "Too Big, Too Leninist – A China Crisis is a Matter of Time," *Financial Times*, (13th December 2016), Factiva; Abrami, Kirby and McFarlan, *Can China Lead?* 185-8; Beardson, *Stumbling Giant*, 401-2.

⁷² Shambaugh, *China's Future*, 2, 4.

⁷³ Kevin Rudd, "U.S. – China 21: The Future of U.S. – China Relations under Xi Jinping: Toward a New Framework of Constructive Realism for a Common Purpose." Harvard Kennedy School, (April 2015), 9, <http://www.belfercenter.org/sites/default/files/legacy/files/Summary%20Report%20US-China%2021.pdf>; White, *The China Choice*, 35.

than assumed in addressing domestic problems; it has achieved overall an equally high standard of governance as Western democratic governments.⁷⁴ Meanwhile, the country's economic power resources and the competence of its policy elites endow the Chinese government with considerable capacity to maintain a high growth rate for at least another decade.⁷⁵

Barring unexpected contingencies, China, in my view, has demonstrated the capacity and political will to keep many of its domestic problems under control for a considerable period in the future. Yet even if domestic problems do not reverse the long-term power shift, they remain liabilities on China's quest for international leadership. Thus Lee Kuan Yew concluded that China, on the one hand, "cannot lose" as long as it continues to develop peacefully, "economically" and "technologically"; on the other hand, given the magnitude of its domestic developmental challenges, the rising power "must know that to dominate Asia is not possible."⁷⁶ As chapter two will show, however, the need for external solutions to internal problems increased the pressure on the rising power to pursue international leadership.

1.1.4 Soft Power

If leadership hinges on legitimate power and willing followers, soft power is a crucial indicator of China's potential to lead. The prominence of the concept in the Chinese domestic discourse attests to the rising power's struggle to cultivate a positive image, counter the "misperception" of "China threat" and gain the world's trust.⁷⁷ A state-led project rather than a society-driven development, China's "charm offensive" now amounts to a billion US dollars per year.⁷⁸ To tell "Chinese stories" to the world, Beijing invests enormous resources in mega events, mass media and cultural exchange, as exemplified by the hosting of the Olympics, the launch of internationally-oriented television channels and the establishment of Confucius Institutes across the world.

⁷⁴ White, *The China Choice*, 36-8.

⁷⁵ Rudd, "U.S. – China 21," 8-9.

⁷⁶ Lee, *Lee Kuan Yew*, 10, 16.

⁷⁷ Shaun Breslin, "The Soft Notion of China's 'Soft Power,'" Chatham House, Asia Programme Paper, (February 2011), 7,

https://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Asia/0211pp_breslin.pdf

⁷⁸ David Shambaugh, "China's Soft-Power Push," *Foreign Affairs*, (July/August 2015), 100.

The debate on Chinese soft power, however, is no less intense and divided than on its economic power. Ramo argued that China's economic model is of enormous appeal to the world that the "Washington Consensus" will eventually be replaced by a "Beijing Consensus," a new "paradigm" of development defined by innovation, "sustainable and equitable" development, and self-determination.⁷⁹ The United States' decline in its global image further aided the success of China's "charm offensive."⁸⁰ On the other hand, based on a range of indicators from a country's governance model to its contributions to global culture, the consultancy Portland ranked China only twenty-fifth out of thirty countries in soft power in 2017, trailing behind not only the United States and other Western powers but also Portugal, Greece and Poland.⁸¹

The divergence of opinions is rooted in the ambiguity of the concept of soft power. Originally defined by Nye as the ability to "[get] others to want the outcomes that you want" through co-optation and attraction, the concept has been applied in such a way as to include literally everything that is not military.⁸² Nevertheless, however the concept of soft power is defined and measured, China's ability to attract and co-opt emanates primarily from three sources: the country's developmental experience, a foreign policy of reassurance and traditional culture.⁸³ Perception of China's economic clout, especially after the global financial crisis, means that the country's developmental experience has attracted the most attention.

The argument that China's developmental experience constitutes a "model" has been subject to criticisms.⁸⁴ What is important, however, is not whether there really is a model, but the fact that people perceive and speak about it.⁸⁵ The discourse

⁷⁹ Ramo, "The Beijing Consensus," 2-6. 38.

⁸⁰ Kurlantzick, *Charm Offensive*, Chapter 1.

⁸¹ Jonathan McClory, "The Soft Power 30: A Global Ranking of Soft Power," Portland, 2017, <https://softpower30.com/wp-content/uploads/2017/07/The-Soft-Power-30-Report-2017-Web-1.pdf>

⁸² Joseph S. Nye, Jr, *Soft Power: The Means to Success in World Politics*, (New York: Public Affairs, 2004), 5-6; Chestnut and Johnston, "Is China Rising?" 249; Breslin, "The Soft Notion of China's 'Soft Power,'" 13-4.

⁸³ Bates Gill and Yanzhong Huang, "Sources and Limits of Chinese 'Soft Power'," *Survival*, Vol. 48, No. 2, (2006), 17-23; Young Nam Cho and Jong Ho Jeong, "China's Soft Power: Discussions, Resources, and Prospects," *Asian Survey*, Vol. 48, No. 3, (May/June 2008), 461-72.

⁸⁴ Scott Kennedy, "The Myth of the Beijing Consensus," *Journal of Contemporary China*, Vol. 19, No. 65, (June 2010), 461-77; Shaun Breslin, "The 'China Model' and the Global Crisis: From Friedrich List to a Chinese Mode," *International Affairs*, Vol. 87, No. 6, (2011), 1323-43.

⁸⁵ Breslin, "The 'China Model' and the Global Crisis," 1343.

gives China what Breslin calls “imagined power” by enhancing the legitimacy of its development path and the appeal of its initiatives to potential followers.⁸⁶ The attraction of China’s developmental experience was demonstrated in the 2014 Pew Global Attitudes Survey, wherein the country’s scientific and technological achievements received 61% to 85% of admiration ratings in all of the third world countries under survey.⁸⁷ In areas such as environment and energy, China’s technological advancement and its ability to appeal to the common interests of developing countries led governments and publics across Africa and Latin America to view the rising power as the leader in climate change governance.⁸⁸

Nonetheless, China’s expanding diplomatic and material investment has not changed its “soft power deficit.”⁸⁹ Although the United States’ reputation has slumped since the rise of Trump, overall it enjoyed higher favorability ratings than China throughout the first decade after the global financial crisis.⁹⁰ The soft power gap between the two countries is the starkest in immigration.⁹¹ Whereas the United States is the unrivaled destination of international migrants in terms of number and talents, China remains the fourth largest country of origin of international migrants.⁹² What is more surprising, though, were the largely negative approval ratings on Chinese ideas and culture in third world countries.⁹³

To many in the West, the major obstacles to China’s soft power development

⁸⁶ Breslin, “The Soft Notion of China’s ‘Soft Power,’” 14; Kennedy, “The Myth of the Beijing Consensus,” 476.

⁸⁷ “Chapter 3. Attitudes toward China,” Pew Research Center, (18th July 2013), <http://www.pewglobal.org/2013/07/18/chapter-3-attitudes-toward-china/>

⁸⁸ Christer Karlsson, Charles Parker, Mattias Hjerpe, and Bjorn-Ola Linner, “Looking for Leaders: Perceptions of Climate Change Leadership among Climate Change Negotiation Participants.” *Global Environmental Politics*, Vol. 11, No. 1, (February 2011), 104.

⁸⁹ Joseph S. Nye Jr. “China’s Soft Power Deficit.” *Wall Street Journal*, (9th May 2012), A11, ProQuest.

⁹⁰ Margaret Vice, “In Global Popularity Contest, U.S. and China – not Russia – Vie for First,” Pew Research Center for the People & the Press, (23rd August 2017) <http://www.pewresearch.org/fact-tank/2017/08/23/in-global-popularity-contest-u-s-and-china-not-russia-vie-for-first/>

⁹¹ Joseph S. Nye Jr. “Immigration and American Power,” *The Korea Times*, (16th December 2012), <https://www.belfercenter.org/publication/immigration-and-american-power>

⁹² “International Migration Report,” Department of Economic and Social Affairs of the United Nations Secretariat, (New York: United Nations, 2018), 6, Figure 3; 13, Figure 7, http://www.un.org/en/development/desa/population/migration/publications/migrationreport/docs/MigrationReport2017_Highlights.pdf

⁹³ “Chapter 3: Attitudes Toward China,” Pew Research Center, (18th July 2013), <http://www.pewglobal.org/2013/07/18/chapter-3-attitudes-toward-china/>

are again rooted in the country's political system.⁹⁴ Censorship stifles culture and innovation, while domestic social and political problems from human rights violations, corruption to pollution undermine the country's appeal.⁹⁵ Negative perception of the authoritarian Chinese government and growing suspicion of Chinese "sharp power" have continued to hamper Beijing's efforts to improve its image in the West.⁹⁶ The high favorability ratings it received in developing countries, on the other hand, do not guarantee diplomatic success.⁹⁷ As mentioned in 1.3, China's growing economic presence in the developing world has provoked backlash among local populations. In foreign relations, China's popular nationalism and growing "assertiveness" in territorial disputes have undercut its policy of "good neighborliness."⁹⁸ Thus even though global public opinions on China and its economic ascent are positive on average, the country's positive perception has been more than offset by high-level threat perception of its growing military power, especially among American allies and partners in East Asia.⁹⁹

As the following chapter will show, while China's foreign policy elites are not unaware of the country's soft power deficit, there exists a perceptual gap between them and the world over the nature of the problem. As chapters four to seven will show, despite Beijing's expanding diplomatic and material investment in economic, social and cultural cooperation, negative perception of China's growing economic influence, anxiety about its assertiveness in maritime disputes and deep-seated Sinophobia prevented it from mitigating mistrust among its neighbors.

1.1.5 Military Power

⁹⁴ Gill and Huang, "Sources and Limits of Chinese 'Soft Power'," 26-30.

⁹⁵ Joseph S. Nye Jr. "China's Soft Power Deficit"; Jean-Marc. F. Blanchard and Fujia Lu, "Thinking Hard about Soft Power: A Review and Critique of the Literature on China and Soft Power," *Asian Perspective*, No. 36, (2012), 579.

⁹⁶ Cardenal, Kucharczyk, Mesžnikov et al., "Sharp power"; Wolfram Manzenreiter, "The Beijing Games in the Western Imagination of China: The Weak Power of Soft Power," *Journal of Sport and Social Issues*, Vol. 34, No. 1, (2010), 29-48.

⁹⁷ "Opinion of China: Do You Have a Favorable or Unfavorable View of China?" Pew Research Center, (Spring 2017), <http://www.pewglobal.org/database/indicator/24/survey/all/>

⁹⁸ Joseph S. Nye, "The Limits of Chinese Soft Power," Project Syndicate, (10th July 2015), <https://www.project-syndicate.org/commentary/china-civil-society-nationalism-soft-power-by-joseph-s-nye-2015-07>

⁹⁹ "Laura Silver, "How People in Asia-Pacific View China," Pew Research Center, (16th October 2017), <http://www.pewresearch.org/fact-tank/2017/10/16/how-people-in-asia-pacific-view-china/>

Although China continues to pursue an economically-oriented grand strategy, it has never disregarded the importance of military modernization. Indeed, Friedberg considers military power central to the “contest for supremacy” between China and the United States in East Asia.¹⁰⁰ The danger of the “Thucydides’ trap” and other regional security issues means that how China develops and employs its military power is a critical indicator of its attitude toward the *status quo*.¹⁰¹ Of the three forms of power discussed here, military power is where the rising power is believed to trail the furthest behind the hegemon. Paradoxically, China’s military modernization is necessary yet counterproductive to its quest for international security leadership.

China’s military development has been no less remarkable than its economic ascent. The growth of economic, industrial and technological capabilities has greatly facilitated force modernization. While staying approximately constant as a share of GDP and even falling as a share of government expenditure, China’s defense budget has been consistently rising in absolute terms for over two decades to become the second largest in the world.¹⁰² Indeed, the United States government and foreign think tanks continue to estimate the country’s defense budget to be significantly higher than official figures suggest.¹⁰³

Of the greatest significance to the future of global and regional security leadership is China’s development of power projection capabilities. Driven by what Ross calls “naval nationalism,” the building of a “blue-water” navy symbolizes China’s aspiration to be a “maritime power.”¹⁰⁴ Notable advances included the

¹⁰⁰ Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia*, (New York: W. W. Norton & Co., 2011), 215-6.

¹⁰¹ Graham Allison, “The Thucydides Trap: Are the U.S. and China Headed for War?” *The Atlantic*, (24th September 2015), <http://www.theatlantic.com/international/archive/2015/09/united-states-china-war-thucydides-trap/406756/>; Alastair Iain Johnston, “Is China a Status Quo Power?” *International Security*, Vol. 27, No. 4, (Spring 2003), 11.

¹⁰² See figure 2.2 in Michael D. Swaine, Mike M. Mochizuki, Michael L. Brown et al, *China’s Military and The U.S.-Japan Alliance in 2030: A Strategic Net Assessment*, Carnegie Endowment for International Peace, (2013), 68, http://carnegieendowment.org/files/net_assessment_full.pdf

¹⁰³ “2017 Report to Congress of the U.S.-China Economic and Security Review Commission,” U.S.-China Economic and Security Review Commission, (November 2017), 200-1, https://www.uscc.gov/sites/default/files/annual_reports/2017_Annual_Report_to_Congress.pdf

¹⁰⁴ Robert S. Ross, “China’s Naval Nationalism: Sources, Prospects, and the U.S. Response,” *International Security*, Vol. 34, No. 2, (Fall 2009), 60-77; Jintao Hu [胡锦涛], “Hu Jintao’s Report to the Eighteenth National Congress of the Communist Party of China” [胡锦涛在中国共产党第十八次全国代表大会上的报告], *People’s Daily* [人民日报], (8th November 2012), <http://cpc.people.com.cn/n/2012/1118/c64094-19612151-11.html>

commissioning of the country's first aircraft carrier, the buildup of a modern fleet, acquisition of large amphibious ships and the establishment of its first overseas military base in Djibouti.¹⁰⁵ The rapid expansion of the China Coast Guard further strengthened China's control over disputed waters while freeing up the People's Liberation Army Navy (PLAN) to conduct more long-distance missions.¹⁰⁶ Equally astounding progress in modernization was achieved in other forces. The People's Liberation Army Air Force (PLAAF), for instance, underwent capability upgrade with the expansion of its fleet of fourth generation fighters and the development of fifth generation aircraft, heavy transport aircraft and unmanned aerial vehicles.¹⁰⁷

Growing capabilities and expanding overseas interests enabled China to step up its contributions to the supply of international security public goods. For instance, Beijing now deploys more personnel – including not only logistical and law enforcement units but also combat troops – to United Nations peacekeeping force than other permanent members of the United Nations Security Council (UNSC).¹⁰⁸ Improved experience and competence enabled the PLAN to expand the scope and domain of its operation from anti-piracy patrols in the Gulf of Aden to naval escort of Syria's chemical weapons stockpile, citizen evacuation from Libya and Yemen to search mission for the missing Malaysian Airline flight MH370.¹⁰⁹ Nevertheless, China's contributions of international security public goods remain limited. According to Hirono and Lanteigne, its role in international peacekeeping corresponds largely with that of a norm-taking middle power.¹¹⁰

Indeed, China is still a long way from being capable of challenging the United States' international security leadership. As Brooks and Wohlforth show, the United States' capabilities to exercise "command of the commons" are greater than the

¹⁰⁵ Andrew Erickson, "Evaluating China's Conventional Military Power: The Naval and Air Dimensions" in Jae Ho Chung (ed.), *Assessing China's Power*, (Basingstoke: Palgrave MacMillan, 2015), 68-74.

¹⁰⁶ Erickson, "Evaluating China's Conventional Military Power," 73.

¹⁰⁷ Erickson, "Evaluating China's Conventional Military Power," 74-7.

¹⁰⁸ Rosemary Foot, "'Doing some things' in the Xi Jinping Era: the United Nations as China's Venue of Choice," *International Affairs*, Vol. 90, No. 5, (2014), 1092.

¹⁰⁹ Andrew S. Erickson and Austin M. Strange, *Six Years at Sea...and Counting: Gulf of Aden Anti-Piracy and China's Maritime Commons Presence*, (Washington DC: The Jamestown Foundation, 2015).

¹¹⁰ Miwa Hirono and Marc Lanteigne, "Introduction: China and UN Peacekeeping," *International Peacekeeping*, Vol. 18, No. 3, (2011), 243-56.

aggregate capabilities of the next five military powers in all of the fourteen key areas in sea, air, space and infrastructure.¹¹¹ China's capabilities amount to over 15% of the United States' capabilities only in surface ships and fourth-generation aircraft, and over 30% only in the latter. Indeed, the rising power still trails behind Russia, France and the United Kingdom in areas such as nuclear power submarines, tanker/transport aircraft, satellites, attack helicopters and amphibious ships.¹¹² Technological, institutional and operational limitations led Swaine to conclude that no "leapfrogging" in military modernization would be possible for China in the next two decades.¹¹³

Although geography makes it possible for China to dominate its periphery without achieving parity with the United States, international security leadership hinges not only on force but also willing followers.¹¹⁴ Whereas the United States has about sixty security allies and partners across the world, China only has North Korea as its formal ally.¹¹⁵ Moreover, the perceptual gap between China and the world over what the rising power's legitimate interests, rights and responsibilities are has heightened mistrust of its purpose.

Anxiety about China's growing military power and mistrust of its purpose render it necessary for Beijing to demonstrate maximum self-restraint by restricting the scope and scale of its security diplomacy. Indeed, as 6.2.1 and 7.2.1 will show, even though the SCO was established first and foremost for security cooperation, its security functions remained highly limited. Notwithstanding regional security challenges from political upheavals in Kyrgyzstan to American withdrawal from Afghanistan, Beijing continued to demonstrate a cautious attitude and defer

¹¹¹ Brooks and Wohlforth, "The Rise and Fall of the Great Powers in the Twenty-first Century," 20, Figure 1.

¹¹² Brooks and Wohlforth, "The Rise and Fall of the Great Powers in the Twenty-first Century," 20-1, Figures 1-2.

¹¹³ Swaine, Mochizuki, Brown et al, *China's Military and The U.S.-Japan Alliance in 2030*, 61. See also Michael S. Chase, Jeffrey Engstrom, Tai Ming Cheung et al, *China's Incomplete Military Transformation*, (Santa Monica: RAND Corporation, 2015),

http://www.rand.org/content/dam/rand/pubs/research_reports/RR800/RR893/RAND_RR893.pdf

¹¹⁴ Eric Heginbotham, Michael Nixon, Forrest E. Morgan et al. *The U.S. – China Military Scorecard: Forces, Geography, and the Evolving Balance of Power, 1996 – 2017*, (Santa Monica: RAND Corporation, 2015), xxx,

http://www.rand.org/content/dam/rand/pubs/research_reports/RR300/RR392/RAND_RR392.pdf

¹¹⁵ Shambaugh, *China's Future*, 147.

responsibilities for regional security leadership to Russia. This, in turn, prevented the organization from adapting to a changing international environment.

1.1.6 Leading “Without Catching Up”

The above discussion has shown that conceptual ambiguity has led to divergent assessments of Chinese power. After four decades of historic growth, China now exercises enormous impact across many dimensions of international political life; impact, however, does not necessarily convert to power, let alone leadership.¹¹⁶ While the debate continues, the dominant view considers China’s power limited and imbalanced. Beijing has increased its share of international economic leadership, yet it remains far from capable of challenging Washington’s global leadership. Indeed, the country’s authoritarian political system and the magnitude of its domestic challenges have led many to question its long-term domestic stability and hence capacity to lead.

On the other hand, capability constraint accentuates the importance of leadership as the ability to mobilize followers behind China’s quest for change. As has been the case for all rising states in history, the periphery is the locus and cornerstone of Beijing’s quest for leadership.¹¹⁷ The incomplete nature of the American world order, the shifting balance of power and regional common interests converged with mounting strategic pressures and domestic imperatives to provide the incentives for and put pressure on China to assume leadership and renegotiate order in its peripheral regions “without catching up.”¹¹⁸ As chapters four to seven will show, however, Beijing’s efforts to exercise institutional leadership in APT and the SCO were hamstrung not so much by capability constraint as the problem of trust. Notwithstanding its increasing capacity to provide the public goods that other member states needed, low level of trust prevented China from uniting them behind its purpose.

¹¹⁶ Lampton, *The Three Faces of Chinese Power*, 97-8.

¹¹⁷ John J. Mearsheimer, *The Tragedy of Great Power Politics* 2nd ed., (New York: W. W. Norton & Co., 2014), 41-2.

¹¹⁸ Acharya, *The End of American World Order*, 37-8; Michael Mastanduno, “Incomplete Hegemony: The United States and Security Order in Asia” in Muthiah Alagappa (ed.), *Asian Security Order: Instrumental and Normative Features*, (Stanford: Stanford University Press, 2003), 141-70; Thomas J. Christensen, “Posing Problems without Catching Up: China’s Rise and Challenges for U.S. Security Policy,” *International Security*, Vol. 25, No. 4, (Spring 2001), 5-40.

1.2 Purpose: The Goals of Leadership

Power only defines the possibilities of leadership; it is the interplay between power and purpose that determines if and how Beijing would set out to lead. Indeed, perception of China's power and its growing assertiveness has made the question of what the rising power wants more important than ever, as manifested in the biggest debate among the American foreign policy elites on the United States' China policy since the 1950s.¹¹⁹ Nevertheless, Euro-American centrism and *status quo* bias of the international discourse are manifested in the equation of leadership with what the United States and the West consider China's "responsibilities" toward the liberal international order. Perhaps not surprisingly, the works that specifically address the question of Chinese international leadership are mostly by non-American scholars.¹²⁰

Like the debate on China's power, there is no consensus on what the rising power wants. Nevertheless, the general perception emerging from the international discourse sees China as a "reformist stakeholder." Having integrated itself into the liberal international order, China has neither the capacity nor the intentions to overthrow the *status quo*; it even remains adamant on upholding some of its foundational principles. On the other hand, Beijing has increasingly displayed its dissatisfaction with some aspects of the existing order. As I will show in 1.2.3, the "rise of China" represents the country's struggle for self-determination and great power status by renegotiating the international order and its role in it. As the locus of the ongoing renegotiation, international institutions are where China mobilizes support for its visions and initiates collective action to implement them. Yet, the scholarship on China's multilateralism has for a long time tended to view the rising power as a reactive actor either to be socialized or preoccupied with balancing against the United States. Nevertheless, since the global financial crisis Beijing has not only played an increasingly influential role in existing institutions but also embarked on institution-

¹¹⁹ Aaron L. Friedberg, "The Debate Over US China Strategy," *Survival*, Vol. 57, No. 3, (June/July 2015), 89-110; Harry Harding, "Has U.S. China Policy Failed," *The Washington Quarterly*, Vol. 38, No. 3, (2015), 95-122.

¹²⁰ See, for instance, Christopher Dent, *China, Japan and Regional Leadership in East Asia*, (Cheltenham: Edward Elgar, 2008); John Kirton, *China's G20 Leadership*, (New York: Routledge, 2016); Peter Marcus Kristensen and Pippa Morgan, "Leadership with Chinese Characteristics," *Chinese Political Science Review*, Vol. 3, (2018), 1-9; Andrew F. Cooper and Yanbing Zhang, "Chinese Leadership in the Evolution of 'Hub' and 'Parallel' Globally Oriented Institutions," *Chinese Political Science Review*, Vol. 3, (2018), 28-47.

building and regional initiatives. It is thus increasingly important to investigate not only how China responds to external pressure in Western-led institutions, but also how it exercises leadership in institutions that are situated at the margins of American power and the Western-centric international order.

1.2.1 China as Hegemonic Aspirant?

If leadership, in its broadest sense, involves initiation of structures of interactions, what emerge from the discourse are three perspectives on China's attitude toward leadership – hegemonic aspirant, irresponsible free rider, and reformist stakeholder. On the one end, some believe that China aspires for hegemonic leadership. Not surprisingly, this view is espoused by many realists, who see the similarities between China and other rising powers in history. Mearsheimer, for instance, argues that China seeks to maximize its power and expel the United States from Asia.¹²¹ Once it establishes regional hegemony, China will “dictate the boundaries of acceptable behavior to neighboring countries.”¹²² The “rise of China,” in this regard, is inevitably “unpeaceful.”¹²³ As the following chapters will show, while Beijing explicitly opposed hegemony and denied any intention to seek dominance, its leadership behavior represented an ongoing attempt to renegotiate the geopolitical definition of its peripheral regions – their boundaries, structures and rules – on its own terms. Anxiety about China's growing influence and mistrust of its purpose explain the continuing prominence of the realist perspective.

Like many assessments of Chinese power, assessments of the rising power's purpose are often based on understandings of the country's history and other national attributes. The century-long humiliation and aspirations for “wealth and power” led many to believe that China is determined to (re)claim its status as Asia's dominant power, become a “co-equal” of the United States and ultimately displace it as the new hegemon.¹²⁴ Chinese hegemony, it is believed, will herald the return of a Sinocentric

¹²¹ Mearsheimer, “China's Unpeaceful Rise,” *Current History*, Vol. 105, No. 690, (April 2006), 160-162.

¹²² Mearsheimer, “China's Unpeaceful Rise,” 162.

¹²³ Mearsheimer, “China's Unpeaceful Rise”; See also Jonathan Holslag, *China's Coming War with Asia*, (Cambridge: Polity Press, 2015).

¹²⁴ Lee, *Lee Kuan Yew*, 2-3; Schell and Delury, *Wealth and Power*; Michael Pillsbury, *The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower*, (New York: Henry Holt and Company, 2015).

order or even an “empire,” though an “informal” one built upon “cash” and “infrastructure.”¹²⁵ Although many argue that China lacks a comprehensive vision of international order, the now revived ancient Chinese concept of “all-under-heaven” (天下) contains many elements that correspond with those of hegemony.¹²⁶

Personality lends further support to such belief. Xi Jinping, according to Rudd, is distinguished by his unmatched personal authority since Mao Zedong, his vision of China’s future and “an even deeper sense of urgency.”¹²⁷ Not surprisingly, the president’s rejection of liberal political values and espousal of a proactive foreign policy have led some to view him as more nationalistic than his predecessor.¹²⁸ Allison, for instance, argues that the Xi Jinping presidency marks the end of China’s long policy of “biding its time and hiding its capabilities.”¹²⁹ Under his rule, a growing external threat perception and an “inflated” perception of the shifting Sino-American balance of power have increased both oppressiveness at home and assertiveness abroad.¹³⁰

Euro-American centrism of the international discourse means that China’s aspirations are perceived not as a legitimate quest but as a challenge to be managed. Nevertheless, while today there is a growing belief among regional states that the rising power aims to resurrect a tributary system in East Asia, Kang’s study shows that historically they did not perceive their giant neighbor as a threat and balance against it.¹³¹ China, whose identity is defined by the primacy of sovereignty and the lack of expansionist tendency, has continually displayed a *status-quo* orientation.¹³² Indeed, notwithstanding worsening regional security, East Asian defense spending as a percentage of GDP has decreased.¹³³ Rather than balancing against China, most

¹²⁵ Miller, *China’s Asian Dream*, 17.

¹²⁶ William A. Callahan, “Chinese Visions of World Order: Post-Hegemonic or a New Hegemony?” *International Studies Review*, Vol. 10, 749-61; Shambaugh, *China Goes Global*, 6; Christensen, *The China Challenge*, 56.

¹²⁷ Rudd, “U.S. – China 21,” 10-1.

¹²⁸ Rudd, “U.S. – China 21,” 10, 16.

¹²⁹ Allison, “The Thucydides Trap.”

¹³⁰ David M. Lampton, “China: Challenger or Challenged?” *The Washington Quarterly*, Vol. 39, No. 3, (2016), 110.

¹³¹ William A. Callahan, *China Dreams: 20 Visions of the Future*, (Oxford: Oxford University Press, 2013), 55; Miller, *China’s Asian Dream*, 225; Kang, *China Rising*, 36-41, 54-75.

¹³² Kang, *China Rising*, 79-93.

¹³³ Kang and Ma 146-7.

regional states have continued to accommodate it or hedge against it.¹³⁴ The absence of balancing, on the other hand, does not imply trust, let alone willingness to follow. As chapters four to seven will show, low levels of trust prevented Beijing from exercising institutional leadership in tasks with high uncertainty and interdependence in APT and the SCO.

1.2.2 China as “Irresponsible Free rider”?

On the other end, some see in China not so much a relentless pursuit of hegemony as continued evasion of responsibilities. To Christensen, it is the rising power’s irresponsibility rather than assertiveness that poses the biggest challenge to the *status quo*.¹³⁵ China’s behavior in the World Trade Organization (WTO), according to Bergsten et al, ranged from being “passive” to “disruptive,” driven first and foremost by “wholly political” motives.¹³⁶ In finance, Beijing exploited unfair advantage in trade through currency manipulation.¹³⁷ Its provision of foreign aid without conditions, meanwhile, threatened to undermine international norms.¹³⁸ Domestic economic interests, moreover, led China to rebuff for a long time international calls for more substantial measures to curb greenhouse gas emissions. In security, China did not cooperate fully with the West on nuclear nonproliferation and humanitarian intervention.¹³⁹

Chinese irresponsibility led Nye to argue that the threat to order and stability comes not from a “Thucydides trap” but from a “Kindleberger trap,” wherein a declining United States can no longer shoulder the responsibilities for providing public goods, while a rising China is yet able or willing to fill the leadership vacuum.¹⁴⁰ Others argue that China’s free-riding behavior and its efforts in “biding its time and hiding its capabilities” are all parts of a deliberate, patient strategy, whereby Beijing

¹³⁴ Kang, *China Rising*, 54-66.

¹³⁵ Christensen, *The China Challenge*, Chapter 5.

¹³⁶ Bergsten, Freeman, Lardy and Mitchell, *China’s Rise*, 14-5.

¹³⁷ Bergsten, Freeman, Lardy and Mitchell, *China’s Rise*, 17

¹³⁸ Bergsten, Freeman, Lardy and Mitchell, *China’s Rise*, 20-1.

¹³⁹ Christensen, *The China Challenge*, Chapter 5.

¹⁴⁰ Joseph S. Nye, “The Kindleberger Trap,” Project Syndicate, (9th January, 2017), <https://www.project-syndicate.org/commentary/trump-china-kindleberger-trap-by-joseph-s--nye-2017-01>

will grow within the current international order until it is powerful enough to remold it on its own terms.¹⁴¹

Some of the accusations against Chinese irresponsibility have proved to be exaggerated.¹⁴² What is important, however, is the perceptual gap between China and the world over what its legitimate interests, rights and responsibilities should be. Euro-American centrism and *status quo* bias mean that China's quest for leadership is considered legitimate only if Beijing fulfills what the United States and the West define as its responsibilities toward the liberal international order. Thus even though Ikenberry is not incorrect in stressing the capacity of the liberal international order to accommodate China, his argument, as Stuenkel points out, is based on an implicit assumption that China and other new rising states intend to be "followers."¹⁴³ Nevertheless, even though China has neither the intention nor the capacity to overthrow the *status quo*, it seeks to renegotiate the international order and its role in it on its own terms. It is not surprising, as the following chapter will show, that the United States' proposed role for China in the existing order, from Zoellick's "responsible stakeholder" to Bergsten's "G2," were interpreted by China's foreign policy elites not as the United States' recognition of China's great power status but rather as a trap to "tie China down."¹⁴⁴

1.2.3 A More Complex Picture: Reformist Stakeholder

These two perspectives, however, do not reflect the ambiguity of China's attitude as a "reformist stakeholder." China has integrated, albeit incompletely, into the liberal international order; however, as Feigenbaum points out, it "accepts most forms but not necessarily our [the United States and the West's] preferred norms."¹⁴⁵ As a result, Beijing seeks to renegotiate some aspects of the international order – especially in its

¹⁴¹ Lee, *Lee Kuan Yew*, 4-7.

¹⁴² Christensen, *The China Challenge*.

¹⁴³ G. John Ikenberry, "Power, Institutions, and the Western Order," in Robert S. Ross and Zhu Feng (eds.), *China's Ascent: Power, Security, and the Future of International Politics*, (Ithaca: Cornell University Press, 2008), 89-114; Oliver Stuenkel, *Post-Western World: How Emerging Powers are Remaking Global Order*, (Cambridge: Polity, 2016), 23-7.

¹⁴⁴ Shambaugh, *China Goes Global*, 170.

¹⁴⁵ Evan A. Feigenbaum, "Reluctant Stakeholder: Why China's Highly Strategic Brand of Revisionism is More Challenging than Washington Thinks," (27th April 2018), <https://macropolo.org/reluctant-stakeholder-chinas-highly-strategic-brand-revisionism-challenging-washington-thinks/>

peripheral regions – and its role in it within the existing institutional architecture.¹⁴⁶ The former United States Deputy Assistant Secretary of State’s categorization of China as a “reluctant stakeholder,” however, continues to manifest a *status quo* bias that Beijing simply shuns its international responsibilities without acting on its own terms. As I am going to discuss in 1.3.3, since the global financial crisis China has demonstrated increasing capacity and readiness to launch its own global and regional governance initiatives both within and without the existing institutional architecture.

Euro-American centrism means that mistrust of China’s purpose is rooted in its national character as a non-liberal democratic rising power. As Lieberthal points out, “democracies,” in Washington’s view, “are inherently more trustworthy than are authoritarian systems.”¹⁴⁷ Given the opaqueness of China’s political system, separate and sometimes conflicting decisions stemming from bureaucratic rivalry are perceived as coordinated efforts at deception.¹⁴⁸ Beijing’s rejection of liberal values and human rights violations do not help but increase uncertainty about its attitude toward international rules and norms.¹⁴⁹

Nevertheless, nationalism remains the greatest factor of instability in an authoritarian regime’s international behavior. As Downs and Saunders argue, the CPC’s *raison d’être* is based on two contradictory narratives: its fulfillment of China’s nationalist aspirations and its indispensability to the country’s continued economic growth.¹⁵⁰ The nationalist narrative provides the rationale for maximizing the country’s power, redeeming lost territory and “pacify[ing] the periphery.”¹⁵¹ The importance of nationalism as a source of legitimacy means that public pressure could one day compel Beijing to resort to international crises to prop up its legitimacy.¹⁵²

¹⁴⁶ Shambaugh, *China Goes Global*, 122; Breslin, “China and the Global Order,” 630; Friedberg, “The Debate Over US China Strategy,” 102; Feigenbaum, “Reluctant Stakeholder.”

¹⁴⁷ Kenneth Lieberthal and Wang Jisi, “Addressing U.S. – China Strategic Distrust,” The Brookings Institution, (2012), 24, https://www.brookings.edu/wp-content/uploads/2016/06/0330_china_lieberthal.pdf

¹⁴⁸ Lieberthal and Wang, “Addressing U.S. – China Strategic Distrust,” 24-5.

¹⁴⁹ Lieberthal and Wang, “Addressing U.S. – China Strategic Distrust,” 25-6.

¹⁵⁰ Erica Strecker Downs and Phillip C. Saunders. “Legitimacy and the Limits of Nationalism: China and the Diaoyu Islands,” *International Security*, Vol. 23, No. 3 (Winter, 1998-1999), 118.

¹⁵¹ Blackwill and Tellis, *Revising U.S. Grand Strategy Toward China*, 7, 13-4; Holslag, *China’s Coming War with Asia*, 4.

¹⁵² Downs and Saunders. “Legitimacy and the Limits of Nationalism,” 118; Lieberthal, Lieberthal and Wang, “Addressing U.S. – China Strategic Distrust,” 24. See also Jessica Chen Weiss, *Powerful Patriots: Nationalist Protect in China’s Foreign Relations*, (Oxford: Oxford University Press, 2014).

Indeed, since the global financial crisis there has been a growing perception of China's rising "popular nationalism" and "assertiveness" in its international behavior.¹⁵³ Although Johnston and others argue that it is a misperception, the dominant view now sees the rising power as moving further away from fulfilling its responsibilities toward the liberal international order.¹⁵⁴ As Westad argues, China's "bellicosity, self-interest and narrow nationalism" are the "by-products" of its "domestic governance"; as long as Beijing rejects political reform, it is unlikely to compromise, win its neighbors' trust and lead Asia.¹⁵⁵

The objectives in the nationalist narrative, however, are often at odds with those in the economic narrative, such as sustaining the growth of China's export-oriented economy and reassuring neighboring states of its peaceful intentions.¹⁵⁶ More committed than other states to liberal economic principles, China has exhibited the greatest "absorption capacities" and become more deeply integrated into the global economy.¹⁵⁷ Certainly, as Bergsten et al point out, the country's authoritarian system, non-market economy and low per capita GDP determine that it will not fully comply with the rules and norms of the existing international order and shoulder the responsibilities of a superpower.¹⁵⁸ Nonetheless, since China's historic growth would not have taken place and continue without "opening up" to the world, many believe that the rising power is "too dependent on others to bite the hands that feed it."¹⁵⁹

So what, then, does China want as a reformist stakeholder? In my view, China pursues two overarching, interrelated objectives: self-determination and great power status. As Leonard argues, by reinstating sovereign supremacy in international

¹⁵³ For discussion and analysis of the discourse on an "assertive" China, see Michael D. Swaine, "Perceptions of an Assertive China," *China Leadership Monitor*, Vol. 32, (Spring 2010), <http://www.hoover.org/research/perceptions-assertive-china>

¹⁵⁴ Alastair Iain Johnston, "How New and Assertive is China's New Assertiveness?" *International Security*, Vol. 37, No. 4, (Spring 2013), 7-48; Björn Jerdén, "The Assertive China Narrative: Why It is Wrong and How So Many Still Bought into it," *The Chinese Journal of International Politics*, Vol. 7, No. 1, (2014), 47-88.

¹⁵⁵ Odd Arne Westad, "Will China Lead Asia?" in Jennifer Rudolph and Michael Szonyi (eds.) *The China Questions: Critical Insights into a Rising Power*, (Cambridge: Harvard University Press, 2018), 69-72.

¹⁵⁶ Downs and Saunders. "Legitimacy and the Limits of Nationalism," 121-2.

¹⁵⁷ Christopher A. McNally, "Sino-Capitalism: China's Reemergence and the International Political Economy," *World Politics*, Vol. 64, No. 4, (October, 2012), 755-6.

¹⁵⁸ Bergsten, Freeman, Lardy and Mitchell, *China's Rise*, 10-1.

¹⁵⁹ Kynge, *China Shakes the World*, 39-40, 240.

relations and promoting its developmental experience overseas, China seeks to stem the “universalization of Western liberal democracy,” change the dynamics of “assimilation” and “isolation” in order building, and renegotiate the rules of development.¹⁶⁰ China’s struggle for self-determination over the “terms” of its domestic development and international engagement, in turn, is integral to its quest for great power status. As Yong Deng argues, China’s growing “status disadvantage” in the current international order as a result of its rapid rise means that it is a “non-status-quo” power.¹⁶¹ Beijing pursues great power status through a strategy combining “conformity and revisionism,” attaining legitimacy through “constructive” engagement while pushing for reform in order to renegotiate “the boundaries disadvantaging its international status.”¹⁶²

If “regional preponderance” is the prerequisite of any claim to great power status, China’s quest for institutional leadership in APT and the SCO is crucial to the success of its rise.¹⁶³ As Acharya points out, however, China’s “legitimacy deficit” and its enduring rivalry with other great powers have for a long time prevented Beijing from assuming full regional leadership in East Asia.¹⁶⁴ Great power competition explains not only the ongoing contestation over the geopolitical definition of East Asia but also the centrality of ASEAN in regional cooperation.¹⁶⁵ Yet, as chapters four and five will show, even though ASEAN was increasingly incapable of steering East Asian regionalism, the problem of trust continued to prevent China from assuming full regional leadership by uniting East Asian states as a group behind its purpose.

1.3 International Institutions: The Locus of Leadership Activities

The nature of the liberal international order, the United States and other countries’ policy of engagement, and China’s changing attitude toward multilateralism have focused scholarly attention on international institutions as the locus of China’s renegotiation with the world on the terms of the international order and its role in it.

¹⁶⁰ Leonard. *What does China Think*, 117-8.

¹⁶¹ Deng, *China’s Struggle for Status*, 29-30.

¹⁶² Deng, *China’s Struggle for Status*, 39.

¹⁶³ Hedley Bull, *The Anarchical Society: A Study of Order in World Politics*, (3rd ed.), (Basingstoke: Palgrave, 2002), 207-9.

¹⁶⁴ Amitav Acharya, “Can Asia lead? Power Ambitions and Global Governance in the Twenty-First Century,” *International Affairs*, Vol. 87, No. 4, (2011), 863-4.

¹⁶⁵ Acharya, “Can Asia Lead?” 864.

Under the influence of Euro-American centrism, however, the scholarship on China's multilateralism has for a long time tended to view the rising power as a reactive actor either to be socialized or preoccupied with balancing against the United States. Nevertheless, since the global financial crisis China has demonstrated increasing capacity and readiness to exercise leadership not only within existing institutions but also through the establishment of parallel structures of cooperation.

1.3.1 Integrationist Approach: China as the Object of Socialization

Scholars and policy makers explain China's institutional behavior primarily from two approaches: integrationist and instrumentalist. As the intellectual underpinning of the United States and other countries' policy of engagement, the integrationist approach views China's institutional participation as a process of socialization into the values, norms and rules of the liberal international order. In their pioneering study, Jacobsen and Oksenberg argued that China's accession to the World Bank and the IMF in the 1980s was largely successful.¹⁶⁶ While they attributed the early success mainly to China's domestic developments, both institutions facilitated the country's reform without the use of coercion.¹⁶⁷ Echoing Jacobsen and Oksenberg's findings, Kent shows that China has for the most part complied with the rules of international institutions in areas from non-proliferation, finance to environmental protection.¹⁶⁸ Beijing's compliance is the result of repeated "bargaining," "jawboning" and "mutual explanation" rather than coercion.¹⁶⁹ On the other hand, China has not been "cooperative," as manifested in its continued rejection of liberal international values, particularly in the area of human rights.¹⁷⁰

China's political and value system explains Beijing's recalcitrance over the issue of human rights. Yet one would be mistaken to conclude that Beijing has been utterly intransigent. As Foot shows, China's signing of the International Covenant on Civil and Political Rights (ICCPR), its changing view of sovereignty and the

¹⁶⁶ Harold K. Jacobsen and Michel Oksenberg, *China's Participation in the IMF, the World Bank, and GATT: Towards a Global Economic Order*. (Ann Arbor: The University of Michigan Press, 1990), 8-10, 17.

¹⁶⁷ Jacobsen and Oksenberg, *China's Participation in the IMF, the World Bank, and GATT*, 130, 155.

¹⁶⁸ Ann E. Kent, *Beyond Compliance: China, International Organizations, and Global Security*, (Stanford: Stanford University Press, 2007).

¹⁶⁹ Kent, *Beyond Compliance*, 246.

¹⁷⁰ *Ibid.*

discursive shift toward acknowledging the “universality” and “indivisibility” of human rights represented significant, albeit still limited, progress toward accepting international human rights norms.¹⁷¹ This, she explains, was the result of a process of norm diffusion that operated through power and symbols.¹⁷²

Increasing “breadth” and “depth” of China’s institutional participation have led Johnston and others to conclude that China is *status quo*-oriented. In his study of China’s socialization in global and regional security institutions, Johnston shows that the rising power displayed an increasing degree of conformity to international norms, even when compliance would incur “relative power costs.”¹⁷³ China’s participation in the United Nations Conference on Disarmament represented the attempt of a “novice” to “mimic” other member states’ behavior.¹⁷⁴ “Social influence,” meanwhile, led Beijing to sign the Comprehensive Test Ban Treaty in the nineties.¹⁷⁵ Whereas mimicking and social influence could cause an actor to conform to international norms without their internalization, persuasion shapes actor’s preferences by convincing the actor of the “correctness” of shared norms and values.¹⁷⁶ The effect of persuasion, albeit more limited than the other two “microprocesses,” could be discerned in China’s changing attitude toward “mutual security” in the ASEAN Regional Forum (ARF).¹⁷⁷ China’s “tendency toward cooperation and self-restraint,” Johnston concludes, signifies the rising power’s *status quo* orientation.¹⁷⁸ China acquiesces to American preeminence and, if necessary, it will challenge it from within.¹⁷⁹

The integrationist approach contributes to a more balanced assessment of China’s orientation. Nevertheless, as the above discussion has shown, although China has complied in general with the rules of existing institutions, it has not internalized and even continued to reject some of the liberal international values. This substantiates

¹⁷¹ Rosemary Foot, *Rights Beyond Borders: The Global Community and the Struggle over Human Rights in China*, (Oxford: Oxford University Press, 2000), 3-4.

¹⁷² Foot, *Rights Beyond Borders*, 6, 13.

¹⁷³ Johnston, *Social States: China in International Institutions, 1980-2000*, (Princeton: Princeton University Press), 41.

¹⁷⁴ Johnston, *Social States*, 52-72.

¹⁷⁵ Johnston, *Social States*, 99-117.

¹⁷⁶ Johnston, *Social States*, 25, 45-6, 80.

¹⁷⁷ Johnston, *Social States*, 167-82.

¹⁷⁸ Johnston, *Social States*, 207.

¹⁷⁹ Johnston, *Social States*, 207-8.

Feigenbaum's argument that China has accepted the "forms" but not necessarily the "norms" of the existing order.¹⁸⁰ The cases under study, meanwhile, remain by and large institutions where the United States and/or the West continue to play a major role. The growth of Chinese power not only means that Beijing is less likely to be pressurized into accepting the rules and norms established by others as it was before; it is now capable of establishing parallel institutions on its own terms. China's defiance undermines the assumption of the United States' policy of engagement that the country could be transformed in accordance with Washington's preferences.¹⁸¹ As China redoubles its efforts in global and regional governance reform, how the rising power behaves in institutions situated at the margins of American power and the liberal international order – which include APT and the SCO – will be an equally important indicator of its attitude toward the existing international order.

1.3.2 Instrumentalist Approach: China as a Reactive Balancer

Uncertainty about China's purpose have led others to view Beijing's multilateralism as driven first and foremost by strategic motives. According to Kim, China's organizational behavior until the 1980s retained "a mixture of neo-realism and neo-functionalism."¹⁸² This was manifest in three dimensions of behavior: symbolic/normative, security and functional behavior. Beijing regarded international institutions as platforms to project its identities and world views.¹⁸³ In security organizations, its behavior was guided by the "maxi/mini principle" – maximizing security while minimizing normative costs.¹⁸⁴ China's engagement with functional intergovernmental organizations was driven largely by its socio-economic and technological needs.¹⁸⁵ Entering the nineties, China's institutional behavior, as Oksenberg and Economy point out, exhibited a shift "from idealism to practicality, from ideology to economic rationality, and from reticence to nationalistic assertiveness."¹⁸⁶ As chapters four to seven will show, these traits could still be

¹⁸⁰ Feigenbaum, "Reluctant Stakeholder."

¹⁸¹ See, for example, Kurt Campbell and Ely Ratner, "The China Reckoning: How Beijing Defied American Expectations," *Foreign Affairs*, Vol. 97, (2018), 60-70.

¹⁸² Samuel S. Kim, "China's International Organizational Behaviour," in Thomas W. Robinson and David Shambaugh (eds.) *Chinese Foreign Policy: Theory and Practice*, (Oxford: Clarendon Press, 1994), 433.

¹⁸³ Kim, "China's International Organizational Behaviour," 407-9.

¹⁸⁴ Kim, "China's International Organizational Behaviour," 418-21.

¹⁸⁵ Kim, "China's International Organizational Behaviour," 425.

¹⁸⁶ Oksenberg and Economy, "Introduction," 26.

discerned in China's multilateralism today.

Multilateralism has become a pillar of China's grand strategy since the mid-nineties.¹⁸⁷ To many, Beijing's multilateral turn was first and foremost a response to American hegemony.¹⁸⁸ Foot, for instance, views China's institutional engagement as part of its strategy to "hedge" against future downturn in Sino-American relations.¹⁸⁹ To Shambaugh, Beijing's objective is to "constrain and dilute American power and influence" in order to promote "multipolarism."¹⁹⁰ Schweller and Xiaoyu Pu argue that multilateralism is integral to the rising power's attempt to "deconcentrate" and "delegitimate" the hegemon's power.¹⁹¹

At the regional level, multilateralism serves to safeguard China's security interests, create a peaceful peripheral environment and promote its embryonic vision of the international order.¹⁹² Among the key regional platforms are the institutions led by ASEAN. As Kuik Cheng Chwee argued, Beijing's activism within these institutions shows that multilateral diplomacy now plays "a complementary rather than a subsidiary role to bilateral diplomacy."¹⁹³ Chinese multilateralism, meanwhile, is characterized by its emphasis on soft power and adept shift between bilateral and multilateral diplomacy.¹⁹⁴ As chapters four to seven will show, these traits can be discerned in the country's diplomacy in APT and the SCO. Beijing's long-term objective, Kuik believed, is to shape the "rules of the game."¹⁹⁵

As I pointed out in 1.2.3 and will demonstrate again in chapters four to seven, leadership in regional institutions is central to China's renegotiation of order in its

¹⁸⁷ Avery Goldstein, *Rising to the Challenge: China's Grand Strategy and International Security*, (Stanford: Stanford University Press, 2005), 120, 126.

¹⁸⁸ Bates Gill, *Rising Star: China's New Security Diplomacy*, (Washington D.C.: Brookings Institution Press, 2007), 10.

¹⁸⁹ Rosemary Foot, "Chinese Strategies in a US-Hegemonic Global Order: Accommodating and Hedging," *International Affairs*, Vol. 82, No. 1, (2006), 88.

¹⁹⁰ Shambaugh, *China Goes Global*, 122-3.

¹⁹¹ Randall L. Schweller and Xiaoyu Pu, "After Unipolarity: China's Visions of International Order in an Era of U.S. Decline," *International Security*, Vol. 36, No. 1 (Summer 2011), 44, 53.

¹⁹² Goldstein, *Rising to the Challenge*, 124-8; Gill, *Rising Star*, 29; Leonard, *What does China Think*, 129.

¹⁹³ Cheng-Chwee Kuik, "Multilateralism in China's ASEAN Policy: Its Evolution, Characteristics, and Aspiration," *Contemporary Southeast Asia*, Vol. 27, No. 1, (2005), 104, 109-11.

¹⁹⁴ Kuik, "Multilateralism in China's ASEAN Policy," 113-5.

¹⁹⁵ Kuik, "Multilateralism in China's ASEAN Policy," 115.

periphery. But whereas the instrumentalist perspective tends to see China as a reactive actor preoccupied with balancing against the United States, the importance of legitimacy and followership to leadership means that China's institutional behavior is directed as much to other regional stakeholders as to the hegemon. As chapters four to seven will show, however, even though China has demonstrated increasing capacity and readiness to provide the public goods that neighboring countries needed since the global financial crisis, structural, political and institutional constraints have prevented it from uniting them behind its purpose.

1.3.3 Reform From Within and Without

1.3 has shown that international institutions are the locus of China's ongoing renegotiation with the world over the international order and its role in it. Despite China's growing influence, the entrenched power structure in the existing institutional architecture meant that for a long time it has participated in global and regional governance on the terms laid down by others. China's aspirations for self-determination and great power status led Beijing to adopt what Cooper and Zhang call a "dual" approach toward international leadership by undertaking initiatives simultaneously from within and without existing institutions.¹⁹⁶ The growth of its power and mounting pressure for change have led China to shift its diplomatic and material investment from reform from within to without.

As the embodiment of the global shift and diffusion of power, the Group of Twenty (G20) has become the central platform for China's quest for leadership and change. Measuring its performance in terms of six indicators from leader's attendance, member state's agenda-setting capacity to the content of the communiqués, Kirton argues that China has pursued "cautious" yet "cumulating leadership" in the twenty-member grouping.¹⁹⁷ While adhering to an incremental approach to change and refraining from unilateral initiatives, Beijing utilized its newfound economic capabilities and political influence to initiate joint action, provide public goods and support institution building. The group has also become the springboard for China to

¹⁹⁶ Cooper and Zhang, "Chinese Leadership in the Evolution of 'Hub' and 'Parallel' Globally Oriented Institutions," 28-47.

¹⁹⁷ Kirton, *China's G20 Leadership*, 9.

exercise leadership in other areas of global governance such as climate change.¹⁹⁸ Nevertheless, Cooper and Zhang argue that without transforming the G20 into a formal institution, Chinese diplomacy aims primarily to uphold the global architecture centered on the UN and the WTO.¹⁹⁹

While playing an active role in existing institutions, China, Cooper and Zhang argue, retained its role as an “outsider” through the establishment of parallel institutions wherein it rallied developing countries behind its call for global governance reform.²⁰⁰ China’s embarkation on ambitious institution building projects under Xi Jinping has focused scholarly attention to China’s “institutional statecraft” and its implications for international political change. In their study of the AIIB, Ikenberry and Lim argue that the Chinese-led multilateral development bank represents a mild attempt at “external innovation.”²⁰¹ While the new multilateral development bank provides a new “node of international cooperation” and a “tool of statecraft” to advance the rising power’s interests and international leadership, structural and institutional constraints mean that it serves more to bolster the existing order than to counter American hegemony.²⁰²

Stuenkel, on the other hand, argues that the establishment of the AIIB, BRICS and other institutions represents the emergence of a “parallel order” wherein China and other dissatisfied rising states could promote their interests independently from the United States and the West.²⁰³ Nevertheless, whether scholars and policy makers view these initiatives as China’s attempts to “diversify” the rising power’s “portfolio” or to “marginalize” the United States, they continue to proceed from the idea of China as a reactive actor constantly preoccupied with the United States.²⁰⁴ Indeed, whether or not China could establish a parallel order depends as much on its engagement with other countries as its competition with the United States.

¹⁹⁸ Kirton, *China’s G20 Leadership*.

¹⁹⁹ Cooper and Zhang, “Chinese Leadership in the Evolution of ‘Hub’ and ‘Parallel’ Globally Oriented Institutions,” 40-1.

²⁰⁰ Cooper and Zhang, “Chinese Leadership in the Evolution of ‘Hub’ and ‘Parallel’ Globally Oriented Institutions,” 41-3.

²⁰¹ Ikenberry and Lim, “China’s Emerging Institutional Statecraft,” 10.

²⁰² Ikenberry and Lim, “China’s Emerging Institutional Statecraft,” 10-7.

²⁰³ Stuenkel, *Post-Western World*, Chapters 4 and 5.

²⁰⁴ Feigenbaum, “Reluctant Stakeholder”; Friedberg, “The Debate Over US China Strategy,” 102.

The BRI, which is often equated with the United States' Marshall Plan after the Second World War, will be an important test of China's ability to rally followers behind its purpose. In Beeson's view, however, China's quest for leadership is likely to be hamstrung by the robustness of the liberal international order, its want of a clear vision of the international order, lack of "followers" and assertive maritime behavior.²⁰⁵ The findings in chapters four to seven largely substantiate Beeson's view. Indeed, the challenges China faces in the BRI's implementation are essentially the same challenges it faced in its struggle to exercise institutional leadership in APT and the SCO. While Beijing was able to provide public goods that partner countries needed, structural, political and institutional constraints prevented it from uniting them as a group behind its purpose.

1.4 Conclusion

This chapter has dissected the international discourse on the "rise of China." Notwithstanding four decades of historic growth, Chinese power remains limited and imbalanced. Although China has increased its share of international economic leadership and investment in the development of other domains of power, many believe that it is far from capable of challenging the United States' global leadership. The biggest obstacle to China's quest for leadership, however, is not the deficit of power but that of trust. Uncertainty about how China might use its newfound power has continued to fuel anxiety and suspicion among its neighbors and across the world.

Equally important is the question of China's purpose. The rising power's developmental experience means that it is neither a full revisionist nor a full *status quo* power but a reformist stakeholder. Having integrated itself into the global economy, China has neither the capacity nor the intention to overthrow the liberal international order; its aspirations for self-determination and great power status, on the other hand, mean that Beijing seeks to renegotiate the international order and its role in it both from within and from without.

As the above discussion has shown, the focal point of contestation lies in the

²⁰⁵ Mark Beeson, "Why has Leadership in the Asia-Pacific Proved so Elusive?" *Chinese Political Science Review*, Vol. 2, (2017), 578.

implicit equation of leadership with China's fulfillment of what the United States and the West consider its "responsibilities" toward the liberal international order. This explains why the scholarship on China's institutional engagement has for a long time tended to view the rising power as a reactive actor either to be socialized into accepting liberal international rules and norms, or preoccupied with balancing against the United States. China's quest for leadership in international institutions, in this regard, is integral to the rising power's struggle to renegotiate its legitimate interests, rights and responsibilities on its own terms. The entrenchment of the global architecture has led Beijing to expand efforts not only in the reform of existing institutions, but increasingly in the building of parallel initiatives.

Nevertheless, the international debate provides only one side of the picture. It is important to understand if China wants to lead, how it leads, and what its objectives are. The relational nature of leadership means that China's international behavior represents as much its initiative to pursue national interests as a response to the perception and behavior of others. It is for the purpose of investigating the Chinese domestic debate that we turn to the next chapter.

2. “Peaceful Development” and the Question of Leadership from Chinese Perspectives

There is a fundamental difference between the rise of a big state into a world power within thirty years, and that within three hundred years. The former is the result of human endeavor, the latter of fate. The former requires a strategy, the latter fortune.¹

The words of Yan Xuetong, Dean of Tsinghua University’s Institute of Modern International Relations, explains China’s aspirations for great power status and the world’s anxiety about its purpose. As the essence of great power status, leadership is at the heart of China’s ongoing struggle to renegotiate the international order and its role in it.

This chapter provides the other half of the picture by examining the contemporary Chinese foreign policy discourse. As one of this thesis’s contributions to the scholarship, the in-depth analysis of Chinese writings on international relations is of not only analytical but also substantive significance. Without understanding China’s thinking about international politics, we cannot identify where the perceptual gap between the rising power and the world lies and explain how it shapes the dynamics of order and change in world politics. Before proceeding further, three general characteristics of the Chinese foreign policy discourse should be noted. First, despite increasing diversity of views, the discourse conforms largely to the parameters defined by the government.² The leading journal *Strategy and Management*, for instance, was shut down in 2004 after it published an article that was highly critical of North Korea’s political system and irresponsible behavior.³ The parameters, however, have shifted over time. While Beijing has long adhered to a policy of non-interference and non-alliance, the need to safeguard China’s expanding overseas interests and

¹ Xuetong Yan, Xuefeng Sun et al [阎学通、孙学峰等], *China’s Rise and Its Strategy* [中国崛起及其战略] (Beijing: Peking University Press, 2005), 71.

² Shambaugh, *China Goes Global*, 15-6.

³ Yoichi Funabashi, *The Peninsula Question: A Chronicle of the Second Korean Nuclear Crisis*, (Washington DC: Brookings Institution Press, 2007), 299.

counter strategic pressure from the United States opened the debate on the need for policy change.⁴

Second, the Chinese foreign policy discourse is marked by both continuity and eclecticism. On the one hand, the official concepts introduced by each of the administrations are often new terms for old ideas. On the other hand, as I pointed out at the beginning of chapter two, the historical ethos of “learning from the West” and the introduction of Western IR theory to China have led academics and think tank researchers to draw widely on Western ideas. Dissatisfaction with Euro-American centrism, however, has prompted efforts to develop a “Chinese School” of IR based on ancient Chinese thought.

Third, the discourse reflects a belief in the inherent uniqueness about China. A “Cold War,” “zero-sum” mindset, it is believed, has led some in the West to “misread” the country’s political system and strategic intentions, and even propagated different versions of “China threat theory.”⁵ With its emphasis on “mutual respect,” “equality,” “justice” and “cooperation,” Chinese thinking about international relations represents the transcendence of Western theoretical paradigms.⁶ This is crucial for understanding where the perceptual gap between China and the West lies and why it matters.

While opposing hegemony (霸权) and denying any intention to seek dominance (主导权), the Chinese government has shunned the term leadership (领导权) in its official discourse. The country’s foreign policy elites, however, have in effect been debating the question of leadership and the sometimes interchangeable concept of dominance since the beginning of the twenty-first century. As the debate over Deng

⁴ See, for example, Xuetong Yan [阎学通], *Inertia of History: China and the World in the Next Ten Years* [历史的惯性: 未来十年的中国与世界], (Beijing: China Citic Press [中信出版社], 2013), 191-4; Ruonan Liu and Feng Liu, “Contending Ideas on China’s Non-Alliance Strategy,” *The Chinese Journal of International Politics*, (2017), 151-71.

⁵ Zurong Wu [吴祖荣], “The Real Intention behind the West’s Creation of Theories of Chinese Influence and Threat” [西方制造中国影响力威胁论的真实用意], *Global Times* [环球时报], (28th March 2018), http://opinion.huanqiu.com/opinion_world/2018-03/11703493.html.

⁶ Xiaojun Ma [马小军], “Xi Jinping Thought on Great Power Diplomacy with Chinese Characteristics for the New Era Guides Chinese Diplomacy Forward” [习近平新时代中国特色社会主义思想引领中国外交前行], *Study Times* [学习时报], (2nd January 2018), http://www.qstheory.cn/international/2018-01/02/c_1122196469.htm

Xiaoping's dictum of "biding [China's] time and hiding its capabilities" intensified after the global financial crisis, there was an increasing openness to the idea of a more active quest for international leadership. On the other hand, both the Chinese government and the country's foreign policy elites are aware of the problem of trust arising from anxiety about China's growing power and uncertainty about its purpose, even though there exists a perceptual gap between them and the world over what the rising power's legitimate interests, rights and responsibilities should be. Thus notwithstanding its pursuit of a more active foreign policy under Xi Jinping, China's attitude toward the question of leadership remains ambiguous and cautious.

This and the previous chapter together show that the international and the Chinese domestic discourse do tend to converge on the questions of China's power and purpose. China's comprehensive national power remains limited and imbalanced compared to that of the United States; the biggest impediments to the country's quest for leadership, though, come from its domestic developmental challenges. Benefiting from yet increasingly dissatisfied with the current international order, Beijing seeks to reform and build upon the existing global and regional architecture without overthrowing it. Nevertheless, the two discourses together represent an ongoing renegotiation between China and the world over the terms of the existing order and Beijing's role in it that were previously dictated by the United States and the West. The periphery is the geopolitical focal point of China's quest for "peaceful development," leadership and great power status.

2.1 "Peaceful Development" and China's Mission in the Twenty-First Century

No term encapsulates China's national purpose in the twenty-first century better than "peaceful rise" (和平崛起). At the 2003 Bo'ao Forum for Asia, a high-level regional dialogue between leaders in government, business and other sectors, Zheng Bijian, a prominent party intellectual, argued that peaceful rise was the only choice for China to "develop socialism with Chinese characteristics independently and autonomously"

while remaining connected to economic globalization.⁷ “Promoting a peaceful international environment conducive to its development,” China’s peaceful rise would in turn “contribute to world peace.”⁸ Although concern with the connotations of “rise” led to the term’s substitution by “peaceful development” (和平发展) one year later, China has more or less adhered to the same course.⁹ Meanwhile, “rise” has continued to be used and debated among the country’s foreign policy elites.¹⁰

2.1.1 Aspirations for Great Power Status

As the strategic expression of the “China Dream” of the “great rejuvenation of the Chinese nation” (中华民族伟大复兴), peaceful development is the means to attain great power status.¹¹ The words of Renmin University professor and State Council counselor Shi Yinhong and PLA Nanjing International Relations College professor Song Dexing encapsulated the aspirations of the Chinese foreign policy elites at the beginning of the new century:

World power status is the rarest and most precious kind of value. Competition for it is always zero-sum; losers will be placed in a more passive and subjugated position... [World power status] is the goal many patriots in China have aspired and striven for in the past hundred years – the realization of which concerns the self-respect and self-confidence of the Chinese nation

⁷ Bijian Zheng [郑必坚], “China’s New Path of Peaceful Rise and the Future of Asia – Speech at the 2003 Boao Forum for Asia” [中国和平崛起新道路和亚洲的未来—在 2003 年博鳌亚洲论坛的讲演], *Journal of Theoretical Reference* [理论参考], No. 5, (2004), 3.

⁸ Zheng, “China’s New Path of Peaceful Rise and the Future of Asia,” 4.

⁹ Bonnie S. Glaser and Evan S. Medeiros, “The Changing Ecology of Foreign Policy-Making in China: The Ascension and Demise of the Theory of ‘Peaceful Rise,’” *The China Quarterly*, No. 190, (2007), 299-301.

¹⁰ Glaser and Medeiros, 300-1.

¹¹ Jintao Hu [胡锦涛], “The Three ‘Musts’ for Achieving the Great Rejuvenation of the Chinese Nation” [实现中华民族伟大复兴需要做到三个‘必须’], *People’s Daily* [人民日报], (9th October 2011), <http://politics.people.com.cn/GB/1026/15834697.html>; Jinping Xi [习近平] “Xi Jinping’s Report to the Nineteenth Party Congress” [习近平在中国共产党第十九次全国代表大会上的报告] *People’s Daily* [人民日报], (28th October 2017), <http://cpc.people.com.cn/n1/2017/1028/c64094-29613660.html>; Yinhong Shi [时殷弘] and Dexing Song [宋德星], “China’s International Attitude, Diplomatic Philosophy and Fundamental Strategic Thinking in the Early Twenty-First Century” [21 世纪前期中国国际态度、外交哲学和根本战略思考], *Strategy and Management* [战略与管理], No. 1, (2001), 10-2; Angang Hu [胡鞍钢] and Honghua Men [门洪华], “A Comparative Study of the Tangible Strategic Resources of China, the United States, Japan, Russia and India – with a Discussion on China’s Grand Strategy of ‘Enriching the People and Strengthening the Country’” [中美日俄印有形战略资源比较—兼论旨在‘富民强国’的中国大战略], *Strategy and Management* [战略与管理], No. 2, (2002), 40.

with a population of over a billion. Its attainment would greatly reduce the possibility of China's subjugation and bullying by the superpower today, greatly mitigate the actual and potential threat from states with malicious intentions, and secure cooperation with and support from other states (including other great powers) for [its role in international affairs] so as to more effectively defend and pursue the international interests that are China's entitlements.¹²

China's "rise," therefore, involves changes not only in the country's power but also its status.¹³ In this regard, Chinese understanding of international relations does not differ very much from realism in Western IR theory.

China's expectation for world power status has continued to grow with its comprehensive national power, as manifested in Xi Jinping's reference to the terms "great power" (大国) and "strong power" (强国) twenty-six times in his report to the Nineteenth Party Congress.¹⁴ This, however, raises the question of what great power status means from Chinese perspective. In Shi Yinhong's words once again, a "power" is a state at regional or global level of the international system that

has extensive political, economic and strategic interests overseas at regional or global level...possesses sufficient comprehensive national power... [A great power] is generally considered to have the right to participate in decision-making on all major international affairs at regional or global level, as well as in the domestic affairs [of another state] that seriously threaten the security of [others]. Moreover, it often shares common interests, values, norms and institutions with other powers at regional and global levels so as to be considered a participant in 'great power coordination.'¹⁵

¹² Shi and Song, "China's International Attitude, Diplomatic Philosophy and Fundamental Strategic Thinking in the Early Twenty-First Century," 12.

¹³ Honghua Men [门洪华], "International Strategic Framework for China's Peaceful Rise," [中国和平崛起的国际战略框架], *Journal of World Economy and Politics* [世界经济与政治], No. 6, (2004), 14; Yan Xuetong, in Yan, Sun et al, *China's Rise and Its Strategy*, 3, 212;

¹⁴ Chris Buckley and Keith Bradsher, "Xi Jinping's Marathon Speech: Five Takeaways," *The New York Times*, (18th October 2017), <https://www.nytimes.com/2017/10/18/world/asia/china-xi-jinping-party-congress.html>

¹⁵ Shi Yinhong, in Yaqing Qin [秦亚青], Jianming Zhou [周建明], Tiejun Wen [温铁军] et al. "China's Grand Strategy: Issues and Approaches" [中国大战略: 问题与思路], *Academics in China* [学术界], No. 2, (2006), 15.

As Shi Yinhong's words suggest, China's foreign policy elites understand very well that great power status is defined by the rights and responsibilities of leadership. At the same time, they reveal the origins of China's ambiguous and cautious attitude toward the question of leadership. To begin with, the nation's aspirations for great power status reflect uncertainty about its self-identity. On the one hand, some emphasize that China is and has always been "a natural major power"; "rise," therefore, is a process of restoring the country's "natural," "original" position.¹⁶ Indeed, notwithstanding its capability deficit, China, to many, was at the very least a regional power at the beginning of the twenty-first century.¹⁷ Song Xinning went so far as to conclude in 2004 that China had already "risen."¹⁸ Nevertheless, the rising power was deprived of what they saw as its rights under American hegemony.¹⁹ A strong sense of entitlement and injustice has reinforced its aspirations for leadership and great power status.²⁰

On the other hand, the Chinese government and policy elites have continued to emphasize China's status as a developing country. Indeed, Wen Jiabao and Zheng Bijian stressed domestic development as both the means and the end of "peaceful rise."²¹ China's mission in the twenty-first century, the latter pointed out, is modest – to improve Chinese people's living standard to that of a medium developed country by the middle of the century.²² In this regard, "rise," according to Deputy Secretary-General of the China Foundation for International Strategic Studies Liu Xige, would eventually mean China's entry into the ranks of developed countries and a

¹⁶ Jin Canrong and Yan Xuetong in Yan, Sun et al, *China's Rise and Its Strategy*, 63, 242.

¹⁷ Jiemian Yang [杨洁勉]. "Period of Important Strategic Opportunity and the Historic Mission of Chinese Diplomacy" [重要战略机遇期与中国外交的历史任务], *Studies on Mao Zedong and Deng Xiaoping Theories* [毛泽东邓小平理论研究], No. 4, (2003), 64-5; Honghua Men [门洪华].

"Advancing China's National Strategic Interests" [中国国家战略利益的拓展], *Strategy and Management* [战略与管理], No. 2, (2003), 83; Yan Xuetong in Xuetong Yan [阎学通], Baijia Zhang [章百家], Yaqing Qin [秦亚青] et al. "Power over International Rule-Making and China's Position" [国际规则制定权与中国的位置], *World Affairs* [世界知识], No. 6, (2002), 42.

¹⁸ Song Xinning in Yan, Sun et al, *China's Rise and Its Strategy*, 214.

¹⁹ Pan Wei in Yan Xuetong, Baijia Zhang, Yaqing Qin et al., "Power over International Rule-Making and China's Position," 39.

²⁰ Yan Xuetong in Yan, Sun et al, *China's Rise and Its Strategy*, 63.

²¹ "Premier Wen Jiabao Speaks at Harvard: Turn Your Eyes to China," [温家宝总理哈佛演讲: 把目光投向中国], *People's Daily* [人民日报], (11th December 2003),

<http://www.people.com.cn/GB/shehui/1061/2241298.html> ; Zheng, "China's New Path of Peaceful Rise and the Future of Asia," 3-4.

²² *Ibid.*

corresponding change of its national identity.²³ Yet, given China's stigmatization for its deviation from Western values, Beijing, he argued, should continue to consider the developing world a strategic base for its "peaceful rise."²⁴

China's aspirations for the right to participate in international decision-making and "great power coordination" suggest that its objective is not so much to displace the United States and other great powers as to join them and acquire its "fair share" of global and regional leadership. In this regard, whether or not China could rise peacefully, as Vice President of the China Institute of International Studies (CIIS) Ruan Zongze pointed out, depends not only on the country's choice of development path but also on the world's acceptance of a rising China.²⁵ Nevertheless, although the Chinese government and foreign policy elites are aware of the anxiety China's rise has generated among neighboring states and in the world, they do not believe that the rising power should bear full responsibility for tension and instability. The recurrence of the "China threat theory" (中国威胁论), in Gao Fei's view, is primarily due to the "mindset" of some countries.²⁶ "Peaceful development" is Beijing's response to the "China threat theory" and its attempt to persuade the world into accepting a rising China.²⁷ Nevertheless, as chapters four to seven will show, the problem of trust remained one of the biggest challenges in China's quest for institutional leadership in APT and the SCO. Notwithstanding its supply of public goods and expanding investment in "people-to-people" diplomacy, Beijing was unable to mitigate mistrust among member states and unite them as a group behind its purpose.

On the other hand, China's quest for recognition should not be equated with unconditional acceptance of the terms imposed by the United States and the West. As former ambassador to the United Kingdom Ma Zhengang argues, China fulfills its international responsibilities based on "objective needs"; it acts on its own terms rather

²³ Liu Xige in Yan, Sun et al, *China's Rise and Its Strategy*, 239.

²⁴ *Ibid.*

²⁵ Zongze Ruan [阮宗泽], "Theoretical Exploration of China's Road of Peaceful Rise and Development" [中国和平崛起发展道路的理论探讨], *International Studies* [国际问题研究], No. 4, (2004), 30-1.

²⁶ Fei Gao [高飞], "From Biding its Time and Hiding its Capabilities to Peaceful Rise: on Tactical Adjustment of Chinese Diplomacy" [从韬光养晦到和平崛起—评中国外交的策略调整], *Pacific Journal* [太平洋学报], No. 1, (2006), 10.

²⁷ *Ibid.*

than “following the order of anyone” or “serving the plot of any state or bloc.”²⁸ The sole aim of those states that attribute all of the world’s problems to China and “lecture” the country on its responsibilities is to advance their own interests by making it support the existing order.²⁹ China’s greatest responsibility to the world, in the end, is to promote its own development. As a “responsible great power,” it will strive to uphold justice for developing countries while adhering to the principles of equality and non-interference.³⁰ In this regard, China’s quest for international leadership is central to the rising power’s struggle to renegotiate its legitimate interests, rights and responsibilities on its own terms. The ambassador’s view explains Beijing’s cautious attitude toward the question of leadership, especially in international security. Developing countries, meanwhile, continue to be considered the target followers in China’s quest for leadership.

2.1.2 “Biding its Time and Hiding its Capabilities”

China’s ambiguity over the question of leadership has its origins in Beijing’s assessments of the international environment and its position in it. At least until recently, the rising power’s foreign policy has continued to be guided by the dictum Deng Xiaoping lay down at the turn of the nineties. As the late former Foreign Minister Qian Qichen recalled, Deng

exhorted us to remain calm, calm, and again, calm, and timely proposed guiding principles such as observing calmly, coping with [the situation] steadfastly, securing our position, biding our time and hiding our capabilities, and doing something worthwhile. He pointed out that however the international situation changes, we need to develop friendly relations with all countries on the basis of the five principles of peaceful coexistence. We need to remain vigilant, fearing no one but antagonizing no one; we need to make friends indeed, but we also [need to] understand in our heart [who our real friends are]. We need to bide our time and hide our capabilities, concentrating on our efforts, taking neither the standard nor the lead, neither saying nor doing things that are over the top; we need to genuinely and solidly manage economic development

²⁸ Zhengang Ma [马振岗], “China’s Responsibility and ‘China Responsibility Theory’” [中国的责任与“中国责任论”], *International Studies* [国际问题研究], No. 3, (2007), 1-2.

²⁹ Ma, “China’s Responsibility and ‘China Responsibility Theory,’” 2.

³⁰ *Ibid.*

and not to delay. China is not unimportant on the international stage, but rather has the ability and duty to do something worthwhile.³¹

Although Deng Xiaoping's remarks contain multiple phrases with different meanings, "biding its time and hiding its capabilities" has since become the guiding principle of Chinese foreign policy and the subject of ongoing debate among the country's foreign policy elites until today.

The choice of the concept "peaceful development" embodied Beijing's continued observance of Deng Xiaoping's dictum, at least until the end of the Hu Jintao era. The paramount concern of China's foreign policy elites at the turn of the century was the "disequilibrium in the strategic balance of power" that was manifested in the unprecedented hegemony of the United States.³² Still, Beijing maintained its basic judgement that the contemporary era would be one of "peace and development" (和平与发展) wherein the long-term trends of globalization and multipolarization would facilitate China's peaceful development.³³ Most importantly, September 11 and the shift in Washington's strategic focus turned the first two decades of the new century into a "period of important strategic opportunity" (重要战略机遇期).³⁴

Chinese foreign policy served to "bide its time and hide its capabilities" in three ways. First and foremost is concentration on economic development. As Yu Zhengliang argued, to accomplish peaceful development "within the shortest time at the lowest costs," all aspects of Chinese foreign policy should be directed at facilitating domestic economic development and closer economic ties with the

³¹ Qian, "Learning Deng Xiaoping's Thought on Diplomacy in Depth, Improving Our Diplomatic Work further in the New Period."

³² Feng Zhu [朱锋]. "Understanding the Signs of the Era from a Comparative Historical Perspective" [从历史比较的角度认识时代特征], *Contemporary International Relations* [现代国际关系], No. 7, (2002), 18-9; Yinhong Shi [时殷弘], "China's External Problems and the Challenges Facing the New Collective Leadership – International Politics, External Policy, the Taiwan Question" [中国的外部困难和新领导集体面临的挑战—国际政治、对外政策、台湾问题], *Strategy and Management* [战略与管理], No. 3, (2003), 35; Men, "Advancing China's National Strategic Interests," 86.

³³ Yang, "Period of Important Strategic Opportunity and the Historic Mission of Chinese Diplomacy," 62.

³⁴ Zemin Jiang [江泽民], "Comprehensively Developing a Moderately Well-Off Society, Creating New Circumstances for the Enterprise of Socialism with Chinese Characteristics – Report to the Sixteenth Party Congress" [全面建设小康社会, 开创中国特色社会主义事业新局面—在中国共产党第十六次全国代表大会上的报告], (8th November 2002), <http://cpc.people.com.cn/GB/64162/64168/64569/65444/4429121.html>

world.³⁵ Economic diplomacy, in turn, would help China break the United States' containment, promote common interests and deepen mutual trust with the world.³⁶ Yu Zhengliang's view shows that notwithstanding Deng Xiaoping's exhortation against "taking the lead," domestic economic imperatives and a changing international environment put pressure on China to pursue leadership in global and regional economic governance. As chapters four to seven will show, China's quest for institutional leadership in APT and the SCO was driven by the need to address domestic economic challenges, respond to the American-led Trans-Pacific Partnership (TPP) and break the stalemate in regional economic cooperation. As a result, its leadership activities in both the economically-oriented APT and the security-oriented SCO remained concentrated in economic cooperation.

Second is conflict avoidance. The emphasis on "peacefulness" represents the foreign policy elites' recognition of the danger of conflict and war that could arise from China's rise.³⁷ History, as Zheng Bijian pointed out, shows that attempts of new rising states to change the international system and seek hegemony through aggression and expansion always ended in failure.³⁸ Thus "peacefulness" entails, first and foremost, avoidance of what is now referred to as the "Thucydides trap."³⁹ Since the late nineties, China has endeavored to avoid conflict and develop cooperative relations with the United States so as to convince the hegemon of "the inevitability and desirability" of its rise.⁴⁰ The Xi Jinping administration's proposal of a "new type of great power relations" (新型大国关系) represents the continuation of Beijing's efforts

³⁵ Zhengliang Yu [俞正梁], "Strategic Consideration on China's Peaceful Rise" [中国和平崛起的战略思考], *Journal of SJTU (Philosophy and Social Sciences)* [上海交通大学学报(哲学社会科学版)], Vol. 12, No. 2, (2004), 6-7.

³⁶ Zhengliang Yu [俞正梁] and Tianshu Que [阙天舒], "Systemic Transformation and China's Strategic Space" [体系转型和中国的战略空间], *Journal of World Economy and Politics* [世界经济与政治], No. 10, (2006), 32-4.

³⁷ Zheng, "China's New Path of Peaceful Rise and the Future of Asia"; Ruan, "Theoretical Exploration of China's Road of Peaceful Rise and Development," 29.

³⁸ Zheng, "China's New Path of Peaceful Rise and the Future of Asia," 4.

³⁹ Ruan, "Theoretical Exploration of China's Road of Peaceful Rise and Development," 29.

⁴⁰ Shi, "China's External Problems and the Challenges Facing the New Collective Leadership," 35; Yinhong Shi [时殷弘], "Major Questions Concerning China's External Strategy in Recent Times—and on Long Term Strategic Opportunity" 中国近期主要对外战略问题—兼谈长期性基本战略机遇], *Strategy and Management* [战略与管理], No. 6, (2003), 25 ; Yu, "Strategic Consideration on China's Peaceful Rise," 8.

to stabilize the bilateral relationship.⁴¹ On the other hand, while adhering to a policy of non-alliance, China deepens relations with other states and expands its influence through a web of bilateral partnerships.

Conflict avoidance, however, does not diminish China's aspirations for national security. Indeed, China would not be able to "develop socialism with Chinese characteristics independently and autonomously" unless it is able to safeguard its "core interests" (核心利益). According to former State Councilor Dai Bingguo, China's "core interests" are

first, stability of China's constitutional system, political system and politics, which [in effect] refer to the Communist Party's leadership, socialist system and socialism with Chinese characteristics; second, China's sovereignty, territorial integrity and unification; third, basic guarantee for the sustainable development of China's society and economy.⁴²

As Dai's words suggest, the rising power's insecurity and its perceptual gap with the world over what its legitimate interests, rights and responsibilities should be lie in the fact that what Beijing considers China's core interests either have a significant international dimension or are simply not recognized by others as legitimate.⁴³

This presented the rising power with a dilemma: China could not "rise" if it was not able to achieve basic security, yet "peaceful development" could be disrupted if the country embroiled itself in conflict and war. China's foreign policy elites, therefore, have sought to justify the indivisibility of peace and force. Zhu Feng and Chen Yingwu, for instance, argue that "peaceful rise" does not exclude the possibility of conflict or the use of force in self-defense or in accordance with the UN Charter.⁴⁴

⁴¹ Jinping Xi [习近平], "Speech at the Welcoming Banquet Hosted by Washington State Government and Friendly American Organizations" [在华盛顿州当地政府和美国友好团体联合欢迎宴会上的演讲], Ministry of Foreign Affairs, (22nd September 2015), <http://www.mfa.gov.cn/chn/gxh/tyb/gdxw/t1299508.htm>

⁴² Bingguo Dai [戴秉国], "Adhering to the Road of Peaceful Development" [坚持走和平发展道路], *People's Daily* [人民日报], (13th December 2010), <http://cpc.people.com.cn/GB/64093/64094/13460505.html>

⁴³ Jisi Wang, "China's Search for a Grand Strategy: A Rising Great Power Finds its Way," *Foreign Affairs*, Vol. 90, No. 2, (March/April, 2011), 69-71.

⁴⁴ Feng Zhu [朱锋] and Yingwu Chen [陈应武], "Re-examining the Definition and External Conditions of 'Peaceful Rise'" ['和平崛起'的定义和外部条件再探讨], *Contemporary World* [当代世界], No. 6, (2012), 25.

As they redefine it, “peaceful rise” is a development path along which a rising state does not initiate war or undertake any military action with the purpose of disrupting regional or global order.⁴⁵ To “blame” a rising state for any military conflicts without understanding the nature of conflicts is not only unjust, but also not conducive to the establishment of a long-term, stable and just international order.⁴⁶ Nevertheless, notwithstanding its adherence to a “defensive national defense policy,” the rising power’s military build-up and its attempt to assert its interests and rights on its own terms have done more than anything else to heighten mistrust among its neighbors and in the world.⁴⁷ Thus it is not surprising, as 6.2.1 and 7.2.1 will show, that Russia and Central Asian states’ mistrust of China’s security posture reinforced Beijing’s reluctance to shoulder greater responsibilities for regional security leadership, which, in turn, prevented the SCO from responding effectively to external challenges.

Third is multilateralism. While the era of “peace and development” did not alter the belief of many among the Chinese foreign policy elites in the centrality of power to international politics, they were convinced that the nature of power politics has changed.⁴⁸ International competition, Yan Xuetong argued, would no longer concern control over natural resources but instead over “rules and norms.”⁴⁹ Certainly the strong could always ignore the rules and norms they themselves created regardless of the consequence on their credibility; nonetheless, since China remained a regional power at the beginning of the twenty-first century, it needed to maintain its own credibility in order to advance and safeguard its national interests.⁵⁰ Multilateralism, from this perspective, is central to China’s pursuit of leadership by dampening fear of the “China threat,” enhancing its credibility and projecting a positive image as a “responsible great power.”⁵¹

⁴⁵ *Ibid.*

⁴⁶ *Ibid.*

⁴⁷ “China’s Military Strategy” [中国的军事战略], Ministry of National Defense, (May 2015), http://www.mod.gov.cn/affair/2015-05/26/content_4588132.htm

⁴⁸ Zhu, “Understanding the Signs of the Era from a Comparative Historical Perspective,” 17.

⁴⁹ Yan Xuetong in Yan, Zhang, Qin et al., “Power over International Rule-Making and China’s Position,” 40.

⁵⁰ Zhang Baijia and Yan Xuetong in Xuetong Yan, Baijia Zhang, Yaqing Qin et al., “Power over International Rule-Making and China’s Position,” 42.

⁵¹ Yan Xuetong in Jian Xu [徐坚], Zhaorong Mei [梅兆荣], Wu Cai [蔡武] et al. “Multilateralism and Chinese Diplomacy” [多边主义与中国外交], *Teaching and Research* [教学与研究], No. 8, (2005), 14-5.

Competition over international rule-making would be all the more important under American hegemony. To leading Americanist Jin Canrong, the United States is distinguished from previous great powers by its adroitness in utilizing rules and norms to serve its national interests.⁵² Conflicts between China and the United States, therefore, are more likely to revolve around rules and norms rather than involving direct power competition.⁵³ The views of Yan, Jin and others are now shared by the Chinese government. As Xi Jinping pointed out in the 27th Politburo group study session in 2015, competition over rule-making is what defines contemporary international relations. Global governance reform concerns not only “competition for the vantage ground of development, but also the position and role of states in the long-term institutional arrangement of the international order and system.”⁵⁴ In this regard, China’s quest for institutional leadership in APT and the SCO was integral to its struggle to renegotiate order in its peripheral regions – their boundaries, structures and rules – on its own terms.

Although the debate on Deng’s dictum became internationally prominent after the global financial crisis, it already began as China embarked on peaceful development. The crux of the debate concerned the relationship between “biding its time and hiding its capabilities” and “doing something worthwhile.” Yan Xuetong, for instance, argued that adoption of the theory of “peaceful rise” marked the end of Beijing’s policy of “biding its time and hiding its capabilities.” “Rise,” to him, is the mission “worthwhile” to “do.”⁵⁵ However, to others, such as former president of the Shanghai Institutes for International Studies Yang Jiemian, Central Party School Professor Gong Li and former Vice-Minister of the CPC Central Committee’s International Liaison Department Yu Hongjun, “biding its time and hiding its capabilities” and “doing something worthwhile” are complementary. Even if China could accomplish all of its objectives within twenty years, it would remain a

⁵² Jin Canrong in Yan, Sun et al, *China’s Rise and Its Strategy*, 242.

⁵³ *Ibid.*

⁵⁴ Jinping Xi [习近平], “Promote the Development of More Just and Reasonable Global Governance Institutions” [推动全球治理体制更加公正更加合理], Xinhuanet [新华网], (13th October 2015), http://news.xinhuanet.com/politics/2015-10/13/c_1116812159.htm

⁵⁵ Yan Xuetong in Yan, Sun et al, *China’s Rise and Its Strategy*, 4.

developing country. The rising power, therefore, should continue to “bide its time and hide its capabilities” as it concentrated on domestic development.⁵⁶

Nevertheless, “biding its time and hiding its capabilities,” they argued, does not mean inaction.⁵⁷ Yet given its limited capabilities, China should be discriminating in what it should and should not do.⁵⁸ While avoiding concentration of all opposing forces on itself, China should strive to play a leading role in the promotion of multipolarization, globalization and international governance in order to create a favorable international environment, uphold justice in the international society, with the ultimate aim of creating a just and reasonable new order.⁵⁹

The above discussion shows that while the Chinese government and foreign policy elites shunned the term leadership, the subject was in effect central to the grand strategic debate from the very beginning. Since then, however, the Chinese foreign policy elites have continued to differ over where the balance between “biding its time and hiding its capabilities” and “doing something worthwhile” should be. As the following discussion will show, the shifting balance of power and legitimacy after the global financial crisis intensified the debate on the question of leadership and the continued relevance of Deng’s dictum. China’s ambiguity, as I will discuss in 2.3 and 2.4, is rooted in the country’s uncertainty about its own power and its ambiguous attitude toward the current international order.

2.2 The Global Financial Crisis and the Question of Leadership

The global financial crisis and a changing international environment intensified the debate among China’s foreign policy elites on the country’s need for strategic adjustment. Although Beijing continued to shun the term leadership, the domestic discourse exhibited increasing openness to the subject. As Pang Zhongying and Wang Ruiping argued, a powerful state that does not exercise international leadership is not

⁵⁶ Yang, “Period of Important Strategic Opportunity and the Historic Mission of Chinese Diplomacy,” 65; Gong Li in Yan, Sun et al, *China’s Rise and Its Strategy*, 243.

⁵⁷ Yang, “Period of Important Strategic Opportunity and the Historic Mission of Chinese Diplomacy,” 65; Gong Li in Yan, Sun et al, *China’s Rise and Its Strategy*, 243; Yu Hongjun in Yan, Sun et al, *China’s Rise and Its Strategy*, 221.

⁵⁸ Gong Li in Yan, Sun et al, *China’s Rise and Its Strategy*, 243-4.

⁵⁹ Yang, “Period of Important Strategic Opportunity and the Historic Mission of Chinese Diplomacy,” 65-6; Yu Hongjun in Yan, Sun et al, *China’s Rise and Its Strategy*, 221.

a great power in meaningful terms.⁶⁰ China, in their view, was yet to acquire its fair share of international leadership proportional to its comprehensive national power. Western malaise in the global financial crisis, however, gave it an opportunity to play a more active role in global governance. As a developing country, China should not just aim to provide more development assistance to the third world; it should also exercise greater influence in defining the principles of cooperation in international development.⁶¹

As the global financial crisis precipitated China into the “sprinting” stage of its rise, Zhao Kejin called for Beijing to assume “constructive leadership.”⁶² Having overtaken Japan as the world’s second largest economy in 2010, China should embark on its third “diplomatic transition” from “peace diplomacy” to “strength diplomacy.”⁶³ Apart from repeating many of the suggestions made by Yang Jiemien, Gong Li, Yu Hongjun and others in the early 2000s, he argued that China should contribute “Chinese ideas” and “wisdom” to the reform of the international order.⁶⁴

Yan Xuetong went further by arguing that China should assume not only economic but also security leadership. A foreign policy oriented toward economic development could not establish China’s role as a “responsible great power” and strengthen its “capacity for international political mobilization.”⁶⁵ Nor should deterrence of Taiwan’s independence continue to be the guiding objective of the country’s military development.⁶⁶ China, he argued, should pursue an active diplomacy to increase its “strategic credibility,” develop its financial market in order

⁶⁰ Zhongying Pang [庞中英] and Ruiping Wang [王瑞平], “Global Strategy: China’s Strategy Response” [全球战略:中国的战略应对], *International Studies* [国际问题研究], (19th May 2013), http://www.ciis.org.cn/gvzz/2013-07/23/content_6145818.htm

⁶¹ *Ibid.*

⁶² Kejin Zhao [赵可金], “China’s Rise and External Strategic Adjustment” [中国崛起与对外战略调整], *Journal of Social Sciences* [社会科学], No. 9, (2010), 3-11; Kejin Zhao [赵可金], “Constructive Leadership and China’s Diplomatic Transition” [建设性领导与中国外交转型], *Journal of World Economy and Politics* [世界经济与政治], Vol. 5, (2012), 42-57.

⁶³ Zhao, “Constructive Leadership and China’s Diplomatic Transition,” 53.

⁶⁴ Zhao, “Constructive Leadership and China’s Diplomatic Transition,” 53-4.

⁶⁵ Xuetong Yan [阎学通], “Direction of the World’s Reconfiguration and China’s Opportunity,” [世界格局走向及中国的机遇], *Journal of Contemporary Asia-Pacific Studies* [当代亚太], No. 5 (2008), 11-2.

⁶⁶ Yan, “Direction of the World’s Reconfiguration and China’s Opportunity,” 12.

to strengthen the country's economic power, and accelerate military development so as to be capable of providing security guarantee to neighboring states.⁶⁷

Others, in contrast, advised caution. Peking University Professor Wang Jisi argued that China should adhere to Deng Xiaoping's dictum of "biding its time and hiding its capabilities" while "doing something worthwhile."⁶⁸ Although China overtook Japan as the world's second largest economy, it would be "totally unrealistic" to conclude that it was the second most powerful state and would become an equal to the United States in another one or two decades.⁶⁹ Indeed, China remained stigmatized by the West due to political and ideological differences. Its common identity with Asia, meanwhile, remained geographical and economic but not political, and thus it had not been able to act as the region's "leader" or "spokesperson."⁷⁰ China should be more appropriately categorized as "the most powerful developing power."⁷¹ In the end, the leading Americanist believed that it would be impossible for China to become another superpower like the United States.⁷²

In Wang Jisi's view, while China should remain vigilant about Western political conspiracy, it would be more important for Beijing to avoid confrontation with the West so as to maintain stability in both the domestic and the international realm. To "bide its time and hide its capabilities," China should "remain calm, cautious and dedicated to its own efforts; concentrate on doing what it should do; and refrain from taking the 'lead' in the international arena."⁷³ On the other hand, to "do something worthwhile" would require China to play the role it should in the international arena, though this would not necessarily mean confrontation with the

⁶⁷ Yan, "Direction of the World's Reconfiguration and China's Opportunity," 12-3.

⁶⁸ Jisi Wang [王缉思], "The Question of China's International Role and the Strategic Thought of 'Biding Its Time and Hiding Its Capabilities, Doing Something Worthwhile'" [中国的国际定位问题与'韬光养晦、有所作为'的战略思想], *International Studies* [国际问题研究], No. 2, (2011), 7.

⁶⁹ Wang, "The Question of China's International Role and the Strategic Thought of 'Biding Its Time and Hiding Its Capabilities, Doing Something Worthwhile,'" 4-5.

⁷⁰ *Ibid.*

⁷¹ Wang, "The Question of China's International Role and the Strategic Thought of 'Biding Its Time and Hiding Its Capabilities, Doing Something Worthwhile,'" 5.

⁷² Wang, "The Question of China's International Role and the Strategic Thought of 'Hiding Its Capabilities and Biding Its Time, Doing Something Worthwhile,'" 9.

⁷³ Wang, "The Question of China's International Role and the Strategic Thought of 'Biding Its Time and Hiding Its Capabilities, Doing Something Worthwhile,'" 6.

West.⁷⁴ Interestingly, while stressing the need to “understand and express more accurately China’s long-term strategic objectives and directions of development,” he argued that Beijing should state its foreign policy publicly as “modest and prudent” rather than invoking Deng Xiaoping’s dictum.⁷⁵ Wang Jisi’s last point was a response to international mistrust of China’s intentions I have described in the previous chapter.

As one of the most high-profile overseas Chinese scholars, Zheng Yongnian also argued against “blindly” pursuing great power responsibilities and international leadership.⁷⁶ Like Ma Zhengang and others, the Singapore-based scholar argued that China’s greatest responsibility to the world remained the management of its domestic developmental challenges, as it did by implementing a stimulus package that not only sustained national economic growth but also stabilized the world economy. In the end, Bergsten’s proposal of a “G-2,” Zheng concluded, was not a relationship of equals but one where China “answered to” and “worked for” the United States.⁷⁷ Nevertheless, even if China continued to “bide its time and hide its capabilities,” the need to shoulder greater responsibilities and promote democratization of international relations would require the rising power to lead. The key to China’s quest for international leadership, in his view, hinges on its ability to promote change and innovation in the global architecture.⁷⁸

Zhou Fangyin is one of the few who pointed out the contradiction in Deng Xiaoping’s dictum. Successful implementation of the strategy at one stage increases its difficulty at the next stage, as capability growth renders “biding its time and hiding its capabilities” more difficult.⁷⁹ Moreover, the strategy sometimes requires China to make concessions to the other party in a conflict in return for a favorable external environment. Such concessions, likewise, make the strategy more untenable in the

⁷⁴ *Ibid.*

⁷⁵ Wang, “The Question of China’s International Role and the Strategic Thought of ‘Biding Its Time and Hiding Its Capabilities, Doing Something Worthwhile,’” 8-9.

⁷⁶ Yongnian Zheng [郑永年], “China Should not Blindly Pursue Great Power Responsibility and Leadership” [中国不要盲目追求大国责任和领导权], *People’s Daily* [人民日报], (12th November 2009), from <http://theory.people.com.cn/GB/10364139.html>

⁷⁷ *Ibid.*

⁷⁸ *Ibid.*

⁷⁹ Fangyin Zhou [周方银], “Biding its Time and Hiding its Capabilities and Hedging: Sino-American Strategic Interactions in China’s Rise” [韬光养晦与两面下注—中国崛起过程中的中美战略互动], *Journal of Contemporary Asia-Pacific Studies* [当代亚太], No. 5, (2011), 12.

future because China's opponents might take its concessions for granted in the next conflict.⁸⁰

China's pursuit of a more active foreign policy under Xi Jinping did not end the debate. To some such as Yan Xuetong and Zhao Kejin, the President's exhortation to "strive for achievement" and the launch of the BRI meant that the rising power no longer "bid its time and hid its capabilities."⁸¹ While China has no intention to challenge the United States, Beijing should be prepared to fill the global leadership vacuum left by a reticent Washington.⁸² On the other hand, the rise of nationalist and jingoist sentiments in China led Li Chenyang to emphasize the continuing relevance of Deng's dictum.⁸³ As chapters five and seven will show, while the pressure to "strive for achievement" in peripheral diplomacy resulted in a shift in China's leadership behavior to hard selling, the need to mitigate mistrust among its neighbors meant that Beijing continued to demonstrate self-restraint in its quest for leadership.

2.3 Uncertainty about Power

The debate on the relevance of Deng Xiaoping's dictum and the question of leadership reflected China's uncertainty about its power and ambiguous attitude toward the existing international order. To the country's foreign policy elites, the changing nature of power politics means that great power competition is no longer based solely on military power but more extensively on "comprehensive national power." In the era of "peace and development," competition for "comprehensive national power" is economic-centric, manifested in the ability to steer regional cooperation and provide public goods.⁸⁴ The need to counter misperceptions of the "China threat" and make the world accept a rising China is manifested in the importance Beijing attached to the

⁸⁰ Zhou Fangyin, "Biding its Time and Hiding its Capabilities and Hedging," 12-3.

⁸¹ Xuetong Yan [阎学通]. "From Biding its Time and Hiding its Capabilities to Striving for Achievement" [从韬光养晦到奋发有为], *Quarterly Journal of International Politics* [国际政治科学], Vol. 40, No. 4, (2014), 1-35; Kejin Zhao [赵可金], "The 'Belt and Road' Triggers a Copernican Revolution in Chinese Diplomacy" ["一带一路"引发中国外交"哥白尼式革命"], China.org.cn [中国网], (30th April 2015), http://opinion.china.com.cn/opinion_47_128647.html

⁸² Dingding Chen, "Is China Ready for Global Leadership?" *The Diplomat*, (27th February 2017), <https://thediplomat.com/2017/02/is-china-ready-for-global-leadership/>

⁸³ Chenyang Li [李晨阳], "Is Biding One's Time and Hiding One's Capabilities Outdated?" [韬光养晦过时了吗], *World Affairs* [世界知识], No. 22, (2016), 74.

⁸⁴ Qin Yaqing, in Qin, Zhou, Wen et al., "China's Grand Strategy: Issues and Approaches," 8; Zhu, "Understanding the Signs of the Era from a Comparative Historical Perspective," 18.

development of soft power, as the concept has been mentioned in every general secretary's report since the Sixteenth Party Congress.

China's policy elites, however, differ as widely as international observers do in their assessments of the country's comprehensive national power. As Lynch points out in his comprehensive study of the Chinese domestic discourse, there exists a perceptual gap between the country's IR scholars and economists over China's power and the country's future.⁸⁵ On the one hand, many IR scholars believe that even though China still trails behind the United States – and to a lesser extent the European Union (EU) – it has certainly overtaken other major powers in comprehensive national power. In their study of the “tangible strategic resources” of China, the United States, Russia, Japan and India in 2002, Hu Angang and Men Honghua concluded that China was already second to none other than the United States.⁸⁶ The global financial crisis, in the views of many, was the final proof of the United States' relative decline vis-à-vis China.⁸⁷ Not only did the rising power continue to close its capability gap with the declining hegemon; in certain areas the former was believed to have already overtaken the latter. Hu Angang went so far as to conclude that China outstripped the United States in comprehensive national power in 2013.⁸⁸ The Tsinghua University professor's conclusion, however, has since become the target of criticisms.⁸⁹

Others, on the other hand, were more cautious. In his assessments of the comprehensive national power of eleven major states in 2009, Li Shaojun ranked China seventh overall, behind not only the United States, Japan and Germany but also

⁸⁵ Lynch, *China's Futures*.

⁸⁶ Hu and Men, “A Comparative Study of the Tangible Strategic Resources of China, the United States, Japan, Russia and India,” 36.

⁸⁷ Bingxi Zhen [甄炳禧], “21st Century: The American Century or the Chinese Century – Analysis of the Changing Balance of Power between China and the United States from a Global Perspective” [21世纪: 美国世纪还是中国世纪—全球视野下的中美实力对比变化分析], *China Institute of International Studies*, (21st December 2015), http://www.ciis.org.cn/chinese/2015-12/21/content_8464406.htm

⁸⁸ Angang Hu [胡鞍钢], Yunfeng Zheng [郑云峰] and Yuning Gao [高宇宁], “Assessment of the Comprehensive National Power of China and the United States (1990-2013)” [对中美综合国力的评估(1990—2013年)], *Journal of Tsinghua University (Philosophy and Social Sciences)* [清华大学学报(哲学社会科学版)], Vol. 30, No. 1, (2005), 31.

⁸⁹ Yuwen Deng [邓聿文], “Perspective: The “Hu Angang Phenomenon” and the “Anti-Hu” Movement” [“胡鞍钢现象”和“倒胡”运动], BBC, (6th August 2018), <https://www.bbc.com/zhongwen/simp/indepth-45080087>

Canada, France and Russia.⁹⁰ Although China was ranked first in population, second in military capabilities and fourth in “territory and natural resources” and “capability growth sustainability,” it was ranked below seventh in economic development, technology, social development, domestic governance and international contributions.⁹¹ Likewise, according to Chen Zhimin and Chang Lulu’s comparative study of the power resources of and their deployment by China, the United States and the EU, the rising power still lagged behind its counterparts in all dimensions of power, particularly in the coercive use of both tangible and intangible power resources.⁹² China’s dominant power strategy remained one of economic and diplomatic attraction.⁹³

As Yan Xuetong argues, although the country’s high and even accelerating relative growth rate since the global financial crisis has consolidated its position as the world’s second most powerful state, its comprehensive national power remains highly imbalanced.⁹⁴ China’s strength lies primarily in its hard economic power; its soft power, in contrast, continues to trail behind not only the United States but also Germany. Geographically, although China’s economic influence has achieved a global reach, its political and cultural influence is confined to the West Pacific. China’s military power, which remains its greatest weakness vis-à-vis the United States, is adequate mostly for peripheral defense. Thus it would be too early to call the twenty-first century the “China century.”⁹⁵

Meanwhile, many economists emphasize China’s development gap with the developed world. Liu Shijin and Zhao Jinping, both of whom have held senior positions at the State Council’s Development Research Center, stress that compared

⁹⁰ Shaojun Li [李少军], “Assessment of Comprehensive National Power (2009)” [综合国力评估 (2009)], in Shenming Li [李慎明] and Yizhou Wang [王逸舟] (eds), *Annual Report on Global Politics and Security* [全球政治与安全报告], (Beijing: Social Sciences Academic Press, 2010), 274.

⁹¹ Li, “Assessment of Comprehensive National Power (2009),” 262-73.

⁹² Zhimin Chen [陈志敏] and Lulu Chang [常璐璐], “The Resources and Use of Power: And on the Power Strategy of Chinese Diplomacy” [权力的资源与运用: 兼论中国外交的权力战略], *Journal of World Economy and Politics* [世界经济与政治], No. 7, (2012), 11-5.

⁹³ Chen and Chang, “The Resources and Use of Power,” 14-5.

⁹⁴ Yan, “Direction of the World’s Reconfiguration and China’s Opportunity,” 7-9; Xuetong Yan [阎学通], “It’s Now Too Early to Talk about the ‘China Century’” [现在谈中国世纪为时太早], *Party Political Forum, Party Workers’ Digest* [党政论坛], (July 2015), 29.

⁹⁵ Yan, “It’s Now Too Early to Talk about the ‘China Century,’” 29.

with the United States' per capita GDP of 58,000 US dollars and developed countries' average of over 40,000 US dollars, China's per capita GDP has just surpassed 9,000 US dollars and not even reached the world's average in 2018.⁹⁶ As China is still "learning and catching up," the nation should not be "conceited"; instead, it should have a "correct," objective understanding of its domestic developmental challenges and position in the international system.⁹⁷ As Zhao Jinping warns, the view that China has already become "the world's number one" and therefore could do what a "number one" could do is not only "wrong" but "dangerous."⁹⁸

2.4 Ambiguity of Purpose

2.4.1 Ambiguous Attitude toward the *Status Quo*

China's ambiguity over the question of leadership is also rooted in its attitude toward the existing international order. As prominent party historian Zhang Baijia already foresaw in early 2000s, partial disequilibrium of the post-Cold War international order did not undermine China's interests, but rather provided it with a strategic opportunity.⁹⁹ The real danger, however, would arise when the world collapsed into serious, worldwide disequilibrium that could disrupt China's development, or when the rising power was subjected to a disadvantaged position in the rebuilding of order.¹⁰⁰ China, therefore, should strive to play a greater role in rule-making in the rebuilding of order.¹⁰¹

The equal emphasis on China's connection with globalization on the one hand, and the country's independence and autonomy in development on the other, led to an ambiguous attitude toward the *status quo*. Pan Wei, for instance, saw the current

⁹⁶ "Liu Shijin: Chinese Per Capita GDP has not Reached 10,000 Dollars, Should not be Conceited" [刘世锦: 中国人均 GDP 还不到 1 万美元, 绝不能自傲], *Observer* [观察者], (20th May 2018), http://www.guancha.cn/economy/2018_05_20_457379.shtml; "There is an Opinion that We Have Already Become the Big Boss in the World, This is a Very Dangerous Thought" [有观点认为我们已经是世界老大, 这是非常危险的思潮], Xi Jinping Study Group [学习小组], (1st July 2018), <https://mp.weixin.qq.com/s/jT77QXxTSaUxCeDlDnYACw>

⁹⁷ *Ibid.*

⁹⁸ "There is an Opinion that We Have Already Become the Big Boss in the World, This is a Very Dangerous Thought."

⁹⁹ Zhang Baijia's comment in Yan, Zhang, Qin et al., "Power over International Rule-Making and China's Position," 38.

¹⁰⁰ *Ibid.*

¹⁰¹ *Ibid.*

international order as both advantageous and disadvantageous to China.¹⁰² Having benefited from globalization more than any state other than the United States, China accepted the existing institutional architecture and sought to integrate itself into the international society.¹⁰³ Nevertheless, as a result of its rising power, China had been the target of both cooptation and oppression.¹⁰⁴ This explains why Beijing sought to reform the institutions that were deemed unsuitable for the country.¹⁰⁵ Nevertheless, as Qin Yaqing argued, China will acquire the right to make and reform the rules and norms of existing institutions only if it joins them.¹⁰⁶

The global financial crisis and developments in world politics since then have made China's attitude toward the existing international order nothing but more ambiguous. There has been an increasing belief among the country's foreign policy elites that China could not achieve peaceful development without reforming the existing international order. Pang Zhongying, for instance, argued that China should not be satisfied with the status quo.¹⁰⁷ Even if China has continued to benefit from an international system dominated by the United States and Europe, it can end up like Japan and not be able to "truly" rise in it.¹⁰⁸ Thus, while continuing to develop itself within existing institutions and promote their reform, China, Pang Zhongying and Wang Ruiping argued, should not exclude the possibility of establishing alternatives.¹⁰⁹ Similarly, Chinese Academy of Social Sciences Professor Zhang Yunling argued that China will not achieve "peaceful rise" if it simply follows the United States and complies with the rules lay down by the West.¹¹⁰ The only choice open to the rising power in the era of globalization is to create a new path through the

¹⁰² Pan Wei in Yan, Zhang, Qin et al., "Power over International Rule-Making and China's Position," 39.

¹⁰³ Shi, "Major Questions Concerning China's External Strategy in Recent Times," 25.

¹⁰⁴ Pan Wei in Yan, Zhang, Qin et al., "Power over International Rule-Making and China's Position," 39.

¹⁰⁵ Shi, "Major Questions Concerning China's External Strategy in Recent Times," 25.

¹⁰⁶ Qin Yaqing in Yan, Zhang, Qin et al., "Power over International Rule-Making and China's Position," 39.

¹⁰⁷ Zhongying Pang [庞中英], "China: Founder of An Inclusive World Order" [中国: 包容世界秩序的建设者], *Social Outlook* [社会观察], No. 3, (2013), 69.

¹⁰⁸ Pang, "China," 69-70.

¹⁰⁹ Pang Zhongying, "China"; and Pang Zhongying and Wang Ruiping, "Global Strategy."

¹¹⁰ Yunling Zhang [张蕴岭], "Peaceful Rise is the Fundamental Goal of 'One Belt One Road'" [和平崛起是“一带一路”的根本目标], *Global Times* [环球时报], (19th January 2016),

<http://finance.huanqiu.com/br/column/bj/2016-01/8408671.html>

building of a “community with a shared future” with neighboring states.¹¹¹ Nevertheless, China, he stresses, had no intention to change the existing international order and the “rules of the game.”¹¹² “Peaceful rise,” in his words, involves “renovating and building rather than demolishing the temple,” and “not seizing the stocks but making additions.”¹¹³

As chapters four to seven will show, China’s quest for institution leadership in APT and the SCO embodied the rising power’s purpose of reforming and building upon the existing order without overthrowing it. Notwithstanding the impasse of APT and the process of East Asian regionalism it represented, China continued to uphold the thirteen-member grouping as the “main vehicle” for East Asian cooperation and the Association’s centrality in the process. The new financial facilities established by Beijing or with its support, such as CMIM, remained limited in their capacities as to mount a challenge to the existing order. Likewise, the institutional bargain between China, Russia and the Central Asian states demonstrated that the SCO served primarily to consolidate the post-Soviet regional order. On the other hand, China’s quest for institutional leadership was integral to its ongoing attempt to renegotiate the geopolitical definition of its peripheral regions – their boundaries, structures and rules – on its own terms.

2.4.2 Chinese Visions of World Order: from “Harmonious World” to “Community with a Shared Future for Mankind”

2.4.2.1 Harmonious World

Like many international observers, many in China’s foreign policy elites argue that the rising power is yet to have a clear vision of the international order.¹¹⁴ This does not mean, however, that there haven’t been any attempts to formulate one. Indeed,

¹¹¹ *Ibid.*

¹¹² *Ibid.*

¹¹³ *Ibid.*

¹¹⁴ Interviewee 7; Interviewee 9, Beijing, 30th March 2016; Interviewee 11, 7th April 2016, Interviewee 13, Beijing, 13th April 2016; Beijing; Interviewee 17, 29th April 2016, Shanghai; Interviewee 18, 3rd May 2016, Shanghai. Some, however, argues that China should and did have some form of vision of regional order. Interviewee 16, Beijing, 18th April 2016; Interviewee 19, 4th May 2016, Shanghai.

China's embryonic vision of world order found its first official expression in the twenty-first century in the Hu Jintao administration's theory of "harmonious world" (和谐世界).¹¹⁵ States should abandon "Cold War mindset" and establish collective security institutions on the basis of the "new security concept" of "mutual trust," "mutual benefit," "equality" and "coordination." They should resolve conflicts peacefully and unite in opposition against sovereignty violations. The key to common prosperity is to ensure that developing countries would benefit from globalization. Developed countries, therefore, should shoulder greater responsibilities in global governance and increase their assistance to the third world. A harmonious world, however, could only be built on a spirit of tolerance. Respect for other nations' right and autonomy to choose their social system and development path is the precondition for "democratization of international relations." Multilateralism is the means to achieve common security and prosperity.¹¹⁶

The theory of "harmonious world" is mostly a synthesis of elements from older concepts such as the "five principles of peaceful coexistence," the "new security concept" and the Shanghai Spirit." Nevertheless, it represented the first clear attempt to draw upon ancient Chinese thought. Soon after Hu Jintao unveiled China's vision of a "harmonious world" at the UN, Zhao Tingyang, a philosopher at the Chinese Academy of Social Sciences, provided the intellectual underpinnings to the official discourse with his now prominent theory of "All-under-heaven." Western, anarchic and state-centric international order, Zhao argues, encompasses the world only in geographical but not political terms.¹¹⁷ Putting individual rights above sovereignty, the concept of liberal international order not only has failed to resolve but also intensified international and civilizational conflicts. In contrast, the concept of "All-under-heaven" embodies ancient Chinese vision of establishing a society with an order that could accommodate all forms of differences.¹¹⁸ At the heart of this worldview is

¹¹⁵ Jintao Hu [胡锦涛], "Striving to Build a Harmonious World of Sustainable Peace and Common Prosperity" [努力建设持久和平、共同繁荣的和谐世界—胡锦涛在联合国成立 60 周年首脑会议上的讲话], *People's Daily* [人民日报], (16th September 2005), <http://politics.people.com.cn/GB/1024/3699888.html>

¹¹⁶ *Ibid.*

¹¹⁷ Zhao Tingyang [赵汀阳], "A Brief Exposition on the System of All-Under-Heaven" [天下体系的一个简要表述], *Journal of World Economy and Politics* [世界经济与政治], Vol. 10, 2008, 59.

¹¹⁸ *Ibid.*

the concept of harmony, which is defined by the idea of co-existence as the precondition for existence.¹¹⁹ Whereas Western worldview starts from and extends to the “international,” the Chinese worldview of “All-under-heaven” proceeds from the world. In this regard, the theory of “All-under heaven” is capable of incorporating Western worldview and providing a solution to the problem of order.¹²⁰

2.4.2.2 Community with a Shared Future

The leadership transition from Hu Jintao to Xi Jinping was accompanied by the introduction of a new diplomatic lexicon. Nevertheless, a comparison of the foreign policy concepts of the two administrations shows that the now ubiquitous concept of “community with a shared future for mankind” is nothing but a new term for essentially the same ideas – “mutual respect and equality”; “win-win cooperation and joint development”; “common, comprehensive, cooperative and sustainable security”; and coexistence and exchange of civilizations.¹²¹

As I will further discuss in 2.5, the interplay of international and domestic developments increased the pressure on China to renegotiate the geopolitical definition of its peripheral regions through community building. At the Work Forum on Peripheral Diplomacy in 2013, Xi Jinping emphasized the need to connect the “China dream” with the aspirations of the peoples in neighboring states so as to “enable the mindset of a community with a shared future to take root.”¹²² This requires a peripheral diplomacy of “affection, sincerity, benefit and accommodation.”¹²³ “Affection” develops from deepening friendship, exchange and mutual assistance that “win” and “warm” the “hearts of the peoples.” More friends and partners can be won over if China demonstrates “sincerity” in its diplomacy. Cooperation with neighboring states should be guided by the principle of “mutual benefit.” While adopting a more

¹¹⁹ Zhao, “A Brief Exposition on the System of All-Under-Heaven,” 63.

¹²⁰ Zhao, “A Brief Exposition on the System of All-Under-Heaven,” 60.

¹²¹ Jinping Xi [习近平], “Marching toward a Community of Common Destiny, Opening Asia’s New Future” [迈向命运共同体, 开创亚洲新未来], Ministry of Foreign Affairs, (28th March 2015), http://www.fmprc.gov.cn/web/ziliao_674904/zyjh_674906/t1249640.shtml

¹²² Jinping Xi [习近平], “Let the Mindset of a Community of Common Destiny to Take Root in Neighboring Countries” [让命运共同体意识在周边国家落地生根], Ministry of Foreign Affairs, (25th October 2013), https://www.fmprc.gov.cn/mfa_chn/ziliao_611306/zl_611380/dnzt_611382/ydyl_667839/zyxw_667918/t1093113.shtml

¹²³ *Ibid.*

open and active attitude toward regional cooperation, China should stress that the Asia-Pacific can “accommodate” all of the stakeholders.¹²⁴

On the other hand, rather than accepting the terms of rights and responsibilities imposed by the United States and the West, China will fulfill its international responsibilities in accordance with a “correct outlook on duties and interests.”¹²⁵ As a responsible great power, China has the duty to provide the assistance to developing countries within the limits of its capabilities, uphold fairness and justice in international relations, and oppose power politics and destabilization of the region.¹²⁶

As the above discussion has shown, the official concepts signal China’s self-restraint more than providing a comprehensive vision of world order; indeed, one could go as far as to conclude that they are new terms for past concepts. Zhao Tingyang’s reconstruction of the ancient Chinese of “All-under-heaven,” on the contrary, embodied the rising power’s aspirations to rejuvenate itself and play a central role in the rebuilding of world order. The vagueness of these concepts and the gap between the official and the academic discourse, however, did not help but heighten mistrust of the rising power’s purpose among its neighbors and across the world.

2.4.3 Contemporary Chinese Conception of International Leadership

While the American-centric IR scholarship provides comprehensive insight into the nature of the United States’ global leadership, the relative poverty of the Chinese scholarship on international leadership reflects the rising power’s ambiguity over the question. Indeed, leadership is inseparable from the equally contested question of dominance. As Chen Fengjun explains,

‘authority’ [权威] or ‘dominance’ refers to decisive leadership status in regional cooperation[.] Such status is usually enjoyed by a state or bloc of states that exercises far more, far greater and far stronger political and

¹²⁴ *Ibid.*

¹²⁵ Yi Wang [王毅], “Insisting on a Correct Outlook on Duties and Interests; Actively Fulfilling the Role of a Responsible Great Power – Profoundly Understand the Spirit of Comrade Xi Jinping’s Important Speech on Diplomatic Work” [坚持正确义利观, 积极发挥负责任大国作用—深刻领会习近平同志关于外交工作的重要讲话精神], *People’s Daily* [人民日报], (10th September 2013), http://www.gov.cn/jrzq/2013-09/10/content_2484898.htm

¹²⁶ *Ibid.*

economic influence than other states. Under most circumstances, this kind of influence manifests itself in the ability to determine the rules within a region and provide guidance on the direction and process of integration.¹²⁷

Chen Fengjun's words explain why, even if Beijing has indeed sought to renegotiate regional order in its periphery and steer regional economic integration, it has continued to shun the term leadership in its diplomatic lexicon.

Like Zhao Tingyang's theory of "All-under-heaven," Yan Xuetong's theory of "moral realism" epitomizes the efforts of China's intelligentsia to legitimize the state and provide the intellectual underpinnings to its foreign policy based on ancient Chinese thought.¹²⁸ "Morality," according to Yan, refers not to political-moral values but to universal moral principles of international relations, such as observance of treaties and other diplomatic protocols.¹²⁹ Commitment to these principles enhances a rising state's credibility, legitimacy and power, since political leadership, which is the deciding factor in a state's relative capability growth, derives from "strategic credibility."¹³⁰

Morality determines the nature of international leadership. According to Yan, a great power could exercise three forms of international leadership: tyranny, hegemony and humane authority. Tyranny is based on power and the "law of the jungle." Hegemony is defined by "double standards," whereby the great power observes "moral constraints" in its relations with allies but bases its relations with enemies on the "law of the jungle." A great power that exercises human authority consistently observes moral constraints.¹³¹ Yan's theory not only justifies the superiority of China's foreign policy to that of the United States; it provides the theoretical basis for the belief that China will displace the United States and exercise a superior form of international political leadership. Nevertheless, as chapters four to

¹²⁷ Chen Fengjun, cited in Yuzhu Wang [王玉主], "Supply of Regional Public Goods and Transcendence of the Question of Dominance in East Asian Cooperation" [区域公共产品供给与东亚合作主导权问题的超越], *Journal of Contemporary Asia-Pacific Studies* [当代亚太], No. 6, (2011), 78.

¹²⁸ Xuetong Yan [阎学通], *World Power Transition: Political Leadership and Strategic Competition* [世界权力的转移: 政治领导与战略竞争], (Beijing: Peking University Press, 2015).

¹²⁹ Yan, *World Power Transition*, 10-1.

¹³⁰ Yan, *World Power Transition*, 11-4.

¹³¹ Yan, *World Power Transition*, 48-9.

seven will show, China's self-constraints in APT and the SCO did not mitigate mistrust among member states. Anxiety about the rising power's expanding influence meant that the institutional bargains were no longer sufficient to reassure them of Beijing's intentions and promote collective purposes.

2.5 Peripheral Diplomacy and the Quest for Leadership

As I mentioned in 1.2.3, the periphery is the geopolitical locus of China's struggle for peaceful development, leadership and great power status. China borders fourteen countries on the continent and shares maritime boundary with eight countries. Moreover, present in the country's neighborhood are some of the world's great powers – the United States, Russia, Japan and India. It is not surprising, therefore, that the periphery is of foremost importance in China's "overall diplomatic posture" (外交总体布局) of "major powers as the key, periphery as the priority, developing countries as the foundation, multilateralism as an important stage" (大国是关键, 周边是首要, 发展中国家是基础, 多边是重要舞台). A changing international environment means that other dimensions of the rising power's overall diplomatic posture have converged on its periphery.

The periphery is where other great powers exert pressure on China.¹³² As Pang Zhongying pointed out, the East Asian order is "abnormal" and "unreasonable" in that the dominant state is an external hegemon.¹³³ Zhang Wenmu went so far as to argue that the Cold War has not ended. Not only has the "Yalta system" not completely disintegrated in East Asia; the influence of the North Atlantic Treaty Organization (NATO) has even extended to Central Asia.¹³⁴ To China's foreign policy elites, the United States has continually sought to delay the rising power's capability growth and quest for leadership in East Asia through a "hedging" (两面下注) strategy that combines containment and engagement.¹³⁵ Preempting the United States' containment,

¹³² Qi Chen [陈琪] and Quanjing Guan [管传靖], "Policy Adjustment and New Thinking in China's Peripheral Diplomacy" [中国周边外交的政策调整与新理念], *Journal of Contemporary Asia-Pacific Studies* [当代亚太], No. 3, (2014), 11.

¹³³ Zhongying Pang [庞中英], "Transformation of Regional Order in Asia and China" [亚洲地区秩序的转变与中国], *Foreign Affairs Review* [外交评论(外交学院学报)], No. 4, (2005), 42.

¹³⁴ Zhang Wenmu's comment, in Qin, Zhou, Wen et al. "China's Grand Strategy: Issues and Approaches," 9.

¹³⁵ Zhou, "Biding its Time and Hiding its Capabilities and Hedging," 13-21.

the formation of any anti-China bloc and other “destructive effects” of American hegemony and Western culture has therefore always been central to the rising power’s peripheral strategy.¹³⁶ Great power diplomacy and peripheral diplomacy, in this regard, have become inseparable.¹³⁷

The periphery is also where the internal and the external dimensions of China’s basic security converge. According to Liu Feng, Qi Huaigao and Shi Yuanhua, the major threats from the periphery to China’s core interests include separatism and the collaboration of separatists with “external hostile forces”; Western ideological “infiltration” and instigation of regime change; territorial and maritime disputes with neighboring states; and other non-traditional security threats such as transnational crime, terrorism, drug-trafficking and illegal immigration.¹³⁸

2.5.1 Peripheral Diplomacy and the Question of Leadership

As the above discussion has shown, although officially Beijing has continued to shun the term leadership, the foreign policy elites have been debating the need and the means to pursue regional leadership since the beginning of the twenty-first century. On the one hand, the need to dampen anxiety among neighboring states about China’s rising power led Beijing to demonstrate self-restraint through a diplomacy of “good neighborliness” (睦邻). Multilateralism is central to its efforts to “befriend, reassure and enrich its neighbors.” (睦邻、安邻、富邻). As Sun Xuefeng and Chen Hanxi pointed out, Beijing initially viewed regional multilateral mechanisms as targeted at

¹³⁶ Zhongqi Pan [潘忠岐], “The Development of Geopolitics and China’s Geostrategy: An Analytical Framework” [地缘学的发展与中国的地缘战略——一种分析框架], *Journal of International Politics* [国际政治研究], No. 2, (2008), 30, 34-5.

¹³⁷ Peng Yuan [袁鹏], “China’s International Strategic Thought and Strategic Posture in the New Era” [新时代中国国际战略思想与战略布局], *Contemporary International Relations* [现代国际关系], Vol. 11, (2017), 4.

¹³⁸ Men, “Advancing China’s National Strategic Interests,” 86-7; Feng Liu [刘丰], “The Ends, Means, and their Consistency in China’s Peripheral Strategy” [中国周边战略的目标、手段及其匹配], *Journal of Contemporary Asia-Pacific Studies* [当代亚太], No. 5, (2013), 12; Huaigao Qi [祁怀高] and Yuanhua Shi [石源华], “Six Challenges to China’s Peripheral Security and the Foreign Policy Strategy of Greater Periphery” [中国周边安全六大挑战与大周边外交战略] *Journal of Division of International Studies at the Chinese Academy of Social Sciences* [中国社会科学院国际研究学部集刊], (2015), 281-2.

itself; only after 2004 did it begin to openly support regional cooperation.¹³⁹ Success in China's regionalist policy in the early 2000s, in their view, was due primarily to its self-restraint and gradualism, which struck a balance between advancing the country's interests while containing pressures from the external world.¹⁴⁰

To stabilize its relations with the United States, China accepted open regionalism and refrained from any attempt to exclude the hegemon. As Jin Xide argued, reassuring the hegemon while "preventing it from interfering with the process of order-building" was essential to the success of regional economic cooperation in East Asia.¹⁴¹ Similarly, Pan Zhongqi stressed that China should not treat the United States or any other state as enemy while preventing others from treating itself as such.¹⁴² To its smaller neighbors, China demonstrated self-restraint by abstaining from a dominant role in regional cooperation while supporting ASEAN's leadership in APT and the ARF.¹⁴³ In security, Beijing concentrated its activities in non-traditional security cooperation. Indeed, as chapters six to seven will show, the function of the Chinese-led, security-oriented SCO was confined to non-traditional security cooperation. Even if regional developments demanded China and the organization to expand its role in security cooperation, Beijing continued to exhibit reluctance, adhere to its long-standing policy of non-interference and non-alliance, and defer leadership responsibilities to Moscow.

Nevertheless, to China's foreign policy elites, the rising power's strategic objective should not be confined to maintaining a favorable peripheral environment.¹⁴⁴ As Hu Angang and Men Honghua argued, regionalism has become the basis of a new form of great power competition in the twenty-first century; China needs to play an

¹³⁹ Xuefeng Sun [孙学峰] and Hanxi Chen [陈寒溪], "China's Regionalist Policy and Its Strategic Implications" [中国地区主义政策的战略效应], *Journal of World Economics and Politics* [世界经济与政治], No. 5, (2006), 27.

¹⁴⁰ Sun and Chen, "China's Regionalist Policy and Its Strategic Implications," 28.

¹⁴¹ Xide Jin [金熙德], "Progress, Issues and Prospect of East Asia Cooperation" [东亚合作的进展、问题与展望], *Journal of World Economy and Politics* [世界经济与政治], No. 1, (2009), 54.

¹⁴² Pan Zhongqi, "The Development of Geopolitics and China's Geostrategy," 30.

¹⁴³ Ling Wei [魏玲], "East Asian Integration and Chinese Diplomacy: New Configuration, New Balance, New Accomplishment – A Discussion Beginning with the East Asia Summit" [东亚进程与中国外交: 新格局、新均衡、新作为—从东亚峰会说开去], *Foreign Affairs Review* [世界经济与政治], No. 6, (2011), 58-9.

¹⁴⁴ Pang, "China," 69.

active, dominant role in East Asia if it wants to become a pole in the international system.¹⁴⁵ Having projected itself as a “responsible great power” during the Asian financial crisis, China should fulfill its international responsibilities in the Asia-Pacific by providing public goods and exercising leadership in institution building.¹⁴⁶ Economically, Beijing should promote East Asian integration through the ASEAN-China Free Trade Area (ACFTA), China-Japan-South Korea trilateral cooperation and APT. Regional economic multilateralism and integration will transform East Asia into a “strategic extension zone” of the Chinese economy and give the rising power significant influence over agenda setting and institution building.¹⁴⁷ In security, China should promote initiatives of multilateral cooperation that will demonstrate its ability to shape the course of events.¹⁴⁸

Indeed, notwithstanding American security dominance and China’s pursuit of an economically-oriented grand strategy, the Chinese foreign policy elites exhibited clear aspirations for the rising power to exercise regional security leadership through multilateralism. For instance, Liu Jianguo and Yan Xuetong proposed in an article in 2004 the creation of an “East Asian security community.” “Sustainable security,” they argued, could only be achieved through multilateralism; any bilateral arrangements could not be the foundation for a regional security community.¹⁴⁹ The proposed East Asian security community would include primarily regional states, even though extra-regional states would not be excluded from participation. Moreover, the community would be established on existing, ASEAN-led institutions, together with new bodies such as a dialogue mechanism between China, the United States, Russia and Japan. Decisions-making would be based on consensus through consultation. The ultimate goal, they argued, would be the establishment of an “East Asian security

¹⁴⁵ Angang Hu [胡鞍钢] and Honghua Men [门洪华], “The Significance in Studying China’s Strategy of East Asian Regional Integration” [研究中国东亚一体化战略的重要意义] *International Review* [国际观察], No. 3, (2005), 26; 32.

¹⁴⁶ Men, “Advancing China’s National Strategic Interests,” 88-9.

¹⁴⁷ *Ibid.*

¹⁴⁸ Hu and Men, “The Significance in Studying China’s Strategy of East Asian Regional Integration,” 34.

¹⁴⁹ Jianguo Liu [刘江永] and Xuetong Yan [阎学通], “Strategic Conception regarding the Establishment of East Asian Security Community” [关于建立东亚安全共同体的战略设想], *Asia & Africa Review* [亚非纵横], No. 1, (2004), 3.

cooperation organization.”¹⁵⁰ Although the two Tsinghua University professors’ proposal was not realized, many of the elements could be identified in one way or another in China’s regional security diplomacy. Indeed, since its proposal of a “new security concept” at the ASEAN Regional Forum (ARF) in 1995, Beijing has continued to “repackage” and “resell” its vision through the ARF, the SCO and other regional institutions.

As I discussed in 2.2, the global financial crisis has provided increasing incentives for China to assume leadership in its peripheral regions. As Li Wei argues, while China has since the global financial crisis adopted a “dual approach” of reforming the existing institutional architecture from within and building new institutions from without, the setbacks in global financial governance reform have led Beijing to shift its efforts to institution building at regional and mini-lateral level, as epitomized by the establishment of new mechanisms under APT, the SCO and BRICS.¹⁵¹ Indeed, the ineffectiveness of ASEAN-led regional institutions and the Association’s incapacity to steer the process of East Asian regionalism led Tang Xiaosong to conclude that regional integration is viable only under the joint leadership of China, the United States and Japan.¹⁵² To do so, however, requires China to recognize the legitimacy of the United States’ presence in the region and Japan’s claim to be a “normal country.”¹⁵³

While Beijing has repeatedly stated its opposition to great power condominium, Tang Xiaosong’s view corresponds with my argument in 2.1.1 that China does not see its quest for great power status as a zero-sum competition but rather an attempt to obtain its fair share of international leadership.¹⁵⁴ Tang Shiping and others, indeed,

¹⁵⁰ Liu and Yan, “Strategic Conception regarding the Establishment of East Asian Security Community,” 2, 4-6.

¹⁵¹ Wei Li [李巍], “The International Institutional Basis for the Rise of the *Renminbi*” [人民币崛起的国际制度基础], *Journal of Contemporary Asia-Pacific Studies* [当代亚太], No. 6, (2014), 4-30.

¹⁵² Xiaosong Tang [唐小松], “The Condominium of the Big Three: the Inevitable Choice of East Asian Regional Integration” [三强共治: 东亚区域一体化的必然选择], *Contemporary International Relations* [现代国际关系], No. 2, (2008), 10-2.

¹⁵³ Tang, “The Condominium of the Big Three,” 15.

¹⁵⁴ “Wen Jiabao Attended the Fifteenth China-ASEAN Summit” [温家宝出席第十五次中国—东盟领导人会议], *People’s Daily* [人民日报], (20th November 2012),

<http://politics.people.com.cn/n/2012/1120/c1024-19628186.html>; Jinping Xi [习近平], “Jointly Building a Community with a Shared Future for Mankind – Speech at the United Nations

have long argued for Sino-Japanese cooperation in the supply of regional public goods.¹⁵⁵ This, however, does not mean that the responsibility for regional leadership deficit should be ascribed solely to China. Japan's continued refusal to resolve the history question and its misperception of China as a strategic opponent were also believed to perpetuate the impasse of East Asian regionalism.¹⁵⁶ The deadlock over the question of leadership explains why, however ceremoniously, Beijing has continued to support ASEAN centrality in regional cooperation. Nevertheless, as chapter five will show, ASEAN's incapacity to steer APT and East Asian regionalism, combined with intensifying great power competition and domestic economic pressure, led to a shift in China's leadership behavior under Xi Jinping.

2.5.2 The Belt and Road Initiative and a Changing Geostrategic Posture

The shift in China's leadership behavior came with the Xi Jinping administration's launch of the BRI. As a "grand regional cooperation" initiative to promote "connectivity in five areas" – policy, facilities, trade, capital and "peoples' hearts" – the BRI aims to build a "community with a shared future" for Asia and ultimately for all mankind.¹⁵⁷ Nevertheless, despite the ongoing efforts of both the Chinese government and foreign policy elites to explain and elaborate on the all-encompassing concept, what the BRI is remains unclear.¹⁵⁸

The BRI is China's response to mounting pressures for change from the interplay of international and domestic development. According to Gao Cheng, although East Asia's "dual-centric" order – wherein China and the United States were respectively the economic and security nucleus – did not change after the global

Headquarters in Geneva" [共同构建人类命运共同体—在联合国日内瓦总部的演讲], Ministry of Foreign Affairs, (18th January 2017), <http://www.fmprc.gov.cn/web/zyxw/t1431760.shtml>

¹⁵⁵ Shiping Tang [唐世平], "The Question of Leadership in Institution Building: The Case of 10+3" [制度建设中的领导问题: 以 10+3 为个案], *International Economic Review* [国际经济评论], (May/June 2004), 30; Wang, "Regional Public Goods Supply and the Transcendence of the Question of Dominance in East Asia," 76-94.

¹⁵⁶ Tang, "The Question of Leadership in Institution Building," 30.

¹⁵⁷ Jinping Xi [习近平], "Promote Friendship Between Our People and Work Together to Build a Bright Future – Speech at Nazabayev University" [弘扬人民友谊, 共创美好未来—在纳扎尔巴耶夫大学的演讲], *People's Daily* [人民日报], (8th September 2013), <http://cpc.people.com.cn/n/2013/0908/c64094-22843712.html>

¹⁵⁸ Xiangyang Li [李向阳], "The Problems and Prospect of 'One Belt One Road'" [一带一路面临的突出问题和出路], *International Trade* [国际贸易], No. 4, (2017), 4-9.

financial crisis, the dynamics between the two great powers changed from complementarity and mutual benefits to zero-sum competition and mutual exclusion.¹⁵⁹ To China's foreign policy elites, the United States "rebalance to Asia" disrupted the "strategic equilibrium" of the region and spurred disputes between itself and its neighbors.¹⁶⁰ The TPP and the Trans-Atlantic Trade and Investment Partnership (TTIP), meanwhile, were attempts by the United States and developed countries to "rewrite" global economic rules, exclude China from rule-making, and disintegrate the Sino-centric regional economic order and the ASEAN-centric regional architecture.¹⁶¹ The United States' "pivot to Asia," in short, was an attempt to "exclude," "balance" and "constrain" China.

Strategic adjustment became all the more pressing when strategic pressure converged with the domestic imperative of rebalancing the Chinese economy.¹⁶² To China's policy elites, global economic slowdown, industrial overcapacity and developed economies' regional free trade initiatives put pressure on the rising power to search for new markets in the developing world and adjust its "opening-up strategy" from "coming in" to "going out" through foreign investment, manufacturing industry

¹⁵⁹ Cheng Gao [高程], "Structural Transformation in the Periphery and Strategy Adjustment Under the Rise of China" [中国崛起背景下的周边格局变化与战略调整], *International Economic Review* [国际经济评论], Vol. 2, (2014), 33-8.

¹⁶⁰ Gao, "Structural Transformation in the Periphery and Strategy Adjustment Under the Rise of China," 36; Li Jinfeng [李进峰], "Grasp the Historic Opportunity, Respond to the Challenges of Our Era, Promote a New Step of Development of the Shanghai Cooperation Organization" [把握历史机遇, 应对时代挑战, 推动上合组织发展迈上新台阶], in Jinfeng Li [李进峰], Hongwei Wu [吴宏伟] and Wei Li [李伟] (eds.), *Annual Report on the Shanghai Cooperation Organization (2015)* [上海合作组织发展报告 (2015)], (Beijing: Social Sciences Academic Press, 2015), 12; Minghao Zhao [赵明昊], "Changing Direction of the United States' Policy of Balancing China in the South China Sea" [美国在南海问题上对华制衡的政策动向] *Contemporary International Relations* [现代国际关系], No. 1, (2016), 32-5.

¹⁶¹ Gao, "Structural Transformation in the Periphery and Strategy Adjustment Under the Rise of China," 37-8, 45-6; Angang Hu [胡鞍钢], "'One Belt One Road': The Era of Revolution of Economic Geography and Win-Win" [“一带一路”经济地理, 革命与共赢主义的时代] in Wei Liu [刘伟] (ed.), *The One Belt One Road that Changes the Economic Geography of the World* [改变世界经济地理的一带一路], (Shanghai: Shanghai Jiaotong University Press, 2015), 25; Liang Qiao [乔良], "A Grand Strategic Idea from a Global Perspective" [全球视野下的大战略构想], in Liu (ed.), *The One Belt One Road that Changes the Economic Geography of the World*, 55-6.

¹⁶² See, for instance, Min Tang [汤敏], "'One Belt One Road' is the Pioneer in the Opening-Up in the New Era" [“一带一路”是新时期对外开放的龙头] in Liu, (ed.), *The One Belt One Road that Changes the Economic Geography of the World*, 69-70; Lee Jianmin in Haiyun Wang [王海运], Changqing Zhao [赵常庆], Jianmin Li [李建民] et al. "The Context, Potential Challenges and Future Direction of the Idea of the 'Silk Road Economic Belt'" [“丝绸之路经济带构想”的背景、潜在挑战和未来走势], *Russian, Central Asian & East European Market* [欧亚经济], No. 4, (2014), 10-1.

transfer and export of surplus production capacity.¹⁶³ As “reconstruction” of the global economic order was underway, they stressed the importance for China to participate actively in the (re)making of global economic rules in order to safeguard the rights and interests of itself and other emerging economies.¹⁶⁴

The BRI represents a significant change in China’s geostrategic posture. Given that the greatest threats to China’s national security – “foreign intervention into the unification process,” territorial disputes and other traditional security challenges – came from the “East,” the country’s geo-strategic posture, for a long time, remained East Asia-centered.¹⁶⁵ The “West,” meanwhile, was viewed primarily as a “strategic rear base”.¹⁶⁶ This, however, does not mean that China’s northwestern periphery is not important. As Jiang Yi argues, only when its strategic rear base is stable will China be able to concentrate its efforts on the “strategic front.”¹⁶⁷

The United States’ “rebalance to Asia” triggered a debate among the Chinese foreign policy elites on the rising power’s geostrategic posture. Eurasia, Wang Jisi argued, provided more strategic space and opportunities than the “East”; China, therefore, should consider “marching west.”¹⁶⁸ Zhao Kejin, meanwhile, argued for “going south.”¹⁶⁹ General Yang Yi went further by calling for Beijing to “consolidate the north, stabilize the west, pacify the east and explore the south.”¹⁷⁰ The debate represented China’s shifting conception of its periphery. According to Zhang Yunling,

¹⁶³ Tang, “‘One Belt One Road’ is the Pioneer in the Opening-Up in the New Era,” 68-70.

¹⁶⁴ Tang, “‘One Belt One Road’ is the Pioneer in the Opening-Up in the New Era,” 69; Zhang Hanglong in Wang, Zhao, Li, “The Context, Potential Challenges and Future Direction of the Idea of the ‘Silk Road Economic Belt,’” 34-5.

¹⁶⁵ Yi Jiang [姜毅], “China’s Multilateral Diplomacy and the Shanghai Cooperation Organization” [中国的多边外交与上海合作组织], *Russian, Central Asian and East European Studies* [俄罗斯中亚东欧研究], No. 5, (2003), 50; Changqing Zhao [赵常庆], “ASEAN, the Shanghai Cooperation Organization and China” [东盟、上海合作组织与中国] *Journal of Contemporary Asia-Pacific Studies* [当代亚太], No. 11, (2003), 12.

¹⁶⁶ Jiang Yi, “China’s Multilateral Diplomacy and the Shanghai Cooperation Organization,” 50.

¹⁶⁷ *Ibid.*

¹⁶⁸ Jisi Wang [王缉思], “‘March West’: Rebalance China’s Geopolitical Strategy” [‘西进’: 中国地缘战略的再平衡], *Global Times* [环球时报], (17th October 2012), http://opinion.huanqiu.com/opinion_world/2012-10/3193760.html

¹⁶⁹ Kejin Zhao [赵可金], “March South could be China’s Strategic Pivot for the Next Ten Years” [走向南方可能是中国今后十年的战略重心], *World Affairs* [世界知识], No. 24 (2013), 22-4.

¹⁷⁰ Yi Yang [杨毅], “Peripheral Security Requires an All-Round Strategy” [周边安全需要全方位战略], *Global Times*, (26th October 2012), http://opinion.huanqiu.com/opinion_world/2012-10/3216696.html.

as the rising power's influence continued to expand, its geostrategic outlook gradually shifted from one that is East Asia-centered back to one that conceives of the periphery as a whole. This, to him, signified a return to a traditional worldview that is constructed in terms of China-periphery relations, though no longer in the binary opposition between Chinese and barbarians.¹⁷¹ Indeed, Wang Jisi sees China's geostrategic position as anchored to all four directions at the same time. In short, China is a "central state."¹⁷² Thus one year after his call for China to "march west," the Peking University Professor argued for an "omni-directional strategy" based on the conception of the *whole* Asia as a strategic hinterland.¹⁷³ In the words of Vice President of the China Institute of Contemporary International Relations Yuan Peng, the BRI is "historic" in that it "expands the Chinese nation's "survival space, development space, interest space and strategic space."¹⁷⁴

The launch of the BRI means that China can no longer avoid the question of leadership, even as Beijing continues to exclude the term from its official discourse. In Shi Yinong's view, it has become increasingly clear that under Xi Jinping, China's strategic objective is to seek greater influence and even "dominance."¹⁷⁵ Nevertheless, as chapters four to seven will show, the indispensability of trust to the exercise of leadership underscores one of the biggest challenges to Beijing's quest for greater influence. While welcoming the BRI, China's neighbors continue to harbor fear that the rising power's growing influence would result in their own marginalization.¹⁷⁶ The problem of trust is further exacerbated by the vagueness of the foreign policy concept, which makes Beijing's action susceptible to misinterpretation.¹⁷⁷ To mitigate mistrust,

¹⁷¹ Zhang Yunling [张蕴岭], "The Return of China's Periphery-based Regional Outlook and the Construction of New Order" [中国的周边区域观回归与新秩序构建], *Journal of World Economy and Politics* [世界经济与政治], No. 1, (2015), 9.

¹⁷² Jisi Wang [王缉思], "East and West, North and South, China at the Center – A Perspective on the Strategic Grand Chessboard" [东西南北, 中国居'中'——一种战略大棋局思考], *World Affairs* [世界知识], (November, 2013), 21.

¹⁷³ Wang, "East and West, North and South; China at the Center," 24.

¹⁷⁴ Peng "China's International Strategic Thought and Strategic Posture in the New Era," 7.

¹⁷⁵ Yinong Shi [时殷宏], "Some Thoughts on the Questions Concerning the Optimization of China's Foreign Policy Strategy and Strategic Caution" [关于中国对外战略优化和战略审慎问题的思考], *Pacific Journal* [太平洋学报], Vol. 23, No. 6, (June 2015), 3.

¹⁷⁶ See Yang Cheng in Wang, Zhao, Li, et al., "The Context, Potential Challenges and Future Direction of the Idea of the 'Silk Road Economic Belt,'" 27.

¹⁷⁷ Vitaly Vorobyov, "Beijing's New Foreign Policy: Is China to Build a New Economic Silk Road?" *Russia in Global Affairs*, Vol. 1, (2014), <http://eng.globalaffairs.ru/number/Beijings-New-Foreign->

many among the Chinese foreign policy elites refute the view that the BRI targets the hegemon, even though they acknowledge the importance of the geoeconomic initiative in relieving China of strategic pressure and allowing it to avoid direct confrontation with the United States.¹⁷⁸ To potential followers, China emphasizes the BRI as a new form of international cooperation based on the principles of mutual benefit, inclusiveness, equality, openness, and thus fundamentally different from initiatives undertaken by “hegemonic states” with the aim to “control other states’ economic lifeline” and “transform their political system.”¹⁷⁹

Beijing’s awareness of the problem of trust is manifested in the fact that the official discourse does more than anything to define what the BRI is not and deemphasize Chinese leadership. As Xi Jinping stressed in his keynote address to the Bo’ao Forum for Asia in 2015,

the “Belt and Road” initiative is based on the principle of joint consultation, joint building and joint benefits; it is not closed but open and inclusive; it is not a solo by China but a choir by countries along the routes. The ‘Belt and Road’ initiative does not seek to replace existing regional cooperation mechanisms and initiatives, but instead to promote, upon existing basis, connection of developmental strategies of countries along the routes, as well as complementarity of their advantages.¹⁸⁰

Policy-16503; Wang Haiyun and Yang Cheng in Wang, Zhao, Li. et al, “The Context, Potential Challenges and Future Direction of the Idea of the ‘Silk Road Economic Belt,” 6, 26-30.

¹⁷⁸ Yang Cheng in Wang, Zhao, Li. et al, “The Context, Potential Challenges and Future Direction of the Idea of the ‘Silk Road Economic Belt,” 28-30.

¹⁷⁹ See Wang Haiyun, Li Jianmin and Li Xin in Wang, Zhao, Li et al, “The Context, Potential Challenges and Future Direction of the Idea of the ‘Silk Road Economic Belt,” 7, 12 and 25; Hu, “‘One Belt One Road,’” 25, 30, 33; Yesui Zhang [张业遂], “Jointly Building the ‘One Belt One Road,’ Seeking Cooperation and Win-Win” [共建“一带一路”，谋求合作共赢], *Qiushi* [求是], (18th May 2015), <http://theory.people.com.cn/n/2015/0518/c83846-27015019.html>; Kejin Zhao [赵可金], “Study of China’s Strategy for ‘One Belt One Road’” [一带一路的中国方略研究], *Journal of Xinjiang Normal University (Philosophy and Social Sciences)* [新疆师范大学学报 (哲学社会科学版)], Vol. 37, No. 4, (July 2016), 31.

¹⁸⁰ Jinping Xi [习近平], “March Toward a Community with a Shared Future, Open Asia’s New Future: Keynote Address at the 2015 Bo’ao Asia Forum” [迈向命运共同体, 开创亚洲新未来—在博鳌亚洲论坛 2015 年年会上的主旨演讲], Ministry of Foreign Affairs, (28th March 2015), http://www.fmprc.gov.cn/web/ziliao_674904/zvjh_674906/t1249640.shtml

As chapters five and seven will show, however, China's efforts to demonstrate self-restraint did not mitigate the mistrust arising from its growing influence, its behavior in maritime disputes and deep-seated Sinophobia in neighboring states. Whereas many among the country's foreign policy elites preoccupy themselves with justifying and promoting the BRI, Shi Yinhong is one of the very few who openly advises "mental," "political" and "strategic caution" in its implementation.¹⁸¹ China, he argues, needs to gain the trust of partner countries by emphasizing the mutual benefits of cooperation while avoiding any display of "benefactor mentality." Rather than "overhyping" the BRI, it should adopt a gradualist approach and focus on functional cooperation in its implementation. Furthermore, China should widen participation by involving partners and extra-regional states in the BRI's implementation, and pay attention to the socio-cultural dimension of cooperation.¹⁸² Given the unprecedented scale of the geoeconomic initiative, the Renmin University Professor also cautions against "strategic overstretch."¹⁸³

2.6 Conclusion

Chapters one and two have combined to provide a comprehensive analysis of the changing perception of the "rise of China." The two discourses together show that the "rise of China" is an ongoing, highly contested process wherein the rising power renegotiates with the world what its legitimate interests, rights and responsibilities should be. Nevertheless, although four decades of historically unprecedented growth has elevated China's relative power position, the dominant view – both inside and outside the country – remains that rising power is far from capable of challenging the United States' global leadership.

Given the magnitude of the country's developmental challenges, both the Chinese government and foreign policy elites remain ambiguous and cautious over the question of leadership. While Beijing has continued to shun the term leadership and

¹⁸¹ Yinhong Shi [时殷宏], "One Belt One Road: Plea for Caution" [“一带一路”: 祈愿审慎], *Journal of World Economy and Politics* [世界经济与政治], Vol. 7, (2015), 151.

¹⁸² Shi, "One Belt One Road," 151-4.

¹⁸³ Yinhong Shi [时殷宏], "Traditional Chinese Experience and Contemporary Practice: Strategic Adjustment, Strategic Overstretch and the Question of Great Rejuvenation." [传统中国经验与当今中国实践: 战略调整, 战略透支和伟大复兴问题], *Foreign Affairs Review* [外交评论 (外交学院学报)], Vol. 6, (2015), 65.

deny its intention to seek dominance, the country's foreign policy elites have long debated the need for China to assume international leadership in its pursuit of peaceful development. Thus, even though China continues to attribute the anxieties, mistrust and suspicion in the world of its rise to the "Cold War mindset" of the United States and others, Beijing's avoidance of the question of leadership demonstrates its awareness of the problem of trust in its quest for peaceful development, leadership and great power status.

The anxiety, mistrust and suspicion arise from uncertainty about what the rising power wants. As chapters one and two have shown, China is neither a fully revisionist nor *status quo* but a reformist power. It continues to accept the existing international order and upholds some of its foundational principles more strongly than other countries. On the other hand, Beijing is dissatisfied with *some* aspects of the existing order and set out to change them. Nevertheless, it is in the question of leadership that the biggest difference between the international and the Chinese domestic discourse lies. Euro-American centrism and *status quo* bias mean that the international discourse equates leadership with China's fulfillment of what the United States and the West consider its responsibilities toward the liberal international order. China's activities, therefore, tend to be viewed as challenges to the United States' global leadership and the liberal international order. From China's perspective, its quest for leadership does not necessarily lead to zero-sum competition, yet it is determined to renegotiate the terms of the international order and its role in it on its own terms.

The question, therefore, is not whether China is a *status quo* or revisionist power, but how it projects its power and purpose to the world. This requires us to conceive of leadership not just as a role, but more importantly as behavior central to the initiation of international political change. China will not be able to renegotiate the international order if it cannot rally support behind its quest for change. Nevertheless, this requires the rising power to consider followers' preferences and engage in compromise. In this regard, China's leadership challenge is a manifestation of the contradictions in its grand strategy of "peaceful development."

Structural constraints and a changing international environment determined that the periphery became the starting and focal point of China's struggle for leadership. International institutions provided the platforms for Beijing to engage its neighbors, initiate collective action and renegotiate regional order in its periphery. To explain China's successes and failures in its quest for institutional leadership in APT and the SCO, the next chapter will reexamine the concept of leadership and develop an analytical framework for explaining China's leadership behavior.

3. An Analytical Framework of Leadership Behavior

This chapter develops an analytical framework for explaining China's leadership behavior in international institutions. The previous two chapters have shown that the concept of leadership is of both analytical and substantive significance to the study of China's rise, order and change in world politics. Although many inside and outside the country believe that China is far from capable of challenging the United States' global leadership, Beijing has since the global financial crisis undertaken a variety of initiatives to mobilize collective action in pursuit of international political change. At the same time, China's uncertainty about its own power, its ambiguous attitude toward the liberal international order and the need to mitigate mistrust led Beijing to exhibit a cautious attitude toward the question of leadership. How, then, do we explain China's behavior?

To provide a more nuanced interpretation of China's leadership behavior in APT and the SCO, I draw upon leadership research not only from IR but also from Sociology and Social Psychology to develop an analytical framework of leadership behavior. Despite a large body of literature and the concept's all-too-frequent usage, many important dimensions of leadership behavior in international relations remain understudied. The analytical framework proceeds from the concept of institutional leadership as the ability to promote an institution's identity by guiding its adaptation to a changing external environment. Meanwhile, I adopt a two dimensional view of leadership behavior as the combination of relationship and task to explain how a leader weighs the need to consider followers' interests against the need to accomplish collective purposes on its own terms in the face of external challenges. The analytical framework posits that variation in four contextual factors – capability, positional authority, trust and task structure – could cause a leader to adopt one or a combination of six types of leadership behavior – delegating, supporting, brokering, soft selling, hard selling and directing.

3.1 Leadership: Essential Elements

Given leadership's omnipresence in human social life and its multidimensional nature, scholars in social and behavioral sciences have altogether provided as many as 850

definitions of the concept.¹⁸⁴ For instance, according to Burns,

[L]eadership over human beings is exercised when persons with certain motives and purposes mobilize, in competition or conflict with others, institutional, political, psychological, and other resources so as to arouse, engage, and satisfy the motives of followers. This is done in order to realize goals mutually held by both leaders and followers.¹⁸⁵

Burns' oft-quoted definition encapsulates the essence of leadership as involving "some kind of outstanding initiative in group activities."¹⁸⁶ Notwithstanding their variations, most of the definitions include many, if not all, of the seven attributes identified by Ahlquist and Levi – relationality, asymmetry, salience, domain specificity, instrumentality, institutionalization and coerciveness.¹⁸⁷

The idea of leadership as influence on behavior and outcomes renders it inseparable from the concept of power.¹⁸⁸ But while power is integral to the exercise of leadership, not all acts of power amount to leadership. What distinguishes the two, Burns argues, is purpose. Whereas power is exercised to serve its holder's motives without regard for those of its recipients, leadership is conditional on the fulfillment of followers' motives.¹⁸⁹ In this regard, the assumption of the free will of followers associates leadership more closely with authority – "legitimate power *with reference to the activities of power-recipients as group members.*"¹⁹⁰ The importance of legitimacy and followership underscores the role of trust, since group members' willingness to follow hinges on their belief that the leader intends to cooperate with rather than exploit them.¹⁹¹ As I have shown in the previous two chapters and will do

¹⁸⁴ Warren Bennis and Burt Nanus, *Leaders: Strategies for Taking Charge*, (New York: HarperCollins, 2005), 4.

¹⁸⁵ James MacGregor Burns, *Leadership*, (New York: Harper Collins, 2010), 18.

¹⁸⁶ Glenn D. Paige, *The Scientific Study of Political Leadership*, (New York: The Free Press), 74.

¹⁸⁷ John S. Ahlquist and Margaret Levi, 'Leadership: What It Means, What It Does, and What We Want to Know About It,' *Annual Review of Political Science*, Vol. 14, No. 1, (2011), 5-6.

¹⁸⁸ Kenneth F. Janda, 'Towards the Explication of the Concept of Leadership in Terms of the Concept of Power,' *Human Relations*, Vol. 13, No. 4, (1960), 345-63.

¹⁸⁹ Burns, *Leadership*, 18.

¹⁹⁰ William G. Howell and Stephane Wolton, 'Leadership: A Definition,' University of Chicago, 12, https://voices.uchicago.edu/williamghowell/files/2017/09/Leadership_Howell-Wolton_Aug29_2016-23zgyip.pdf; Janda, "Towards the Explication of the Concept of Leadership in Terms of the Concept of Power," 345-67, esp. 354-8.

¹⁹¹ Aaron M. Hoffman, "A Conceptualization of Trust in International Relations," *European Journal of International Relations*, Vol. 8, No. 3, (2002), 376-7; Andrew H. Kydd, *Trust and Mistrust in International Relations*, (Princeton: Princeton University Press, 2005), 6.

so again in the next four chapters, the problem of trust is one of the biggest hurdles to China's quest for leadership.

3.2 Leadership in International Relations

3.2.1 Leadership, Hegemony and Hegemonic Stability Theory

In a hierarchical social system where power is purposively distributed and formalized, leadership is based in large part on a leader's position and its prescribed authority.¹⁹² On the other hand, although anarchy does not entail the absence of authority in the international system, the absence of a high degree of formal authority does not entirely invalidate Waltz's observation that

[w]hatever elements of authority emerge internationally are barely once removed from the capability that provides the foundation for the appearance of those elements. Authority quickly reduces to a particular expression of capabilities.¹⁹³

The need to secure legitimacy and followers, however, would require even a hegemon to signal self-restraint by entering into a bargain with weaker states in the making of rules, norms and institutions.¹⁹⁴ As chapters four to seven will show, the institutional bargain of both APT and the SCO severely constrained the possibilities of Chinese institutional leadership regardless of the shifting regional balance of power after the global financial crisis.

The prominence of the structural conception of leadership as a role based on a state's relative power position in the international system has for a long time focused scholarly attention on great powers.¹⁹⁵ As the leading proponent of what is now known as "hegemonic stability theory," Kindleberger argues that leadership is indispensable to international economic stability, which hinges on the supply of public goods,

¹⁹² Amitai Etzioni, *A Comparative Analysis of Complex Organization: On Power, Involvement, and Their Correlates*, (New York: The Free Press, 1975), 154-5.

¹⁹³ Kenneth Waltz, *Theory of International Politics*, (Reading: Addison-Wesley, 1979), 88. For the concept of authority in international relations, see David Lake, "Escape from the State of Nature: Authority and Hierarchy in World Politics," Vol. 32, No. 1, (Summer 2007), 47-79.

¹⁹⁴ Kenneth W. Abbott and Duncan Snidal, "Why States Act through Formal International Organizations," *Journal of Conflict Resolution*, Vol.42, No.1, (February 1998), 8, 10-11.

¹⁹⁵ See, for instance, George Modelski, *Long Cycles in World Politics*, (Basingstoke: The MacMillan Press, 1987), Chapter 9.

especially in times of crisis.¹⁹⁶ The problem of free riding, however, means that a hegemon is most likely to have both the incentives and capabilities to act as “stabilizer” by providing public goods including market, liquidity, exchange rate management and international policy coordination.¹⁹⁷

Given its focus on the systemic level, hegemonic stability theory does not explain the behavior of individual states.¹⁹⁸ However, the multidimensional nature of leadership means that behavioral differences are of great importance. A great power, for instance, can exercise what Wiener calls “passive leadership” by providing “a market for distress goods” from its “mere state of being.”¹⁹⁹ On the other hand, it could coordinate the policies of other states either by involving them in decision-making or by dictating decisions on its own terms. Indeed, Kindleberger’s definition of leadership as the ability to “persuade” – often with the use of “arm-twisting and bribery” – a follower into doing what “might not be in [its] short-run interest if it were truly independent” does have a behavioral dimension, even though he did not provide further elaboration.²⁰⁰ By conceiving both hegemony and leadership in terms of a state’s relative power position, the structural approach renders the former the necessary precondition for the latter.

Some distinguish between leadership and hegemony on questions of coercion and domination.²⁰¹ Nevertheless, Snidal shows that leadership could be either “benevolent” or “coercive.”²⁰² A hegemon could either supply public goods regardless of the free rider problem, or exact contributions from followers in order to lower the costs of order maintenance.²⁰³ Conceptual ambiguity is further complicated by the neo-

¹⁹⁶ Charles P. Kindleberger, “Dominance and Leadership in the International Economy: Exploitation, Public Goods, and Free Rides,” *International Studies Quarterly*, Vol. 25, No. 2, (June 1981), 243, 247.

¹⁹⁷ Kindleberger, “Dominance and Leadership in the International Economy,” 244-5.

¹⁹⁸ Jarrod Wiener, “‘Hegemonic’ Leadership: Naked Emperor or the Worship of False Gods?” *European Journal of International Relations*, Vol. 1, No. 2, (1995), 220.

¹⁹⁹ Wiener, “‘Hegemonic’ Leadership,” 223.

²⁰⁰ Kindleberger, “Dominance and Leadership in the International Economy,” 243, 245; Wiener, “‘Hegemonic’ Leadership,” 222-3.

²⁰¹ See, for example, Sandra Destradi, “Regional Powers and Their Strategies: Empire, Hegemony, and Leadership,” *Review of International Studies*, Vol. 36, (2010), 903-30.

²⁰² Duncan Snidal, “The Limits of Hegemonic Stability,” *International Organizations*, Vol. 39, No. 4, (Autumn 1985), 587-9.

²⁰³ *Ibid.*

Gramscian conception of hegemony as domination by consent.²⁰⁴ The idea of power as “indirect,” “unintentional,” “impersonal” and “diffuse” renders it empirically indistinguishable from leadership.²⁰⁵ Since my focus is on leadership as intentional behavior, any conception of structural power will be considered the impact of leadership.

The limitations of the structural approach do not diminish the relevance of capabilities. Nevertheless, as the distribution of interests and capabilities and the political process vary across issue areas, bargaining outcomes are likely to differ in one issue area from another.²⁰⁶ States with different composites of interests and capabilities can exercise leadership in different domains, at different levels and by different means. The “constitutionalization” of international relations, moreover, has shifted the locus of leadership activities to international institutions, wherein interstate interactions are no longer determined solely by capabilities but governed by mutually-agreed rules.²⁰⁷ Leadership competition now hinges on the ability to utilize rules, norms and other “organizationally dependent capabilities” to introduce initiatives, set the agenda and build coalitions.²⁰⁸

3.2.2 Leadership in International Institutions

Notwithstanding the importance of the question of leadership, the scholarship on international institutions has focused primarily on strategic interactions in different cooperation problems.²⁰⁹ Young’s study of political leadership in institutional bargaining pioneered research on leadership behavior in international institutions.²¹⁰

²⁰⁴ See, for example, Dirk Nabers, “Power, Leadership, and Hegemony in International Politics: the Case of East Asia,” *Review of International Studies*, Vol. 36, (2010), 931-49.

²⁰⁵ See, for example, Stefano Guzzini, *Power, Realism and Constructivism*, (London: Routledge, 2013), 22-36.

²⁰⁶ Robert O. Keohane and Joseph S. Nye, *Power and Interdependence* (2nd ed.), (Harper Collins, 1989), 30-1.

²⁰⁷ G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*, (Princeton: Princeton University Press, 2001), 29-30, 56-8; Abbott and Snidal, “Why States Act through Formal International Organizations,” *Journal of Conflict Resolution*, Vol.42, No.1, (February 1998), 10.

²⁰⁸ Keohane and Nye, *Power and Interdependence*, 31-2, 35, 55.

²⁰⁹ See, for instance, Kenneth A. Oye, “Explaining Cooperation Under Anarchy: Hypotheses and Strategies,” *World Politics*, Vol. 38, No. 1, (October 1985), 1-24, as well as other articles in the same volume.

²¹⁰ Oran R. Young, “Political Leadership and Regime Formation: On the Development of Institutions in International Society,” *International Organization*, Vol. 45, No. 3, (Summer, 1991), 281-308.

According to him, negotiators can exercise one or a combination of three forms of political leadership in institutional bargaining: structural, entrepreneurial and intellectual. Structural leadership is exercised through the conversion of superior capabilities to bargaining leverage. A structural leader could influence behavior and outcomes by deploying its power resources in the form of rewards, punishments or sanctions.²¹¹ Entrepreneurial leadership is embodied in a leader's diplomatic skills to resolve collective action problems and promote cooperation. An entrepreneurial leader facilitates "integrative bargaining" by setting the agenda, raising issue awareness, mobilizing support for specific options and brokering agreements.²¹² Intellectual leadership influences negotiating parties' perception of interests through the production of "intellectual capital or generative systems of thought."²¹³ As Young reminds us, not only could there be more than one leader in institutional bargaining; negotiators often employ various mixtures of the three forms of political leadership.²¹⁴

Young's typology provides the basis for subsequent scholarship on leadership in international negotiations. Underdal, for instance, also identifies three forms of leadership: "unilateral action," "coercive" and "instrumental."²¹⁵ Malnes distinguishes between "problem-solving" and "directional leadership."²¹⁶ Parker and Karlsson synthesize these typologies into "structural," "directional," "idea-based" and "instrumental leadership."²¹⁷ Notwithstanding their differences, all of these different types of leadership could be classified in two dimensions: forms and effects. On the one hand, their forms can be classified from material to normative. On the other hand, their effects can be classified from diffuse to specific (Table 3.1).

²¹¹ Young, "Political Leadership and Regime Formation," 288-9.

²¹² Young, "Political Leadership and Regime Formation," 293-4.

²¹³ Young, "Political Leadership and Regime Formation," 298.

²¹⁴ Young, "Political Leadership and Regime Formation," 288-90, 303-5.

²¹⁵ Arild Underdal, 'Leadership Theory: Rediscovering the Arts of Management' in I. William Zartman ed., *International Multilateral Negotiation: Approaches to the Management of Complexity* (San Francisco: Jossey-Bass Publishers, 1994), 183-91.

²¹⁶ Raino Malnes, "'Leader' and 'Entrepreneur' in International Negotiations: A Conceptual Analysis," *European Journal of International Relations*, Vol. 1, No. 1, (1995), 87-112.

²¹⁷ Charles Parker and Christer Karlsson, "Leadership an International Cooperation," in R. A. W. Rhodes and Paul 't Hart (eds.), *The Oxford Handbook of Political Leadership*, (Oxford: Oxford University Press, 2014), 585-6, Oxford Handbooks Online.

Table 3.1 Example Taxonomies of Leadership in International Relations

	Material		Normative
Snidal (1985)	Coercive/Benevolent		
Young (1991)	Structural		Entrepreneurial Intellectual
Underdal (1994)	Coercive	Unilateral action	Instrumental
Malnes (1995)	Problem-Solving		Directional
Ikenberry (1996)	Structural		Institutional Situational
Parker and Karlsson (2014)	Structural	Directional	Instrumental Idea-Based
	Specific		Diffuse

Nevertheless, how a leader initiates collective action also depends on the nature of both leader-follower relations and the task. By promoting follower participation in decision-making, an entrepreneurial leader's behavior is oriented more toward relationship development than task implementation. Conversely, a structural leader's behavior is oriented more toward task than relationship when it dictates not only the decisions but also the means to implement them. Meanwhile, different types of tasks are often accomplished by different forms of action. Functional tasks such as the provision of foreign aid can be accomplished through a leader's unilateral deployment of capabilities. On the other hand, however powerful a leader is, it cannot establish a free trade area through unilateral action.

A two-dimensional view of leadership behavior as the combination of relationship and task, which defined the behavioral and situational approaches to leadership research in social psychology from the fifties to the eighties, provides a useful "heuristic device" for understanding China's leadership behavior. Even though my focus here remains the leader, the analytical framework takes the question of followership into consideration by explaining how China weighed relationship against task in its attempt to maintain the identity of the two institutions and promote their adaptation to a changing international environment after the global financial crisis.²¹⁸

3.3 An Analytical Framework of Leadership Behavior

3.3.1 Institution

Having reexamined the concept of leadership in the study of international relations, the remainder of this chapter will lay out the analytical framework for explaining China's leadership behavior in international institutions. The framework proceeds from a conception of institution as an evolutionary process. Like the concept of leadership, institution has been defined and used in many different ways in social sciences. The differences between the international and other social systems mean that the concept is

²¹⁸ For literature that examine leadership from the perspective of followers, see, for example, Andrew Fenton Cooper, Richard A. Higgott and Kim Richard Nossal, "Bound to Follow? Leadership and Followership in the Gulf Conflict," *Political Science Quarterly*, Vol. 106, No. 3, (Autumn 1991), 391-410; Stefan A. Schirm, "Leaders in Need of Followers: Emerging Powers in Global Governance," *European Journal of International Relations*, Vol. 16, No. 2, (2010), 199.

defined somewhat differently in IR. Keohane defines it as “related complexes of rules and norms, identifiable in space and time”; to Mearsheimer, institution is “a set of rules that stipulate the ways in which states should cooperate and compete with each other.”²¹⁹ Although social scientists in general distinguish between institutions and organizations as between the “rules” and the “players” of the game, the distinction is highly ambiguous in IR.²²⁰ Indeed, institution and the roughly interchangeable concept of regime have been used to refer to both.²²¹ Organization, meanwhile, is used to refer to formal institutions.

Drawing upon sociologist Philip Selznick’s classic work *Leadership in Administration: A Sociological Interpretation*, this analytical framework proceeds from another important conception of institution as an evolutionary process. According to him, whereas organization is a mere “technical instrument” to channel collective efforts toward specific purposes, institution is “more nearly a natural product of social needs and pressures – a responsive, adaptive organism.”²²² Underlying an organization’s transformation into an institution is the process of institutionalization, through which the social structure is “infuse[d] with value beyond the technical requirements of the task at hand.”²²³ Most social systems, however, are “complex mixtures” of both, as they evolve in their missions, structures and functions in order to adapt to a changing external environment.²²⁴

Selznick’s distinction between organization and institution is not relevant to my purpose here. To avoid confusion, when I mention APT (the “institution”) and the SCO (the “organization”) in the following chapters I refer to them as institutions in the way as Selznick defines the concept. The conception of institution as an evolutionary process underscores the importance of leadership, or its lack thereof, in institutional

²¹⁹ Robert O. Keohane, “International Institutions: Two Approaches,” *International Studies Quarterly*, Vol. 32, No. 4, (December, 1988), 383. John J. Mearsheimer, “The False Promise of International Institutions,” *International Security*, Vol. 19, No. 3 (Winter, 1994/95), 8.

²²⁰ Douglass C. North, *Institutions, Institutional Change and Economic Performance*, (Cambridge: Cambridge University Press, 1990), 4.

²²¹ Keohane, “International Institutions,” 382-6. For the definition of international regime, see Stephen D. Krasner, “Structural Causes and Regime Consequence: Regime as Intervening Variables,” *International Organization*, Vol. 36, No. 2, (Spring, 1982), 186.

²²² Selznick, *Leadership in Administration*, 5.

²²³ Selznick, *Leadership in Administration*, 17.

²²⁴ Selznick, *Leadership in Administration*, 6.

development. The equation of the problem of cooperation in international relations with market failure has for a long time focused scholarly attention on the “bargaining stage” of institution building.²²⁵ Notwithstanding the effects of path dependence, an institution continues to evolve in adaptation to a changing external environment. As the following discussion will show, the conception of institution as an evolutionary process is particularly useful for understanding the relationship between leadership, institution and regionalism.

3.3.2 Institutional Leadership and Institutional Identity

The conception of institution as an evolutionary process underscores the centrality of leadership to institutional development in times of change. Leadership, Selznick argues, should not be equated with “office-holding or high prestige or authority or decision-making,” nor is efficiency its *raison d'être*.²²⁶ As “a specialized form of activity, a kind of work or function,” leadership steers institutional development by instilling into the social structure “special values and a distinctive competence.”²²⁷ Leadership is essential to an institution’s “self-maintenance,” which involves not only satisfaction and reconciliation of internal interests, but also maintenance and promotion of the institution’s identity against a changing external environment.²²⁸ A Leader is an “agent” who guides “a process that would otherwise occur more haphazardly, more readily subject to the accidents of circumstance and history.”²²⁹

The idea of leadership as the maintenance and promotion of an institution’s identity against external challenges distinguishes it from administration. Leadership deficit, in this regard, manifests itself in “an acute form” when an institution’s “survival” is mistaken as its successful adaptation to a changing external environment.²³⁰ Institutional leadership, Selznick argues, is embodied in the making of “critical decisions” that define the “character” of an institution, its underlying values

²²⁵ Stephen E. Krasner, “Global Communications and National Power: Life on the Pareto Frontier,” *World Politics*, Vol. 43, No. 3, (April, 1991), 342, 362; Karen J. Alter and Sophie Meunier, “The Politics of International Regime Complexity,” *Perspective on Politics*, Vol. 7, No. 1, (March 2009), 13-4. For the term “bargaining stage,” see Alexander Thompson, “Management Under Anarchy: The International Politics of Climate Change,” *Climate Change*, Vol. 78, No. 1, (September 2006), 9-12.

²²⁶ Selznick, *Leadership in Administration*, 2-3, 24.

²²⁷ Selznick, *Leadership in Administration*, 22, 27.

²²⁸ Selznick, *Leadership in Administration*, 20-1.

²²⁹ Selznick, *Leadership in Administration*, 27.

²³⁰ Selznick, *Leadership in Administration*, 27.

and “the distribution of the power to affect these values.”²³¹ These decisions concern personnel development, organization building and relations with other organizations.²³² In the context of international relations, “critical decisions” could be translated into decisions concerning membership, member states’ capacity building, institution building and the external relations of an international institution.

The application of Selznick’s concept of institutional leadership to the study of international institutions raises questions about institutional identity.²³³ Generally referring to an understanding of the self in relation to the other, identity remains a highly contested concept in IR and social sciences.²³⁴ Organizational theorists, who conceive of organizations in corporate terms, use the concept to refer to the essential, distinctive, enduring and collectively shared qualities of an organization.²³⁵ Selznick’s use of the terms “character” and “identity” corresponds with this conception of organization and organizational identity.²³⁶ In IR, however, anarchy and state-centrism have for a long time led scholars to see international institutions mainly as rules; those who consider institutions as actors have focused their attention, for example, on the influence of institutional bureaucracy on member states’ identity, interests and behavior.²³⁷

²³¹ Selznick, *Leadership in Administration*, 38-42, 57.

²³² Selznick, *Leadership in Administration*, 57-9.

²³³ Andrea Oelsner, “The Institutional Identity of Regional Organizations, Or Mercosur’s Identity Crisis,” *International Studies Quarterly*, Vol. 57, No. 1, (2017), 116-9.

²³⁴ Iver B. Neumann, “Self and Other in International Relations,” *European Journal of International Relations*, Vol. 2, No. 2, (1st June 1996), 139-74. For surveys of different definitions and typologies of identity, see James D. Fearon, “What is Identity (As We Now Use the Word)?” Stanford University, (3rd November 1999), <http://www.web.stanford.edu/group/fearon-research/cgi-bin/wordpress/wp-content/uploads/2013/10/What-is-Identity-as-we-now-use-the-word-.pdf>; Rawi Abdelal, Yoshiko M. Herrera, Alastair Iain Johnston and Rose McDermott (eds.) *Measuring Identity: A Guide for Social Scientists*, (Cambridge: Cambridge University Press, 2009).

²³⁵ See, for instance, Stuart Albert and David A. Whetten, “Organizational Identity” in Mary Jo Hatch and Majken Schultz (eds.), *Organizational identity: A Reader*, (Oxford: Oxford University Press, 2004), 89-118; Dennis A. Giola, Majken Schultz and Kevin G. Corley, “Organizational Identity, Image and Adaptive Instability,” *Academy of Management Review*, Vol. 25, No. 1, (2000), 63-81; Mary Jo Hatch and Majken Schultz, “The Dynamics of Organizational Identity,” *Human Relations*, Vol. 55, No. 8, (2002), 989-1018; Michael G. Pratt, Majken Schultz, Blake E. Ashforth and Davide Ravasi, “Introduction: Organizational Identity: Mapping Where We Have Been, Where We Are, and Where We Might Go” in Michael G. Pratt, Majken Schultz, Blake E. Ashforth, and Davide Ravasi (eds.) *The Oxford Handbook of Organizational Identity*, (Oxford: Oxford University Press, 2016), Oxford Handbook Online.

²³⁶ Pratt, Schultz, Ashforth and Ravasi, “Introduction: Organizational Identity.”

²³⁷ See, for instance, Michael Barnett and Martha Finnemore, *Rules for the World: International Organizations in Global Politics*, (Ithaca: Cornell University Press, 2004).

The rise of constructivism to prominence has produced a rich scholarship on the relationship between international institutions and identity formation, yet the focus has remained mostly on member states' identity.²³⁸ Nevertheless, collective identity formation often impacts institutional form. As Wendt argues, social identities are embodied in the self's "*identification* with the fate of the other."²³⁹ The level of social identification, which is crucial to the self's conception of its interests in relation to the other, conditions the possibility of collective action. Even though collective identity is not the precondition for the convergence of expectations and the establishment of an international institution, it determines the level of compliance and reciprocity.²⁴⁰ In this regard, institutional design, which reflects the level of compliance and reciprocity, is the embodiment of collective identity.

Yet an institution's values, structure and functions are at the same time the essential qualities that define itself in relation to others. As Oelsner argues, a "self-definition" or "self-concept" is essential to an international institution not only because it is a collective social actor but also because it is *itself* a social construct.²⁴¹ Identity gives an institution an understanding of its purpose in relation to the external environment and hence enables its action in the same way as it does to an individual social actor.²⁴²

Given the centrality of institution-building to the political construction of region, some scholars have in one way or another referred to institutional identity in the study of regionalism, even though none of them have attempted to elaborate on the term. In their study of NATO and EU enlargement, Fierke and Wiener argue that the

²³⁸ See, for instance, Audie Klotz, *Norms in International Relations: The Struggle Against Apartheid*, (Ithaca: Cornell University Press, 1995); Martha Finnemore, *National Interests in International Society*, (Ithaca: Cornell University Press, 1996); Peter J. Katzenstein (ed.), *Tamed Power: Germany in Europe*, (Ithaca: Cornell University Press, 1997); Emanuel Adler and Michael Barnett (eds.) *Security Communities*, (Cambridge: Cambridge University Press, 1998); Amitav Acharya, *The Quest for Identity: International Relations of Southeast Asia*, (Singapore: Oxford University Press, 2000); Jeffrey T. Checkel, "International Institutions and Socialization in Europe: Introduction and Framework," *International Organization*, Vol. 59, No. 4, (October 2005), 801-26; Johnston, *Social States*.

²³⁹ Alexander Wendt, "Collective Identity Formation and the International State," *The American Political Science Review*, Vol. 88, No. 2, (June 1994), 386.

²⁴⁰ *Ibid.*

²⁴¹ Oelsner, "The Institutional Identity of Regional Organizations, or Mercosur's Identity Crisis," 117.

²⁴² *Ibid.*

disappearance of a “border of order” separating “selves” and “others” in Europe after the end of the Cold War threatened the “institutional interests” and “identities” of the two organizations.²⁴³ From this perspective, enlargement represented the reconstitution of NATO and the EU’s institutional interests and identities.²⁴⁴ In East Asia, Bergsten argued that the challenge facing the region in the twenty-first century changed from economic to “political and especially institutional.”²⁴⁵ The absence of “significant institutions of its own” heightened the pressure on East Asia to search for its “institutional identity.”²⁴⁶ In his analysis of APT’s “institutional discourses,” Naber showed how communicative action between member states changed their identities, promoted institutional development and fostered an “institutional identity.”²⁴⁷

If region is an ideational construct continuously reproduced by “political power and purpose,” the identity of a regional institution is inseparable from that of the region itself.²⁴⁸ The making of a region implies the existence of a common identity and some form of order that governs interstate interactions.²⁴⁹ Whether or not a regional institution is capable of being an actor, its essential, distinctive and enduring features – membership, institutional structure and relations with the external environment – are embodiments of region and regional order.

The concept of institutional leadership provides a new perspective on China’s institutional behavior in APT and the SCO in three aspects. First, the decoupling of leadership from formal position of authority enables us to explain China’s pursuit of leadership in two regional institutions with consensus decision-making, one of which is formally led by ASEAN. Second, the concept underscores the nature of leadership

²⁴³ K. M. Fierke and Antje Wiener, “Constructing Institutional Interests: EU and NATO Enlargement,” *Journal of European Public Policy*, Vol. 6, No. 5, (December 1999), 726.

²⁴⁴ *Ibid.*

²⁴⁵ C. Fred Bergsten, “The New Asia Challenge,” Institute for International Economics, (March 2000), <https://piie.com/publications/wp/00-4.pdf>

²⁴⁶ Bergsten, “The New Asia Challenge,” 1.

²⁴⁷ Dirk Nabers, “The Social Construction of International Institutions: The Case of ASEAN+3,” *International Relations of the Asia-Pacific*, Vol. 3, No. 1, (1st February 2003), 113-36.

²⁴⁸ Peter J. Katzenstein, *A World of Regions: Asia and Europe in the American Imperium*. (Ithaca: Cornell University Press, 2005), 6-13, 21-2; Paul Evans, “Between Regionalism and Regionalization: Policy Networks and the Nascent East Asian Institutional Identity” in T. J. Pempel (ed.), *Remapping East Asia: The Construction of a Region*, (Ithaca: Cornell University Press, 2005), 206.

²⁴⁹ Bull, *The Anarchical Society*, 62-71; William R. Thompson, “The Regional Subsystem: A Conceptual Explication and a Propositional Inventory,” *International Studies Quarterly*, Vol. 17, No. 1, (March 1973), 93-101.

as situational and contextual.²⁵⁰ Historical institutionalism posits that institutional development proceeds with long periods of stability “punctuated” by short intervals of momentous change, wherein innovation occurs in response to crises.²⁵¹ There is no moment when leadership, or its lack thereof, is more decisive in determining the course of institutional development than a potential “critical juncture” like the global financial crisis.²⁵² Third, the concept enables us to explain the impasse of the two regional institutions regardless of the holding of annual summits, the issuance of joint statements and the approval of new work plans.

3.3.3 Leadership Behavior: Relationship and Task

While the concept of institutional leadership provides a starting point, additional tools are needed to explain how a leader in an international institution acts in response to external challenges. As mentioned above, leadership behavior is by nature multidimensional. From a social psychological perspective, Yukl, Gordon and Taber categorize leadership behavior into three dimensions and twelve forms.²⁵³ Paige, meanwhile, identifies eighteen dimensions of political leadership behavior.²⁵⁴

For the purpose here, this analytical framework returns to a two-dimensional view of leadership behavior as the combination of relationship and task.²⁵⁵ Relationship behavior is oriented toward followers. It represents a leader’s attempt to achieve collective purposes by empowering followers, facilitating their participation in decision-making and assisting them in the implementation of decisions.²⁵⁶ Relationship behavior, therefore, is also referred to as consideration/supportive/subordinate-centered behavior. Task behavior, in contrast, is

²⁵⁰ The understanding of situational leadership in international relations is different from that in social psychology. See G. John Ikenberry, “The Future of International Leadership,” *Political Science Quarterly*, Vol. 111, No. 3, (Fall 1996), 395-6.

²⁵¹ Verba, “Sequences and Development,” 299.

²⁵² Kent Calder and Min Ye. “Regionalism and Critical Junctures: Explaining the ‘Organization Gap’ in Northeast Asia,” *Journal of East Asian Studies*, Vol. 4, (2004), 199.

²⁵³ Gary Yukl, Angela Gordon and Tom Taber, “A Hierarchical Taxonomy of Leadership Behavior: Integrating a Half Century of Behavior Research,” *Journal of Leadership and Organizational Studies*, Vol. 9, No. 1, (2002), 15-32.

²⁵⁴ Paige, *The Scientific Study of Political Leadership*, 139-49.

²⁵⁵ For a detailed discussion of the literature, see Bernard M. Bass with Ruth Bass, *The Bass Handbook of Leadership: Theory, Research, & Managerial Applications* (4th ed.), (New York: Free Press, 2008); Gary Yukl, *Leadership in Organizations* (7th ed.), (Upper Saddle River: Prentice Hall, 2010), 458-572; 54-120, 224-59.

²⁵⁶ Yukl, Gordon and Taber, “A Hierarchical Taxonomy of Leadership Behavior,” 19-22.

directed at the tasks required for the accomplishment of collective purposes. It involves initiatives to define collective purposes, structure group activities or perform such tasks with the leader's power resources.²⁵⁷ Like relationship behavior, task behavior has been variously referred to as initiation of structure/deciding/boss-centered behavior.

This conception of leadership behavior is central to the behavioral and situational approaches that dominated leadership research in social psychology from the fifties to the eighties (Table 3.2).²⁵⁸ Despite criticisms, they provide useful "heuristic devices" for understanding China's leadership behavior in APT and the SCO. The behavioral approach is concerned with how variation in the balance between relationship and task behavior affects leadership effectiveness.²⁵⁹ The situational approach, meanwhile, aims to prescribe the optimum "mix" of leadership behavior under different situations.²⁶⁰ The shift in the scholarly focus since the eighties to transformational leadership has led many to consider change an important, independent dimension of leadership behavior. While I agree with the importance of change, the concept of institutional leadership, as the previous two sections have shown, already incorporates it as an essential attribute of leadership.²⁶¹ The two-dimensional view of leadership behavior enables us to explain how a leader, in its attempt to respond to external challenges, weighs the need to consider followers' interests against the need to achieve collective purposes on its own terms.

3.3.4 Context

²⁵⁷ Yukl, Gordon and Taber, "A Hierarchical Taxonomy of Leadership Behavior," 18-9.

²⁵⁸ For an overview of the development of leadership research in behavioral sciences, see Morela Hernandez, Marion B Eberly, Bruce J. Avolio, Michael D. Johnson, "The Loci and Mechanisms of Leadership: Exploring a More Comprehensive View of Leadership Theory," *The Leadership Quarterly*, Vol. 22, No. 6, (December 2011), 1165-85.

²⁵⁹ See, for instance, Robert Tannenbaum and Warren H. Schmidt, 'How to Choose a Leadership Pattern,' *Harvard Business Review*, Vol. 51, No. 3, (May/June, 1973), 3-12; Victor H. Vroom, 'Leadership and the Decision-Making Process,' *Organizational Dynamics*, Vol. 28, No. 4, (Spring, 2000), 82-94.

²⁶⁰ Robert J. House, 'Path-Goal Theory of Leadership: Lessons, Legacy, and a Reformulated Theory,' *Leadership Quarterly*, Vol. 7, No. 3, (Fall, 1996), 323-52; Paul Hersey and Kenneth H. Blanchard, *Management of Organizational Behavior: Utilizing Human Resources* (6th ed.), (Englewood Cliffs: Prentice Hall, 1993).

²⁶¹ Yukl, Gordon and Taber, "A Hierarchical Taxonomy of Leadership Behavior," 16, 22-3.

If institutional leadership is crucial in determining the path of institutional change in times of crisis, it is likely to be motivated by some degree of innovation.²⁶² Nevertheless, how a leader responds to external challenges depends on the context in which it finds itself. Four factors – capability, positional authority, trust and task – structure the constraints and opportunities of leadership behavior.

3.3.4.1 Capability

Capability does not determine the outcomes of a leader’s behavior or leadership competition but defines the possibilities of leadership in terms of its form and domain. For the purpose here, I disaggregate capabilities into two domains: first, politics and security; and second, economy, society and culture. A leader’s capabilities are proportional to its potential control over task implementation. High capabilities enable a leader to perform functional tasks with low uncertainty and interdependence-through unilateral action, whereas low capabilities require it to mobilize collective efforts and hence entail a higher degree of follower participation in decision-making. Nevertheless, as I will show in 3.3.4.4, a leader’s degree of control over a task depends not only on its capabilities but also on the structure of the task itself.

Equally important are the capabilities of followers. According to Hersey and Blanchard, followers’ “ability” and “willingness” to accomplish their assigned tasks determine the optimal balance between relationship and task behavior in the exercise of effective leadership.²⁶³ House and Mitchell, meanwhile, argue that followers’ “perception of their abilities” affect their level of acceptance toward a leader’s task behavior.²⁶⁴ Followers with high capabilities require lower level of support and have greater incentives to participate in decision-making or take initiatives; hence they have lower level of acceptance toward their leader’s task behavior. On the contrary, followers with low capabilities would give a leader with high capabilities greater control over task implementation.

²⁶² Calder and Ye. “Regionalism and Critical Junctures,” 199.

²⁶³ Hersey and Blanchard, *Management of Organizational Behavior*, 188-92.

²⁶⁴ Robert J. House and Terence R. Mitchell, “Path-Goal Theory of Leadership,” Office of Naval Research, (April 1975), 6, <http://www.dtic.mil/dtic/tr/fulltext/u2/a009513.pdf>;

The immanence of competition and conflict to leadership underscores not only the importance of capabilities but also their distribution in both the institution and what Underdal calls the “basic game,” the “system of activities” that comprise the domain.²⁶⁵ Distribution of capabilities defines the possibilities of institutional leadership by defining the parameters of “critical decisions” concerning membership, members’ capacity building, institution building and the institution’s external relations. The more symmetric the distribution of capabilities within an institution is, the greater the likelihood of competition for and decentralization of leadership. The existence of a single dominant power, in contrast, is more likely to result in centralized leadership. Meanwhile, the more rapid the change in the distribution of capabilities is, the greater the uncertainty of member states and the need for relationship behavior.²⁶⁶

3.3.4.2 Positional Authority

A leader’s ability to promote an institution’s identity and its adaptation to a changing external environment depends not only on itself but also on the institutional context. Of all dimensions of institutional design, decision-making structure has decisive influence on leadership behavior. As I mentioned in 3.2.1, to secure weaker states’ participation and cooperation, the rules and norms of an institution need to enable them to protect their interests. Capabilities, therefore, often do not convert fully to positional authority over decision-making. In a formal institution with “strong” rules and norms, institutional leadership is likely to be based on a leader’s position and its prescribed authority.²⁶⁷ A decision-making structure that reflects the distribution of capabilities, such as the weighted decision-making structure of the IMF and the World Bank, gives a powerful state greater incentives to lead by employing its “organizationally dependent capabilities.”²⁶⁸ In contrast, consensus decision-making in an informal institution like APT or the SCO gives every member state *de facto* veto over a leader’s

²⁶⁵ Burns, *Leadership*, 18; Underdal, ‘Leadership Theory,’ 183-4; Randall L. Calvert, ‘Leadership and its Basis in Problems of Social Coordination,’ *International Political Science Review*, Vol. 13, No. 1, (1992), 8-13.

²⁶⁶ Joseph M. Grieco, “Systemic Sources of Variation in Regional Institutionalization in Western Europe, East Asia, and the Americas,” in Edward D. Mansfield and Helen V. Milner (eds.), *The Political Economy of Regionalism*, (New York: Columbia University press, 1997), 175-83.

²⁶⁷ For a typology of international institutions, see John Duffield, “What are International Institutions,” *International Studies Review*, Vol. 9, (2007), 1-22.

²⁶⁸ Keohane and Nye, *Power and Interdependence*, 55. See also Jonas Tallberg, “The Power of the Presidency: Brokerage, Efficiency and Distribution in EU Negotiations,” *JCMS: Journal of Common Market Studies*, Vol. 42, No. 5, 999-1022; Stacie E. Goddard, “Brokering Change: Networks and Entrepreneurs in International Politics,” *International Theory*, Vol. 1, No. 2, (2009), 249-81.

initiatives. On the other hand, this explains why a powerful state in an informal institution has greater incentives to exercise leadership through informal or extra-institutional channels.²⁶⁹

3.3.4.3 Trust

However powerful a leader might be, the outcomes of its initiatives hinge on the level of trust between itself and followers. As mentioned in 3.1, trust refers to followers' belief that the leader, when given discretion, will cooperate with rather than exploit them.²⁷⁰ Nevertheless, it is far more difficult to establish trust in the anarchic international system than other hierarchical social systems, and even more so in times of rapid shift in the distribution of capabilities.²⁷¹ Although international institutions are more often than not established upon some degree of trust between member states, their operation does not presume continued trust between them. As Hoffman argues, institutionalized rules and norms in theory obviate the need of trust by eliminating the threat of defection.²⁷² While there are different ways to measure trust, for the purpose here the most relevant and important indicator is the degree to which followers' perception of a leader's trustworthiness would lead the former to give the latter "discretion over outcomes previously controlled by themselves."²⁷³

3.3.4.4 Task Structure

Although trust might not be necessary to an institution's operation, it defines the possibilities of leadership behavior by determining what tasks a leader could accomplish. Indeed, task structure has long been considered a decisive factor in leadership behavior.²⁷⁴ For the purpose here, the structure of a task is defined by its

²⁶⁹ For informal governance, see Randall W. Stone, *Controlling Institutions: International Organizations and the Global Economy* (Cambridge: Cambridge University Press, 2011).

²⁷⁰ Hoffman, "A Conceptualization of Trust in International Relations," 376-7; Kydd, *Trust and Mistrust in International Relations*, 6.

²⁷¹ Grieco, "Systemic Sources of Variation in Regional Institutionalization in Western Europe, East Asia, and the Americas," 175-83. See also Joseph M. Grieco, *Cooperation Among Nations: Europe, America, and Non-Tariff Barriers to Trade*, (Ithaca: Cornell University Press, 1990).

²⁷² Hoffman, "A Conceptualization of Trust in International Relations," 378.

²⁷³ Hoffman, "A Conceptualization of Trust in International Relations," 385.

²⁷⁴ House and Mitchell, "Path-Goal Theory of Leadership," 5; Fred F. Fiedler, *A Theory of Leadership Effectiveness*, (New York: McGraw-Hill Book Company, 1967), 25-8.

Table 3.2 Example Taxonomies of Leadership in Social Psychology

	Leader-Oriented		Follower-Oriented	
Tannenbaum and Schmidt (1973)	Decide	Sell	Propose a decision and then solicit questions	Propose "a tentative decision subject to change"
Vroom (2000)	Decide	Consult Individually	Consult Group	Facilitate
House and Mitchell (1975)	Directive	Supportive	Participative	Achievement-Oriented
Hersey and Blanchard (1993)	Directing	Coaching	Supporting	Delegating
Manz and Sims Jr. (2001)	Strongman	Transactor	Visionary Hero	Super-Leader

Task-Oriented

Relationship-Oriented

degree of uncertainty and interdependence.²⁷⁵ The higher in the “complexity,” “variability” and “unpredictability” of a task, the lesser the control a leader can exercise over its implementation. Implementation of a task with high uncertainty tends to require group coordination and hence relationship behavior.²⁷⁶ Task interdependence, meanwhile, refers to the degree to which the implementation of an individual group member’s task depends on other group members. The higher task interdependence is, the greater the need will be for relationship behavior.²⁷⁷ A high level of trust is essential to the implementation of tasks with high uncertainty and interdependence, such as the creation of a free trade area, the adoption of a single currency or the establishment of a supranational institution, which often involve concessions on sovereignty.

3.3.5 Six Types of Leadership Behavior

The contextual factors discussed above influence how a leader promotes an institution’s identity and its adaptation to a changing external environment. The analytical framework identifies six ideal types of leadership behavior with varying combinations of relationship and task – delegating, supporting, brokering, soft selling, hard selling and directing (Table 3.3).

3.3.5.1 Delegating

At one end of the spectrum is delegating, which involves the highest degree of orientation toward relationship and decentralization of leadership.²⁷⁸ A leader delegates by “empowering” followers, giving them discretion over decision-making and task implementation within specified limits.²⁷⁹ A leader chooses to delegate often when it is the single dominant power in an international institution with corresponding positional authority; when followers possess considerable capabilities; when there is a high degree of trust in leader-follower relations; and when the tasks have a relatively

²⁷⁵ Andrew H. Van De Ven, André L. Delbecq and Richard Koenig, Jr., “Determinants of Coordination Modes within Organizations,” *American Sociological Review*, Vol. 41, (April 1976), 324-5.

²⁷⁶ Van De Ven, Delbecq and Koenig, Jr., “Determinants of Coordination Modes within Organizations,” 324.

²⁷⁷ Van De Ven, Delbecq and Koenig, Jr., “Determinants of Coordination Modes within Organizations,” 324-5.

²⁷⁸ Tannenbaum and Schmidt, ‘How to Choose a Leadership Pattern,’ 5.

²⁷⁹ Yukl, Gordon and Taber, “A Hierarchical Taxonomy of Leadership Behavior,” 21-2.

low degree of uncertainty and interdependence. Delegating, however, should not be equated with relinquishment of leadership. While monitoring followers' behavior and the progress of cooperation, the leader is ready to shift to supporting by assisting followers' performance of their assigned tasks, or to directing in case of exigencies. An approximate example of delegating is the IMF, wherein the United States has delegated management responsibilities to its European allies.²⁸⁰

3.3.5.2 Supporting

A leader is unlikely to delegate when faced with a crisis; supporting, on the other hand, is central to a great power's attempt to mobilize and sustain collective action in response to external challenges. Whereas Yukl, Gordon and Taber identify "considering," "consulting" and "developing" as supporting, I classify developing as supporting and the other two brokering.²⁸¹ Supporting involves a high degree of input from followers into decision-making. What distinguishes it from delegating, however, is followers' incapacity to perform the tasks necessary to the promotion of an institution's identity and its adaptation to a changing external environment. By providing public goods or assisting followers' capacity building with its capabilities, a leader demonstrates its trustworthiness and commitment to the collective purposes that are decided upon consensus. An approximate example of supporting is the United States' leadership "from behind" in NATO's military operation in Libya.²⁸²

3.3.5.3 Brokering

Brokering is equivalent to what Young calls "entrepreneurial leadership."²⁸³ Like supporting, it is characterized by a high level of input from followers into decision-making. Nevertheless, brokering depends not so much on a leader's possession of advantageous capabilities as its ability to set the agenda and build consensus.²⁸⁴ A leader engages in brokering by "consulting" followers as a group, giving due consideration to their input into decision-making, and identifying a "zone of possible

²⁸⁰ Jacob Katz Cogan, "Representation and Power in International Organization: the Operational Constitution and its Critics" in Edward Kwakwa (ed.) *Globalization and International Organization*, (Farnham: Ashgate, 2011), 141-2.

²⁸¹ Yukl, Gordon and Taber, "A Hierarchical Taxonomy of Leadership Behavior," 20.

²⁸² Roger Cohen, "Leading from Behind," *The New York Times*, (31st October 2011), <https://www.nytimes.com/2011/11/01/opinion/01iht-edcohen01.html>

²⁸³ Stacie E. Goddard, "Brokering Change: Networks and Entrepreneurs in International Politics

²⁸⁴ Young, 'Political Leadership and Regime Formation,' 293-8.

agreement.”²⁸⁵ In this regard, the leader defines collective purposes not so much by introducing original ideas as combining or elaborating on the input from followers. If the leader is a powerful state, it is likely to demonstrate a high degree of readiness to compromise in order to sustain the momentum of cooperation. Although brokering does not necessarily require the leader to hold a high position in a hierarchical structure, it often occupies an important node within an institution that allows it to utilize “organizationally dependent capabilities” to promote cooperation.²⁸⁶ Crucial to the implementation of tasks with high uncertainty and interdependence, brokering hinges on high level of trust from followers.²⁸⁷ In East Asia, ASEAN has for a long time engaged in brokering through its web of regional institutions. Nevertheless, as chapters four and five will show, it was increasingly incapable of steering the development of APT and East Asian regionalism after the global financial crisis.

3.3.5.4 Soft Selling

Whereas delegating, supporting and brokering are oriented toward relationship, soft selling is defined by the precedence of task over relationship.²⁸⁸ A leader engages in soft selling when it proposes an initiative to accomplish a collective purpose. By providing a “frame of reference” for understanding the purpose and the means to achieve it, soft selling exhibits a lower degree of readiness on the leader’s part to compromise than brokering, though it is likely to consult followers as a group and remain open to change.²⁸⁹ Depending on its capabilities, the leader seeks to sell its initiative by example or through persuasion, remuneration or a mix of both. Combining some aspects of “entrepreneurial” and “intellectual” leadership, soft selling has been practiced by many middle powers. For instance, South Korea’s proposal of the establishment of a “financial safety net” at the G20 is an example of soft selling.²⁹⁰

²⁸⁵ David A. Lax and James K Sebenius, *The Manager as Negotiator: Bargaining for Cooperation and Competitive Gain*, (New York: The Free Press, 1987).

²⁸⁶ Goddard, “Brokering Change,” 259; Keohane and Nye, *Power and Interdependence*, 31-2, 35, 55.

²⁸⁷ *Ibid.*

²⁸⁸ For the idea of selling, see Tannenbaum and Schmidt, ‘How to Choose a Leadership Pattern,’ 249-81.

²⁸⁹ For the concept of “framing,” see John S. Odell, *Negotiating Trade: Developing Countries in the WTO and NAFTA*, (Cambridge: Cambridge University Press, 2006), 19.

²⁹⁰ Andrew F. Cooper and Mo Jongryn, “The Middle 7 Initiative,” in Mo Jongryn (ed.) *Middle Powers and G20 Governance*, (New York: Palgrave MacMillan, 2012), 117.

3.3.5.5 Hard Selling

Compared with soft selling, hard selling is marked by an even higher degree of orientation toward task. A leader engages in hard selling when it attempts to define collective purposes and implement them on its own terms. Equivalent to a combination of structural leadership and what Underdal calls “leadership through unilateral action,” hard selling requires the leader to possess advantageous capabilities, as it seeks to exercise a high level of control over task implementation. The emphasis on results, meanwhile, requires the task to have a low level of uncertainty and interdependence. With little incentives to compromise but unable to enforce cooperation, the leader is likely to engage followers selectively or individually rather than as a group, especially when there exist divergent interests and preferences among group members. In an informal institution, as I mentioned in 3.3.4.2, a leader might resort to the use or establishment of parallel structures of cooperation. Marked by low level of follower participation, hard selling could affect the level of trust between leader and followers. The United States’ attempt to expand NATO’s membership under both the Clinton and Bush administrations is an approximate example of hard selling.

3.3.5.6 Directing

At the other end of the spectrum of leadership behavior is directing, which has the highest degree of orientation toward task. A leader, which is usually the single dominant power within an international institution, directs when it dictates decision-making and enforce task implementation. The leader acts through the existing channels within the institution if its dominance is formalized in the decision-making structure. On the other hand, if the leader is unable to control outcomes and behavior through existing channels, it will have greater incentives to direct through informal channels. Since the leader seeks to maximize its control over decision-making and task implementation, directing involves minimal follower participation in decision-making. What distinguishes directing from hard selling is the use of coercion or the threat of it. In this regard, my conception of directing is distinct from what Malnes or Parker and Karlsson call “directional leadership.”²⁹¹ Whereas they exclude coercion from

²⁹¹ Malnes, “‘Leader’ and ‘Entrepreneur’ in International Negotiations,” 95-9; Parker and Karlsson, “Leadership in International Cooperation,” 586.

Table 3.3 Six Ideal Types of Leadership Behavior

		Relationship-Oriented			Task-Oriented		
		Follower-Oriented			Leader-Oriented		
		<i>Delegating</i>	<i>Supporting</i>	<i>Brokering</i>	<i>Soft Selling</i>	<i>Hard Selling</i>	<i>Directing</i>
<i>Capability</i>	Leader	High	High	Variable	Variable	High	High
	Followers	High	Low	Variable	Variable	Low	Low
	Distribution	Uneven	Uneven	Variable	Variable	Uneven	Uneven
<i>Positional Authority</i>		High	Variable	High	Variable	Variable	Variable
<i>Trust</i>		High	Variable	High	Variable	Variable	High
	Uncertainty	Low	Low	High	High	Low	Low
<i>Task</i>		Low	Low	High	High	Low	Variable
	Interdependence	Low	Low	High	High	Low	Variable
<i>Concepts</i>		Delegation	Structural Unilateral Action	Entrepreneurial Instrumental	Entrepreneurial Directional Intellectual Idea-based	Structural Unilateral action	Structural Coercive

leadership, I demonstrated in 3.1 and 3.2.1 that the two concepts are inseparable. Success in directing, therefore, requires a high degree of trust between leader and followers. An example of directing is the United States' attempt to direct the cooperation of member states of the Coordinating Committee for Export Controls in tightening Western technology export control to Communist countries during the Cold War.²⁹²

3.4 Conclusion

This chapter has developed an analytical framework of leadership behavior. The framework proceeds from Selznick's concept of institutional leadership as the ability to promote an institution's identity and its adaptation to a changing external environment. Institutional leadership instills "values" and "competence" into an institution through "critical decisions" concerning membership, member states' capacity building, institution building and external relations. How a leader acts in response to external challenges, though, depends on how it weighs the need to consider followers' interests against the need to accomplish collective purposes on its own terms. Variation in contextual factors – capability, positional authority, trust and task structure – influences a leader's calculation and hence its behavior. Based on a two-dimensional view of leadership as the combination of relationship and task, the analytical framework identifies six ideal types of leadership behavior: delegating, supporting, brokering, soft selling, hard selling and directing.

In chapters four to seven, I will apply the analytical framework to explain China's leadership behavior in APT and the SCO in the first decade after the global financial crisis. Born out of the critical junctures in the international politics of East and Central Asia, APT and the SCO have since their establishment suffered from leadership deficit. The global financial crisis, which generated pressure for institutional adaptation to external and internal changes, was a moment when institutional leadership was more important than ever in determining the trajectory of APT and the SCO's development. China's quest for institutional leadership was

²⁹² Lisa L. Martin, *Coercive Cooperation: Explaining Multilateral Economic Sanctions*, (Princeton: Princeton University press, 1992), 169-203.

integral to its attempt to renegotiate the international order and its role in it on its own terms.

Contextual factors defined the possibilities of China's leadership behavior. Different distributions of capabilities in security and economics explained why China's leadership activities in both the economically-oriented APT and the security-oriented SCO were concentrated in the economic domain. Informality and consensus decision-making, meanwhile, precluded Beijing from dictating decisions and enforcing cooperation. Domestic and international pressure for change, however, led task to take precedence over relationship, as manifested in China's behavioral change from supporting and soft selling under Hu Jintao to hard selling under Xi Jinping. Nevertheless, although capability growth increased Beijing's capacity to exercise leadership in institution and capacity building, member states' mistrust of the rising power continued to confine Chinese institutional leadership to functional tasks in the economic domain with low uncertainty and interdependence. In short, while China was able to provide what other member states needed, it was unable to unite them as a group behind its purpose.

4. The Hu Jintao Administration and Chinese Institutional Leadership in ASEAN Plus Three, 2007-2012

The previous chapter laid out the analytical framework for explaining China's leadership behavior in international institutions. Institutional leadership is embodied in the ability to maintain and promote an institution's identity by steering its adaptation to a changing external environment. It involves the making and implementation of "critical decisions" on an institution's membership, members' capacity building, institution building and external relations. How a leader acts in response to external challenges, however, depends on how it weighs the need to accommodate followers' interests against the need to accomplish its objective. Contextual factors including capability, positional authority, trust and task structure influence a leader's calculation and hence its behavior. The analytical framework identifies six types of leadership behavior: delegating, supporting, brokering, soft selling, hard selling and directing. In this and the next three chapters, I will apply the analytical framework to explaining China's leadership behavior in APT and the SCO in the first decade after the global financial crisis.

This chapter examines China's quest for institutional leadership in APT during the Hu Jintao administration's second term. Born out of the Asian financial crisis and the closest embodiment of the Chinese vision of East Asian order, APT seemed to provide the ideal platform for the rising power to renegotiate the geopolitical definition of the region. Beijing sought to promote the thirteen-member institution's identity and its adaptation to a changing international environment through supporting and soft selling. China's greatest achievement lay in financial cooperation, wherein it shared joint leadership with Japan in institution and capacity building. Nevertheless, structural, political and institutional constraints meant that China's leadership activities were concentrated in the economic domain. Low level of trust, in particular, confined its institutional leadership to functional tasks with low level of uncertainty and interdependence. Notwithstanding the shifting balance of power between China and Japan, Beijing trailed behind Tokyo in its supply of regional public goods throughout the Hu Jintao administration's second term. In short, China was able to

provide what other member states needed but unable to rally them as a group behind its purpose. The contestation over the “critical decisions” on APT’s development marked China’s failure to remake East Asia on its own terms. Whereas the rising power sought to anchor East Asia to APT, other regional stakeholders balanced its growing influence by incorporating the region into the larger constructs of “ASEAN Plus Six,” the Asia-Pacific or the Indo-Pacific.

4.1 Origins, Structure and Operation

4.1.1 The Unfulfilled Promise of East Asian Regionalism

Established by the ten ASEAN countries with China, Japan and Korea in December 1997, APT represents a “critical juncture” in East Asian regionalism.¹ However, the impasse of the exclusively East Asian institution since then has testified to both the contested nature and durability of the “East Asian regional bargain” since the end of the Second World War.² As an “external” hegemon, the United States established regional security dominance with a bilateral “hub-and-spokes” system of alliances and partnerships. Economically, while condoning anti-communist regimes’ authoritarianism and their pursuit of state-led development, the superpower precluded its exclusion from or entanglement in regional institutions by keeping regionalism “soft” and “open.”³ No less important than American foreign policy in the geopolitical reconstruction of East Asia has been the legacy of colonialism, which shaped not only the making of nation-states in the region but also the rules and norms that govern their relations.⁴

While the “hub-and-spokes” system has continued to buttress American security dominance, three dynamics have influenced the evolution of East Asian

¹ Calder and Ye, “Regionalism and Critical Junctures,” 208-13.

² For the term “East Asian regional bargain,” see G. John Ikenberry, “American Hegemony and East Asian Regional Order,” *Australian Journal of International Affairs*, Vol. 58, No. 3, 353-67.

³ Barry Buzan, *The United States and the Great Powers: World Politics in the Twenty-First Century*, (Cambridge: Polity, 2004), 104; Andrew Hurrell, “Hegemony, Liberalism and Global Order: What Space for Would-be Great Powers?” *International Affairs*, Vol. 82, No. 1, (2006), 9.

⁴ Amitav Acharya, “The Evolution of Norms: The Social Construction of Non-Interference in Asian Regionalism,” <http://amitavacharya.com/sites/default/files/The%20Evolution%20of%20Norms.pdf>

economic order.⁵ From the top of the regional state system, the United States, together with Japan and Australia, have sought to integrate East Asia into the broader geoeconomic construct of the Asia-Pacific. Beginning with Kiyoshi Kojima's idea of a "Pacific Economic Community," successive governmental and non-governmental initiatives led to the establishment of the Asia-Pacific Economic Cooperation (APEC) in 1989.⁶ While exclusive regional integration was ruled out under the "East Asian regional bargain," another dynamic of "soft" and "open" regionalism arose from the bottom of the regional state system with the establishment of ASEAN in 1967. Originally founded for dispute settlement and non-traditional security cooperation in Southeast Asia, ASEAN has assumed the "driver's seat" in East Asian regionalism through the building of a web of informal mechanisms. No less important than the state-driven processes of regionalism has been the process of regionalization led by non-state actors, which has deepened regional interdependence by creating a complex web of production networks.⁷

The end of the Cold War changed the equilibrium of dynamics in the remaking of East Asia. Freed from ideological and military competition against another superpower, the United States intensified its promotion of economic liberalization – or what came to be known as the "Washington Consensus" – in the region. Parallel to the advent of the American "unipolar moment" was the rise of China, which, together with other former Communist bloc countries, were reintegrated into the regional order. The United States and China's "parallel resurgence" resulted in the formation of what some Chinese scholars conceive as a "dual-centric" regional order, wherein Washington and Beijing became respectively the security and economic "nucleus."⁸

⁵ For an overview of regionalism and regionalization in East Asia, see Richard Pomfret, *Regionalism in East Asia: Why has it flourished since 2000 and how far will it go?*, (Singapore: World Scientific, 2011).

⁶ Kiyoshi Kojima, "A Pacific Economic Community and Asian Developing Countries," *Hitosubashi Journal of Economics*, Vol. 7, No. 1, (June 1966), 17-37, <http://hermes-ir.lib.hit-u.ac.jp/rs/bitstream/10086/8072/1/HJeco0070100170.pdf>

⁷ See, for instance, Dennis Tachiki, "Between Foreign Direct Investment and Regionalism: The Role of Japanese Production Networks" and Natasha Hamilton-Hart, "The Regionalization of Southeast Asian Business: Transnational Networks in National Contexts" in T. J. Pempel (ed.) *Remapping East Asia: The Construction of a Region*, (Ithaca: Cornell University Press, 2005), 149-91.

⁸ Goh, *The Struggle for Order*, 4-5. For the conception of a "dual-centric" East Asian regional order, see Gao, "Structural Transformation in the Periphery and Strategy Adjustment Under the Rise of China," 33-8.

The impact of globalization and liberalization, together with growing dissatisfaction with the dominance of the United States, Canada and Australia in APEC, engendered a shared belief among East Asian states in the need for unity in the face of regional challenges.⁹ This belief was manifested first in Malaysian Prime Minister Mahathir Mohammad's proposal of an East Asian Economic Group (EAEG), later renamed the East Asian Economic Caucus (EAEC). However, like South Korea's "Asian Common Market" in 1970 or Japan's "Asian Network" in 1988, Mahathir's brainchild was to no avail in the face of opposition from the United States, Japan, Australia and other ASEAN countries.¹⁰

Comprised essentially of what are now the member states of APT, EAEC represented an ongoing attempt by regional states to renegotiate the geopolitical definition of East Asia in terms of its membership, structures and values. Although it was unsuccessful, an embryonic regional identity began to take shape in the Asia-Europe Meeting (ASEM) in 1996, when China, together with Japan and South Korea, participated at ASEAN's invitation as "Asia's representatives."¹¹ While ASEM itself is seen by some as another "anti-regional" initiative, the grouping of ten Southeast and Northeast Asian countries paved the way for APT cooperation.¹²

4.1.2 ASEAN Plus Three and East Asian Regionalism

A "critical juncture" in East Asian regionalism came with the 1997 Asian financial crisis. APEC and ASEAN's lack of both capacity and political will to provide support compelled East Asian states to seek assistance from outside the region. Much to their resentment, however, the United States adopted a "hands-off" attitude, while the IMF imposed stringent conditions on its "adjustment and reform programs."¹³ This gave rise to what Higgott calls the "politics of resentment."¹⁴ To many across East Asia, not

⁹ Stubbs, "ASEAN Plus Three," 446-7.

¹⁰ Stubbs, "ASEAN Plus Three," 441-2.

¹¹ Stubbs, "ASEAN Plus Three," 442.

¹² For the concept of "anti-region," see Shaun Breslin, "Comparative Theory, China, and the Future of East Asian Regionalism(s)," *Review of International Studies*, Vol. 36, No. 3, (July 2010), 727.

¹³ Walden Bello, "The Asian Financial Crisis: Causes, Dynamics, Prospects," *Journal of the Asia Pacific Economy*, Vol. 4, No. 1, (1999), 40-7; Phillip Y. Lipsy, "Japan's Asian Monetary Fund Proposal," *Stanford Journal of East Asian Affairs*, Vol. 3, (Spring 2003), 95, https://web.stanford.edu/~plipsy/lipsy_amf.pdf ;

¹⁴ Richard Higgott, "The Asian Economic Crisis: A Study in the Politics of Resentment," *New Political Economy*, Vol. 3, No. 3, (1998), 333-56.

only did the IMF “misdiagnose” the crisis; its rescue programs exhibited double-standards and caused immense domestic upheavals in Thailand and Indonesia.¹⁵

Like Mahathir’s EAEC, Japan’s proposal of an Asian Monetary Fund (AMF) was aborted due to strong opposition from the United States and the IMF.¹⁶ China, which did not support Japan’s proposal, projected itself as a “responsible great power” and won praise across the region by not devaluing the *renminbi* while providing financial assistance to Thailand and Indonesia, even though some attributed one of the causes of the crisis to Beijing’s devaluation of the *renminbi* in 1994.¹⁷ Incapable of tackling the crisis on its own, ASEAN invited the leaders of the two regional powers and South Korea to meetings on the sidelines of the ASEAN Summit in Kuala Lumpur on 16th December 1997. The meetings marked the birth of APT and an exclusively East Asian regionalism, as encapsulated by the publication of the first East Asian Vision Group (EAVG I) report on the building of an “East Asian community” in 2001.¹⁸

APT’s significance consists not only in the aggregate weight of the member economies – which increased from 19% of world GDP in 1998 to 27% in 2017 – but also in the conception of region it represents.¹⁹ As the closest embodiment of the Chinese conception of East Asia – which, according to Zhang Yunling, includes China, Japan, the Koreas, Mongolia and the ten ASEAN countries but excludes the United States and other external powers – APT provided Beijing with a structure to consolidate the boundaries and values of the region.²⁰ As I mentioned in chapter two, China’s accession to the WTO and the United States’ shift of strategic focus after

¹⁵ Higgott, “The Asian Economic Crisis,” 346-50; Bello, “The Asian Financial Crisis,” 40-7; Stubbs, “ASEAN Plus Three,” 448-9.

¹⁶ Lipsy, “Japan’s Asian Monetary Fund Proposal,” 93-6.

¹⁷ *Ibid.* The argument that China’s devaluation of the *renminbi* was one of the causes of the Asian Financial Crisis is subject to debate. See, for example, Morris Goldstein, *The Asian Financial Crisis: Causes, Cures, and Systemic Implications*, (Washington DC: Institute for International Economics, 1998), 20; John Fernald, Hali Edison and Prakash Loungani, “Was China the First Domino? Assessing Links between China and Other Asian Economies,” *Journal of International Money and Finance*, Vol. 18, (1999), 515-35.

¹⁸ “Toward an East Asian Community: Region of Peace, Prosperity and Progress,” East Asian Vision Group, (2001), http://www.asean.org/storage/images/archive/pdf/east_asia_vision.pdf

¹⁹ “GDP, Current Prices, Billions of U.S. Dollars,” International Monetary Fund, <http://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD>

²⁰ Goh, *The Struggle for Order*, 28-71; Zhang, “The Return of China’s Periphery-based Regional Outlook and the Construction of New Order,” 12, fn. 1.

September 11 gave the rising power an “important strategic opportunity” to deepen relations with its neighbors. In 2002, China became the first dialogue partner to conclude a framework free trade agreement with ASEAN. One year after, it was again the first to accede to the Treaty of Amity and Cooperation in Southeast Asia (TAC) and form a strategic partnership with the Association. China also achieved a breakthrough in Northeast Asian cooperation in the same year when it issued with Japan and South Korea a “Joint Declaration on the Promotion of Tripartite Cooperation.”

The shifting balance of power and competing visions of East Asia turned regionalism into the locus of leadership competition. In the views of Chinese scholars, Japan began from the turn of the century on to perceive China as a strategic opponent and balance its growing influence.²¹ The attempt of the United States, Japan and some ASEAN countries to prevent the rising power from dictating the geopolitical definition of East Asia became manifest in the contestation over the “critical decisions” concerning the membership and institution building of the East Asia Summit (EAS) in 2005. The original proposal of EAS as APT’s succeeding body with the same membership, while preferred by China and Malaysia, was opposed not only by the United States but also by other member states.²² At the insistence of Japan, Indonesia and Singapore, EAS was eventually established as a parallel body comprised of not only APT countries but also India, Australia and New Zealand.²³ The need to mitigate mistrust among neighboring states led Wen Jiabao to reaffirm at the 2005 APT Summit that China “had no intention to seek dominance over regional cooperation”²⁴ At the first EAS two days after, however, he expressed Beijing’s opposition to “any regional cooperation that was closed, exclusive and targeted at any single party.”²⁵

²¹ Interviewee 14, Beijing, 14th April 2016.

²² Mohan Malik, “China and the East Asia Summit: More Discord than Accord,” Asia-Pacific Center for Security Studies, (February 2006), 1-6,
<http://apcss.org/Publications/APSSS/ChinaandEastAsiaSummit.pdf>

²³ *Ibid.*

²⁴ Jiabao Wen [温家宝], “Consolidating and Deepening Cooperation, Jointly Creating a Promising Future – Premier Wen Jiabao’s Remarks at the Ninth ASEAN Plus Three Summit” [巩固深化合作, 共创美好未来—温家宝总理在第九次东盟与中日韩领导人会议上的讲话], Ministry of Foreign Affairs, (12th December 2005),
http://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/lhg_682542/zyjh_682552/t226065.shtm

²⁵ Jiabao Wen [温家宝], “Upholding Openness and Inclusiveness, Achiving Mutual Benefits and Win-Win – Premier Wen Jiabao’s Remarks at the First East Asia Summit” [坚持开放包容, 实现互利

EAS, according to Central Party School researcher Han Airong, marked the first “fragmentation” of the East Asian architecture.²⁶ Although ASEAN kept its “driver’s seat” in regional cooperation, capability deficit and internal division rendered the Association increasingly incapable of promoting APT’s identity and its adaptation to a changing international environment.²⁷ The global financial crisis provided China with an opportunity to exercise institutional leadership in the thirteen-member institution and reinvigorate East Asian regionalism. As this and the following chapter are going to show, however, the impasse and fragmentation of APT reflected the intensifying contestation over the geopolitical definition of East Asia. Whereas China under Hu Jintao sought to anchor East Asia to APT, the United States, Japan and some ASEAN countries sought to balance the rising power’s growing influence by incorporating the region into the broader geopolitical constructs of “ASEAN Plus Six,” the Asia-Pacific or the Indo-Pacific.

4.1.3 Institutional Structure and *Modus Operandi*

Comprised of 65 mechanisms across 24 issue-areas, APT is not so much a single institution as a complex of mechanisms and bodies. Its foundation consists of the three “ASEAN Plus One” frameworks of dialogue relations between ASEAN and China, Japan and South Korea. The supreme body is the annual heads of state/government summit, which is held in parallel with the three “ASEAN Plus One” summits on the sidelines of the ASEAN Summit. Under the summit is a web of meeting mechanisms, including sixteen at (vice-)ministerial level, twenty at senior official level, one at permanent representative level, two at (deputy-)director-general level, twenty at technical levels and five at non-governmental level.²⁸ The frequency of meeting

共赢—温家宝总理在首届东亚峰会上的讲话], Ministry of Foreign Affairs, (14th December 2005), http://www.fmprc.gov.cn/web/ziliao_674904/zvjh_674906/t226426.shtml

²⁶ Airong Han [韩爱勇], “Why did East Asian Regionalism Go into Decline” [东亚地区主义何以走向衰落?], *Foreign Affairs Review* [外交评论(外交学院学报)], No. 5, (2015), 73.

²⁷ See, for example, Shaohua Liu [刘少华], “On ASEAN’s Leadership in East Asian Regional Cooperation” [论东盟在东亚区域合作中的领导能力], *Journal of Contemporary Asia-Pacific Studies* [当代亚太], No. 9, (2007), 42-4; Kun Zhai [翟崑], “Small Horse Towing a Big Wagon? Reevaluating ASEAN’s Role in East Asian Cooperation” [小马拉大车? —对东盟在东亚合作中地位作用的再认识], *Foreign Affairs Review* [外交评论(外交学院学报)], No. 2, (2009), 13-4.

²⁸ “Overview of ASEAN Plus Three Cooperation,” ASEAN Secretariat, (July 2018), <http://asean.org/storage/2016/01/Overview-of-APT-Cooperation-Jul-2018.pdf>

ranges from three times a year, once a year, once every two years to *ad hoc*.²⁹ Except the heads of state/government summit, which is hosted by the ASEAN chair of the year, most of the meetings are co-chaired by one ASEAN country and one of the “Plus Three” countries on rotation.³⁰

In addition to the web of meeting mechanisms are a number of functional bodies, some of which have acquired independent or quasi-independent status. These include Chiang Mai Initiative Multilateralization (CMIM), ASEAN+3 Macroeconomic Research Office (AMRO), Credit Guarantee and Investment Facility (CGIF) and ASEAN Plus Three Emergency Rice Reserve (APTERR). Despite the number of bodies and mechanisms, APT has a low level of formalization. Since Malaysia’s proposal of an APT secretariat was rejected in 2002, the ASEAN secretariat has continued to support the institution’s operation.³¹

Meanwhile, beginning in 1999, the leaders of China, Japan and South Korea met on the sidelines of the APT Summits until 2007, when they decided to hold a regular trilateral summit separate from APT, with the establishment of a secretariat in 2011. Given that the “Plus Three” countries have continued to account for more than 85% of APT’s GDP, ASEAN, in the phrase of China’s foreign policy elites, is a “small horse towing a big wagon” [小马拉大车].³² Indeed, geographical proximity and economic complementarity mean that the prospect of economic integration between the “Plus Three” countries is considered greater than between APT’s thirteen member states. Had it not been for the lack of trust between the three countries, Trilateral Cooperation, in the views of Chinese scholars, should be the driving force of East Asian economic integration.³³ On the other hand, the aggregate economic weight of the “Plus Three” countries raised the concern of their Southeast Asian neighbors with

²⁹ “ASEAN Plus Three Cooperation,” ASEAN Secretariat, (9th January 2009), <http://www.asean.org/wp-content/uploads/2012/06/22206.pdf>

³⁰ *Ibid.*

³¹ Linda Low, “A Singapore Perspective of East Asian Regional Integration,” (3rd – 4th February 2004), 10, https://www.nomurafoundation.or.jp/en/wordpress/wp-content/uploads/2014/09/20040203-04_Linda_Low.pdf

³² Zhai, “Small Horse Towing a Big Wagon?” 9-15.

³³ Yi Quan [全毅], “Models of East Asian Regional Cooperation and Path Selection” [东亚区域合作的模式与路径选择], *Peace and Development* [和平与发展], No. 3, (2010), 56.

their marginalization in the integration process.³⁴ This explains ASEAN's decision to abandon the Chinese-backed East Asian Free Trade Area (EAFTA) and initiate in its stead Regional Comprehensive Economic Partnership (RCEP) that includes India, Australia and New Zealand.

As part of the ASEAN-centric regional architecture, APT enshrines what is now known as the "ASEAN way" of regional cooperation. According to Acharya, the "ASEAN way" is defined by informality, low degree of institutionalization, consensus, respect for differences, precedence of process over outcomes, and equal emphasis on bilateralism and multilateralism.³⁵ These ideas are embodied in consensus decision-making, which prevents any member state from dictating outcomes. Notwithstanding the establishment of bodies such as CMIM, APT's lack of built-in capabilities means that it is primarily a platform for member states to coordinate their action by issuing joint statements, formulating plans or conducting research. Functional tasks are distributed among member states, which are "encouraged" to "volunteer to be a lead shepherd in areas of cooperation in which they are interested or have the capacity to contribute to."³⁶ The "Plus Three" countries' capability advantage means that cooperation often takes the form whereby they "sell" their initiatives to ASEAN countries.³⁷

The "ASEAN way" explains why China's leadership behavior in the first decade after the global financial crisis was confined to supporting and selling. Institutional constraints, however, did not stop its power and behavior from heightening mistrust among member states, nor did they prevent competition for control over the "critical decisions" on APT's institution building. As China continued

³⁴ Yuzhu Wang [王玉主], "Competing Paths and China's Strategic Choice in Asian Regional Cooperation" [亚洲区域合作的路径竞争及中国的战略选择], *Journal of Contemporary Asia-Pacific Studies* [当代亚太], No. 4, 81-2.

³⁵ Amitav Acharya, "Ideas, Identity, and Institution-Building: From the 'ASEAN Way' to the 'Asia-Pacific Way'?" *The Pacific Review*, Vol. 10, No. 2, (1997), 328-33.

³⁶ "Chairman's Statement of the 12th ASEAN Plus Three Summit," ASEAN Secretariat, (24th October 2009), in *ASEAN Plus Three Documents Series 2005 – 2010*, (Jakarta: ASEAN Secretariat, 2011), 176-7, <http://www.asean.org/wp-content/uploads/images/2012/publications/ASEAN%20Plus%20Three%20Document%20Series%202005-2010.pdf>

³⁷ John Ravenhill, "East Asian Regionalism: Much Ado about Nothing?" *Review of International Studies*, Vol. 35, (2009), 230.

to consider “ASEAN Plus Ones” as the “foundation” and APT as the “main body” of East Asian cooperation, its quest for institutional leadership was central to its attempt to anchor the region to the thirteen-member institution during the Hu Jintao administration’s second term.³⁸

4.2 The Hu Jintao Administration and Chinese Institutional Leadership in ASEAN Plus Three, 2007 – 2012

4.2.1 Political and Security Cooperation

Although APT was launched first and foremost as a response to the Asian financial crisis, member states intended from the beginning to extend cooperation to “political-security area.”³⁹ But while the global financial crisis increased the incentives for regional economic cooperation, old and new political and security issues combined to fuel competition and dispute in East Asia. As I mentioned in 1.2.3, regional stakeholders were alarmed by what they saw as China’s unprecedented “assertiveness” in maritime disputes. In response to China’s growing influence, the United States embarked on a “rebalance to Asia” by strengthening cooperation with the rising power’s neighbors. Meanwhile, the region saw growing non-traditional security threats – from security tension on the Korean Peninsula, domestic upheavals in Myanmar to “rice crisis” in Southeast Asia – wherein Chinese national interests were at stake.

These challenges magnified the ineffectiveness of ASEAN and the ASEAN-centric regional architecture. In 2008, ASEAN was forced to cancel the APT Summit due to political instability in Thailand.⁴⁰ In 2012, for the first time in the Association’s history, the ASEAN Ministerial Meeting (AMM) failed to issue a joint communiqué,

³⁸ Jiabao Wen [温家宝], “Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations” [在第十四次中国—东盟(10+1)领导人会议暨中国—东盟建立对话关系 20 周年纪念峰会上的讲话], Ministry of Foreign Affairs, (18th November 2011),

http://www.mfa.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_14/zyjh/t878623.htm

³⁹ “Joint Statement on East Asian Cooperation,” ASEAN Secretariat, (28th November 1999), http://asean.org/?static_post=joint-statement-on-east-asia-cooperation-28-november-1999

⁴⁰ Rizal Sukma, “ASEAN Sailing in Sea of Uncertainty,” *The Jakarta Post*, (22nd December 2008), Factiva.

as member states could not reach a common position on the South China Sea dispute.⁴¹ Institutional and leadership deficit set off a competition between regional stakeholders to sell their blueprints for East Asian order. Whether it was Australia's "Asia-Pacific Community," Japan's "East Asian Community, or mega regional free trade proposals like the TPP or RCEP, they represented attempts to redefine East Asia and China's role in it.

During the Hu Jintao administration's second term, structural, political and institutional constraints continued to restrict APT's political and security functions. As a result, Chinese institutional leadership was confined largely to the economic domain. Whereas other regional stakeholders sold their blueprints for the geopolitical reconstruction of East Asia, China sought to anchor the region to APT by maintaining the thirteen-member institution's identity as "the main body" for East Asian community building. To do so, Beijing promoted institution and capacity building in non-traditional security cooperation through supporting and soft selling. Low level of trust, combined with structural and institutional constraints, confined China's leadership activities to small-scale, functional tasks with low uncertainty and interdependence. Despite the shifting balance of power between China and Japan, Beijing continued to trail behind Tokyo as a provider of financial aid for non-traditional security cooperation.

4.2.1.1 The South China Sea Dispute and Community Building

As I explained in 3.3.4.3 and 3.3.4.4, collective action on tasks with high uncertainty and interdependence is contingent on high level of trust between leader and followers. Wen Jiabao's reiteration of the need to strengthen mutual trust between China and other member states at the ASEAN-China and the APT summits bespoke its lack thereof.⁴² Nothing heightened mistrust more than the South China Sea dispute, which

⁴¹ Tan Seng Chye, "ASEAN Failure to Agree is a Wake-up Call," *The Straits Times*, (17th July 2012), Factiva.

⁴² Jiabao Wen [温家宝], "Expand Cooperation, Achieve Mutual Benefits and Joint Victory – Remarks at the Eleventh China-ASEAN Summit" [扩大合作, 互利共赢—在第十一次中国与东盟领导人会议上的讲话], Ministry of Foreign Affairs, (20th November 2007), http://www.fmprc.gov.cn/web/wjb_673085/zzjg_673183/yzs_673193/dqzz_673197/dmlrhy_673213/zyjhywj_673223/t382850.shtml; Jiabao Wen [温家宝], "Rally Consensus, Create Splendor Once Again – Remarks at the Eleventh ASEAN Plus Three Summit" [凝聚共识, 再创辉煌—在第 11 次东盟与中日韩领导人会议上的讲话], Ministry of Foreign Affairs, (20th November 2007),

was rekindled after Malaysia and Vietnam submitted their maritime claims to the UN. Beijing's attempt to prevent the "internationalization" of the dispute eventually failed in 2010, when the United States Secretary of State Hillary Clinton declared at the ARF Ministerial Meeting that "freedom of navigation, open access to the maritime commons and respect for international law in the South China Sea" were American "national interests."⁴³ At the 2011 EAS, 16 out of 18 leaders referred to the maritime dispute in their remarks.⁴⁴ As 4.2.2.4 will show, although China sought to deepen mutual trust with member states through tourism, education and cultural exchange, the inclusion of a controversial watermark national map in its new passports provoked a backlash from its neighbors.⁴⁵ Maritime incidents, meanwhile, sparked off anti-China demonstrations in Vietnam and the Philippines.⁴⁶

Since the ARF and the EAS were the region's designated platforms for security dialogue, and since most action occurred at bilateral or even unilateral level, China was primarily defensive in APT. In line with its position that territorial disputes should be resolved by the relevant parties through bilateral negotiations, China restricted reference to the South China Sea dispute to the ASEAN-China Summits, where Wen Jiabao stonewalled by reiterating Beijing's call for the "active implementation" of the Declaration on the Conduct of Parties in the South China Sea.⁴⁷ While disavowing any intention to seek hegemony, China opposed great power confrontation, condominium or "any form of hegemonic behavior." Most importantly, "external forces should not

http://www.fmprc.gov.cn/web/wjwb_673085/zzjg_673183/yzs_673193/dqzz_673197/dmyzrh_673227/zyjhy_673237/t382702.shtml; Wen Jiabao, "Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations"

⁴³ Mark Landler, "Offering to Aid Talks, U.S. Challenges China on Disputed Islands," *The New York Times*, (23rd July 2010), <http://www.nytimes.com/2010/07/24/world/asia/24diplo.html>

⁴⁴ Ralf Emmers, "China's Influence in the South China Sea and the Failure of Joint Development" in Evelyn Goh (ed.), *Rising China's Influence in Developing Asia*, (Oxford: Oxford University Press, 2016), 164.

⁴⁵ Manuel Mogato, "China Angers Neighbors with Sea Claims on New Passports," Reuters, (22nd November 2012), <https://www.reuters.com/article/us-china-southchinasea/china-angers-neighbors-with-sea-claims-on-new-passports-idUSBRE8AL09Q20121122>

⁴⁶ Damian Grammaticas, "Protest in Philippines over South China Sea Stand-off," BBC, (11th May 2012), <https://www.bbc.co.uk/news/world-asia-18030805>; "Rare Anti-China Protests in Vietnam," BBC, (9th December 2012), <https://www.bbc.com/news/av/world-asia-20656931/rare-anti-china-protests-in-vietnam>

⁴⁷ Wen, "Expanding Cooperation, Achieving Mutual Benefits and Joint Victory"; Wen, "Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations."

interfere on any pretext.”⁴⁸ The United States’ security presence and the need to mitigate mistrust led China to decouple economics from security by calling for member states to focus on “common interests,” with development as the “first priority.”⁴⁹ On the other hand, China’s quest for institutional leadership in economic cooperation represented its attempt to maintain APT’s identity.

The South China Sea dispute epitomized the pressure the shifting regional balance of power could bring to bear on the “East Asian regional bargain.” Notwithstanding member states’ routine reaffirmation of APT as “a” – if not “the” – “main vehicle” for East Asia community building and ASEAN centrality in the process, the ineffectiveness of ASEAN-led regional institutions intensified the competition to redefine East Asia.⁵⁰ In 2008, Australian Prime Minister Kevin Rudd proposed the building of an “Asia-Pacific Community”; one year after, Japanese Prime Minister Yukio Hatoyama came up with his proposal of an “East Asian Community.”⁵¹ Repositioning itself as a “Pacific power” with the aim to consolidate its “leadership” and rebuild the region’s “economic and security architecture,” the United States acceded to the TAC, joined EAS and deepened its ties with regional states.⁵² While welcoming the United States to play a central role in East Asia,

⁴⁸ Jiabao Wen [温家宝], “Remarks at the Thirteenth China-ASEAN Summit” [在第十三次中国与东盟领导人会议上的讲话], Ministry of Foreign Affairs, (29th October 2010), http://www.fmprc.gov.cn/web/wjb_673085/zzjg_673183/yzs_673193/dqzz_673197/dmlrhy_673213/zyjhywj_673223/t765330.shtml; Wen, “Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations.”

⁴⁹ Wen, “Rallying Consensus, Creating Splendor Once Again.”

⁵⁰ “2nd Joint Statement on East Asia Cooperation: ‘Building on the Foundations of ASEAN Plus Three Cooperation,’” “Chairman’s Statement of the 9th ASEAN Plus Three Foreign Ministers Meeting,” “Chairman’s Statement of the 12th ASEAN Plus Three Summit,” “Chairman’s Statement of the 13th ASEAN Plus Three Summit,” in *ASEAN Plus Three Documents Series 2005 – 2010*, 78, 130, 178, 223. “Chairman’s Statement of the 14th ASEAN Plus Three Summit,” in *ASEAN Plus Three Documents Series 2011 – 2015*, (Jakarta: ASEAN Secretariat, 2016), 4, http://asean.org/storage/2016/12/ASEAN-3-Documents-Series-2011-2015_CD.pdf

⁵¹ Kevin Rudd, “Address to the Asia Society AustralAsia Centre, Sydney: It’s Time to Build an Asia Pacific Community,” Department of the Prime Minister and Cabinet, (4th June 2008), <https://pmtranscripts.pmc.gov.au/release/transcript-15947>; Yukio Hatoyama, “Japan’s New Commitment to Asia – Toward the Realization of an East Asian Community,” Prime Minister of Japan and His Cabinet, 1(5th November 2009), https://japan.kantei.go.jp/hatoyama/statement/200911/15singapore_e.html

⁵² Hillary Clinton, “America’s Pacific Century,” *Foreign Policy*, (11th October 2011), <http://foreignpolicy.com/2011/10/11/americas-pacific-century/>

ASEAN sought to retain its “driver’s seat” in regional cooperation by expediting its community building project.⁵³

Despite their differences, these initiatives in one way or another threatened APT’s identity by incorporating East Asia into the broader geopolitical constructs of “ASEAN Plus Six,” the Asia-Pacific or the Indo-Pacific. The impasse of APT cooperation was manifested in the report of the second East Asia Vision Group (EAVG II) in 2012, wherein the vision of the thirteen-member institution shrank from the realization of an “East Asia community” as stated in the EAVG I report to an “East Asian Economic Community” by 2020.⁵⁴

Rather than selling an alternative vision, China sought to consolidate the existing geopolitical boundaries of East Asia by preserving and promoting APT’s identity. Throughout the Hu Jintao administration’s second term, Beijing continued to uphold ASEAN centrality in East Asian cooperation and endorsed the “ASEAN Plus Ones” as the “foundation,” APT as the “main body” and EAS as an “important addition” in the process.⁵⁵ This was more than an attempt to mitigate mistrust among member states, since APT and the ASEAN-centric regional architecture remained the closest to China’s vision of East Asian order. Given that ASEAN centrality hinged on the success of its community building project, Beijing engaged in supporting by contracting projects of ASEAN Integration Initiative and promoting China-ASEAN cooperation in areas such as human resources, connectivity and sustainable development.⁵⁶

While China was unable to exercise institutional leadership in political cooperation, it strove to instill common values into the institution. Reaffirming the

⁵³ Jusuf Wanandi, “Indonesia Key to Forming East Asian Community,” *The Jakarta Post*, (22nd March 2007), Factiva; Sui Noi Goh, “ASEAN Needs to Walk the Talk to Boost Credibility,” *The Straits Times*, (22nd July 2008), Factiva; Weng Kin Kwan, “PM Lee: US has Constructive Role in Asia-Pacific,” *The Straits Times*, (7th October 2009), Factiva; “ASEAN Risks Losing Clout in East Asia,” *The Jakarta Post*, 23rd October 2009, Factiva; Tommy Koh, “Australia Must Respect ASEAN’s Role,” *The Straits Times*, (24th June 2009), Factiva; Rodolfo Severino, “ASEAN Still the Best Forum for Region,” *The Straits Times*, (2nd November 2009), Factiva.

⁵⁴ “Report of the East Asia Vision Group II (EAVG II),” 12.

⁵⁵ Wen, “Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations.”

⁵⁶ Wen, “Expanding Cooperation, Achieving Mutual Benefits and Joint Victory.”

importance of respecting each other's sovereignty, independence and choice of developmental model, Wen Jiabao called for member states to view "neighboring state's development" as an opportunity rather than a threat.⁵⁷ China and ASEAN, he argued, were both "strategic forces for peace and development" and should therefore work together in the building of a "just and reasonable new international political and economic order."⁵⁸ To other regional stakeholders, China signaled its readiness to consider their interests by stressing that APT cooperation should continue to be guided by "openness" rather than "protectionism" or "exclusiveness"; the thirteen-member institution should be complementary with other platforms including the EAS and the ARF, even though their relations needed to be clarified.⁵⁹ Indeed, China was even to some extent "open" to Australia and Japan's ideas about the future East Asian order.⁶⁰ Beijing also proposed to host the 9th East Asia Forum in 2011 to explore with other member states the ways to promote regional cooperation.⁶¹

4.2.1.2 Non-Traditional Security

While the South China Sea dispute placed China on the "fault line" of East Asian security order, growing non-traditional security challenges generated the need and expectations for cooperation. However, besides institutional constraints, China refrained from exercising institutional leadership in tasks with high uncertainty. Its inactivity was most manifest in North Korea's nuclear issue and Myanmar's domestic upheavals. As Japan's senior vice foreign minister Katsuhito Asano recalled, Beijing "did not say a single word" regarding Tokyo's concern with North Korea's nuclear and abduction issues during the APT Summit in January 2007.⁶² Without China's active participation, the chairman's statements throughout the Hu Jintao

⁵⁷ Wen Jiabao, "Rallying Consensus, Creating Splendor Once Again – Remarks at the 11th ASEAN Plus Three Summit."

⁵⁸ Wen Jiabao, "Remarks at the 14th China-ASEAN Summit cum China-ASEAN 20th Anniversary Commemorative Summit."

⁵⁹ Wen, "Rallying Consensus, Creating Splendor Once Again."

⁶⁰ Rowan Callick, "Rudd Paints with Broad Brush Strokes Australia's position in the Region," *The Australian*, (9th June 2008), Factiva; Grace Ng, "EU-Style East Asian Community Unlikely," *The Straits Times*, (11th October 2009), Factiva; Goh Sui Noi, "Shaping a New East Asia," *The Straits Times*, (11th November 2009), Factiva.

⁶¹ Jiabao Wen [温家宝], "Remarks at the Thirteenth ASEAN Plus Three Summit" [在第十三次东盟与中日韩领导人会议上的讲话], Ministry of Foreign Affairs, (29th October 2010), http://www.fmprc.gov.cn/web/wjw_673085/zzjg_673183/yzs_673193/dqzz_673197/dmyzrh_673227/zyjhy_673237/t765328.shtml

⁶² May Masangkay, "Japan Urges ASEAN, China, S. Korea to step up pressure on N. Korea," *Kyodo News*, (11th January 2007), Factiva.

administration's second term contained nothing but empty rhetoric. While concerned with the United States' rapprochement with Myanmar, Beijing's policy of noninterference and its uneasy relationship with Naypyidaw also restrained it from action. Making no reference to Myanmar in his speeches, Wen Jiabao merely reiterated China's support for ASEAN countries to resolve their disputes by themselves and its opposition to "external interference" in their internal affairs."⁶³

During the Hu Jintao administration's second term, non-traditional security cooperation within APT concentrated on institution and capacity building. The most significant achievement was the establishment of APTERR in 2011. Originating in the East Asia Emergency Rice Reserve (EAERR) Pilot Project in 2002, it served to promote food security and poverty reduction.⁶⁴ The "rice crisis" in 2008 spurred member states to extend the pilot project to early 2010 while exploring the possibility of transforming it into a "permanent mechanism."⁶⁵ The ASEAN Plus Three Emergency Rice Reserve Agreement was signed on 7th October 2011.

China exercised joint leadership with Japan in food security by supporting and soft selling. In 2009, China promised to create storage of 300 thousand tons of rice for the Reserve, topping Japan's 250 thousand tons as the largest contribution of all member states.⁶⁶ One year after, it provided one million dollars to support the facility's establishment.⁶⁷ Besides APTERR, Beijing promoted agricultural capacity building of the less developed ASEAN countries by establishing 20 surveillance stations, 20 breeding experiment stations and three agricultural technology exhibition centers;

⁶³ Wen, "Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations."

⁶⁴ Roehlano M. Briones, "Regional Cooperation for Food Security: The Case of Emergency Rice Reserves in the ASEAN Plus Three," ADB Sustainable Development Working Paper Series, No. 18, (November 2011), <https://www.adb.org/sites/default/files/publication/29275/adb-wp18-regional-cooperation-food-security.pdf>

⁶⁵ "Joint Press Statement of the 8th Meeting of the ASEAN Ministers on Agriculture and Forestry and the Ministers of Agriculture of the People's Republic of China, Japan and the Republic of Korea (8th AMAF Plus Three)," "Chairman's Statement of the 10th ASEAN Plus Three Foreign Ministers Meeting," in *ASEAN Plus Three Documents Series 2005 – 2010*, 149-50, 172.

⁶⁶ "Chairman's Statement of the 10th ASEAN Plus Three Foreign Ministers Meeting," in *ASEAN Plus Three Documents Series 2005 – 2010*, 172.

⁶⁷ Wen, "Remarks at the Thirteenth ASEAN Plus Three Summit."

building one million hectares of demonstration fields; and dispatching 300 experts to provide instructions in ASEAN countries and training 1000 local personnel.⁶⁸

China's leadership activities in other areas of non-traditional security cooperation were more limited. Apart from the conclusion of new agreements and the hosting of exchange events on cyber security, disaster relief, health and environment, Beijing proposed initiatives from the establishment of a China-ASEAN Reserve of Materials for Disaster Relief to the launch of the China-ASEAN Green Ambassadors Initiative.⁶⁹ Overall, China's supporting and soft selling in non-traditional security cooperation were confined to small-scale, functional tasks with low uncertainty and interdependence.

Notwithstanding the shifting balance of power between China and Japan, Beijing trailed behind Tokyo as a provider of financial aid for food security and disaster relief cooperation. In 2009, Japan announced that for the following five years it would provide through EAS one billion dollars of aid for food security cooperation and training for 1200 local personnel. Similarly, it would offer 18 million dollars of aid for capacity building in disaster relief and provided training for 300 local experts.⁷⁰

The above discussion has shown that Chinese institutional leadership in security cooperation during the Hu Jintao administration's second term was highly restricted in scope and scale. Apart from the United States' continued security dominance and APT's functional constraints, low level of trust confined Chinese institutional leadership in non-traditional security cooperation to supporting and soft selling of small-scale tasks with low uncertainty and interdependence. Notwithstanding the shifting balance of power between China and Japan, Beijing was

⁶⁸ Wen, "Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations."

⁶⁹ Wen, "Expanding Cooperation, Achieving Mutual Benefits and Joint Victory"; Wen, "Remarks at the Thirteenth China-ASEAN Summit"; Wen, "Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations"; Bin Peng, "China-ASEAN Environmental Cooperation: A New Paradigm for South-South Environmental Cooperation, 13th September 2016, <https://chinareportasean.com/2016/09/13/china-asean-environmental-cooperation-a-new-paradigm-for-south-south-environmental-cooperation/>

⁷⁰ "Growth Initiative towards Doubling the Size of Asia's Economy (Proposal by Japan)," Prime Minister of Japan and His Cabinet, https://japan.kantei.go.jp/asophoto/2009/04/090411asiakeizai_e.pdf

far from displacing Tokyo as a provider of regional public goods. As the next chapter will show, the same constraints would continue to restrict China's leadership activities in political and security cooperation during the Xi Jinping administration's first term.

4.2.2 Economic, Social and Cultural Cooperation

While the United States remained the nucleus of the East Asian security order, three decades of "reform and opening-up" catapulted China to be the nucleus of the regional economic order. The global financial crisis seemed to accelerate the shift in the regional balance of economic power (Table 4.1). Not only did China overtake Japan as East Asia's largest economy in 2010; its trade with other member states increased at a much higher rate than that of the United States and Japan. (Table 4.2). At a time when capital expenditure was crucial to stimulating national and regional economy, China's massive foreign exchange reserves and surplus production capacity gave it additional leverage in its quest for institutional leadership in economic cooperation (Table 4.3). It is not surprising, therefore, that Beijing's diplomatic and material investment in its quest for institutional leadership in APT was concentrated in the economic domain.

As mega regional free trade agreements became the instruments to reinvigorate growth and rebuild the international economic order, the geoeconomic definition of region became the focal point of leadership competition. For China, the pressure to compete for regional economic leadership came not only from a changing international environment but also from its domestic developmental challenges. Although the Hu Jintao administration managed to stabilize internal demand in the short term by implementing a massive stimulus program, structural transformation and sustainable development of the Chinese economy could not be achieved without stimulating external demand. East Asian economic integration, in short, was essential to addressing the country's external and internal challenges.

**Table 4.1. Gross Domestic Products of East Asian and Pacific Countries
(In US Billion Dollars)**

	2007	2012	2017
United States	14478	16155	19391
China	3552	8561	12015
Japan	4515	6203	4872
South Korea	1123	1223	1538
Brunei	12	19	13
Cambodia	9	14	22
Indonesia	460	918	1015
Lao PDR	4	10	17
Malaysia	194	314	314
Myanmar	20	60	67
Philippines	149	250	313
Singapore	180	289	324
Thailand	263	398	455
Vietnam	77	156	220

(Sources: World Bank and IMF⁷¹)

Born out of the Asian financial crisis a decade before and the closest embodiment of the Chinese conception of East Asia, APT became the natural platform for the rising power to renegotiate the geoeconomic definition of East Asia. Regional common interests and member states' capability deficit provided an opportunity for Beijing to exercise institutional leadership and steer APT's adaptation to a changing international environment. During the Hu Jintao administration's second term, China promoted institution and capacity building through supporting and soft selling. Beijing found its greatest success in financial cooperation, wherein it exercised joint leadership with Tokyo in the development of CMIM and other new bodies. Nevertheless, as was the case in political and security cooperation, Chinese institutional leadership was confined largely to functional tasks with low uncertainty and interdependence. Low level of trust, in particular, prevented Beijing from uniting member states as a group behind its preferences in the "critical decision" concerning regional free trade. CMIM's capability deficit and idleness, meanwhile, indicated APT's inability to fully adapt to a changing international environment in spite of success in institution building.

⁷¹ "GDP (Current US\$), The World Bank, <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>; "GDP, Current Prices, Billions of U.S. Dollars," International Monetary Fund, <http://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD>

**Table 4.2. Primary Trade Partners of ASEAN Plus Three Countries
(In US Billion Dollars)**

	Trade Partners	2007	2012	2016
Japan	European Union	170.9	164.9	148.9
	China	237.1	332.7	270.4
	United States	217.8	220.3	199.7
South Korea	European Union	93.1	100.1	98.3
	China	145.0	215.1	211.4
	United States	83.3	102.5	110.1
	Japan	82.6	103.2	71.8
Brunei	European Union	0.2	0.4	0.4
	China	0.3	0.8	0.6
	United States	0.6	0.4	0.3
	Japan	2.6	6.0	1.9
Cambodia	European Union	0.8	2.1	4.6
	China	0.6	2.3	5.2
	United States	1.9	1.2	2.3
	Japan	0.2	0.4	1.4
Indonesia	European Union	21.1	32.3	25.3
	China	18.2	51.0	47.6
	United States	16.4	26.5	23.5
	Japan	30.2	52.9	29.1
Laos PDR	European Union	0.3	0.6	0.4
	China	0.3	1.7	2.3
	United States	0.0	0.1	0.1
	Japan	0.1	0.3	0.2
Malaysia	European Union	40.2	41.4	36.0
	China	34.4	58.5	58.1
	United States	43.5	35.6	32.8
	Japan	35.2	47.2	29.0
Myanmar	European Union	0.4	0.5	1.0
	China	1.0	3.9	10.2
	United States	0.0	0.1	0.4
	Japan	0.3	1.3	1.9
Philippines	European Union	13.9	11.0	13.6
	China	9.8	13.5	22.1
	United States	16.4	15.2	16.4
	Japan	14.1	17.0	21.9

**Table 4.2. Primary Trade Partners of ASEAN Plus Three Countries
(In US Billion Dollars)**

	Trade Partners	2007	2012	2016
Singapore	European Union	64.8	85.4	68.2
	China	60.8	83.3	82.5
	United States	59.5	61.5	53.0
	Japan	35.9	42.5	34.6
Thailand	European Union	33.8	41.6	39.8
	China	31.2	64.0	65.9
	United States	29.1	35.2	36.4
	Japan	46.8	72.3	51.2
Vietnam	European Union	14.3	29.2	45.7
	China	16.4	41.2	72.8
	United States	11.8	24.5	48.6
	Japan	12.3	24.7	29.9

(Source: Asian Development Bank⁷²)

4.2.2.1 Trade

It is not surprising that the world's largest developing economy volunteered to be APT's "lead shepherd" in trade and economic cooperation.⁷³ Less than one year after its accession to the WTO, China concluded a framework free trade agreement with ASEAN. According to Zhang Yunling, who was joint author of the ASEAN-China Expert Group's feasibility study report, the swiftness of the negotiation shocked and alarmed Tokyo.⁷⁴ Perceiving the China-ASEAN agreement as an attempt to "exclude" itself, Japan responded by concluding its own framework free trade agreement with the Association in 2003.⁷⁵ Japan's "sore point," in Zhang's view, led Tokyo from then on to consider "preventing Chinese dominance" its foremost objective and, as a result, hampered East Asian regionalism.⁷⁶

The ASEAN-China Free Trade Area (ACFTA) has since become China's instrument to promote regional economic integration in APT. To ensure ACFTA's

⁷² "Integration Indicators," Asian Development Bank, <https://aric.adb.org/integrationindicators>

⁷³ "Chairman's Statement of the 12th ASEAN Plus Three Summit," in *ASEAN Plus Three Documents Series 2005 – 2010*, 177.

⁷⁴ Yunling Zhang [张蕴岭]. *Between Ideal and Reality: My Research, Participation and Thinking on East Asian Cooperation* [在理想与现实之间: 我对东亚合作的研究、参与和思考] (Beijing: China Social Sciences Press, 2015), 114-5.

⁷⁵ Zhang, *Between Ideal and Reality*, 36, 114-5.

⁷⁶ Zhang, *Between Ideal and Reality*, 115.

establishment as scheduled, Wen Jiabao called for the successful implementation of trade in goods and services agreements, and acceleration of negotiations on an investment agreement at the ASEAN-China Summit in 2007. Beijing would also strengthen cooperation with ASEAN in intellectual property in order to reach an early agreement. Apart from ACFTA, China engaged in supporting by participating in ASEAN sub-regional cooperation in the Greater Mekong Subregion (GMS) and the East ASEAN Growth Area (BIMP-EAGA), as well as hosting events including the China-ASEAN Expo and China-ASEAN Business and Investment Summit.⁷⁷

Table 4.3 Foreign Exchange Reserves of East Asian and Pacific Countries (In US Million Dollars)

<i>East Asia</i>	2007	2012	2017
United States	277549	574268	122178
China	1546365	3387513	3498040
Japan	973297	1268086	1326357
South Korea	262533	327724	389267
Brunei Darussalam	667	3449	
Cambodia	2140	4933	
Indonesia	56936	112798	130196
Laos	708	1274	
Malaysia	101995	139731	104243
Myanmar	3284	7353	
Philippines	33740	83789	83311
Singapore	166161	265910	279900
Thailand	87472	181481	202609
Vietnam	23479	25573	

(Sources: World Bank and IMF⁷⁸)

A regional free trade area, however, remained the long-standing common goal of China and other member states. The EAVG report in 2001 recommended the “establishment of an East Asian Free Trade Area (EAFTA) and liberalization of trade well ahead of the Bogor Goal set by APEC” as integral to the building of an “East Asian community.”⁷⁹ Anxiety about China’s growing influence and mistrust of its

⁷⁷ Wen, “Expanding Cooperation, Achieving Mutual Benefits and Joint Victory.”

⁷⁸ “Total Reserves,” The World Bank, <https://data.worldbank.org/indicator/FI.RES.TOTL.CD>; “International Reserves and Foreign Currency Liquidity (IRFCL),” International Monetary Fund, <http://data.imf.org/?sk=2DFB3380-3603-4D2C-90BE-A04D8BBCE237&sl=1390030341854>

⁷⁹ “Toward an East Asian Community: Region of Peace, Prosperity and Progress,” 20-1.

purpose fueled a competition for control over the “critical decision” concerning the membership of the proposed regional free trade area.

According to Zhang Yunling, who headed EAFTA’s joint expert group at the time, China sought to build on the success of ACFTA and “gain the initiative” by leading a feasibility study of EAFTA in 2004.⁸⁰ An expert group was established for the task in 2005, and a report was completed for discussion and approval at the APT Economic Ministers’ Meeting in September the next year. At the meeting, however, Japan “suddenly” expressed its disagreement on the creation of EAFTA on the basis of APT, and proposed instead a Close Economic Partnership for East Asia (CEPEA) on the basis of EAS. While disagreeing on Japan’s proposal, member states agreed to let Tokyo lead a similar feasibility study of CEPEA. Meanwhile, to match the Chinese-led Network of East Asian Think Tanks (NEAT), Japan funded the establishment of the Economic Research Institute for ASEAN and East Asia (ERIA) under EAS.⁸¹ Subsequently, China and Japan each submitted a concept paper on their respective proposals to APT for consideration.⁸²

To Zhang Yunling and Wang Yuzhu, there was no fundamental difference in the form of free trade proposed in EAFTA and CEPEA; indeed, the increase in the developmental gap between negotiating parties that came with a larger membership challenged the rationale for the latter.⁸³ As was the case with EAS, the disagreement remained geopolitical. From Japan’s perspective, China’s commitment to APT represented its attempt to establish regional dominance; as a result, Tokyo sought to balance Beijing’s influence and expand its geoeconomic space by incorporating East Asia into the broader geopolitical construct of “ASEAN Plus Six.”⁸⁴ ASEAN countries, on the other hand, were preoccupied with revitalizing the Association through ASEAN Community building.⁸⁵ Meanwhile, as I mentioned earlier, the “Plus

⁸⁰ Zhang, *Between Ideal and Reality*, 147.

⁸¹ Zhang, *Between Ideal and Reality*, 46.

⁸² “Chairman’s Statement of the 13th ASEAN Plus Three Summit,” in *ASEAN Plus Three Documents Series 2005 – 2010*, 223.

⁸³ Zhang, *Between Ideal and Reality*, 146-7; Wang Yuzhu [王玉主], “Sino-Japanese Competition and East Asian Cooperation: Analysis based on ‘10+3,’ ‘10+6’” [中日之争与东亚合作—以‘10+3’、‘10+6’为主的分析], *Innovation* [创新], No. 3, (2010), 9.

⁸⁴ Zhang, *Between Ideal and Reality*, 143.

⁸⁵ Zhang, *Between Ideal and Reality*, 136.

Three” countries’ economic weight raised the concern of their Southeast Asian neighbors with their marginalization in a thirteen-member trade regime.⁸⁶ ASEAN’s ambivalence resulted in the decision to establish working groups to consider China and Japan’s reports “in parallel.”⁸⁷ The lack of progress in the working groups’ work means that the two reports were in effect “shelved.”⁸⁸

Whereas CEPEA, if adopted, would for the most part redefine only the membership of East Asia, the American-led TPP was an attempt to renegotiate not only the membership but also the structures and values of the East Asian economic order. With the aim to establish “high standards” and rules on state-owned enterprises, labor, intellectual property, environment and cyberspace, the TPP would undermine APT’s identity by dividing ASEAN and East Asia as a whole. The United States’ economic “pivot” spurred East Asian states to expedite regional free trade negotiations. Indeed, China and Japan set aside their differences and submitted a joint proposal calling for their Southeast Asian counterparts to accelerate the building of a free trade area.⁸⁹ Nevertheless, the imperative of retaining its centrality in regional cooperation, however, led ASEAN to adopt the ASEAN Framework for RCEP in lieu of Beijing or Tokyo’s proposal.⁹⁰ The long stalemate of ASEAN-led East Asian regionalism, meanwhile, led China to consider a trilateral free trade agreement with Japan and South Korea a response to the TPP and a potential breakthrough in regional economic integration, though the lack of political trust between the three countries continued to hinder the progress of negotiations.⁹¹

Before ASEAN’s launch of RCEP in 2011, China sought to promote APT’s identity and its institutional adaptation by supporting and soft selling, providing regional public goods to maintain the original, collectively agreed purposes while

⁸⁶ Wang, “Competing Paths and China’s Strategic Choice in Asian Regional Cooperation,” 81-2.

⁸⁷ “Joint Media Statement of the 12th AEM Plus Three Consultation,” “Chairman’s Statement of the 12th ASEAN Plus Three Summit,” “Joint Media Statement of the 13th AEM + 3 Consultations,” “Chairman’s Statement of the 13th ASEAN Plus Three Summit,” in *ASEAN Plus Three Documents Series 2005 – 2010*, 176, 201, 223, 243-4.

⁸⁸ Zhang Yunling, *Between Ideal and Reality*, 136, 146.

⁸⁹ Zhang Yunling, *Between Ideal and Reality*, 137.

⁹⁰ Yose Rizal Damuri, “East Asia Economic Integration and ASEAN Centrality,” *The Jakarta Post*, (16th November 2012), Factiva.

⁹¹ Zhang, “The Return of China’s Periphery-based Regional Outlook and the Construction of New Order,” 18.

introducing new initiatives. At the 2010 APT Summit, Wen Jiabao, while reiterating the thirteen-member grouping as the “main channel” for the building of EAFTA, announced China’s decision to inject one million dollars to the newly established ASEAN Plus Three Cooperation Fund to support work related to EAFTA.⁹² Meanwhile, Beijing provided public goods and introduced proposals through “ASEAN Plus One” and Trilateral Cooperation. As ACFTA took effect from 1st January 2010, China pledged to boost its usage by expanding trade with ASEAN countries, simplifying customs procedures, raising the technological standards of inspection and quarantine, and improving the effectiveness of dispute resolution mechanisms. To deepen industrial cooperation, China proposed to establish one economic and trade zone in each ASEAN country within the next five years. Beijing also proposed the establishment of a China-ASEAN Sectoral Dialogue Partnership, fostered Chinese investments in Southeast Asia, and offered to expand its participation in ASEAN subregional cooperation. The aim was to increase China-ASEAN trade to 500 billion dollars by 2015.⁹³ In Northeast Asia, China called for greater political support for trilateral free trade negotiations between itself, Japan and Korea. The parties agreed to complete a joint feasibility study by 2012.⁹⁴

Low level of trust, however, prevented China from rallying member states as a group behind EAFTA, a task with high uncertainty and high interdependence. While RCEP seemed to demonstrate ASEAN’s refusal to take side, its inclusion of India, Australia and New Zealand reflected the shared concern of ASEAN countries and Japan with China’s power and purpose. By launching RCEP, ASEAN in effect removed the making of the “critical decision” concerning regional free trade away from APT.

The absence of alternatives and the need to maintain APT’s identity led China to demonstrate its willingness to accommodate the interests of other member states. In his speech at the 2011 APT Summit, Wen Jiabao declared that “China would, on the basis of full respect for ASEAN centrality, gradualism and full consideration of

⁹² Wen, “Remarks at the Thirteenth ASEAN Plus Three Summit.”

⁹³ Wen, “Remarks at the Thirteenth China-ASEAN Summit.”

⁹⁴ Wen, “Remarks at the Thirteenth ASEAN Plus Three Summit.”

Table 4.4 Major Investing Countries in Southeast Asia (In US Million Dollars)

Country	FDI Destination	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Australia	ASEAN Six	1,984.9	897.8	83.5	3,896.4	4,892.8	627.6	2,123.3	4,384.0	1,752.8	3,122.6
	CLMV	62.0	118.8	41.3	62.2	126.4	30.6	71.4	111.3	138.3	274.7
	Total	2,046.9	1,016.6	124.7	3,958.6	5,019.2	658.2	2,194.7	4,495.3	1,891.0	3,397.3
China	ASEAN Six	1,231.7	210.2	1,452.8	1,680.0	5,678.9	7,128.2	4,326.0	4,736.6	4,824.3	7,412.8
	CLMV	766.1	522.5	615.8	1,808.6	1,511.2	1,040.0	2,027.5	1,448.3	1,636.2	2,386.4
	Total	1,997.9	732.7	2,068.7	3,488.6	7,190.1	8,168.2	6,353.5	6,184.8	6,460.5	9,799.3
EU	ASEAN Six	20,312.1	9,169.8	5,240.2	19,167.2	22,962.8	-3,103.4	18,894.2	37,091.0	19,427.2	30,641.5
	CLMV	1,173.0	1,238.9	419.7	1,978.0	1,326.3	1,333.4	762.0	770.4	1,400.7	1,597.5
	Total	21,485.1	10,408.7	5,659.9	21,145.2	24,289.1	-1,770.1	19,656.3	37,861.4	20,827.9	32,239.0
India	ASEAN Six	2,723.5	1,296.1	250.9	3,782.5	-2,097.1	7,289.0	2,093.5	1,192.4	875.0	985.7
	CLMV	15.2	145.4	32.2	18.7	20.2	22.1	14.6	23.8	83.1	61.1
	Total	2,738.8	1,441.5	283.1	3,801.2	-2,076.9	7,311.1	2,108.1	1,216.2	958.1	1,046.8
Japan	ASEAN Six	7,903.0	4,308.8	3,248.8	11,920.2	6,469.9	11,710.3	21,918.9	11,887.6	13,579.6	9,937.8
	CLMV	919.8	1,203.5	202.3	1,066.8	1,283.8	2,907.8	2,439.8	1,093.9	1,178.3	1,597.8
	Total	8,822.9	5,512.3	3,451.1	12,987.0	7,753.8	14,618.1	24,358.6	12,981.5	14,757.9	11,535.6
South Korea	ASEAN Six	776.8	302.5	1,022.0	2,935.1	882.9	486.0	2,307.9	1,312.1	2,067.8	1,853.7
	CLMV	1,496.7	1,094.5	782.1	1,384.1	891.0	819.6	1,945.0	3,378.2	3,642.6	3,889.8
	Total	2,273.4	1,397.0	1,804.1	4,319.3	1,773.9	1,305.6	4,252.9	4,690.3	5,710.4	5,743.5
United States	ASEAN Six	8,041.3	3,407.4	1,867.3	12,737.5	7,818.2	19,017.5	11,094.1	13,396.7	23,266.3	11,907.5
	CLMV	876.7	277.7	3,313.5	944.5	250.4	98.2	85.5	181.1	167.7	306.9
	Total	8,917.9	3,685.2	5,180.8	13,682.1	8,068.6	19,115.6	11,179.6	13,577.7	23,433.9	12,214.4

ASEAN Six: Indonesia, Malaysia, The Philippines, Singapore and Thailand
 CLMV: Cambodia, Laos, Myanmar and Vietnam

[Source: ASEAN Statistical Yearbook 2016/2017, (Jakarta: ASEAN Secretariat, 2017), 161]

each party's concerns, promote [trade liberalization and investment facilitation] in a pragmatic manner, and hope to gain support from different parties.”⁹⁵ He called for effective utilization of the fund initially allocated for EAFTA to accomplish concrete progress in the work on RCEP.⁹⁶ Recognizing the adverse effect of Sino-Japanese competition on regional economic cooperation, China and Japan jointly proposed to establish working groups on trade in goods, trade in services and investment in order to expedite RCEP negotiations.⁹⁷ Meanwhile, the Hu Jintao administration continued to engage in supporting and soft selling through “ASEAN Plus One.” Besides calling for effective implementation of ACFTA, China pledged its continued commitment to balanced trade by dispatching trade and investment delegations to ASEAN countries; it would also increase investments in technological transfer so as to enhance the competitiveness of industries in China and Southeast Asia.⁹⁸

Nevertheless, despite the shifting regional balance of economic power, China continued to trail behind Japan, the United States and the EU in foreign direct investment (FDI) in Southeast Asia (Table 4.4). From 2007 to 2012, Japan's FDI in ASEAN countries more than doubled that of China, even though Beijing became the biggest source of FDI in Cambodia, Laos and Myanmar.⁹⁹ Similarly, Japan remained the dominant provider of official development assistance (ODA) to ASEAN countries. In 2012, for instance, Japan's ODA to Southeast Asia was close to 4.2 billion dollars, more than 2.5 times than that of China.¹⁰⁰ Thus even though the growth of Chinese economic power enabled Beijing to increase its share of regional leadership, it far from displacing Tokyo's role in the supply of regional financial public goods.

⁹⁵ Jiabao Wen [温家宝], "Remarks at the Fourteenth ASEAN Plus Three Summit" [在第十四次东盟与中日韩（10+3）领导人会议上的讲话], Ministry of Foreign Affairs, (18th November 2011), http://www.fmprc.gov.cn/web/wjw_673085/zzjg_673183/yzs_673193/dqzz_673197/dmyzrh_673227/zyjhy_673237/t878730.shtml

⁹⁶ *Ibid.*

⁹⁷ “Chairman's Statement of the 14th ASEAN Plus Three Summit,” in *ASEAN Plus Three Documents Series 2005 – 2010*, 5.

⁹⁸ Wen, “Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations.”

⁹⁹ ASEAN Statistical Yearbook, (Jakarta: ASEAN Secretariat, 2016/2017), 152, 154, 156, http://asean.org/wp-content/uploads/2018/01/ASYB_2017-rev.pdf

¹⁰⁰ Cited in Barbara Stallings and Eun Mee Kim, “Japan, Korea, and China: Styles of ODA in East Asia” in Hiroshi Kato, John Page and Yasutami Shimomura (eds.), *Japan's Development Assistant: Foreign Aid and the Post-2015 Agenda*, (London: Palgrave Macmillan, 2016), 124.

China's experience demonstrates the distinction between impact and leadership as discussed in chapters one and three. The size of the Chinese economy meant that the rising power's action, be it intentional or not, would always have enormous structural impact on the regional economy. Thus notwithstanding the failure of EAFTA, China became the driving force of "competitive liberalization" and the renegotiation on the geoeconomic definition of the Asia-Pacific.¹⁰¹ On the other hand, even though the rising power was increasingly capable of providing the public goods member states needed, it was unable to unite them as a group behind its purpose. As a result, Chinese institutional leadership during the Hu Jintao administration's second term remained confined to functional tasks with low uncertainty and interdependence. Although the launch of RCEP removed the "critical decisions" over regional free trade away from APT, the importance of regional free trade, if anything, only increased during the Xi Jinping administration's first term. Increasing incentives and pressure for change led to a shift in China's leadership behavior from supporting and soft selling to hard selling.

4.2.2.2 Finance

Financial cooperation has since the beginning defined APT's identity, which was launched as member states' collective response to the Asian financial crisis. As I mentioned in 4.1.2, the belief that global financial institutions did not represent the interests of non-Western, developing economies manifested itself in the "politics of resentment" during the Asian financial crisis. The need for a collective response to regional and extraregional challenges resulted in the launch of CMI in 2000 and the Asian Bond Market Initiative (ABMI) two years after. Historical memories provided the basis for regional cooperation during the global financial crisis a decade after. In particular, China's economic weight and its image as a "responsible great power" during the Asian financial crisis led member states to call for its leadership in regional financial cooperation.¹⁰² Indeed, the entrenchment of Western-dominated global

¹⁰¹ C. Fred Bergsten, "Competitive Liberalization and Global Free Trade: A Vision for the Early 21st Century," Institute for International Economics, (January 1996), <https://piie.com/publications/working-papers/competitive-liberalization-and-global-free-trade-vision-early-21st>

¹⁰² Chatrudee Theparat, "Financial Crisis – Olarn Calls for \$350bn Asian Pool," *Bangkok Post*, (23rd October 2008), Factiva; Grace Ng, "Common Asian Currency: China Leads Drive," *The Straits Times*, (23rd May 2011), Factiva.

financial architecture prompted the rising power to reorient its efforts to regional institution building.¹⁰³ On the other hand, as I pointed out at the beginning of 4.2.2, China's quest for institutional leadership in economic cooperation was motivated as much by domestic as international imperatives. The need to sustain growth and expedite structural economic required Beijing to stimulate external demand. APT and member states' capability deficit provided China with an opportunity to lead by supporting and soft selling.

As was the case in trade, the dynamics of cooperation and competition in East Asian financial governance revolved around China, Japan and the United States.¹⁰⁴ Having been East Asia's largest economy in East Asia until 2010, Japan has exercised leadership in financial cooperation within the limits of the "East Asian regional bargain." During the Asian financial crisis, it took the New Miyazawa Initiative to stabilize the region, even though its proposal of an AMF was aborted due to opposition from the United States and the lack of support from other regional stakeholders.¹⁰⁵ Meanwhile, having founded the Asian Development Bank (ADB) in 1966, Tokyo has been the largest provider of regional financial public goods. China's rise and the global financial crisis, however, set off a renegotiation on the American and Japanese-dominated regional financial order.

APT's most significant institutional development in adaptation to a changing international environment after the global financial crisis was the "multilateralization" of CMI. Despite successive capacity building measures after its establishment in 2000, CMI remained inadequate as a rescue facility. Comprised of a series of bilateral swap agreements, CMI was hamstrung not only by its small size, but also its lack of "surveillance or conditionality schemes, a clear disbursement mechanism, and credibility as a crisis lending vehicle."¹⁰⁶ Member states, moreover, could draw only up to 20% of their respective swap quota without being subject to an IMF program. This explains the fact that no member state has hitherto used the facility even when it

¹⁰³ Li, "The International Institutional Basis for the Rise of the Renminbi," 4-30.

¹⁰⁴ Grimes, *Currency and Contest in East Asia*.

¹⁰⁵ John D. Ciorciari, "Chiang Mai Initiative Multilateralization," *Asian Survey*, Vol. 51, No. 5, (September/October, 2011), 927-9.

¹⁰⁶ John D. Ciorciari, "China's Influence in Asian Monetary Policy Affairs" in Evelyn Goh (ed.), *Rising China's Influence in Developing Asia*, (Oxford: Oxford University Press, 2016), 227.

faced liquidity problems.¹⁰⁷ In the words of Thailand's former finance minister Chalongphob Sussangkarn, CMI remained "a significant *symbolic* initiative" and "a work in progress."¹⁰⁸ On the other hand, the facility's structure and capacity conformed to the parameters of the East Asian regional bargain, which precluded exclusive regional cooperation.

In 2007, on the eve of the global financial crisis, member states reached an initial agreement to "multilateralize" CMI in the form of "a self-managed reserved pooling arrangement governed by a single contractual agreement" despite disagreements over the facility's structure.¹⁰⁹ The proposed foreign exchange reserve pool would have a starting capital of at least 80 billion dollars; China, Japan and South Korea would contribute 80% of the starting capital, while ASEAN would contribute the remaining 20%. Member states also agreed on the rules and procedures governing the upgraded facility. Its mission, however, remained to "supplement the existing international financial arrangements" rather than replace them.¹¹⁰

Historical memories of the Asian financial crisis gave urgency to the CMI's capacity building after the outbreak of the global financial crisis. In 2009, member states decided to further increase the capital of CMIM's foreign exchange reserve pool from 80 to 120 billion dollars. Once the facility became operational, they would consider raising the "IMF de-linked portion" of a member state's swap quota above 20%. Meanwhile, member states would continue to strengthen the existing bilateral currency swap arrangements.¹¹¹ Two years after the multilateralization of CMI

¹⁰⁷ Parisa Yuthamanop, "Fine Time to Pursue Regional Integration," *Bangkok Post*, (21st November 2008), Factiva; Michael Richardson, "A North-East Group to Rival ASEAN?" *The Straits Times*, (18th December 2008), Factiva.

¹⁰⁸ Chalongphob Sussangkarn, "The Chiang Mai Initiative Multilateralization: Origins, Development and Outlook," ADBI Working Paper Series, No. 230, (July 2010), <https://www.adb.org/sites/default/files/publication/156085/adbi-wp230.pdf>

¹⁰⁹ "Joint Ministerial Statement of the 10th ASEAN Plus Three Finance Ministers' Meeting," in *ASEAN Plus Three Documents Series 2005 – 2010*, 102. For the various proposals reported in the media, see Ravi Velloor, "Arroyo says Asian Bailout Fund to be set up," *The Straits Times*, (16th October 2008), Factiva; Achara Ashayagachat and AFP, "Asian Nations Seek \$80b Lifeline," *Bangkok Post*, (25th October 2008), Factiva; Chatrudee Theparat, "Regional Support Fund to be sorted out at ASEAN Summit," *Bangkok Post*, (30th October 2008), Factiva.

¹¹⁰ "Joint Ministerial Statement of the 11th ASEAN Plus Three Finance Ministers' Meeting," in *ASEAN Plus Three Documents Series 2005 – 2010*, 136.

¹¹¹ "Joint Media Statement of the Action Plan to Restore Economic and Financial Stability of the Asian Region (Report from the Finance Ministers of the ASEAN + 3 to Heads of States/Governments)," in *ASEAN Plus Three Documents Series 2005 – 2010*, 188.

became effective on 24th March 2010, member states decided to further strengthen the regional facility's capacity by doubling the size of the foreign exchange reserve pool to 240 billion dollars, increasing the "IMF de-linked portion" to 30%, and introducing a new crisis prevention facility "CMIM Precautionary Line (CMIM-PL)"¹¹²

Equally important to APT's adaptation to a changing international environment is the capacity for surveillance and crisis prevention. Soon after the outbreak of the global financial crisis, member states expanded the ASEAN Plus Three Meeting of Finance Ministers into the ASEAN Plus Three Meeting of Finance Ministers and Central Bank Governors. Nevertheless, despite the contributions of bodies such as the Technical Working Group on Economic and Financial Monitoring (ETWG) or the Group of Experts (GOE), a special body was needed to enhance APT's financial surveillance capacity.¹¹³ This result was the establishment of AMRO in April 2011. Meanwhile, member states enhanced the function of the Economic Review and Policy Dialogue (EPRD) and directed the ASEAN+3 Research Group to conduct regular studies on financial and monetary cooperation.¹¹⁴

Another major initiative to enhance the "resilience" of East Asia's financial system was ABMI, which was launched in 2002.¹¹⁵ During the Hu Jintao administration's second term, member states approved a new ABMI Roadmap, which aimed to promote the development of local currency bonds, bond market infrastructure and regulatory institutions.¹¹⁶ In 2010, a Credit Guarantee and Investment Facility (CGIF) was established under ABMI. With a starting capital of 500 million dollars, CGIF would supplement ABMI in promoting the issuance of local currency corporate

¹¹² "Chairman's Statement of the 13th ASEAN Plus Three Summit," "Joint Statement of the 15th ASEAN + 3 Finance Ministers and Central Bank Governors' Meeting," in *ASEAN Plus Three Documents Series 2011 – 2015*, 111, 115-6, 224.

¹¹³ "Joint Ministerial Statement of the 10th ASEAN Plus Three Finance Ministers' Meeting," "Joint Ministerial Statement of the 11th ASEAN Plus Three Finance Ministers' Meeting," in *ASEAN Plus Three Documents Series 2005 – 2010*, 102, 138.

¹¹⁴ "Joint Ministerial Statement of the 11th ASEAN Plus Three Finance Ministers' Meeting," "Joint Ministerial Statement of the 14th ASEAN+3 Finance Ministers' Meeting," 4th May 2011, in *ASEAN Plus Three Documents Series 2011 – 2015*, 109, 136-8.

¹¹⁵ "Asian Bond Market Initiative," Asian Bonds Online, <https://asianbondsonline.adb.org/regional/abmi.php>

¹¹⁶ "Joint Ministerial Statement of the 11th ASEAN Plus Three Finance Ministers' Meeting," in *ASEAN Plus Three Documents Series 2005 – 2010*, 137.

bonds in East Asia.¹¹⁷ Two years later, an ABMI Roadmap+ was adopted to implement nine priority initiatives including CGIF guarantee programs, the Common Bond Issuance Program and the Regional Settlement Intermediary.¹¹⁸

With the world's largest foreign exchange reserves, capability advantage enabled China to exercise institutional leadership by supporting. The bargaining over the "critical decisions" on institution building led Beijing to share joint institutional leadership with Tokyo in CMIM and other new functional bodies.¹¹⁹ In the final agreement, China's contributions and voting shares, if including Hong Kong's portion, equaled those of Japan, as each side would contribute 32% of the total reserves.¹²⁰ Likewise, China and Japan each contributed 200 million dollars as CGIF's starting capital. Sino-Japanese leadership competition also extended to the directorship of AMRO. As a result of compromise between Beijing and Tokyo, China's Wei Benhua served as AMRO's first director in the first year; the remaining office term of two years would be taken up by Japan's Nemoto Yoichi.¹²¹

China's success could be attributed as much to task structure as to the historical memories of the Asian financial crisis. Low level of uncertainty and interdependence meant that leadership by supporting depended not so much on high level of trust as on the leader's capabilities. Nonetheless, CMIM's decision-making structure continued to constrain China's leadership behavior. Not only did the distribution of contributions and voting shares give ASEAN countries voting power disproportionate to its share of East Asia's GDP; decision-making on "fundamental issues," moreover, would continue to be based on consensus.¹²² Indeed, despite the tripling of its size, CMIM remained a symbolic addition rather than an alternative to the global financial architecture. Ironically, China's concern as a lender with moral hazards led Beijing to

¹¹⁷ "Joint Media Statement of the 12th ASEAN Plus Three Finance Ministers' Meeting," in *ASEAN Plus Three Documents Series 2005 – 2010*, 192.

¹¹⁸ "Joint Statement of the 15th ASEAN + 3 Finance Ministers and Central Bank Governors' Meeting," 113.

¹¹⁹ Chalongphob Sussangkarn, "Chiang Mai Initiative Multilateralization: Origin, Development, and Outlook," *Asian Economic Policy Review*, Vol. 6, No. 2, (2011), 211-12.

¹²⁰ "Joint Ministerial Statement of the 13th ASEAN+3 Finance Ministers' Meeting," in *ASEAN Plus Three Documents Series 2005 – 2010*, 237.

¹²¹ "China, Japan Share Top Job at Financial Watchdog," *The Bangkok Post*, (8th April 2011), Factiva.

¹²² "Joint Ministerial Statement of the 13th ASEAN+3 Finance Ministers' Meeting," in *ASEAN Plus Three Documents Series 2005 – 2010*, Annex 1, 236.

be cautious about raising the “IMF-delinked portion” of swap quotas.¹²³ This, on the one hand, signified China’s intention to renegotiate the international order without overthrowing it; on the other hand, it also explained APT’s inability to fully adapt to a changing international environment.

Given CMIM’s capability deficit, bilateral swap agreements became the instruments in Sino-Japanese competition in supporting. As part of its strategy to promote *renminbi* internationalization, China signed 80 and 100 billion *renminbi* worth bilateral swap agreements with Malaysia and Indonesia in 2009.¹²⁴ In what was described as a “very aggressive” response, Japan concluded with ASEAN countries bilateral swap agreements worth 60 billion US dollars, while guaranteeing their issuance of 5 billion dollars of “samurai bonds.”¹²⁵ From Tokyo’s perspective, Japan continued to shoulder the largest share of leadership in East Asian financial governance, since the total credit it could extend to APT member states through bilateral swap agreements exceeded 40 billion dollars, more than double of what China could provide.¹²⁶

China also sought to promote institution and capacity building by soft selling. Beijing’s proposals included expanding CMIM and AMRO’s capacity for crisis prevention and surveillance, creating a regional financial safety net, developing a centralized system of foreign exchange reserve management, strengthening cooperation in legal institution building and oversight, developing new financial instruments and diversifying financial services. To facilitate trade and settlement in local currencies, Beijing would encourage financial institutions in China and ASEAN to establish branches in each other’s countries and interbank cooperation mechanisms in local currency clearing. Meanwhile, drawing on the experience in the SCO, the National Development Bank of China and National Banks of ASEAN countries, established the China-ASEAN Bank Consortium to promote exchange and

¹²³ Ciorciari, “China’s Influence in Asian Monetary Affairs,” 228.

¹²⁴ “Establishment of a Bilateral Currency Swap Arrangement between People’s Bank of China and Bank Indonesia,” Bank Indonesia, (23rd March 2009), <http://www.bi.go.id/en/iru/highlight-news/Pages/bilateral%20swap%20agreement%20China%20Indonesia.aspx>

¹²⁵ Takashi Terada, “Japan’s Asian Policy Strategy: Evolution of and Prospects for Multilateralism in Security, Trade and Financial Cooperation,” *Public Policy Review*, Vol. 10, No. 1, (March 2014), 248, https://www.mof.go.jp/english/pri/publication/pp_review/ppr024/ppr024h.pdf

¹²⁶ Terada, “Japan’s Asian Policy Strategy,” 247.

cooperation.¹²⁷ To explore the future direction of cooperation, Beijing called for “innovative and strategic study” on areas such as financial instruments and local currency settlement.¹²⁸ These initiatives, however, remained functional tasks with low uncertainty.

4.2.2.3 Infrastructure

While the concept of “connectivity” would receive global attention with the BRI, it already became APT’s collective purpose during the Hu Jintao administration’s second term. The importance of infrastructure investment to economic development was recognized as far back as the Asian financial crisis.¹²⁹ In the wake of the global financial crisis a decade after, the ADB estimated that Asia would require 8 trillion dollars of investment in national infrastructure and 290 billion dollars in regional infrastructure to promote sustainable growth.¹³⁰ The ASEAN Economic Community Blueprint also identified infrastructure development as one of the key pillars to Southeast Asia’s transformation into a “competitive economic region.”¹³¹ Regional demand converged with domestic economic imperatives to provide the incentives for China to seek institutional leadership in infrastructure development. The need to sustain growth and expedite structural economic reform required China to expand outbound direct investment, industrial transfer and export of surplus production capacity. As was the case in finance, member states’ capability deficit and demand for public goods provided an opportunity for China to exercise leadership by supporting and soft selling during the Hu Jintao administration’s second term.

The prioritization of connectivity in APT’s agenda was integral to ASEAN Community building and the Association’s efforts to retain its centrality in East Asian

¹²⁷ Wen, “Remarks at the Thirteenth China-ASEAN Summit”; Wen, “Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations.”

¹²⁸ Wen, “Remarks at the Thirteenth ASEAN Plus Three Summit.”; Wen, “Remarks at the Fourteenth ASEAN Plus Three Summit.”

¹²⁹ See, for instance, “Ha Noi Declaration on Narrowing Development Gap for Closer ASEAN Integration,” ASEAN, (23rd July 2001), <https://asean.org/ha-noi-declaration-on-narrowing-the-development-gap-2001/>

¹³⁰ *Infrastructure for a Seamless Asia*, (Tokyo: Asian Development Bank Institute, 2009), <https://www.adb.org/sites/default/files/publication/159348/adbi-infrastructure-seamless-asia.pdf>

¹³¹ “ASEAN Economic Community Blueprint,” ASEAN Secretariat, (2008), 18-9, <http://asean.org/wp-content/uploads/archive/5187-10.pdf>

cooperation. As the “Leaders’ Statement on ASEAN Plus Three Partnership on Connectivity” emphasized,

ASEAN Connectivity is a foundation of the development of enhanced connectivity in East Asia and that the enhanced connectivity is one of the key elements in building an East Asian community.¹³²

To establish ASEAN Plus Three partnership in connectivity, member states agreed to facilitate the timely implementation of cooperation projects, integrate connectivity into the ASEAN Plus Three Cooperation Work Plan (2013-2017) and explore the formulation of a “Connectivity Master Plan Plus” in cooperation with EAS. To support project implementation, member states agreed to establish study groups to formulate cooperation proposals and explored additional financing mechanisms under APT.¹³³ They also pledged to strengthen cooperation in capacity building, best practices sharing and the implementation of the ASEAN Plus Three Plan of Action on Education. The above discussion shows that the core component of the Xi Jinping administration’s BRI was proposed by ASEAN in the first place. Likewise, the idea of establishing additional infrastructure financing mechanisms, which culminated in the establishment of the AIIB, originated in member states’ collectively agreed purpose during the Hu Jintao era.

Nonetheless, as was the case in finance, member states’ capability deficit and demand for public goods provided China with a leadership opportunity. But whereas the Xi Jinping administration would engage in hard selling by redefining and accomplishing collective purposes on Chinese terms, the Hu Jintao administration was preoccupied with promoting the original collective purposes through supporting and soft selling. In transportation, China called for effective implementation of priority projects in order to achieve land transport connectivity with ASEAN within ten to fifteen years. It also pledged to facilitate planning of the Pan-Asian Railway network, technological standardization and other related projects. Meanwhile, China took the initiative in air transport liberalization by concluding an agreement with ASEAN in November 2010; it also pledged to expedite the creation of a “fully liberalized air services regime” that could in the future include Japan and Korea. To enhance

¹³² “Leaders’ Statement on ASEAN Plus Three Partnership on Connectivity,” in *ASEAN Plus Three Documents Series 2011 – 2015*, 16.

¹³³ *Ibid.*

maritime connectivity, China proposed the establishment of a China-ASEAN Connectivity Cooperation Committee and offered to implement effective measures with its Southeast Asian counterparts in the development of freezer cargo ships, cargo ships and shipping routes. In telecommunication, China pledged to build a China-ASEAN Information Highway. To explore the future direction of cooperation, China organized an international seminar on connectivity.¹³⁴ As was the case in other areas of cooperation, China's leadership activities remained confined to functional tasks with low uncertainty.

Given ASEAN countries' capability deficit and demand for development financing support, "ASEAN Plus One" provided the ideal platform for China to promote the collective purpose by supporting. In 2009, China provided 15 billion US dollars of credit – including 6.7 billion dollars of preferential credit – for financing 50 infrastructure projects in highway, railway, maritime and energy routes, information and communication, electricity network, etc., across almost all ASEAN countries. By the end of 2010, 10.1 billion dollars were already put to use, including 3.1 billion dollars of preferential credit. In 2011, China provided an additional credit of 10 billion dollars, including 4 billion dollars of preferential loans.¹³⁵

Nevertheless, member states decided after the outbreak of the global financial crisis to "explore ideas for new arrangements which would provide development assistance to the region, while addressing unexpected liquidity constraints."¹³⁶ To promote the collective purpose, China sought to use or establish multiple bodies and mechanisms to provide regional financial public goods. To finance projects in the ASEAN Plus Three Cooperation Work Plan (2013-2017), member states established in 2009 an ASEAN Plus Three Cooperation Fund with a starting capital of 3 million dollars. China, Japan and Korea each contributed 900 thousand dollars, while ASEAN

¹³⁴ Wen, "Expanding Cooperation, Achieving Mutual Benefits and Joint Victory"; Wen, "Remarks at the Thirteenth China-ASEAN Summit"; Wen, "Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations."

¹³⁵ Wen, "Remarks at the Thirteenth China-ASEAN Summit"; Wen, "Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations."

¹³⁶ "Joint Media Statement of the Action Plan to Restore Economic and Financial Stability of the Asian Region (Report from the Finance Ministers of the ASEAN+3 to Heads of States/Governments)," in *ASEAN Plus Three Documents Series 2005 – 2010*, 189.

countries together contributed 300 thousand dollars.¹³⁷ Apart from mechanisms under APT, China used financial facilities under its control to finance cooperation projects, one of which was the Asian Regional Cooperation Fund. Beijing injected 15 million dollars to the Fund in 2007, followed by another 17 million dollars three years later.¹³⁸ Another body was the China-ASEAN Investment Cooperation Fund, which was established in April 2009 and began operation by the end of 2010.¹³⁹ In 2011, Beijing established a China-ASEAN Maritime Cooperation Fund of 3 billion *renminbi* to promote cooperation in areas including maritime research, environment, connectivity, navigation security and crime prevention.¹⁴⁰

The above discussion demonstrated China's increasing capacity to provide regional public goods that other member states needed. However, despite the shifting balance of power, China was able to increase its share of institutional leadership but did not displace Japan's role in the supply of regional financial public goods. More importantly, the demise of EAFTA attested to China's inability to rally member states as a group behind its purpose, maintain APT's identity and promote its adaptation to a changing international environment. Low level of trust meant that Chinese institutional leadership was confined to functional tasks with low uncertainty and interdependence. APT's leadership deficit, in turn, was a manifestation of China's failure to anchor East Asia to the thirteen-member grouping.

4.2.2.4 Education, Research and Cultural Exchange

As chapter two and the earlier section of this chapter have shown, there has long been a view in China that attributes responsibilities for growing mistrust between the rising power and the world to the misunderstanding of some states and the "Cold War mindset" of others. Nevertheless, it would be unfair to conclude that Beijing was unaware of the problem. Mutual trust is built not only on inter-governmental

¹³⁷ "Chairman's Statement of the 9th APT Foreign Ministers Meeting," in *ASEAN Plus Three Documents Series 2005 – 2010*, 131.

¹³⁸ Wen, "Expanding Cooperation, Achieving Mutual Benefits and Joint Victory"; Wen, "Remarks at the Thirteenth China-ASEAN Summit."

¹³⁹ "Wen Jiabao Attended the 12th China-ASEAN Summit" [温家宝出席第十二次中国与东盟领导人会议], Ministry of Foreign Affairs, (24th October 2009), http://www.mfa.gov.cn/chn/pds/gjhdq/gjhdqzz/lhg_14/xgxw/t622351.htm

¹⁴⁰ Wen, "Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations."

cooperation but also on mutual understanding between societies. Not surprisingly, “people-to-people” diplomacy has been at the center of China’s attempt to build trust and collective purpose. Like infrastructure development, agriculture and environment, these initiatives were directed primarily at the less developed ASEAN countries. Again, China’s leadership activities in social and cultural cooperation were incorporated into its efforts to exercise leadership in economic cooperation, as the Hu Jintao administration made use of the country’s advantageous capabilities to promote member states’ capacity building.

The most important area of engagement was education. Although Thailand was the “leading shepherd” in education cooperation within APT, China launched many initiatives during the Hu Jintao administration’s second term. In 2007, China would implement its proposal to train 8000 personnel from ASEAN countries across different specialties in the next five years. Three years later, it offered to train another 15,000 technical and management personnel. Beijing also offered to establish ten vocational training centers to provide the human resources needed in ASEAN countries’ socio-economic development. Meanwhile, China pledged to implement the “Double Hundred Thousand” scheme by increasing the number of international students from ASEAN countries to 100 thousands; provide 10 thousands government scholarship quota; and invite 10 thousand junior teachers, scholars and students to visit China. It would also continue to invite youth from ASEAN countries to visit China and host cultural exchange events.¹⁴¹

Apart from calling for the early conclusion of cooperation agreements, China proposed the establishment of a China-ASEAN Center for Exchange and Cooperation in Traditional Medicine, the launch of partnership programs and organized seminars and training projects. In tourism, apart from the formulation of action plans and organization of training and exchange events, China proposed that both sides should introduce measures to simplify immigration/custom procedures, improve transportation, improve service standards, with the aim to reach the goal of 15 million

¹⁴¹ Wen, “Expanding Cooperation, Achieving Mutual Benefits and Joint Victory”; Wen, “Rallying Consensus, Creating Splendor Once Again”; Wen, “Remarks at the Thirteenth China-ASEAN Summit”; Wen, “Remarks at the Fourteenth China-ASEAN Summit cum Commemorative Summit of the 20th Anniversary of China-ASEAN Dialogue Relations.”

times/person of travel by 2015.¹⁴² These tasks, however, remained small-scale, functional tasks with low uncertainty and interdependence.

Nevertheless, Beijing's initiatives failed to mitigate the mistrust that hampered its quest for institutional leadership. Besides the backlash against China's maritime behavior, the social and environmental impact arising from its growing economic presence in member states generated public resentment. For instance, local opposition to the construction of the Myitsone Dam in Myanmar led Naypyidaw to suspend the China-led project in 2011.¹⁴³ The growing presence of Chinese tourists and workers, if anything, only intensified anxiety and resentment in Southeast Asia.¹⁴⁴ Ironically, as the interplay of international and domestic development increased the pressure for China pursue regional economic leadership, Beijing's expanding diplomatic and material investment heightened mistrust among member states of its power and purpose.

4.3 Conclusion

As Kissinger wrote in the wake of the global financial crisis,

[w]hat kind of global economic order arises will depend importantly on how China and America deal with each other over the next few years. A frustrated China may take another look at an exclusive regional Asian structure, for which the nucleus already exists in the ASEAN-plus-three concept.¹⁴⁵

The former United States Secretary of State's observation encapsulates the irony of APT's development during the Hu Jintao administration's second term. Fifteen years after it was launched in Kuala Lumpur, the thirteen-member institution remained nothing but a nucleus. The global financial crisis, it turned out, did not become another "critical juncture" for East Asian regionalism as the Asian financial crisis did a decade before. Notwithstanding the issuance of joint statements, the formulation of new work

¹⁴² Wen, "Expanding Cooperation, Achieving Mutual Benefits and Joint Victory"; Wen, "Rallying Consensus, Creating Splendor Once Again"; Wen, "Remarks at the Thirteenth China-ASEAN Summit"; Wen, "Remarks at the Thirteenth China-ASEAN Summit"; Wen, "Remarks at the Thirteenth ASEAN Plus Three Summit."

¹⁴³ Mike Ives, "A Chinese-Backed Dam Project Leaves Myanmar in a Bind," *The New York Times*, (31st March 2017), Nexis.

¹⁴⁴ Edward Wong, "China's Export of Labor Faces Scorn," *The New York Times*, (20th December 2009), <https://www.nytimes.com/2009/12/21/world/asia/21china.html>

¹⁴⁵ Henry Kissinger, "The Change for a New World Order," *The New York Times*, (12th January 2009), <http://www.nytimes.com/2009/01/12/opinion/12iht-edkissinger.1.19281915.html>

plans and the establishment of new mechanisms, APT continued to suffer from leadership deficit and was therefore unable to adapt fully to a changing international environment.

The shifting balance of economic power and member states' capability deficit provided China, which projected itself as a "responsible great power" during the Asian financial crisis, an opportunity to exercise institutional leadership through supporting and soft selling. Although structural, political and institutional constraints limited security cooperation in APT to non-traditional security, China played a central role in the establishment of the APTERR. Meanwhile, member states' demand for economic public goods allowed China to share leadership with Japan in institution and capacity building, as epitomized by the establishment of CMIM, AMRO and CGIF. Still, notwithstanding the shifting regional balance of power, Beijing did not displace Tokyo's role in the supply of regional public goods.

On the other hand, although China was increasingly capable of providing the regional public goods that other member states needed, it was unable to unite them as a group behind its purpose. Besides structural and institutional constraints, low level prevented Beijing from mobilizing support for its preference in the "critical decision" concerning regional free trade. This explained why Chinese institutional leadership remained confined to functional tasks in the economic domain with low uncertainty and interdependence. Even though Beijing's rhetoric and action indicated its awareness of the problem, member states' anxiety about China's growing influence, mistrust of its purpose and negative perception of its behavior would continue to hamper the rising power's quest for leadership during the Xi Jinping administration's first term.

China's quest for institutional leadership in APT was integral to its attempt to renegotiate the geopolitical definition of East Asia. As APT remained the closest embodiment of China's vision of East Asian order, the Hu Jintao administration's efforts represented an attempt to anchor the region to the thirteen-member institution. Nevertheless, the United States, Japan, ASEAN and other regional stakeholders prevented the rising power from dictating the geopolitical definition of East Asia, as

they sought to embed the region in broader geopolitical constructs including ASEAN Plus Six, the Asia-Pacific or the Indo-Pacific. As the interplay of international and domestic developments continued to build up the pressure for change, how would China under Xi Jinping seek to steer APT's development? It is for this question that we turn to the next chapter.

5. The Xi Jinping Administration and Chinese Institutional Leadership in ASEAN Plus Three, 2012 - 2017

The previous chapter examined China's quest for institutional leadership in APT during the Hu Jintao administration's second term. The pressure for collective action and member states' capability shortage provided an opportunity for the rising power to seek leadership by supporting and soft selling. China's greatest achievement lay in financial cooperation, wherein it attained joint institutional leadership with Japan in CMIM and other new bodies. Nevertheless, whereas the Asian financial crisis was a "critical juncture" for East Asian regionalism with the inception of APT, the global financial crisis a decade after did not reinvigorate the thirteen-member institution. Notwithstanding the shifting regional balance of power, structural, political and institutional constraints confined Chinese institutional leadership to the economic domain. Not only did China continue to trail behind Japan in the provision of regional public goods; the problem of trust meant that Chinese institutional leadership was restricted to functional tasks with low uncertainty and interdependence. In other words, while China was increasingly capable of providing what others needed, it was unable to promote APT's identity by uniting them as a group behind its purpose. This prevented the rising power from anchoring East Asia to the institution.

From the very beginning, the new administration under Xi Jinping seemed determined to make a major change. Speaking at the first Work Forum on Peripheral Diplomacy on 25th October 2013, the President exhorted the need to "strive for achievement" in the country's peripheral diplomacy.¹ Indeed, China's diplomatic initiative in Southeast Asia already began with his visit to Indonesia early in the month. Addressing the Indonesian Parliament on 3rd October, he pledged to build "a closer China – ASEAN community with a shared future." To do so, China would not only upgrade ACFTA; it would build together with its Southeast Asian neighbors a 21st Century Maritime Silk Road and establish what is now the AIIB.² Alluding to the

¹ Xi, "Let the Mindset of a Community of Common Destiny to Take Root in Neighboring Countries."

² Jinping Xi [习近平], "Build Hand-in-Hand a China-ASEAN Community with a Shared Future – Speech at the Indonesia Parliament" [携手建设中国—东盟命运共同体—在印度尼西亚国会的演讲], Ministry of Foreign Affairs, (3rd October 2013),

http://www.fmprc.gov.cn/web/ziliao_674904/zvjh_674906/t1084354.shtml

upcoming APEC summit in Bali, Xi Jinping stressed that while “extra-regional” states would be welcome to play a “constructive role” in East Asian development, they should respect the region’s diversity and “do more things that [would be] conducive to regional stability and development.”³ The launch of the 21st Century Maritime Silk Road and the AIIB represented a significant change in the rising power’s institutional behavior. What is important, however, is to understand the nature of China’s behavioral change and its implications.

This chapter examines China’s leadership behavior in APT during the Xi Jinping administration’s first term. While China continued to reaffirm its support for the centrality of both ASEAN and APT in East Asian regionalism, growing pressure for change led to the precedence of task over relationship in its leadership behavior. The rising power’s launch of the 21st Century Maritime Silk Road, the AIIB and other initiatives was an attempt at hard selling in economic cooperation by redefining collective purposes and initiating structures of cooperation on its own terms. Nevertheless, the structural, political and institutional constraints on China’s behavior under Hu Jintao continued to confine Chinese institutional leadership under Xi Jinping to economic, functional tasks with low uncertainty and interdependence.

As the precedence of task over relationship shifted the locus of Beijing’s activities further from the thirteen-member platform to parallel or subordinate channels, China’s hard selling did not maintain APT’s identity by promoting its adaptation to a changing international environment, but rather furthered its division and fragmentation. China’s behavioral shift represented an important change in the rising power’s renegotiation with other regional stakeholders on the geopolitical definition of East Asia. Whereas China under Hu Jintao sought to anchor East Asia to APT, its quest for institutional leadership under Xi Jinping represented an attempt to reintegrate the region into an expanding, Sino-centric geopolitical construct of periphery.

³ *Ibid.*

5.1 21st Century Maritime Silk Road and East Asian Cooperation

As chapters one, two and four have shown, international and domestic developments generated pressures on China to seek institutional leadership in APT. The pressures for change, if anything, only increased during the Xi Jinping administration's first term. The perceived incapacity of both ASEAN and ASEAN-led regional institutions in managing China's rise and other regional challenges intensified the contest over the geopolitical definition of East Asia. Under Obama, the United States avowed to "sustain" its "leadership" through its "rebalance to Asia."⁴ Other stakeholders such as Australia, Japan and Indonesia competed to sell alternative blueprints so as to shape the course of change in East Asian order. ASEAN struggled to retain its centrality by expediting its community building project while launching RCEP. Despite their differences, these initiatives prevented China from dictating the geopolitical definition of East Asia by embedding the region in the broader geopolitical constructs of "ASEAN Plus Six," the Asia-Pacific or the Indo-Pacific.

Maritime disputes and geostrategic competition continued to escalate during the Xi Jinping administration's first term. To uphold freedom of navigation in the South China Sea and a "rule-based order," the United States and its partners enhanced their regional security presence.⁵ Washington, meanwhile, expedited TPP negotiations so as to prevent Beijing from "writ[ing] the rules of the global economy."⁶ Although geostrategic competition increasingly centered on China and the United States, Japan, which had been China's long-time rival for regional leadership, also augmented its engagement with Southeast Asia. Competing regionalist initiatives and APT's inability to fully adapt to a changing international environment threatened to paralyze

⁴ Clinton, "America's Pacific Century."

⁵ See, for example, "Remarks by President Obama before U.S.-ASEAN Meeting," The White House, (8th September 2016), <https://obamawhitehouse.archives.gov/the-press-office/2016/09/08/remarks-president-obama-us-asean-meeting>; "Japan and India Vision 2025 Special Strategic and Global Partnership: Working Together for Peace and Prosperity of the Indo-Pacific Region and the World," Ministry of Foreign Affairs of Japan, (12th December 2015), http://www.mofa.go.jp/sa/sw/in/page3e_000432.html; Jake Maxwell Watts and Rob Taylor, "Australia Calls on Asian Countries to Uphold-Rules-Based Order," *The Wall Street Journal*, (2nd June 2017), <https://www.wsj.com/articles/australia-calls-on-asian-countries-to-uphold-rules-based-order-1496413278>

⁶ "Statement by the President on the Trans-Pacific Partnership," The White House, (5th October 2015), <https://obamawhitehouse.archives.gov/the-press-office/2015/10/05/statement-president-trans-pacific-partnership>

the thirteen-member institution and the process of East Asian regionalism it represented.

Although many of China's foreign policy elites advocated a major geostrategic adjustment at the end of the Hu Jintao administration – which I already discussed in 2.5.2 – East Asia was more important to the rising power than ever. The success of “socialism with Chinese characteristics,” as Hu Jintao stated in his report to the 18th Party Congress, hinged on the country's development into a “maritime power.”⁷ Meanwhile, the sluggishness of structural economic reform in a “new normal” era increased the pressures on Beijing to stimulate the domestic economy by promoting external demand and expanding overseas markets. As Xi Jinping stressed in the 19th Politburo group study session in 2014, free trade area provided an “important platform for China to participate actively in rule-making in international trade and attain institutional power in global economic governance.”⁸ China, therefore, needed to accelerate implementation of its free trade area strategy in order to build “a web of free trade areas originating in the country's periphery, radiating across ‘one belt one road’ and orienting toward the world.”⁹

Although ASEAN's launch of RCEP removed control over the “critical decision” on regional free trade from APT, the thirteen-member grouping remained the closest embodiment of the Chinese conception of East Asia. Meanwhile, as a “small horse towing a big wagon,” ASEAN was increasingly incapable of steering APT's institutional development.¹⁰ From the perspective of institutional leadership, the 21st Century Maritime Silk Road represented a compromise between relationship and task. The BRI's lack of an integrated institutional component and China's emphasis on the role of existing institutions in its implementation signified its intention to renegotiate the existing regional order without overthrowing it. Indeed,

⁷ Hu, “Hu Jintao's Report at the Eighteenth Party Congress of the Communist Party of China.”

⁸ “Xi Jinping Stressed at the Nineteenth Politburo Collective Study Session: Accelerate the Implementation of Free Trade Area Strategy, Accelerate the Building of a New System of Open Economy” [习近平在中共中央政治局第十九次集体学习时强调: 加快实施自由贸易区战略, 加快构建开放型经济新体制], Xinhuanet [新华网], (6th December 2014), http://www.xinhuanet.com/politics/2014-12/06/c_1113546075.htm

⁹ *Ibid.*

¹⁰ Ying Fu, “Can East Asia Carry on Momentum of Regional Cooperation?” *The Strait Times*, (16th November 2015), Factiva.

the Xi Jinping administration's new diplomatic lexicon – from “new type of great power relations,” “community with a shared future” to “friendship, good faith, mutual benefit and inclusiveness” – served to mitigate the problem of trust that had prevented Beijing from uniting member states behind its purpose. Increasing pressures for change, however, led to a shift in China's leadership behavior from supporting and soft selling under Hu Jintao to hard selling in economic cooperation under Xi Jinping. The launch of superimposing, parallel and subordinate initiatives constituted Beijing's attempt to redefine collective purposes and initiate structures of cooperation on its own terms.

While political mistrust between the “Plus Three” countries hampered trilateral cooperation, China's call for the building of a “community with a shared future” with its Southeast Asian neighbors was an attempt to engage those member states, which, at least Beijing believed, would most likely identify with what it defined as their collective purposes. Although the geographical scope of the 21st Century Maritime Silk Road extended far beyond Southeast Asia, ASEAN's geostrategic importance and the complementarity of Chinese and ASEAN economies meant that the ten Southeast Asian countries – especially the less developed ones – were the prime target partners of the BRI.¹¹ This was evident, as Lu Jianren pointed out, when Xi Jinping raised the ideas of both the 21st Century Maritime Silk Road and the China-ASEAN Community with a Shared Future in his address to the Indonesian parliament.¹² Indeed, the “Road” and two of the six “economic corridors” – the China-Indochina Peninsula Economic Corridor and the Bangladesh-China-Myanmar-India Economic Corridor – go to the heart of Southeast Asia. While China concluded many separate agreements with ASEAN countries during the first term of the Xi Jinping administration, the BRI's Action Plan emphasized the need to “strengthen the role of existing multilateral cooperation mechanisms” with specific reference to the China-ASEAN framework.¹³

¹¹ Jianren Lu [陆建人], “‘One Belt One Road’ and the Building of China-ASEAN Community with a Shared Future” [‘一带一路’倡议与中国东盟命运共同体建设], *Innovation* [创新], Vol. 9, No. 5, (2015), 48-50.

¹² Lu, “‘One Belt One Road’ and the Building of China-ASEAN Community with a Shared Future,” 48.

¹³ “Vision and Action on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road” [推动共建丝绸之路经济带和 21 世纪海上丝绸之路的愿景与行动], National Development and Reform Commission, (March 2015),

http://www.ndrc.gov.cn/gzdt/201503/t20150328_669091.html

The Action Plan's reference to "ASEAN Plus One" rather than APT signified an important change in the renegotiation between China and other regional stakeholders on the geopolitical definition of East Asia. As chapter four has shown, notwithstanding APT's low level of multilateralism, China under Hu Jintao sought to maintain the thirteen-member institution's identity by engaging member states more or less as a group. As task took precedence over relationship, however, China under Xi Jinping began to engage member states selectively or individually. Not surprisingly, China's hard selling heightened anxiety about its growing influence and escalated Sino-Japanese leadership competition, as Beijing and Tokyo sought to outsell each other through parallel mechanisms. Thus even though as many as 230 projects were concluded under APT between 2014 and 2015, the locus of activities shifted from the thirteen-member institution to "ASEAN Plus Ones" and other parallel mechanisms.¹⁴

China's hard selling not only did not change APT's leadership deficit; it further the thirteen-member grouping's fragmentation. Indeed, two Chinese scholars went so far as to conclude that APT was already "dead."¹⁵ Nonetheless, China's behavioral change had significant implications for the geopolitical reconstruction of East Asia. Whereas China under Hu Jintao sought to anchor East Asia to APT, the launch of the BRI and other initiatives represented an attempt to reintegrate the region into an expanding, Sino-centric geopolitical construct of periphery.

5.2 The Xi Jinping Administration and Chinese Institutional Leadership in ASEAN Plus Three, 2012 – 2017

5.2.1 Political and Security Cooperation

Notwithstanding member states' routine reaffirmation of their support for the centrality of ASEAN and APT in regional cooperation, a worsening regional security situation, great power competition and ASEAN's incapacity threatened to undermine

¹⁴ Keqiang Li [李克强], "Remarks at the Eighteenth ASEAN Plus Three (10+3) Summit" (在第十八次东盟与中日韩(10+3)领导人会议上的讲话), Ministry of Foreign Affairs, (22nd November 2015), http://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/lhg_682542/zyjh_682552/t1317208.shtml

¹⁵ Interviewee 13; Interviewee 30, Guangzhou, 26th August 2016.

the thirteen-member grouping's identity. China's rhetoric of support for ASEAN and APT, however, remained significant. As the contest over the geopolitical definition of East Asia intensified, Beijing's reassurance was an attempt to mitigate mistrust among neighbors and maintain APT's identity. As Foreign Minister Wang Yi emphasized at the APT Foreign Ministers' Meeting in 2015, ASEAN Community building was the first priority and the basis for the building of both an East Asian Economic Community and an "Asian community with a shared future."¹⁶ In addition to political support, China provided 50 million *renminbi* in 2014 in support of ASEAN Community building, even though the amount was less than half of the Japan-ASEAN Integration Fund 2.0 established in the same year.¹⁷

Whereas the Hu Jintao administration sought to preserve the original collective purpose of "East Asian community building," the Xi Jinping administration's proposal of the concept of "community with a shared future" represented an attempt to redefine the collective purpose on Chinese terms. If Japan could not be induced to accept if not follow Chinese institutional leadership, Beijing would focus its engagement on ASEAN countries. One year after Xi Jinping's speech to the Indonesian parliament, Li Keqiang outlined the "2+7 cooperation framework" for building a "China-ASEAN community with a shared future." Cooperation, he stressed, would progress only when both sides agreed to "deepen strategic mutual trust" and "focus on economic development." The two "consensuses" would in turn provide the political foundation for China and ASEAN to "elevate their relationship to a new height" by advancing cooperation in seven areas. They included a China-ASEAN Treaty of Good Neighborliness and Cooperation; an upgraded ACFTA; connectivity; finance; maritime cooperation; security; and exchange in culture, technology, environment and other areas.¹⁸

¹⁶ "Wang Yi: Take the Historic Opportunity, Promote 10+3 Cooperation" [王毅把握历史机遇,推进10+3合作], Ministry of Foreign Affairs, (6th August 2015), http://www.fmprc.gov.cn/web/wjb_673085/zzjg_673183/yzs_673193/dqzz_673197/dmyzrh_673227/xgxw_673233/t1286932.shtml

¹⁷ Keqiang Li [李克强], "Remarks at the Seventeenth China-ASEAN (10+1) Summit" [在第十七次中国-东盟(10+1)领导人会议上的讲话], (13th November 2014), http://www.fmprc.gov.cn/web/wjb_673085/zzjg_673183/yzs_673193/dqzz_673197/dmlldrhy_673213/zyjhywj_673223/t1210820.shtml; "9. JAIF 2.0," The Japan-ASEAN Integration Fund, <https://jaif.asean.org/jaif2.html>

¹⁸ Keqiang Li [李克强], "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit" [李克强总理在第16次中国—东盟(10+1)领导人会议上的讲话], Ministry of Foreign Affairs,

The “2+7 cooperation framework” was largely an attempt to resell the Hu Jintao administration’s policy toward ASEAN countries. Like its predecessor, the Xi Jinping administration recognized the problem of trust in China’s relations with other member states. Economic leadership continued to be the means to address security issues, unite member states behind China’s purpose and maintain APT’s identity. The proposal of a China-ASEAN Treaty of Good Neighborliness and Cooperation, however, was China’s first attempt to redefine political cooperation on its own terms by applying its successful experience in the SCO to Southeast Asia.¹⁹

Although ASEAN “welcomed” the “2+7 cooperation framework” and “looked forward to working closely with China to implement it” in 2014, the chairman’s statements of subsequent ASEAN-China summits merely “noted” the framework while emphasizing ASEAN countries’ desire to cooperate with China “on the basis of equality, mutual respect, benefit and consensus.”²⁰ Meanwhile, no reference was made to the China-ASEAN Treaty of Good Neighborliness and Cooperation despite Beijing’s repeated calls to conclude the proposed treaty and build a “new platform for political-security cooperation.”²¹ Indeed, China’s growing power and “assertiveness” continued to fuel mistrust among some of its neighbors. For instance, Tuong Lai, who was advisor to two former Vietnamese prime ministers, viewed China’s maritime behavior as nothing but evidence of its expansionist intention. China’s objective, he

(9th October 2013),

http://www.fmprc.gov.cn/web/wjb_673085/zzjg_673183/yzs_673193/dqzz_673197/dmlrhy_673213/zyjhywj_673223/t1086491.shtml

¹⁹ Kian Beng Kor, “News Analysis; China Uses Tried-and-True Tools to Charm ASEAN,” *The Strait Times*, (14th October 2013), Factiva.

²⁰ “Chairman’s Statement of the 17th ASEAN-China Summit,” ASEAN Secretariat, (13th November 2014), http://www.asean.org/wp-content/uploads/images/Chairmans_statement_of_17th_ASEAN-China_Summit.pdf; “Chairman’s Statement of the 18th ASEAN-China Summit,” ASEAN Secretariat, (21st November 2015), <http://asean.org/wp-content/uploads/images/2015/November/27th-summit/statement/Chairmans%20Statement%20of%20the%2018th%20ASEAN-China%20Summit%20Final.pdf>; “Chairman’s Statement of the 19th ASEAN-China Summit to Commemorate the 25th Anniversary of ASEAN-China Dialogue Relations,” ASEAN Secretariat, (7th September 2016), <http://asean.org/storage/2016/09/Final-Chairmans-Statement-of-the-ASEAN-China-25th-Anniversary-Commemo....pdf>

²¹ Xi, “Building Hand-in-Hand a China-ASEAN Community with a Shared Future”; Li, “Premier Li Keqiang’s Remarks at the 16th China-ASEAN (10+1) Summit”; Keqiang Li [李克强], “Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit” [在第 19 次中国—东盟 (10+1) 领导人会议暨中国—东盟建立对话关系 25 周年纪念峰会上的讲话], Ministry of Foreign Affairs, (7th September 2016), http://www.fmprc.gov.cn/web/wjb_673085/zzjg_673183/yzs_673193/dqzz_673197/dmlrhy_673213/zyjhywj_673223/t1395722.shtml

believed, was to challenge American dominance and turn Vietnam into a “vassal state.”²² He went so far as to advocate an alliance with the United States against China, their “present-day enemy.”²³

5.2.1.1 The South China Sea Dispute

As I argued in 4.2.1.1, nothing heightened mistrust of China more than the South China Sea dispute. During the Xi Jinping administration’s first term, the dispute escalated quickly with the Philippines’ initiation of an arbitration case against China’s sovereignty claims in January 2013. The rising power’s maritime behavior, meanwhile, continued to spark off violent anti-China protests across Vietnam.²⁴ Tension reached its peak on the eve of the Permanent Court of Arbitration’s ruling in favor of Manila in July 2016, though since then the Philippines had begun to mend its relations with China. Although institutional design meant that APT was never intended to be the principal platform for regional security cooperation, “ASEAN Plus One” continued to be an important platform for China to contain the dispute, mitigate mistrust and maintain collective purposes.

Like its predecessor, the Xi Jinping administration continued to adopt a defensive posture. To uphold the Declaration on the Conduct in the South China Sea (DOC), China continued to confine discussion of the dispute largely to “ASEAN Plus One,” where Li Keqiang criticized “some extra-regional states” for their “high profile intervention” and “dramatization” of the dispute as “a question of peace, stability and freedom of navigation.”²⁵ “These actions,” the Premier told his counterparts, “were not beneficial to all parties,” especially since East Asia had become “the motor for growth” of a lackluster global economy. Escalation of “regional hotspot issues” would “affect the confidence of extra-regional investors and the people.”²⁶ He stressed that

²² Miller, *China’s Asian Dream*, 224-5

²³ Lai Tuong, “Vietnam’s Overdue Alliance with America,” *The New York Times*, (13th July 2014), Nexis.

²⁴ Per Liljas, “Anti-China Riots in Vietnam Leave at least 21 Dead,” *Time*, (15th May 2014), <http://time.com/100492/vietnam-anti-china-riots-21-dead/>

²⁵ Keqiang Li [李克强], “Premier Li Keqiang’s Remarks at the 18th China-ASEAN (10+1) Summit” [李克强在第 18 次中国—东盟(10+1)领导人会议上的讲话], Ministry of Foreign Affairs, (22nd November 2015),

http://www.fmprc.gov.cn/web/wjw_673085/zzjg_673183/yzs_673193/dqzz_673197/dmlrdhy_673213/zyjhywj_673223/t1317207.shtml

²⁶ *Ibid.*

freedom and safety of navigation in the South China Sea had always been guaranteed without being subject to any threats.²⁷

To maintain APT's identity, the Xi Jinping administration adhered to its predecessor's approach of separating economics from security. Speaking at the APT Senior Officials Meeting in June 2014, Vice Foreign Minister Liu Zhenmin appealed to member states "not to forget their original goals" of "development" and "regional economic integration"; they should "focus on the big picture" of East Asian cooperation without letting "sensitive issues" disrupt cooperation.²⁸ Indeed, as Li Keqiang reminded his Southeast Asian counterparts, it was their countries' commitment to economic development and "improvement of their peoples' livelihood" that had contributed to regional stability; the maritime dispute "would not and should not affect the big picture of China-ASEAN relations."²⁹ He called for all member states to abandon a "zero-sum mindset" and uphold peace and stability, so that no "contradictions" and "divergences" would strip East Asia of its "historic opportunity for development."³⁰

Unlike its predecessor, however, the Xi Jinping administration sought to govern the South China Sea dispute by interim solutions. In his first attendance at the ASEAN-China Summit in 2013, Li Keqiang proposed "joint exploration" before the parties were able to resolve the dispute.³¹ One year after, China and ASEAN agreed on a "dual track" approach whereby they would resolve the South China Sea dispute through negotiation on the basis of "historical facts," international law and the DOC, while working together to maintain peace and security in the region.³²

²⁷ Li, "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit"; Li, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit."

²⁸ "Vice Foreign Minister Liu Zhenmin Attended ASEAN Plus Three Senior Officials' Meeting" [外交部副部长刘振民出席东盟与中日韩(10+3)高官会], Ministry of Foreign Affairs, (9th June 2014), http://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/lhg_682542/xgxw_682548/t1163352.shtml

²⁹ Li, "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit"; Li, "Premier Li Keqiang's Remarks at the Seventeenth China-ASEAN (10+1) Summit."

³⁰ Keqiang Li [李克强], "Remarks at the Seventeenth ASEAN Plus Three (10+3) Summit" [在第十七次东盟与中日韩(10+3)领导人会议上的讲话], Ministry of Foreign Affairs, (13th November 2014), http://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/lhg_682542/zyjh_682552/t1210821.shtml

³¹ Li, "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit."

³² Li, "Premier Li Keqiang's Remarks at the Seventeenth China-ASEAN (10+1) Summit."

One week after the ruling, China and ASEAN countries' foreign ministers issued a joint statement reaffirming their governments' commitment to the DOC's "comprehensive and effective implementation."³³ Speaking at the 25th Anniversary Summit of the ASEAN-China Dialogue Relations in September, Li Keqiang applauded the joint statement for upholding the "effectiveness of the framework of regional rules" and the "right track of resolving the [dispute] through consultation and negotiation." He emphasized that only when regional states "held in their own hands the key of dispute resolution" – the DOC – would they be able to promote peace and stability by working jointly toward the conclusion of a Code of Conduct in the South China Sea (COC). The Premier outlined "four points of vision" regarding COC negotiation, including formulation of a COC framework by mid-2017. Meanwhile, the Summit approved the "Guidelines for Hotline Communications among Senior Officials of the Ministries of Foreign Affairs of China and ASEAN Member States in Response to Maritime Emergencies" and the "Joint Statement on the Application of the Code for Unplanned Encounters at Sea in the South China Sea."³⁴ Despite these efforts, low level of trust continued to confine Chinese institutional leadership largely to the economic domain.

5.2.1.2 Non-Traditional Security

As I mentioned in the previous chapter, structural, political and institutional constraints have since the beginning limited APT's security function. Yet, however limited the institution's achievements were, the inclusion of security as one of the seven areas of cooperation in the new "2+7 cooperation framework" indicated its importance to China. The BRI's lack of an integrated institutional component underscored the role of existing institutional arrangements in providing security insurance to Beijing's grand project. As the only exclusively East Asian institution, APT was one of the platforms for the rising power to realize its vision that the "security of Asia" would be maintained by "the people of Asia."³⁵ Nonetheless, as was the case

³³ "Joint Statement of the Foreign Ministers of ASEAN Countries and China on the Comprehensive and Effective Implementation of the Declaration on the Conduct of Parties in the South China Sea" [中国和东盟国家外交部长关于全面落实《南海各方行为宣言》的联合声明], Ministry of Foreign Affairs, (25th July 2016), <http://www.fmprc.gov.cn/web/zyxw/t1384157.shtml>

³⁴ Li, "Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit."

³⁵ Jinping Xi [习近平], "Actively Establish an Asian Security Outlook, Jointly Create a New Phase of Cooperation" [积极树立亚洲安全观,共创安全合作新局面—在亚洲相互协作与信任措施会议第

during the Hu Jintao era, structural, political and institutional constraints confined China's leadership activities to small-scale, functional tasks with low uncertainty and interdependence.

Apart from maritime disputes, no issue accounted for the growing regional tension during the Xi Jinping administration's first term more than the North Korean nuclear issue. Nevertheless, like his predecessor, Li Keqiang confined himself to reiterating China's position in the APT Summits.³⁶ On the other hand, taking advantage of regional concern with nuclear proliferation, China sought to build trust and common purpose by reiterating its willingness to be the first nuclear-weapon state to accede to the Treaty on the Southeast Asia Nuclear Weapon-Free Zone (SEANWFZ).³⁷ Beijing's initiative, however, did not received any response from its Southeast Asian neighbors.

The Xi Jinping administration's efforts in non-traditional security cooperation concentrated on institution and capacity building. In defense, Beijing held the first China-ASEAN Defense Ministers' Informal Meeting in 2015. Meanwhile, it proposed to conduct joint exercise and establish a "China-ASEAN defense hotline."³⁸ In law enforcement, Beijing likewise held the first China-ASEAN Ministerial Dialogue on Law Enforcement and Security Cooperation in 2015. It also proposed to establish dialogue and meeting mechanisms between maritime law enforcement agencies, establish a law enforcement college and train 2000 personnel from ASEAN countries between 2016 and 2020.³⁹ Like its offer to accede to SEANWFZ, China took

四次峰会上的讲话], Ministry of Foreign Affairs, (21st May 2014), https://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/yzxhhy_683118/zyjh_683128/t1158070.shtml

³⁶ Keqiang Li [李克强], "Remarks at the 19th ASEAN Plus Three (10+3) Summit" [在第 19 次东盟与中日韩(10+3)领导人会议上的讲话], Ministry of Foreign Affairs, (7th September 2016), http://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/lhg_682542/zyjh_682552/t1395774.shtml

³⁷ Li, "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit"; Li, "Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit."

³⁸ Li, "Premier Li Keqiang's Remarks at the Seventeenth China-ASEAN (10+1) Summit"; Li, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit"; Li, "Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit"; Prashanth Parameswaran, "China Reveals New Proposal to Boost Defense Ties with ASEAN," *The Diplomat*, (17th October 2015), <https://thediplomat.com/2015/10/china-reveals-new-proposal-to-boost-defense-ties-with-asean/>

³⁹ Li, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit."

advantage of the terrorist attack in Davao City, the Philippines in 2016 by offering to establish jointly with its Southeast Asian neighbors a “special committee on long-term counter-terrorism.”⁴⁰

China also undertook initiatives in other areas of non-traditional security cooperation by supporting and soft selling. Having exercised joint leadership with Tokyo in the establishment of the APTERR, Beijing provided an additional one million dollars for its development.⁴¹ Apart from organizing roundtable, forums and training sessions, China commenced the building of a “modern agricultural cooperation demonstration base” and an “East Asian exchange platform of animal husbandry products,” while pledging to establish agricultural technology demonstration centers in ASEAN countries.⁴² In disaster relief, China provided 50 million *renminbi* of aid for cooperation; it also financed cooperation initiatives in maritime rescue through the three-billion-*renminbi* China-ASEAN Maritime Cooperation Fund.⁴³ In environment, Beijing launched the building of a China-ASEAN Maritime Cooperation Center and proposed the establishment of other exchange mechanisms.⁴⁴ In public health, the Xi Jinping administration launched the “hundred talents program.”⁴⁵ These initiatives, however, remained small-scale, functional tasks with low uncertainty and interdependence.

Notwithstanding its expanding material investment in supporting and soft selling, China continued to trail behind Japan in the provision of financial aid in selected areas of non-traditional security cooperation. In disaster relief, for instance, Tokyo provided ASEAN countries with 2.7 billion US dollars of aid and training of

⁴⁰ Li, “Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit.”

⁴¹ Keqiang Li [李克强], “Premier Li Keqiang’s Remarks at the 16th ASEAN Plus Three (10+3) Summit” [李克强总理在第 16 次东盟与中日韩(10+3)领导人会议上的讲话], Ministry of Foreign Affairs, (10th October 2013), http://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/lhg_682542/zyjh_682552/t1087131.shtml

⁴² Li, “Premier Li Keqiang’s Remarks at the 16th China-ASEAN (10+1) Summit”; Li, “Premier Li Keqiang’s Remarks at the Seventeenth China-ASEAN (10+1) Summit”; Li, “Premier Li Keqiang’s Remarks at the 18th China-ASEAN (10+1) Summit”; Li, “Remarks at the Eighteenth ASEAN Plus Three (10+3) Summit”; Li, “Remarks at the 19th ASEAN Plus Three (10+3) Summit.”

⁴³ Li, “Premier Li Keqiang’s Remarks at the 16th China-ASEAN (10+1) Summit.”

⁴⁴ Li, “Premier Li Keqiang’s Remarks at the 18th China-ASEAN (10+1) Summit.”

⁴⁵ Li, “Premier Li Keqiang’s Remarks at the Seventeenth China-ASEAN (10+1) Summit.”

1000 local personnel in 2015. In public health, it would employ from its 800-million-dollar contributions to the G7 Global Fund to support public health capacity building in Southeast Asian countries.⁴⁶

The above discussion shows that structural, political and institutional constraints continued to restrict the scope and scale of political and security cooperation in APT. Although China sought to engage in hard selling in political cooperation by redefining collective purpose, the problem of trust arising from the South China Sea dispute continued to confine China's leadership activities to functional tasks with low uncertainty and interdependence.

5.2.2 Economic, Social and Cultural Cooperation

As 4.2.2 has shown, China's leadership activities were concentrated in the economic domain during the Hu Jintao administration's second term. The launch of the BRI and other Chinese initiatives, however, represented a significant expansion of diplomatic and material investment in the rising power's pursuit of institutional leadership in economic cooperation during the Xi Jinping administration's first term. Driven by international and domestic pressures, the Hu Jintao administration sought to consolidate East Asia's geopolitical boundaries with EAFTA. To balance China's growing influence, the United States, Japan and ASEAN sought to integrate the region into the broader constructs of "ASEAN Plus Six" or the Asia-Pacific with CEPEA, RCEP and TPP. Low level of trust prevented China from uniting member states behind its purpose and promoting APT's adaptation to a changing international environment.

Before Donald Trump decided to withdraw the United States from the TPP, Washington seemed to have gained the upper hand in the geoeconomic competition in East Asia, as it reached an agreement with other negotiating parties on the mega trade deal on 4th October 2015.⁴⁷ By removing trade barriers and setting "highest-enforceable standards" on intellectual properties, labor rights and environmental

⁴⁶ "Japan-ASEAN Commemorative Summit (Japan's ODA to ASEAN)," Ministry of Foreign Affairs of Japan, <https://www.mofa.go.jp/files/000070232.pdf>

⁴⁷ Jessica Glenza, "TPP Deal: US and 11 Other Countries Reach Landmark Pacific Trade Pact," *The Guardian*, (5th October 2015), <https://www.theguardian.com/business/2015/oct/05/trans-pacific-partnership-deal-reached-pacific-countries-international-trade>

protection across the Asia-Pacific, the TPP in effect would prevent the resurgence of exclusive regionalism and separate China from the new regional economic order.⁴⁸ It is not surprising, as 2.5.2 showed, that the TPP was perceived by China's foreign policy elites as an attempt to contain the rising power. ASEAN, meanwhile, removed control over the "critical decisions" concerning regional free trade from APT and prevented China from dictating the geoeconomic definition of East Asia by including India, Australia and New Zealand in RCEP. Although China joined and supported RCEP, negotiations on the sixteen-member free trade agreement was stalled by the Association's incapacity, the vast developmental gap among member states and anxiety about Chinese dominance.⁴⁹

The struggle for "survival space" in its periphery led to a shift in China's leadership behavior from supporting and soft selling to hard selling.⁵⁰ Although APT has since its inception exhibited a low level of multilateralism, the Hu Jintao administration more or less engaged member states as a group. As task took precedence over relationship, and as APT became increasingly divided, the Xi Jinping administration engaged in hard selling by redefining collective purposes and initiate structures of cooperation on its own terms. This was manifested in the concentration of Beijing's diplomatic and material investment in the six of the seven key areas of cooperation under the "2+7 cooperation framework." The need to mitigate mistrust and demonstrate China's commitment to the *status quo* led Beijing to reaffirm ASEAN's role in East Asian cooperation and emphasize the centrality of the ASEAN-China framework in the BRI's implementation. Nevertheless, the emphasis on control over task implementation led China to engage member states selectively rather than as a group; as a result, the locus of its activities shifted from the thirteen-member platform to parallel or subordinate mechanisms.

⁴⁸ Barack Obama, "President Obama: The TPP would let America, not China, Lead the Way on Global Trade," *The Washington Post*, (2nd May 2016), https://www.washingtonpost.com/opinions/president-obama-the-tpp-would-let-america-not-china-lead-the-way-on-global-trade/2016/05/02/680540e4-0fd0-11e6-93ae-50921721165d_story.html?utm_term=.a4db661cadfc

⁴⁹ For anxiety about Chinese dominance, see, for example, "Abe Warns TPP Impasse would Shift Focus to china-Inclusive Trade Pact," *The Japan Times*, (15th November 2016), <https://www.japantimes.co.jp/news/2016/11/15/business/economy-business/abe-warns-tpp-impasse-shift-focus-china-inclusive-trade-pact/#.Wo7wPa519aQ>

⁵⁰ Yuan, "China's International Strategic Thought and Strategic Posture in the New Era," 7.

Trump's decision to withdraw the United States from the TPP was considered by many a "serious mistake" that enabled China to fill the void in regional leadership.⁵¹ Indeed, not only did China and other member states of APT continue to share a collective purpose of building an East Asian Economic Community by 2020; member states' capability deficit and demand for public goods continued to provide China with a leadership opportunity. China's projection of itself as a developing country further bolstered its ability to build collective purposes with the less developed ASEAN countries, the prime target followers of its institutional leadership. It is not surprising, therefore, that China offered to be APT's "lead shepherd" in connectivity, trade and investment and poverty relief.⁵²

Nevertheless, with the exception of the "upgrading" of ACFTA, low level of trust continued to confine Chinese institutional leadership largely to functional tasks with low uncertainty and interdependence. While individual member states welcomed the BRI, there was little reference to the Chinese initiative in the chairman's statements of both APT and ASEAN-China Summits.⁵³ Moreover, the launch of the BRI, the AIIB and other Chinese-led initiatives heightened anxiety about China's growing influence and escalated Sino-Japanese leadership competition. As Beijing and Tokyo sought to "outsell" each other, the locus of activities shifted from the thirteen-member platform to parallel or subordinate channels. Despite the shifting balance of power and Beijing's expansion of material investment, China remained far from displacing Japan's role in the supply of regional public goods.

From this perspective, China's hard selling did not maintain APT's identity and promote its adaptation to a changing international environment, but rather

⁵¹ Jordain Carney, "Trump's withdrawal from TPP a 'Serious Mistake,'" *The Hill*, (23rd January 2017), <http://thehill.com/blogs/floor-action/senate/315666-mccain-trump-withdrawing-from-tpp-a-serious-mistake>; "Scrapping TPP Was a Mistake, Ex-Trade Representative Froman Says," *Bloomberg News*, (24th March 2017), <https://www.bloomberg.com/politics/articles/2017-03-24/scrapping-tpp-a-mistake-as-china-fills-void-ex-ustr-froman-says>

⁵² Li, "Premier Li's Remarks at the 16th ASEAN Plus Three (10+3) Summit."

⁵³ "Najib: ASEAN to Hold More Discussion on China's Maritime Silk Road Policy," *The Sun Daily*, (28th April 2015), <http://www.thesundaily.my/news/1397954>; "Joint Statement between the People's Republic of China and the Republic of Singapore on the Establishment of an All-Round Cooperative Partnership Progressing with the Times," Permanent Mission of the Republic of Singapore, (7th November 2015), https://www.mfa.gov.sg/content/mfa/overseasmission/geneva/speeches_and_statements-permanent_mission_to_the_UN/2015/201511/press_20151107.html

furthered its division and fragmentation. This represented an important change in the dynamics of China's renegotiation with other regional stakeholders on the geopolitical definition of East Asia. Whereas the Hu Jintao administration sought to anchor East Asia to APT, the launch of the BRI, AIIB and other Chinese-led initiatives constituted an attempt to reintegrate the region into an expanding, Sino-centric construct of periphery.

5.2.2.1 Trade

5.2.2.2.1 ASEAN-China Free Trade Area

As the previous chapter has shown, the Hu Jintao administration's attempt to exercise institutional leadership in free trade through supporting and soft selling failed with the demise of EAFTA. Nevertheless, intensifying strategic competition and mounting pressures to "rebalance" the Chinese economy only heightened the importance of institutional leadership in regional free trade. As Li Keqiang pointed out at the 2016 APT Summit, although trade between the thirteen countries reached 1300 billion dollars by 2015, it only constituted fifteen percent of the thirteen member states' total foreign trade.⁵⁴ The impasse of negotiations on both RCEP and the China-Japan-South Korea Free Trade Area led China to maintain APT's collective purpose of building an East Asian Economic Community by focusing its engagement on ASEAN countries. As Xi Jinping unveiled the 21st Century Maritime Silk Road, the AIIB and the China-ASEAN community with a shared future to the Indonesia Parliament, he proposed to "upgrade" ACFTA with the aim of increasing China-ASEAN trade to over 1000 billion dollars by 2020.⁵⁵

As one of the seven key areas of cooperation in the "2+7 cooperation framework," the upgrading of ACFTA was among the greatest achievements of Chinese institutional leadership during the Xi Jinping administration's first term. As the first of the five free trade agreements concluded between ASEAN and its dialogue partners and the one with the highest usage, ACFTA provided the basis of trust for China to separate economics from security and accomplish a task with relatively high

⁵⁴ Li, "Remarks at the 19th ASEAN Plus Three (10+3) Summit."

⁵⁵ Xi, "Building Hand-in-Hand a China-ASEAN Community with a Shared Future."

uncertainty and interdependence.⁵⁶ One year after Xi Jinping's address to the Indonesian Parliament, Li Keqiang affirmed China's commitment to completing negotiations by the end of 2015. To expedite the process, Beijing would adopt an "open attitude" in exploring with its Southeast Asian counterparts the possibility of negotiating an investment treaty with pre-establishment national treatment and a negative list.⁵⁷ The protocol to upgrade ACFTA was signed on 21st November 2015. At the ASEAN-China Summit the next day, the Premier called for accelerating the protocol's implementation by simplifying custom procedures as well as upgrading country of origin rules and other operational procedures.⁵⁸ The protocol went into force in May the year after.

Meanwhile, China continued to promote trade and investment facilitation with ASEAN countries on its own terms. In addition to existing initiatives such as the China-ASEAN Expo, Beijing provided 30 million *renminbi* to support economic and technological cooperation from 2014 to 2017; proposed the establishment of cross-border economic cooperation zones and industrial parks; strengthened cooperation in areas including regulation, industrial connectivity, small-and-medium enterprises, agriculture, fisheries and forestry.⁵⁹

5.2.2.2.2 Regional Comprehensive Economic Partnership and East Asian Economic Integration

Although the East Asia Vision Group II report declared the building of an East Asian Economic Community by 2020 as APT's collective purpose, leadership deficit undermined the thirteen-member institution's identity and hindered its adaptation to a changing international environment. Although ASEAN maintained its centrality and prevented China from dictating the geoeconomic definition of East Asia by launching RCEP, it was increasingly incapable of steering regional economic integration.

⁵⁶ Lili Yan Ing, Shujiro Urata and Yoshifumi Fukunaga, "How do Exports and Imports Affect the Use of Free Trade Agreements? Firm-level Survey Evidence from Southeast Asia," ERIA Discussion Paper Series, (January 2016), 7, <http://www.eria.org/ERIA-DP-2016-01.pdf>

⁵⁷ Li, "Premier Li Keqiang's Remarks at the Seventeenth China-ASEAN (10+1) Summit."

⁵⁸ Li, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit"; Li, "Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit."

⁵⁹ Li, "Premier Li Keqiang's Remarks at the Seventeenth China-ASEAN (10+1) Summit"; Li, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit."

As the “critical decision” on regional free trade was removed from APT, the Xi Jinping administration confined itself largely to reiterating its support for ASEAN’s initiative and its call for accelerating East Asian economic integration. On the other hand, even though RCEP became the only framework available, Beijing continued to uphold APT as the “main channel” of regional cooperation.⁶⁰ At the 2014 APT Summit, Li Keqiang, while reiterating his call for member states to complete RCEP negotiations by the end of next year, emphasized that given the high degree of integration between member states’ economies, APT should “play a leading role in the making of regional free trade arrangements.”⁶¹ Since tension between the highly overlapping APT and EAS began to undermine the former’s identity, he stressed the need to clarify the relationship between the thirteen-member institution and other ASEAN-led platforms.⁶²

Nevertheless, RCEP negotiations did not progress as expected. Although China successfully concluded a bilateral free trade agreement with South Korea in June 2015, the deadlock in RCEP negotiations and the successful conclusion of the TPP in October seemed to give the United States at the time the upper hand in the geoeconomic competition in East Asia.⁶³ In response, Li Keqiang once again expressed China’s willingness to work together with other member states with the goal of completing negotiations by the end of 2016.⁶⁴ Meanwhile, for the first time he stated the Xi Jinping administration’s position on the TPP. “China,” he said,

⁶⁰ For example, “Wang Yi Stressed the Need to Utilize ASEAN Plus Three as the Main Channel of East Asian Cooperation during ASEAN Plus Three Foreign Ministers’ Meeting” [王毅出席东盟与中日韩外长会时强调要充分发挥东盟与中日韩合作作为东亚合作的主渠道作用], Ministry of Foreign Affairs, (30th June 2013), http://www.fmprc.gov.cn/web/wjb_673085/zzjg_673183/yzs_673193/dqzz_673197/dmyzrh_673227/xgwx_673233/t1054544.shtml; “Vice Foreign Minister Liu Zhenmin Attended ASEAN Plus Three Senior Officials’ Meeting,” 9th June 2014; “Wang Yi: Strengthen ASEAN Plus Three Cooperation, Promote East Asian Community Building” [王毅: 加强 10+3 合作, 推进东亚共同体建设], Ministry of Foreign Affairs, (9th August 2014), http://www.fmprc.gov.cn/web/wjb_673085/zzjg_673183/yzs_673193/dqzz_673197/dmyzrh_673227/xgwx_673233/t1181485.shtml

⁶¹ Li, “Remarks at the Seventeenth ASEAN Plus Three (10+3) Summit.”

⁶² “Wang Yi Attended ASEAN Plus Three Foreign Ministers’ Meeting” [王毅出席东盟与中日韩 (10+3)外长会], Ministry of Foreign Affairs, (26th July 2016), http://www.fmprc.gov.cn/web/wjb_673085/zzjg_673183/yzs_673193/dqzz_673197/dmyzrh_673227/xgwx_673233/t1384615.shtml

⁶³ Greg Sheridan, “TPP a Triumph for US Role in Asia,” *The Australian*, 10th October 2015, <https://www.theaustralian.com.au/opinion/columnists/greg-sheridan/tpp-a-triumph-for-us-role-in-asia/news-story/97240bfac94d03c44af51e81f6d59f96>

⁶⁴ Li, “Remarks at the Eighteenth ASEAN Plus Three (10+3) Summit.”

adopted an “open” attitude toward the TPP and believed that the TPP, RCEP and other regional free trade agreements could promote each other’s development, contributing together to the common goal of establishing a Free Trade Area of the Asia-Pacific (FTAAP).⁶⁵

Nevertheless, continued stalemate in RCEP negotiations seemed to lead Beijing to shift its focus away from ASEAN’s regional free trade scheme. At the 2016 APT summit, Li Keqiang only reiterated China’s support for ASEAN’s central role in RCEP negotiations and its hope that member states could accelerate and complete negotiations “as soon as possible.”⁶⁶

The shift of the institutional locus of the renegotiation on East Asian free trade from APT “upward” to EAS and “downward” to “ASEAN Plus Ones” indicated not only the thirteen-member grouping’s institutional deficit, but also China’s inability to exercise institutional leadership by instilling the “values” and “competence” into APT in order to promote its adaption to a changing international environment. Indeed, other than expressing its willingness to cooperate with member states in areas such as e-commerce and logistics, Beijing only proposed and supported small-scale, functional tasks including an East Asian Investment Summit, an East Asian Commercial Forum or an APT Service Alliance of Small and Medium Enterprises.⁶⁷

5.2.2.2 Finance

With major institution and capacity building initiatives including CMIM, AMRO and CGIF, finance was the area wherein APT cooperation and China’s quest for institutional leadership achieved the greatest progress during the Hu Jintao administration’s second term. Nevertheless, CMIM’s idleness was a manifestation of APT’s institutional and leadership deficit.⁶⁸ Thus even though East Asia demonstrated a much higher level of resilience in the global financial crisis than the Asian financial crisis a decade before, there was continuing concern with the vulnerability of

⁶⁵ *Ibid.*

⁶⁶ Li, “Remarks at the 19th ASEAN Plus Three (10+3) Summit.”

⁶⁷ Li, “Premier Li’s Remarks at the 16th ASEAN Plus Three (10+3) Summit”; Li, “Remarks at the Eighteenth ASEAN Plus Three (10+3) Summit”; Li, “Remarks at the 19th ASEAN Plus Three (10+3) Summit.”

⁶⁸ Natasha Brereton-Fukui, “Southeast Asia Seeks Better Capital Safety Net,” *The Wall Street Journal*, (1st April 2013), Factiva.

individual member states and the region as a whole. Notwithstanding the common purpose of member states to strengthen regional financial institutions, the Xi Jinping administration's first term did not see comparable progress in cooperation.

ASEAN's prioritization of connectivity, together with China and Japan's grand initiatives in infrastructure investment, shifted the focus of financial cooperation to infrastructure finance. The establishment of the AIIB and other Chinese-controlled facilities represented the Xi Jinping administration's attempt at hard selling by redefining collective purpose and initiating structures of cooperation on its own terms. Beijing's hard selling, however, not only did not change APT's leadership deficit but escalated Sino-Japanese competition and hence furthered the thirteen-member grouping's fragmentation. Even though the rising power took a greater share of leadership, it did not displace Japan's role in the supply of regional financial public goods.

5.2.2.3.1 Infrastructure Finance

The AIIB symbolized China's attempt at hard selling by redefining collective purpose and initiating structures of cooperation on its own terms. As the previous chapter has shown, China and other member states had been searching for "new arrangements" for development financing since the global financial crisis.⁶⁹ Establishment of facilities such as the APT Cooperation Fund, however, continued to fall short of meeting the needs of infrastructure finance in Asia, which the ADB estimated required as much as 8 trillion dollars.

Soon after it took office, the Xi Jinping administration proposed the idea of an "ASEAN Plus Three Infrastructure Bond."⁷⁰ Similar to the various funds its predecessor established or supported, an infrastructure bond could not match up to the Japanese-led ADB, which was planning at the time to expand the lending capacity of its newly-established Asian Infrastructure Fund (AIF).⁷¹ In subsequent ministerial and

⁶⁹ "Joint Media Statement of the Action Plan to Restore Economic and Financial Stability of the Asian Region (Report from the Finance Ministers of the ASEAN+3 to Heads of States/Governments)," in *ASEAN Plus Three Documents Series 2005 – 2010*, 189.

⁷⁰ Natasha Brereton-Fukui, "Asia to Study Promoting Infrastructure Bonds," *The Wall Street Journal*, (4th April 2013), Factiva.

⁷¹ *Ibid.*

senior officials meetings, however, China's proposal changed to a vague "financing platform."⁷² It soon became clear that ASEAN countries were the prime target followers, as manifested in China's invitation to its Southeast Asian neighbors to "jointly explore the building of an Asian investment and financing platform" that could "ensure liquidity for their [ASEAN countries'] infrastructure investment."⁷³

China's proposal finally took the form of a regional multilateral development bank when Xi Jinping addressed the Indonesian Parliament in October.⁷⁴ Barely seven days later, Li Keqiang raised the idea again at the ASEAN-China Summit. The AIIB, he said, would "serve primarily to provide a financing platform for connectivity projects in ASEAN countries and the region."⁷⁵ Interestingly, he did not raise the idea at the APT Summit the next day.⁷⁶ China's success in redefining collective purpose and mobilize member states behind it was manifested in the fact that all APT countries except Japan joined the AIIB as founding members in 2015. From then on, Li Keqiang continued to stress that China would give priority to providing infrastructure finance to ASEAN countries.⁷⁷ Of the 20 projects the AIIB approved during the Xi Jinping administration's first term, 6 were in or aimed at ASEAN countries, which made Southeast Asia the second largest aid destination behind South Asia.⁷⁸

The AIIB symbolized a change not only in China's leadership behavior, but also in its approach toward the geopolitical reconstruction of East Asia. Whereas the Hu Jintao administration sought to anchor East Asia to APT, the AIIB represented the Xi Jinping administration's attempt to reintegrate the region into an expanding, Sino-centric geopolitical construct of periphery. The need to mitigate mistrust, however,

⁷² "Vice Foreign Minister Liu Zhenmin Attended ASEAN Plus Three Senior Officials' Meeting" [外交部副部长刘振民出席东盟与中日韩高官会], Ministry of Foreign Affairs, (23rd May 2013), https://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/lhg_682542/xgxw_682548/t1043283.shtml; "Wang Yi Recommended China and ASEAN Promoted Cooperation in Connectivity" [王毅建议中国与东盟推进互联互通合作], (1st July 2013), http://www.fmprc.gov.cn/web/wjb_673085/zzjg_673183/yzs_673193/dqzz_673197/dmlrhy_673213/xgxw_673219/t1054556.shtml

⁷³ "Wang Yi Recommended China and ASEAN Promoted Cooperation in Connectivity".

⁷⁴ Xi, "Building Hand-in-Hand a China-ASEAN Community with a Shared Future."

⁷⁵ Li, "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit."

⁷⁶ Li, "Premier Li Keqiang's Remarks at the 16th ASEAN Plus Three (10+3) Summit".

⁷⁷ Li, "Remarks at the 19th ASEAN Plus Three (10+3) Summit".

⁷⁸ "Approved Projects," Asian Infrastructure Investment Bank, <https://www.aiib.org/en/projects/approved/index.html>

meant that the new multilateral development bank was presented as a complement rather than a challenge to the *status quo*. As Xi Jinping stressed, the AIIB should uphold open regionalism, play a complementary role with existing multilateral development banks, revitalize the existing multilateral system with its advantages and characteristics, [and] promote the common development of multilateral institutions.⁷⁹

While some such as Tay argued that ASEAN countries joined the AIIB in order to gain leverage over its operation and hence prevent it from becoming an instrument of Chinese dominance, Beijing's success in mobilizing their support was attributed largely to the nature of the task.⁸⁰ As a channel of public goods, the AIIB performs tasks with low uncertainty and interdependence that did not require member states to give China "discretion over outcomes previously controlled by themselves."⁸¹

Besides the AIIB, China established or utilized other facilities for hard selling. The three billion-*renminbi* China-ASEAN Maritime Cooperation Fund, which was established in 2011, financed 17 projects in economic cooperation, connectivity, maritime rescue and environmental conservation by the end of 2013.⁸² In 2014, the second phase of capitalization for the China-ASEAN Investment Cooperation Fund began. The China Development Bank, meanwhile, would provide a "special loan" of 10 billion dollars for infrastructure development in ASEAN countries.⁸³ The 40-billion-*renminbi* Silk Road Fund would also give priority to financing connectivity projects. Together these facilities formed a new structure of cooperation through which China promoted ASEAN countries' capacity building.

Regardless of China's objective, the BRI and the AIIB challenged Japan's regional leadership in infrastructure finance. Tokyo, which expanded its engagement

⁷⁹ Jinping Xi [习近平], "Remarks at the Opening Ceremony of the Asian Infrastructure Investment Bank" [在亚洲基础设施投资银行开业仪式上的致辞], *People's Daily* [人民日报], (16th January 2016), <http://cpc.people.com.cn/n1/2016/0116/c64094-28060298.html>

⁸⁰ Simon Tay, "A New Bank for Asia, not China," *The Jakarta Post*, (18th October 2014), Factiva.

⁸¹ Hoffman, "A Conceptualization of Trust in International Relations," 385.

⁸² Li, "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit."

⁸³ Li, "Premier Li Keqiang's Remarks at the Seventeenth China-ASEAN (10+1) Summit"; Li, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit"; "Premier Li Attends East Asian Leaders' Meetings," China Central Television, (13th November 2014), <http://english.cntv.cn/2014/11/13/ARTI1415879278000169.shtml>

with Southeast Asia even before China embarked on the BRI, responded by launching the Expanded Partnership for Quality Infrastructure (EPQI).⁸⁴ Implemented through bodies and mechanisms including the Japan Bank for International Cooperation (JBIC), the Japan International Cooperation Agency (JICA), the Japan Oil, Gas and Metals National Corporation (JOGMEC) and the Nippon Export and Investment Insurance (NEXI), the EPQI aimed to provide 200 billion dollars to finance infrastructure development in Southeast Asia and the world from 2016 to 2020.⁸⁵ In addition, Tokyo expanded the ADB's lending capacity by 50%.⁸⁶ What distinguished the EPQI from the BRI, however, was Tokyo's emphasis on the need for development finance to advance democracy, human rights and the rule of law.⁸⁷ The Sino-Japanese competition to outsell each other intensified the contest over the geopolitical definition of East Asia.

Notwithstanding Beijing's new initiatives, Chinese institutional leadership remained limited. As Miller pointed out, the AIIB's paid-up capital was much smaller than its authorized capital of 100 billion dollars; even its plan to provide annual financial aid of two billion dollars from 2016 to 2020 still fell short of the amount provided by other multilateral development banks.⁸⁸ As China and Japan sought to outsell each other, the locus of collective action shifted further from the multilateral APT to "ASEAN Plus Ones" and other parallel platforms. As a result, China's initiatives, rather than promoting APT's identity, furthered its division and fragmentation.

5.2.2.3.2 Development Assistance

As the previous chapter has shown, China's activities of supporting during the Hu Jintao administration's second term aimed primarily at promoting capacity building

⁸⁴-For Japan's engagement with Southeast Asia, see "Japan, ASEAN to Launch New Framework for Financial Cooperation in May," *Kyodo News*, (25th April 2013), Factiva; Natasha Brereton-Fukui, "Japan Strengthens Cooperation with Southeast Asia," *The Wall Street Journal*, (4th May 2013), Factiva; Eko NM Saputro, "Sino-Japanese Competition and Compromise," *The Jakarta Post*, (6th November 2015), Factiva.

⁸⁵ "G7 Ise-Shima Summit: 'Expanded Partnership for Quality Infrastructure,'" Ministry of Economy, Trade and Industry, (23rd May 2016), http://www.meti.go.jp/english/press/2016/pdf/0523_01b.pdf

⁸⁶ Shinzo Abe, "The Future of Asia: Be Innovative" – Speech by Prime Minister Shinzo Abe at the Banquet of the 21st International Conference on the Future of Asia," Prime Minister of Japan and His Cabinet, (21st May 2015), https://japan.kantei.go.jp/97_abe/statement/201505/0521foaspeech.html

⁸⁷ Miller, *China's Asian Dream*, 45.

⁸⁸ Miller, *China's Asian Dream*, 40-1.

of the less developed ASEAN countries. Given the importance of closing the regional development gap as one of APT's collective purposes and China's self-projection as the representative of developing countries, it is not surprising that Beijing offered to be the "lead shepherd" in poverty alleviation.⁸⁹ Yet, unlike its predecessor, the Xi Jinping administration sought to engage in hard selling by making "critical decisions" on institution building on its own terms.

The launch of Lancang-Mekong Cooperation (LMC) in 2014 represented China's another success in redefining collective purpose and initiating structure of cooperation on its own terms. Comprised of China and the five riparian ASEAN countries of Cambodia, Laos, Myanmar, Thailand and Vietnam, LMC redefined and accomplished the collective purpose originating in Thailand's call to enhance cooperation two years before on Chinese terms. In the first heads of state/government meeting in March 2016, China and member states agreed that political-security, economic and sustainable development, and socio-cultural cooperation would form the three "pillars" of cooperation, with connectivity, production capacity, cross-border economy, water resources, agriculture and poverty reduction as five priority areas. Beijing proposed a range of cooperation initiatives and concluded 45 "early harvest projects" like the Lancang-Mekong Water Resources Cooperation Center with its counterparts. The Lancang-Mekong Project Fund, meanwhile, was established to support exchange and cooperation projects.⁹⁰ Aiming to build a "Lancang-Mekong community with a shared future," LMC represented China's attempt to prevent the United States and Japan from dictating the geopolitical definition of the subregion through the Lower Mekong Initiative (LMI), Japan-Mekong Cooperation (JMC) and the ADB-led Greater Mekong Subregion (GMS) program.

Whereas LMC engaged a geographically specific group of member states, the East Asian Cooperation Initiative on Poverty Reduction was directed at all of APT's less developed member states. In 2014, China would provide 100 million *renminbi* for "demonstration sites" and other projects for village poverty reduction.⁹¹ One year

⁸⁹ "Report of the East Asia Vision Group II (EAVG II)," 6.

⁹⁰ Li, "Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit."

⁹¹ Li Keqiang, "Remarks at the 17th ASEAN Plus Three (10+3) Summit."

later, it pledged to provide another three billion *renminbi* of gratuitous aid and concluded cooperation agreements with member states in small infrastructure building, public services and knowledge exchange.⁹² In 2016, China and Laos jointly proposed that the APT Summit issued a Joint Declaration on Cooperation in Sustainable Development. Li Keqiang also called for cooperation between the “Plus Three” countries in using their capability advantage to promote sustainable development in ASEAN countries.⁹³

5.2.2.3.3 Other Areas of Financial Cooperation

Although China under Xi Jinping concentrated its efforts on the AIIB, Beijing also sought institutional leadership in other areas of financial cooperation by soft selling, though the scale of its activities were highly limited. In his first attendance at the ASEAN-China and the APT Summit, Li Keqiang called for member states to explore the possibility of formulating a “future roadmap for regional financial cooperation” that would lead to the establishment of an “Asian monetary stabilization system,” an “Asian credit system” and an “Asia investment financing cooperation system.”⁹⁴ As “certain country’s policy of quantitative easing” and other global financial risks began to affect regional economic and financial stability, the Premier emphasized at the APT Summit two years later that “the building of an Asian financial system was unavoidable.”⁹⁵ To promote cooperation, he proposed that member states issued a “joint declaration on the promotion of economic growth and financial stability”, formulated a “blueprint of East Asian Economic Community” and established an Association of Asian Financial Cooperation.⁹⁶

Nevertheless, other than AMRO’s elevation as an international organization and CGIF’s capital expansion, no comparable progress was achieved in the building of a “regional financial security net” as it was in infrastructure finance. Throughout

⁹² Li Keqiang, “Premier Li Keqiang’s Remarks at the 17th China-ASEAN (10+1) Summit”; Li Keqiang, “Remarks at the 17th ASEAN Plus Three (10+3) Summit”; Li Keqiang, “Remarks at the 18th ASEAN Plus Three (10+3) Summit”; Li Keqiang, “Remarks at the 19th ASEAN Plus Three (10+3) Summit.”

⁹³ Li Keqiang, “Remarks at the 19th ASEAN Plus Three (10+3) Summit.”

⁹⁴ Li, “Premier Li Keqiang’s Remarks at the 16th China-ASEAN (10+1) Summit”; “Premier Li’s Remarks at the 16th ASEAN Plus Three (10+3) Summit.”

⁹⁵ Li Keqiang, “Remarks at the 17th ASEAN Plus Three (10+3) Summit”; Li, “Premier Li Keqiang’s Remarks at the 16th ASEAN Plus Three (10+3) Summit.”

⁹⁶ Li, “Remarks at the Eighteenth ASEAN Plus Three (10+3) Summit.”

the Xi Jinping administration's first term, China's efforts were confined to general calls for strengthening existing mechanisms. To enhance CMIM's utility, China recommended improving the foreign exchange reserve pool's operating procedures, promoting usage of the new preventive loan facilities and conducting interim assessment.⁹⁷ Likewise, Beijing stressed the need to improve AMRO's governance structure and develop its institutional linkages with other regional mechanisms.⁹⁸ To build a more robust, less dollar-dependent regional financial system, it continued to call for strengthening clearing institutions, expanding the arrangements for local currency swap and settlement, and exploring the inclusion of local currencies in foreign exchange reserves.⁹⁹ To promote the development of an Asian bond market, China offered to introduce preferential measures for ASEAN countries' monetary authorities and investment institutions when they invest in China's bond market.¹⁰⁰ High level of uncertainty and interdependence of some of the proposed tasks, together with low level of trust between China and member states, mean that many of these proposals were yet to be implemented.

5.2.2.3 Infrastructure

As the previous chapter has shown, connectivity became a priority in APT's agenda after the global financial crisis. Under Hu Jintao, China promoted the collective purpose defined by ASEAN through supporting and soft selling. Under Xi Jinping, however, China not only offered to be the "lead shepherd" in connectivity; it redefined the collective purpose and initiated structures of cooperation on its own terms with the BRI, the AIIB and other initiatives. China's hard selling shifted the locus of its activities further from APT to "ASEAN Plus One" and other parallel platforms.

⁹⁷ Li Keqiang, "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit"; Li Keqiang, "Remarks at the 17th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 18th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 19th ASEAN Plus Three (10+3) Summit."

⁹⁸ Li Keqiang, "Remarks at the 17th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 18th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 19th ASEAN Plus Three (10+3) Summit."

⁹⁹ Li Keqiang, "Premier Li's Remarks at the 16th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 17th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 18th ASEAN Plus Three (10+3) Summit."

¹⁰⁰ Li Keqiang, "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit."

During the Xi Jinping administration's first term, China sought to promote strategic planning and capacity building on its own terms. Apart from reiterating the need to more fully utilize existing mechanisms, Li Keqiang suggested concluding cooperation agreements in transportation, technology and information and communication.¹⁰¹ While supporting the Master Plan on ASEAN Connectivity 2025 and offering to integrate the BRI with ASEAN countries' development strategies, he called for member states to aim at the formulation of a "master plan on East Asia connectivity."¹⁰² Meanwhile, China employed its advantageous capabilities to promote member states' capacity building. For instance, Beijing provided 30 million *renminbi* for the establishment of a platform for East Asian maritime cooperation.¹⁰³ To promote information connectivity, it proposed to establish a China-ASEAN Cooperation Mechanism for Computational Emergency Response and a China-ASEAN Informational Port.¹⁰⁴

China's domestic economic challenges and ASEAN countries' capability deficit provided the incentives for the Xi Jinping administration to export the country's surplus production capacity by hard selling. As Li Keqiang said at the 2015 China-ASEAN Summit, China was willing to consider Southeast Asia an "important destination" for production capacity cooperation.¹⁰⁵ To support capacity building in less developed ASEAN countries, China proposed cooperation and production transfer in areas including infrastructure, machinery, electricity, construction materials, communication and industrial parks.¹⁰⁶ Beijing's efforts to engage ASEAN countries

¹⁰¹ Li Keqiang, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit"; Li Keqiang, "Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit"; Li Keqiang, "Remarks at the 18th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 19th ASEAN Plus Three (10+3) Summit."

¹⁰² Li Keqiang, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit"; Li Keqiang, "Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit"; Li Keqiang, "Remarks at the 17th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 18th ASEAN Plus Three (10+3) Summit."

¹⁰³ Li Keqiang, "Premier Li's Remarks at the 16th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 17th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 18th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 19th ASEAN Plus Three (10+3) Summit."

¹⁰⁴ Li Keqiang, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit"; Li Keqiang, "Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit."

¹⁰⁵ Li Keqiang, "Premier Li Keqiang's Remarks at the 17th China-ASEAN (10+1) Summit"; Li Keqiang, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit."

¹⁰⁶ Li Keqiang, "Premier Li Keqiang's Remarks at the 17th China-ASEAN (10+1) Summit"; Li Keqiang, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit."

led to the issuance of a China-ASEAN Joint Declaration on Cooperation in Production Capacity at the 2016 ASEAN-China Summit.¹⁰⁷

Meanwhile, as China, Japan and South Korea strengthened production capacity cooperation in manufacturing and service industries,¹⁰⁸ Beijing proposed to work with Tokyo and Seoul in supporting logistics and supply chain development in ASEAN countries in order to expedite regional economic integration.¹⁰⁹ Nevertheless, to mitigate member states' mistrust of China, the Xi Jinping administration repeatedly emphasized that production capacity cooperation was ASEAN-centric and mutually beneficial. As Li Keqiang stated at the 2016 APT Summit, China would cooperate with member states "on the basis of voluntariness, equality and mutual benefit," with the aim to "connect [its development] with the demands of ASEAN countries," promote their industrialization and upgrade their industries.¹¹⁰

Nevertheless, despite China's growing capabilities, the Xi Jinping administration faced the same problem of implementation that had impeded the development of East Asian regionalism. The "ASEAN Way," in particular, means that China's control over task implementation remained severely limited. The most notable example of ineffectiveness is the construction of the Pan Asian Railway, which was first agreed in 2006.¹¹¹ Although construction of the China-Thai railway was announced in 2014, the project did not proceed until the end of 2016, when the first contract was granted for the construction of a section of only 3.5km.¹¹² The progress since then had been less than satisfactory. Likewise, despite repeated calls from China, the China-Laos railway did not begin construction until the end of 2016.¹¹³ The

¹⁰⁷ Li Keqiang, "Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit."

¹⁰⁸ Li Keqiang, "Remarks at the 18th ASEAN Plus Three (10+3) Summit."

¹⁰⁹ Li Keqiang, "Remarks at the 19th ASEAN Plus Three (10+3) Summit."

¹¹⁰ Li Keqiang, "Remarks at the 18th ASEAN Plus Three (10+3) Summit"; Li Keqiang, "Remarks at the 19th ASEAN Plus Three (10+3) Summit."

¹¹¹ James Kyngé, Michael Peel and Ben Bland, "China's Railway Diplomacy Hits the Buffers," *Financial Times*, (17th July 2017), <https://www.ft.com/content/9a4aab54-624d-11e7-8814-0ac7eb84e5f1>

¹¹² Michael Peel and Lucy Hornby, "China Regional Rail Venture Struggles to Gather Steam," *Financial Times*, (25th September 2016), <https://www.ft.com/content/76806da6-8190-11e6-8e50-8ec15fb462f4>

¹¹³ Li Keqiang, "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit."; Li Keqiang, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit."

Jakarta-Bandung high-speed rail, another “flagship project,” was in abeyance five days after it was formally launched due to concerns over China’s position on sovereign guarantee, as Beijing “snatched” the deal from Tokyo by offering to undertake the project without financial guarantee from Jakarta.¹¹⁴

Some of these projects involved problems of implementation; yet more of them were not implemented as expected due to negative perception of China’s growing influence, poor record in delivery and business practices.¹¹⁵ Certainly the problem of implementation could be attributed to the domestic problems of individual partner countries; nevertheless, it also revealed the limitations of hard selling. While seeking to define and accomplish collective purposes on its own terms, China could not enforce cooperation by directing. Moreover, even though hard selling indicates the precedence of task over relationship, the problem of implementation indicates the indispensability of trust to effective leadership.

As I discussed earlier in 5.2.2.3.1, China’s expansion of diplomatic and material investment through hard selling escalated Sino-Japanese competition within APT and great power competition in East Asia. Having long exercised institutional leadership over regional infrastructure development through the ADB, Japan launched the EPQI in response to the BRI. Speaking at the Banquet of the 21st International Conference on the Future of Asia, Japanese Prime Minister Shinzo Abe made a thinly veiled criticism of China’s geoeconomic initiative when he argued that countries should strive for “quality as well as quantity” in infrastructure development.¹¹⁶ Indeed, China’s influence should not be overstated. Notwithstanding the shifting regional balance of economic power, China continued to trail behind Japan, the United States and the EU in FDI. Between 2013 and 2016, Japan’s FDI remained more than double that of China. While China surpassed Japan in FDI in Cambodia, Laos, Myanmar and

¹¹⁴ “Indonesia’s High-Speed Rail Farrago Highlights Systemic Issues,” *Financial Times*, (19th February 2016), Factiva.

¹¹⁵ Tom Miller, *China’s Asian Dream*, chapters 3 and 4; Ben Bland, “Chinese Investors Hesitate over Indonesia Investment,” *Financial Times*, (15th June 2017), <https://www.ft.com/content/bb1a9658-4517-11e7-8519-9f94ee97d996>

¹¹⁶ Abe, “The Future of Asia: Be Innovative.”

Vietnam, Chinese FDI was less than South Korean FDI by more than five billion dollars.¹¹⁷

In response to Japan's initiative, Foreign Minister Wang Yi stressed that China had no intention to compete with others. Yet certain countries, without any intention to engage in genuine cooperation, always sought to challenge China. This was ungentlemanly. Each country should utilize its own advantage and work practically on its own tasks.¹¹⁸

As was the case in Sino-Japanese competition over the "critical decisions" concerning regional free trade and finance during the Hu Jintao era, ASEAN did not take side with China or Japan, but instead taking advantage of their leadership competition to maintain its centrality. The Chairman's Statements of the APT Summits in 2015 and 2016 "welcomed" both the AIIB and the EPQI in promoting infrastructure development in the region.¹¹⁹ Wang Yi's words corresponded with the views of many in China's foreign policy elites, as discussed in Chapter two, that it's not China's action but the misperception of other countries that generated tension and competition.

5.2.2.4 Social and Cultural Cooperation

As the previous chapter has shown, socio-cultural cooperation was critical area of cooperation for China. The shifting distribution of power, China's behavior in maritime disputes and the expansion of diplomatic efforts with the launch of the BRI exacerbated the mistrust of the rising power among its neighbors. Beijing's awareness of the problem of trust was manifested in the emphasis of connectivity in people-to-people ties in the Xi Jinping administration's grand project. The importance of soft power diplomacy led China to be the "lead shepherd" in APT cooperation in public

¹¹⁷ *ASEAN Statistical Yearbook*, 148.

¹¹⁸ "Wang Yi: China Will Provide the "Most Needed" Infrastructure to Southeast Asian and other Developing Countries" [王毅: 中方将向东南亚等发展中国家提供'最需要的'基础设施], Ministry of Foreign Affairs, (6th August 2015), http://www.fmprc.gov.cn/web/wjw_673085/zzjg_673183/yzs_673193/dqzz_673197/dmlrhy_673213/xgwx_673219/t1286759.shtml

¹¹⁹ "Chairman's Statement of the 18th ASEAN Plus Three Summit," in *ASEAN Plus Three Documents Series 2011 – 2015*, 54; "Chairman's Statement of the 19th ASEAN Plus Three Summit," ASEAN Secretariat, (7th September 2016), <http://asean.org/storage/2016/01/Chairmans-Statement-of-the-19th-APT-Summit.pdf>

broadcasting.¹²⁰ If the Hu Jintao administration devoted major efforts to its quest for institutional leadership in tourism, cultural exchange, education and research, the Xi Jinping administration did anything but strengthened those efforts.

Calling for the conclusion of agreements and establishment of intergovernmental mechanisms, China proposed the goal to increase the number of tourists to 30 million by 2020.¹²¹ Meanwhile, the Xi Jinping administration launched multiple initiatives to promote cultural exchange. In his first attendance of the China-ASEAN Summit, Li Keqiang announced China's injection of 200 million *renminbi* for cultural exchange and cooperation in capacity building.¹²² At the APT Summit one year after, the Premier expressed China's willingness to allot 65 million *renminbi* from the Asian Regional Cooperation Fund in support of exchange and cooperation projects in the region.¹²³

Education and Research continued to be integral to China's efforts to exercise institutional leadership in economic cooperation. In 2013, Li Keqiang offered to provide fifteen thousand scholarships in the next three to five years and built more education centers oriented to ASEAN countries. One year after, China launched construction of the second batch of China-ASEAN Education Training Centers and supported 100 youth scientists from ASEAN countries to conduct research in China in the next three years.¹²⁴ Since then Beijing has introduced other scholarship schemes including the "Upgraded China-ASEAN Exchange Plan of Double Hundred Thousand" and the China-ASEAN Maritime Silk Road Scholarships.¹²⁵ The aim was to increase the number of student exchange to 300 thousands by 2025. To promote cooperation in technology, China would build a China-ASEAN Center for Technological Innovation and continue to implement the China-ASEAN Technological Partnership Scheme.¹²⁶

¹²⁰ Li Keqiang, "Remarks at the 18th ASEAN Plus Three (10+3) Summit".

¹²¹ Li, "Remarks at the 19th China-ASEAN (10+1) Summit cum China-ASEAN 25th Anniversary Commemorative Summit."

¹²² Li, "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit."

¹²³ Li, "Remarks at the Seventeenth ASEAN Plus Three (10+3) Summit."

¹²⁴ Li, "Remarks at the Seventeenth China-ASEAN (10+1) Summit."

¹²⁵ Li, "Premier Li Keqiang's Remarks at the 18th China-ASEAN (10+1) Summit."

¹²⁶ Li, "Premier Li Keqiang's Remarks at the 16th China-ASEAN (10+1) Summit."

Nevertheless, this explains the challenge China faced in balancing relationship and task in its attempt to exercise leadership. Indeed, this and the previous chapter have shown that while the growth of Chinese power enabled Beijing to provide the public goods that other states needed, success in selling an initiative, especially a task with high uncertainty and interdependence, depends on high degree of trust. China's "assertiveness" in maritime disputes, negative perception of China's growing economic influence in Southeast Asia, and deep-seated suspicion of the rising power's intentions prevented Beijing from uniting member states behind its purpose.

5.3 Conclusion

This chapter has examined China's quest for institutional leadership in APT during the Xi Jinping administration's first term. The launch of the 21st Century Maritime Silk Road, the AIIB and other mechanisms represented a shift in China's leadership behavior from supporting and soft selling to hard selling. As task took precedence over relationship, Beijing, while continuing to reaffirm ASEAN centrality in East Asian cooperation, sought to redefine collective purposes and initiate structures of cooperation on its own terms. Yet, notwithstanding its growing capacity to provide what member states needed, China was far from displacing Japan's role in the supply of regional public goods. Most importantly, the Xi Jinping administration was unable to overcome the problem of trust that hampered its predecessor's pursuit of institutional leadership in APT after the global financial crisis. Anxiety about China's growing influence, mistrust of its purpose and negative perception of its behavior prevented the rising power from initiating high-level political, security and economic cooperation. Except the upgrading of ACFTA, the tasks that the Xi Jinping administration accomplished, including the establishment of the AIIB, remained functional tasks with low uncertainty and interdependence.

China's expanding diplomatic and material investment did not promote APT's development but rather furthered its fragmentation. Even if the thirteen-member institution was not "dead," it was unable to adapt fully to a changing international environment. Sino-Japanese leadership competition and the shift of the locus of activities to parallel mechanisms undermined the collective purposes that held member states together. On the other hand, China's hard selling and APT's fragmentation

represented a change in the rising power's approach toward the geopolitical reconstruction of East Asia. The launch of the BRI, the AIIB and other Chinese-led mechanisms meant that Beijing, rather than anchoring the region to APT, sought to reintegrate it into an expanding, Sino-centric geopolitical construct of periphery.

Chapters four and five demonstrated that the shift in the regional balance of power did not end but opened the questions of what China wanted to do and could do with its newfound capabilities. While the rising power intended to renegotiate the international order, it was yet capable of fully turning its power into leadership for change. If structural, political and institutional constraints hampered China's quest for institutional leadership in the ASEAN-led institution, would Beijing find a more favorable leadership opportunity in an institution it founded, and in a region where the penetration of American power and the liberal international order was far more limited? It is for this question that we turn to the study of China's leadership behavior in the SCO in the next two chapters.

6. The Hu Jintao Administration and Chinese Institutional Leadership in the Shanghai Cooperation Organization, 2007-2012

The previous two chapters examined China's quest for institutional leadership in APT in the first decade after the global financial crisis. Increasing pressures for change led to a shift in its leadership behavior from supporting and soft selling under Hu Jintao to hard selling under Xi Jinping. Although China demonstrated increasing capacity for providing regional public goods, structural, political and institutional constraints prevented it from mobilizing member states as a group behind its purpose. In particular, low level of trust confined Chinese institutional leadership to economic, functional tasks with low uncertainty and interdependence. China's hard selling under Xi Jinping not only failed to maintain APT's identity and promote its adaptation to a changing international environment; it furthered the thirteen-member grouping's fragmentation. Nonetheless, China's behavioral change had important implications for the geopolitical reconstruction of East Asia. Whereas the Hu Jintao administration sought to anchor East Asia to APT, the Xi Jinping administration's launch of the BRI, AIIB and other initiatives represented an attempt to reintegrate the region into an expanding, Sino-centric geopolitical construct of periphery.

Though historically conceived as part of East Asia, China has what Cohen calls a "continental-maritime split personality."¹ In the East, it boasts a long Pacific coastline; in the West, its vast territory extends to the Eurasian "heartland." This has led strategic thinkers from Mackinder to Brzezinski to argue that China could one day mount a challenge for global dominance.² This also explains the geostrategic imaginations of the SCO in the West as the "NATO in the East" or even the "most dangerous organization Americans have never heard of."³ If East Asia imposed severe

¹ Saul Bernard Cohen, *Geopolitics: The Geography of International Relations* (3rd ed.), (Lanham: Rowman & Littlefield, 2015), 273.

² Halford J. MacKinder, *Democratic Ideals and Reality*, (Westport: Greenwood Press, 1962), 264; Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, (New York: Basic Books, 1997), 54-5.

³ Parag Khanna, "Waving Goodbye to Hegemony"; Liu, "The Most Dangerous Unknown Pact."

constraints on China's action, Central Asia seemed to be, in General Liu Yazhou's words, "the thickest piece of cake" the heavens have ever given to the rising power.⁴

Indeed, China's economic preponderance was more apparent in Central than East Asia, especially since the penetration of American power and the liberal international order has been far more limited in the former than the latter. Moreover, not only did China and other founding SCO member states successfully resolve all border disputes; they have continued to share similar political values and culture.⁵ The signing of the Treaty of Long-Term Good Neighborly Friendship and Cooperation among SCO Member States at the 2007 Bishkek Summit, according to Hu Jintao, "instill[ed] a powerful momentum to the organization's development."⁶ Nevertheless, to many Central Asian experts, the same year saw the beginning of the SCO's "growth crisis."⁷ Nevertheless, if external crisis were the catalyst for cooperation and change, would China be able to promote the SCO's adaptation to a changing international environment after the global financial crisis?

This and the next chapter examine China's leadership behavior in the SCO. Despite the differences between the SCO and APT, China's experience in the two regional institutions was highly similar. Although the SCO was established first and foremost for security cooperation, structural, political and institutional constraints severely restricted its security functions. While limiting its leadership activities in security cooperation to small-scale institution and capacity building, China under Hu Jintao invested most of its efforts in promoting economic cooperation in the SCO by supporting and soft selling. Nevertheless, as was the case in APT, low level of trust prevented China from uniting member states behind its preferences in the "critical decisions" concerning the SCO's institutional development. In particular, Russia's leadership aspirations led Moscow to block its proposals of a free trade area, a

⁴ Edward Wong, "China Quietly Extends Footprints into Central Asia," *The New York Times*, (2nd January 2011), <https://www.nytimes.com/2011/01/03/world/asia/03china.html>

⁵ Interviewee 12, Beijing, 8th April 2016.

⁶ Jintao Hu [胡锦涛], "Strengthen Neighborliness and Mutual Trust, Promote Peaceful Development – Remarks at the Seventh Heads of State Council Meeting of SCO Member States" [加强睦邻互信、推动和平发展—在上海合作组织成员国元首理事会第七次会议上的讲话], Ministry of Foreign Affairs, (16th August 2007), http://www.fmprc.gov.cn/web/ziliao_674904/zyjh_674906/t352274.shtml

⁷ Marlene Laruelle and Sebastian Peyrouse, *The Chinese Question in Central Asia: Domestic Order, Social Change and the Chinese Factor*, (New York: Columbia University Press, 2012), 164.

development fund and a development bank, while pushing for India's accession to the organization as a counterbalance to China's growing influence in Central Asia. Chinese institutional leadership, as a result, was confined to functional tasks with low uncertainty and interdependence.

6.1 Origins, Structure and Operation

6.1.1 The Shanghai Cooperation Organization and the Rebuilding of Regional Order in Central Asia

Like APT, the SCO embodies a critical juncture in Central Asian regionalism. Hailed by Chinese scholars as a "miracle" in the country's diplomacy, the SCO has its origins in China's initiative to stabilize its Northwest at the end of the Cold War.⁸ The collapse of the Soviet Union and the independence of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan posed the problem of order to China, itself also in a beleaguered position after the Tiananmen Incident. As 2.5.2 has shown, China's geostrategic orientation toward East Asia and the imperative of "biding its time and hiding its capabilities" rendered the promotion of a peaceful and stable Central Asia its foremost objective. China adhered to the "five principles of peaceful coexistence" as the basis of its relations with Moscow; meanwhile, it undertook initiatives to reassure its newly independent neighbors, for instance by pledging not to use nuclear weapons against Kazakhstan.⁹

Resolution of border disputes, however, was the key to relationship development. While resuming border negotiations with Russia that began prior to the collapse of the Soviet Union, China started border talks with Kazakhstan, Tajikistan and Kyrgyzstan. These bilateral negotiations led to the signing of the Agreement on Confidence-Building in the Military Field along in the Border Areas (关于在边境地区加强军事领域信任的协定) in 1996 and the Agreement on the Mutual Reduction

⁸ Guangcheng Xing [邢广程], "Central Asia's Interest Orientation and Development of the Shanghai Cooperation Organization" [中亚的利益取向和上海合作组织的发展], *Russian Studies* [俄罗斯研究], No. 6, (December 2009), 4; Zhang, *Between Ideal and Reality*, 245.

⁹ Guangcheng Xing [邢广程] and Zhuangzhi Sun [孙壮志], *A Study on the Shanghai Cooperation Organization* [上海合作组织研究], (Changchun Press, 2007), 4.

of Military Forces in the Border Areas (關於在邊境地區相互裁減軍事力量的協定) one year after. By codifying shared rules and norms, the two landmark agreements set off what Tang Shiping calls the “institutionalization of regional peace” that paved the way for the eventual settlement of border issues.¹⁰

China’s efforts in supporting, brokering and soft selling were crucial to the development of a dialogue and meeting mechanism into an intergovernmental organization.¹¹ As the SCO’s first Secretary-General Zhang Deguang recalled, after the signing of the two agreements, the need for another summit the year after was called into question. Citing domestic reasons, Russian President Boris Yeltsin would only dispatch Foreign Minister Yevgeny Primakov to the proposed Almaty Summit. To sustain the momentum of cooperation, Jiang Zemin set aside diplomatic protocol to attend the summit.¹² Jiang’s decision proved to be significant, since not only did the five states agree to regularize the meetings and extend cooperation from security to other areas; the format of meetings would also change thereafter from bilateral to multilateral.¹³ Success of the “Shanghai Five” process and the growing threats of the “three forces” of “terrorism, separatism and extremism” led Beijing to propose the establishment of a regional organization, mobilize the support of its partners and broker the agreement on Uzbekistan’s participation prior to the 2001 Shanghai Summit.¹⁴ With the accession of India and Pakistan in 2017, the SCO has become the

¹⁰ Shiping Tang, *The Social Evolution of International Politics*, (Oxford: Oxford University Press, 2013), Chapter 4.

¹¹ Other scholars also agree that China plays a leading or central role in the SCO’s establishment. Song, *China’s Approach to Central Asia*, Chapter 2; Guang Pan, “The Spirit of the Silk Road: The SCO and China’s Relations with Central Asia” in Michael Fredholm (ed.), *The Shanghai Cooperation Organization and Eurasian Geopolitics: New Directions, Perspectives, and Challenges*, (Copenhagen: NIAS Press, 2013), 26.

¹² Deguang Zhang [张德广], “The Origins of the Shanghai Cooperation Organization [One]” [上海合作组织誕生始末(上)], *Party and Government Forum: Digest for Party and Government Officials* [党政论坛 (干部文摘)], (August 2012), 48.

¹³ Xing and Sun, *A Study on the Shanghai Cooperation Organization*, 6; Guangcheng Xing [邢广程], “Introduction” [导论] in Xing Guangcheng, Wu Hongwei and Zhang Ning (eds.), *Annual Report on the Shanghai Cooperation Organization (2009)* [上海合作组织发展报告(2009)], (Beijing: Social Sciences Academic Press, 2009), 4, 6.

¹⁴ Guang Pan [潘光] and Jian Hu [胡键], *The Twenty-First Century’s First New Regional Cooperation Organization: A Comprehensive Study of the Shanghai Cooperation Organization* [21 世纪的第一个新型区域合作组织—对上海合作组织的综合研究], (Beijing: CPC Central Party School Press [中共中央党校出版社], 2006), 54; Deguang Zhang [张德广], “The Origins of the Shanghai Cooperation Organization [Two]” [上海合作组织誕生始末(下)], *Party and Government Forum: Digest for Party and Government Officials* [党政论坛 (干部文摘)], (September 2012), 48. Song, *China’s Approach to Central Asia*, 52.

world's largest regional organization, accounting for 44% of world population, 21% of world GDP and 13% of world trade; four of the eight member states, meanwhile, are nuclear powers.¹⁵

The establishment of the SCO embodied the role of Chinese institutional leadership at a “critical juncture” for Central Asian regionalism. Nevertheless, the institutional bargain did not end the contest over the region's membership, structures and values. Although the collapse of the Soviet Union marked the end of over a century of Russian rule, Moscow's influence continued to manifest itself in the region in many dimensions.¹⁶ Though no longer harboring irredentist ambitions, Russia sought to reestablish its preeminence in the post-Soviet space.¹⁷ Multilateralism was as much an instrument for Russia as for China to renegotiate the geopolitical definition of Central Asia. While the Commonwealth of Independent States (CIS) turned out to be a failure, the Collective Security Treaty Organization (CSTO) and the Eurasian Economic Community (EurAsEC), both of which overlap with the SCO in membership and function, would constrain the possibilities of both the Chinese-led organization and Chinese institutional leadership. As this and the following chapter will show, Russia's regional security presence, its leadership aspirations and lingering mistrust of China resulted in an ongoing negotiation between Beijing and Moscow on the “critical decisions” regarding the SCO's membership, institution building and external relations.

As Russia sought to reestablish its preeminence in Central Asia, external forces attempted to embed their interests in the newly independent region through different forms of institutional linkages. Although the United States and the EU began to extend the liberal international order to Central Asia soon after the end of the Cold War, the

¹⁵ Mingchang Wang [王明昌], “The SCO Underwent Its First Enlargement, The Astana Summit Would Definitely Enter History [上合组织迎来首次扩员, 阿斯塔纳峰会必将载入史册], *People's Daily* [人民日报], (7th June 2017), <http://politics.people.com.cn/n1/2017/0607/c412713-29324724.html>; Yan Wu [吴焰], Pei Qu [屈佩] and Song Qu [曲颂], “Promoting Economic Cooperation under the SCO to Go Deeper and More Substantial” [促进上合组织经济合作走深走实], *People's Daily* [人民日报], (26th May 2018), <http://world.people.com.cn/n1/2018/0526/c1002-30015164.html>

¹⁶ Eugene Rumer, Dmitri Trenin and Huasheng Zhao, *Central Asia: Views from Washington, Moscow, and Beijing*, (Armonk, M.E. Sharpe, 2007), 3-6.

¹⁷ Rumer, Trenin and Zhao, *Central Asia*, 15, 81, Lo, *Axis of Convenience*, 98-100.

2001 war in Afghanistan changed the dynamics of renegotiation on the geopolitical definition of the region. American military presence, Western control of energy resources and promotion of democracy and human rights constituted an attempt to integrate Central Asia into the liberal international order. As the following discussion will show, even though China strove to preserve the SCO's identity as "non-alliance, non-confrontational and not targeted at third party," the penetration of American power into Central Asia was perceived by Beijing and other member states as a major security threat.¹⁸ Great power competition has revived the geopolitical imagination of the region as the arena of a new "great game."¹⁹

Although the "great game" has continued to dominate the international discourse on international relations in Central Asia, it would be wrong to overlook the agency of the Central Asian states in the grand renegotiation. As early as 1994, Kazakhstan, Uzbekistan and Kyrgyzstan established the Central Asian Union (CAU) – subsequently renamed the Central Asian Economic Union (CAEU) and then the Central Asia Cooperation Organization (CACO) – in order to strengthen regional cooperation and integration. In particular, Kazakhstan has projected a vision of Eurasianism that would position itself and Central Asia in the heart of Eurasia. Astana's leadership aspirations found their embodiments in its multilateral initiatives, from President Nursultan Nazabayev's idea of a Eurasian Union to the Conference on Interaction and Confidence-Building Measures in Asia (CICA).²⁰ In this regard, the geopolitical definition of Central Asia was no less contested than that of East Asia.

On the other hand, the fragility of Central Asian states not only made them vulnerable to political instability, but also turned the region into a breeding ground for non-traditional security threats from terrorism, transnational crime to drug-trafficking. Nevertheless, how to address non-traditional security threats would become the focal point of the renegotiation on Central Asian regional order. As the following discussion will show, although the SCO was established first and foremost for security

¹⁸ "Declaration on the Establishment of the Shanghai Cooperation Organization" [上海合作组织成立宣言], The Shanghai Cooperation Organization, (15th June 2001), <http://chn.sectsco.org/documents/>

¹⁹ See, for example, Alexander Cooley, *Great Games, Local Rules: The New Great Power Contest in Central Asia*, (Oxford: Oxford University Press, 2012)

²⁰ Annette Bohr, "Regionalism in Central Asia: New Geopolitics, Old Regional Order," *International Affairs*, Vol. 80, No. 3, (2004), 486-9.

cooperation, structural, political and institutional constraints severely restricted the organization's function.

6.1.2 The Shanghai Spirit

While many inside and outside China, as I mentioned in chapters one and two, argue that the rising power lacks a comprehensive, clear vision of international order, the “Shanghai Spirit” (上海精神) of “mutual trust, mutual benefit, equality, consultation, respect for diverse civilizations, seeking common development” (互信、互利、平等、协商、尊重多样文明、谋求共同发展) embodied China's attempt to put its embryonic ideas into practice.²¹ As the wording suggests, the “Shanghai Spirit” is highly consistent with the “five principles of peaceful coexistence” and “New Security Concept.”²² On the other hand, it is a testament to China's flexibility in applying successful experience in one region to another, as Beijing first proposed the “New Security Concept” at the 1997 ARF Ministerial Meeting. As I mentioned in the previous chapter, the Xi Jinping administration, in turn, sought to apply its experience in Central Asia to East Asia by proposing the signing of a China-ASEAN Treaty of Good Neighborliness and Cooperation.

According to Pan Guang and Zhou Guojian, who participated in the drafting of the “Shanghai Spirit,” “mutual trust” can be built when states transcend ideological, political and social differences, abstain from portraying another state as a threat or an enemy “for certain purpose,” and comply with international law.²³ States could achieve “mutual benefit” when they could respect the interests and security of others.²⁴ “Equality” underlies opposition to hegemony and power politics, as all states are equally entitled to peace, stability and the right to safeguard their national interests.²⁵ States should resolve disputes and conflicts through “consultation,” which accords

²¹ “Declaration on the Establishment of the Shanghai Cooperation Organization.”

²² Jianhua Yu [余建华], “The Shanghai Cooperation Organization and the New Security Concept” [上海合作组织与新安全观], *Studies on Mao Zedong Deng Xiaoping Theories* [毛泽东邓小平理论研究], No. 3, (2005), 76-9, 85.

²³ Guang Pan [潘光] and Guojian Zhou [周国建], “Successful Implementation and Innovative Development of the Five Principles on Peaceful Co-existence: the Shanghai Cooperation and the ‘Shanghai Spirit’” [和平共处五项原则的成功实践和创新发展: 上海合作组织及‘上海精神’], *Studies on Mao Zedong Deng Xiaoping Theories* [毛泽东邓小平理论研究], No. 12, (2004), 46.

²⁴ *Ibid.*

²⁵ *Ibid.*

with an approach toward international relations that is “non-alliance, non-confrontational and not targeted at third party.”²⁶ Peaceful co-existence requires not only “equality” and “consultation” but also “respect for diverse civilizations,” which is embodied in the recognition of each nation’s tradition, social system and autonomy to choose its development path.²⁷ On the basis of these principles, states will be able to achieve “common development” and “prosperity” through cooperation.²⁸

The “Shanghai Spirit” embodies Chinese institutional leadership in instilling “values” into the SCO.²⁹ It should be noted, however, that the norms enshrined in the “Shanghai Spirit” are the least demanding in terms of their constraints on member states’ action. If they exercise any effects, they serve not so much to instill common values into the organization as to signal China’s self-restraint.

6.1.3 Institutional Design

The supremacy of sovereignty and equality means that the SCO, like APT, is defined by informality. The governing body is the Heads of State Council (国家元首会议), which approves the organization’s development, policy and operation.³⁰ The Heads of Government (Premiers) Council (政府首脑(总理)会议) approves the organization’s budget and its work, particularly economic cooperation. The Foreign Ministers Council (外交部长会议) meets to discuss the organization’s current work and is responsible for organizing the annual heads of state summit. All three Councils meet annually. Chairmanship is one-year and rotational, held by representative of the chairing state for the year. Regular meetings of heads of ministries and agencies (各部门领导人会议) were established for most government portfolios from defense,

²⁶ *Ibid.*

²⁷ Pan and Zhou, “Successful Implementation and Innovative Development of the Five Principles on Peaceful Co-existence,” 46-7.

²⁸ Pan and Zhou, “Successful Implementation and Innovative Development of the Five Principles on Peaceful Co-existence,” 47.

²⁹ Stephen Aris, *Eurasian Regionalism: The Shanghai Cooperation Organization*, (Basingstoke: Palgrave MacMillan, 2011); Guang Pan, “The Spirit of the Silk Road: The SCO and China’s Relations with Central Asia” in Michael Fredholm (ed.), *The Shanghai Cooperation Organization and Eurasian Geopolitics: New Directions, Perspectives, and Challenges*, (Copenhagen: NIAS Press, 2013), 20-8; Weiqing Song, *China’s Approach to Central Asia: The Shanghai Cooperation Organization*. (Abingdon: Routledge, 2016), Chapter 2.

³⁰ This section draws primarily upon the SCO Charter, unless noted otherwise. “The SCO Charter” [上海合作组织宪章], The Shanghai Cooperation Organization, (15th June 2002), <http://chn.sectesco.org/documents/>

commerce to culture to study issues of cooperation. A Committee of Senior Treasury and Commerce Officials (高官委員會) was established under the meetings of Ministers of Treasury, Commerce and Transportation to manage practical issues in economic cooperation.³¹ Meanwhile, permanent or *ad hoc* expert working groups (專業工作組) were created to support cooperation.

The SCO's operation is supported by the National Coordinators Council (国家协调员理事会) and the organization's permanent bodies, which include the Secretariat (秘书处) and the Regional Anti-Terrorist Structure (RATS) (地区反恐怖机构). The National Coordinators Council meets at least three times annually to coordinate and manage the SCO's daily operation. Chairmanship is held by the national coordinator of the chairing state for the year. The Beijing-based Secretariat provides logistical support and makes recommendations on the organization's annual budget. The Secretariat is led by a Secretary-General (秘书长), who is appointed by the Heads of State Council upon nomination by the Foreign Ministers Council. The Secretary-Generalship is rotational, with a term of three years; no reappointment is allowed. The Deputy Secretary-General (副秘书长), who is appointed upon nomination by the Council of National Coordinators, cannot come from the same member state as the Secretary-General. Staff positions and budget contribution are allocated to member states according to a quota system.³² Before India and Pakistan's accession, China and Russia each contributed 23.5%, while Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan were, respectively, responsible for 20%, 15%, 12% and 6% of the budget.³³

³¹ Xing and Sun, *A Study on the Shanghai Cooperation Organization*, 102.

³² Tongkai Xu [须同凯] (ed.) *Development and Prospect of Regional Economic Cooperation under the Shanghai Cooperation Organization* [上海合作组织区域经济合作发展历程与前景展望], (Beijing: People's Press, 2010), 17.

³³ "Official Reply of the State Council on Approving the Agreement on Order of Formation and Administration of the Shanghai Cooperation Organization Budget and the Protocol on Amending the Agreement on Order of Formation and Administration of the Shanghai Cooperation Organization Budget Signed on May 29, 2003" [国务院关于核准《上海合作组织预算编制和执行协定》和《关于修改二〇〇三年五月二十九日签署的〈上海合作组织预算编制和执行协定〉的议定书》的批复], The State Council, (10th September 2005), 16-7.

The Tashkent-based Regional Anti-Terrorist Structure (RATS) is comprised of the Council (理事会) and the Executive Committee (执行委员会). As the governing body, the Council passes resolutions on issues including the RATS' budget, submits annual report to the Council of Heads of States, and nominates Director and Deputy Director of the Executive Committee.³⁴ Comprised of heads or representatives of member states' counter-terrorist agencies, the Council elects its chairman; chairmanship is one-year and rotational.³⁵ To support its operation, member states dispatch permanent representatives to the RATS.³⁶ The Executive Committee analyzes intelligence and advises member states, prepares legal documents, coordinates joint operation and liaises with relevant international organizations.³⁷ The Committee is led by a Director and three Deputy Directors. The term of directorship is three years; no reappointment is allowed.³⁸ Upon approval from the Council, the Director can appoint committee members according to each member state's budget contribution.³⁹ Beginning with a staff of 30, the Committee underwent enlargement in 2007.⁴⁰

The Interbank Consortium (银行联合体) and the SCO Business Council (实业家委员会) were established in 2005 and 2006 respectively to promote economic cooperation. The Interbank Consortium facilitates exchange and cooperation among member banks, and provides "funding and banking services" for government-run infrastructure projects. The consortium is governed by the Council of Representatives, which meets on *ad hoc* basis upon consensus.⁴¹ The Business Council promotes exchange among business and financial communities of member states, facilitates implementation of the "Program for Multilateral Economic and Trade Cooperation among SCO Member States" (the "Program," 上海合作组织成员国多边经贸合作

³⁴ Xing and Sun, *A Study on the Shanghai Cooperation Organization*, 67.

³⁵ *Ibid.*

³⁶ *Ibid.*

³⁷ *Ibid.*

³⁸ Xing and Sun, *A Study on the Shanghai Cooperation Organization*, 68.

³⁹ *Ibid.*

⁴⁰ Xing and Sun, *A Study on the Shanghai Cooperation Organization*, 67; "Joint Communiqué of the Heads of Government (Premiers) Council Meeting of SCO Member States" [上海合作组织成员国政府首脑 (总理) 理事会会议联合公报], The Shanghai Cooperation Organization, (2nd November 2007), <http://chn.sectsc.org/documents/>

⁴¹ "Organizational Structure of the Shanghai Cooperation Organization" [上海合作组织机构], The Shanghai Cooperation Organization, (9th December 2015), <http://chn.sectsc.org/structure/#12>

纲要), and provides expert assessments on cooperation projects. Comprised of member states' business councils and governed by the Annual Session (年度总会), the Business Council operates through its secretariat in Moscow.⁴² To promote the SCO's development, the Council of Heads of State established the SCO Forum (上海合作组织论坛) in 2006. Comprised of SCO research centers and institutes of member states, the Forum facilitates exchange among researchers, undertakes research and makes recommendations on the organization's future development.⁴³

In addition to full members, the SCO grants observer (观察员) or dialogue partner (对话伙伴) status to states or organizations that subscribe to its "mission, principles and work."⁴⁴ Decision on application is made by the Council of Heads of State upon recommendation from the Council of Foreign Ministers. Observers and dialogue partners could attend specified meetings, take part in discussion, circulate written statements and receive the organization's documents, but could not participate in decision-making and the drafting and signing of documents. Cooperation between the SCO and dialogue partner takes the form of meetings of "member states plus dialogue partner" at ministerial or other levels.⁴⁵ By 2018, observers include Mongolia, Iran, Afghanistan and Belarus. Dialogue partners include Turkey, Sri Lanka, Azerbaijan, Armenia, Cambodia and Nepal.

According to Regulations on the Procedures for Admitting New Members ("Regulations") approved in 2010, a state is eligible for membership if it is located in Eurasia, has diplomatic and economic relations with all current member states, is

⁴² "Organizational Structure of the Shanghai Cooperation Organization."

⁴³ Min Cheng [程敏] and Ning Zhang [张宁], "Civil Bodies of the Shanghai Cooperation Organization" [上海合作组织的民间机构] in Guangcheng Xing, Hongwei Wu and Ning Zhang (eds.), *Annual Report on the Shanghai Cooperation Organization (2009)* [上海合作组织发展报告 (2009)], (Beijing: Social Sciences Academic Press, 2009), 173.

⁴⁴ "Regulations on Observers of the Shanghai Cooperation Organization" [上海合作组织观察员条例], The Shanghai Cooperation Organization, (15th June 2004), <http://chn.sectesco.org/documents/>; "Regulations on Dialogue Partners of the Shanghai Cooperation Organization" [上海合作组织对话伙伴条例], The Shanghai Cooperation Organization, (8th August 2008), <http://chn.sectesco.org/documents/>

⁴⁵ "Regulations on Dialogue Partners of the Shanghai Cooperation Organization."

already an observer, and is not subjected to sanctions from the UN.⁴⁶ As 6.2.3 will show, the “Regulations” were the outcome of the bargain between China, Russia and the Central Asian countries on the “critical decisions” concerning the SCO’s membership and external relations.

6.1.4 *Modus Operandi*

Institutional design explains the similarity in China’s leadership behavior in the SCO and APT. Based on consensus through consultation, the decision-making structure maximizes constraints on institutional leadership by giving member states *de facto* veto over each other’s initiatives.⁴⁷ Given its modest budget and lack of operational capacity, the SCO functions primarily through coordinated action by member states.⁴⁸ As was the case in APT, the supremacy of sovereignty results in a low level of multilateralism. According to Article Sixteen of the SCO Charter,

if one or several member states are not interested in the cooperation between others, their non-participation does not obstruct those involved in such cooperation, nor will this preclude them from future participation.⁴⁹

This raises the question about the significance of the SCO as an international institution. As Lukin pointed out, many of the cooperation initiatives were attributed to the SCO only because they involved its members; in fact, they either were not implemented by the SCO, or could still be undertaken had the organization not existed in the first place.⁵⁰ Given China’s stakes in the success of its brainchild, there has been

⁴⁶ Alexander Lukin, “Should the Shanghai Cooperation Organization Be Enlarged?” *Russia in Global Affairs*, No. 2, (22nd June 2011), <http://eng.globalaffairs.ru/number/Should-the-Shanghai-Cooperation-Organization-Be-Enlarged---15245>

⁴⁷ “The SCO Charter,” Article 17.

⁴⁸ According to Lukin, the SCO’s annual budget was four million dollars in 2007. Notwithstanding Beijing’s injection of 10 million dollars to the Secretariat’s operational budget, the Organization continues to suffer from the lack of operational capacity. Alexander Lukin, “The Shanghai Cooperation Organization: What Next?” *Russia in Global Affairs*, No. 2, (July – September 2007), http://eng.globalaffairs.ru/number/n_9132; Jinping Xi [习近平], “Unite and Cooperate, Be Open and Inclusive: Build a Shared Home of Security, Stability, Development and Prosperity – Remarks at the Seventeenth Heads of State Council Meeting of SCO Member State” [团结协作, 开放包容: 建设安全稳定、发展繁荣的共同家园—在上海合作组织成员国元首理事会第十七次会议上的讲话], Ministry of Foreign Affairs, (9th June 2017), http://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/lhg_683094/zyjh_683104/t1469211.shtml

⁴⁹ “The SCO Charter”

⁵⁰ Alexander Lukin, “The Shanghai Cooperation Organization: What Next?” *Russia in Global Affairs*, No. 2, (July – September 2007), http://eng.globalaffairs.ru/number/n_9132”

a tendency for Beijing and the Chinese foreign policy elites to categorize indiscriminately the country's cooperation with other member states as cooperation "under the SCO framework."⁵¹

Given the SCO's mode of operation, it is not surprising that the organization has been criticized for its ineffectiveness and lack of concrete achievements.⁵² As Zhao Huasheng pointed out, the SCO's work has been marked by "three excesses" – large numbers of declarations and agreements, institutional structures and planned projects that have failed to yield corresponding outcomes.⁵³ Others from outside China even went further to conclude that the organization was nothing but a "geopolitical bluff" or a "talk shop."⁵⁴

The SCO's *modus operandi* is crucial in explaining why Chinese institutional leadership was confined primarily to functional tasks, why Beijing was not successful in steering the organization's adaptation to a changing international environment, and why increasing incentives and pressures for change led to a shift in China's leadership behavior from supporting and soft selling under Hu Jintao to hard selling under Xi Jinping. As the following discussion will show, the challenges China faced in its quest for institutional leadership went beyond those in a classic "suasion game."⁵⁵ While the SCO was the only platform for China to engage in the renegotiation on the geopolitical definition of Central Asia and Eurasia, it was only one of the options for Russia and the Central Asian countries.⁵⁶ Member states' mistrust of China and Russia's

⁵¹ *Ibid.*

⁵² See, for example, Huasheng Zhao [赵华胜], "Opportunities and Challenges for the Shanghai Cooperation Organization" [上海合作组织的机遇和挑战], *International Studies* [国际问题研究], No. 6, (2007), 44-5; Xing Li [李兴] and Yichen Niu [牛义臣], "Why is the Shanghai Cooperation Organization incapable of sustaining China's Security Strategy in its Periphery in the North West" [上合组织为何不足以支撑中国西北周边安全战略], *International Security Studies* [国际安全研究], No. 4, (2013), 113; Richard Weitz, "The Shanghai Cooperation Organization: A Fading Star?" The ASAN Forum, (11th August 2014), <http://www.theasanforum.org/the-shanghai-cooperation-organization-a-fading-star/>

⁵³ Zhao, "Opportunities and Challenges for the Shanghai Cooperation Organization," 44-5.

⁵⁴ Murat Laumulin, "The Shanghai Cooperation Organization as 'Geopolitical Bluff?' A View from Astana," Institut Français des Relations Internationales, (2006), <https://www.ifri.org/sites/default/files/atoms/files/laumullinenglish.pdf>; Kurlantzick, *Charm Offensive*, 197.

⁵⁵ Weiqing Song, "Interests, Power and China's Difficult Game in the Shanghai Cooperation Organization (SCO)," *Journal of Contemporary China*, 85-101.

⁵⁶ Li and Niu, "Why is the Shanghai Cooperation Organization incapable of sustaining China's Security Strategy in its Periphery in the North West," 113.

leadership aspirations prevented Beijing from making the “critical decisions” necessary to maintain the SCO’s identity and steer its evolution.

6.2 The Hu Jintao Administration and Chinese Institutional Leadership in the Shanghai Cooperation Organization, 2007 – 2012

6.2.1 Political and Security Cooperation

The SCO was established first and foremost for security cooperation.⁵⁷ Although the Soviet Union’s disintegration relieved China of military pressures from the Northwest, what Hu Jian called the “sequel of imperialism” – which has continued to haunt China and other member states today – was manifested in the rise of non-traditional security challenges including the “three forces” of “terrorism, separatism and extremism”; transnational crime; and drug and arms trafficking.⁵⁸ Nevertheless, the SCO’s identity as “non-alliance, non-confrontational and not directed at third party” has limited from the outset the possibilities of cooperation to non-traditional security. Russia’s regional security presence and China’s adherence to a policy of non-alliance and non-interference led to a “tacit bargain” wherein Beijing deferred leadership responsibilities in security cooperation to Moscow.⁵⁹ The tacit bargain was embodied in the “critical decisions” concerning the SCO’s institutional design and its relations with the CSTO, which overlaps with the former in membership and function but has the capacity for action with its Collective Rapid Reaction Force. Indeed, during the Hu Jintao era, many of the security cooperation initiatives in the SCO came not from China but Russia.

To China’s foreign policy elites, September 11 and the penetration of American power into Central Asia constituted both a challenge and an opportunity to

⁵⁷ Huasheng Zhao [赵华胜], “The Potentials and Limits of the Development of the Shanghai Cooperation Organization” [上海合作组织发展的可能性和限度], *International Observer* [国际观察], No. 3, (2011), 32.

⁵⁸ Jian Hu [胡键], “The ‘Sequel of Imperialism’ in Central Asia and the New Institutions for its Resolution” [中亚的‘帝国后遗症’及其治理新机制], *World Economy Studies* [世界经济研究], No. 2, (2004), 83.

⁵⁹ Huasheng Zhao [赵华胜], “An Analysis of the Relationship between Russia and the Shanghai Cooperation Organization” [透析俄罗斯与上海合作组织关系], *International Studies* [国际问题研究], No. 1, (2011), 20, 22; Nicola Contessi, “China, Russia and the Leadership of the SCO: A Tacit Deal Scenario,” *China and Eurasia Quarterly*, Vol. 8, No. 4, (2010), 107-8.

the rising power. On the one hand, not only would the United States' military presence and its strategic initiatives weaken the SCO's internal cohesiveness and its role in regional affairs; Washington's promotion of democracy and human rights also threatened the political security of China and other member states.^{60 61} As Shi Yinhong argued, the objective underlying the United States' war on terrorism and its activities in Central Asia was to "encircle," "contain," "Westernize" and "divide" China.⁶²

On the other hand, September 11 was seen as heralding "a period of important strategic opportunity" for China to develop a more cooperative relationship with the United States, especially in addressing common security challenges. Thus while many recognized the SCO's role in uniting member states in their resistance to external interference, opposition against American hegemony was not the organization's mission.⁶³ China's security posture in Central Asia, therefore, remained first and foremost defensive – maintaining "strategic stability," safeguarding its core interests and making as many friends and as few enemies as possible.⁶⁴ As the following

⁶⁰ See, for example, Guang Pan [潘光], "Development of the Shanghai Cooperation and Western China Under New Circumstances" [新形势下上海合作组织的发展和西部开发], *Social Sciences* [社会科学], No. 5, (2003), 33; Longgeng Zhao [赵龙庚], "Analysis of the Strategic Situation after the United States' Military Deployment in Central Asia and its Impact on China's Security Interests" [试析美国驻军中亚后的战略态势及其对我国安全利益的影响], *Russian, Central Asian and East European Studies* [俄罗斯中亚东欧研究], No. 2, (2004), 72; Jie Li [李捷] and Shu Yang [杨恕], "An Analysis of Afghanistan and the United States' 'Greater Central Asia Partnership'" [阿富汗与美国大中亚计划评析], *West Africa and Asia* [西非亚洲], No. 4, (2008), 26.

⁶¹ Zhao, "Analysis of the Strategic Situation after the United States' Stationing of Troops in Central Asia and its Impact on China's Security Interests," 71-2; Dahui Wu [吴大辉], "Three Objectives of the United States in Instigating 'Color Revolution' in the Region of the Commonwealth of Independent States" [美国在独联体地区策动颜色革命的三重诉求 – 兼论中俄在上海合作组织架构下抵御颜色革命的当务之急], *Russian, Central Asian and East European Studies* [俄罗斯中亚东欧研究], No. 2, (2006), 1-8.

⁶² Yinhong Shi [时殷宏], "Contemporary Great Power Politics in Central Asia: the Chinese Perspective" [当今中亚大国政治: 出自中国视角的评估], *Review of International Economy* [国际经济评论], No. 8, (August 2003), 64; Zhao, "Analysis of the Strategic Situation after the United States' Stationing of Troops in Central Asia and its Impact on China's Security Interests," 71.

⁶³ Zhao Huasheng, "Opportunities and Challenges for the Shanghai Cooperation Organization," 46. See also Zhao Longgeng, "Analysis of the Strategic Situation after the United States' Stationing of Troops in Central Asia and its Impact on China's Security Interests," 73.

⁶⁴ Yujun Feng [冯玉军], "Strategic Orientation and Development Direction of the Shanghai Cooperation Organization" [上海合作组织的战略定位与发展方向], *Contemporary International Relations* [现代国际关系], No. 11, (2006), 12-7; Huasheng Zhao [赵华胜], "Theory and Practice of China's Central Asian Diplomacy" [中国中亚外交的理论和实践], *International Studies* [国际问题研究], No. 4, (2007), 23; Ning Zhang [张宁], "Several Questions in the Development Direction of the

discussion will show, one of the challenges China faced in its quest for institutional leadership was to maintain the SCO's identity as "non-alliance, non-confrontation and not targeted at third party" by preventing Russia from turning the organization into an anti-West coalition.

Given the structural, political and institutional constraints on the SCO's function, China's leadership activities in political and security cooperation were highly restricted in scope and scale. Beijing introduced less concrete proposals in political and security than economic cooperation; indeed, many of the major initiatives to combat the "three forces," drug-trafficking, transnational crime and illegal immigration were proposed by Russia.⁶⁵ Apart from calling for expediting the implementation of cooperation initiatives, China promoted capacity building by supporting, providing aid, holding the annual joint anti-terrorist exercise and undertaking joint operation.

6.2.1.1 Combating the "Three Forces," Drug-Trafficking and Transnational Crime

Combating the "three forces" has been central to security cooperation under the SCO.⁶⁶ Notwithstanding the death of Osama bin Laden, Islamic extremist groups such as the Islamic Movement of Uzbekistan, Hizb-ut-Tahrir, Jund al-Khilafa and Turkistan Islamic Party continued to organize terrorist attacks in member states, including the attack in Urumqi, Xinjiang on 5th July 2009.⁶⁷ The Taliban's resurgence in Afghanistan, meanwhile, threatened to exacerbate security situation in the war-torn country, as the United States would begin withdrawal in 2011.⁶⁸ Domestic problems in member states, exacerbated by the impact of the global financial crisis and the Arab

Shanghai Cooperation Organization" [上海合作组织面临的几个发展方向问题], *Asia and Africa Review* [亚非纵横], No. 2, (2009), 18.

⁶⁵ Zhao, "An Analysis of the Relationship between Russia and the Shanghai Cooperation Organization," 20.

⁶⁶ Zhao, "Theory and Practice of China's Central Asian Diplomacy," 23.

⁶⁷ Guang Pan [潘光], *The Shanghai Cooperation Organization: Its Progress and Prospect* [稳步前进的上海合作组织], (Beijing: Shishi chubanshe, 2014), 10-1, 12-5.

⁶⁸ Zhuangzhi Sun [孙壮志], "The Shanghai Cooperation Organization and the Afghan Question" [上海合作组织与阿富汗问题] in Guangcheng Xing, Hongwei Wu and Ning Zhang (eds.), *Annual Report on the Shanghai Cooperation Organization (2009)*, (Beijing: Social Sciences Academic Press, 2009), 68-9.

Spring, provided fertile soil for not only the “three forces” but also drug-trafficking and transnational crime.⁶⁹

The SCO’s *modus operandi* meant that legal institution building continued to be the organization’s preoccupation during the Hu Jintao administration’s second term. To consolidate the legal foundation for anti-terrorist cooperation, which had by then been embodied in the “Shanghai Convention on Combating Terrorism, Separatism and Extremism,” member states signed the “SCO Convention on Anti-Terrorism” (上海合作組織反恐怖主義公約) in 2009.⁷⁰ The Conventions were complemented by agreements on specific areas of cooperation including information security, arms-trafficking and the training of anti-terrorist professionals.⁷¹

Law-making was accompanied by institutionalization of cooperation in defense, public security and anti-drug-trafficking. Since 2007, a framework for combating the “three forces” has been drawn up for approval by the Heads of State Council every three years. At ministerial level, member states’ defense ministers concluded a working plan and a number of agreements on joint exercise and inter-departmental cooperation.⁷² Likewise, member states’ ministers of public security and internal affairs passed a series of resolutions on meeting arrangements, combating transnational crime and maintaining pipeline security in 2009.⁷³ In view of the growing threat of drug-trafficking to member states’ societies of member states, the Heads of State Council approved a five-year anti-drug strategy and its action plan in

⁶⁹ Pan, *The Shanghai Cooperation Organization*, 11-2; Xiaotian Xu [徐晓天], “Security Cooperation in the Shanghai Cooperation Organization” [上海合作组织的安全合作] in Euyuan Wu and Hongwei Wu (eds.) *Annual Report on the Shanghai Cooperation Organization (2010)*, (Beijing: Social Sciences Academic Press, 2010), 58-9.

⁷⁰ “Joint Communiqué of the Heads of State Council Meeting of SCO Member States” [上海合作组织成员国元首理事会会议联合公报], The Shanghai Cooperation Organization, (16th June 2009), <http://chn.sectsco.org/documents/>

⁷¹ See Chung Wang [王聰], “Security Cooperation in the Shanghai Cooperation Organization” [上海合作组织安全合作] in Jinfeng Li, Hongwei Wu and Wei Li (eds.) *Annual Report on the Shanghai Cooperation Organization (2013)*, (Beijing, Social Sciences Academic Press, 2013), 208.

⁷² Shuyin Li [李抒音], “Security Cooperation in the Shanghai Cooperation Organization” [上海合作组织的安全合作], in Guangcheng Xing, Hongwei Wu and Ning Zhang (eds.) *Annual Report on the Shanghai Cooperation Organization (2009)*, (Beijing: Social Sciences Academic Press, 2009), 81; Shuyin Li [李抒音] “Overview of Military Cooperation in the Shanghai Cooperation Organization” [上海合作组织军事合作综述] in Jifeng Li, Wu Hongwei and Li Wei (eds.) *Annual Report on the Shanghai Cooperation Organization (2013)*, (Beijing: Social Sciences Academic Press, 2013), 196-7.

⁷³ Xu, “Security Cooperation in the Shanghai Cooperation Organization,” 57.

2011. The heads of anti-drug agencies also passed the working rules for meetings of senior officials one year after.⁷⁴

Central to anti-terrorist cooperation at operational level is RATS. In 2007, the Heads of Government Council strengthened the anti-terrorist body's capacity by creating new bodies and staff positions under its Executive Committee.⁷⁵ During the Hu Jintao era, RATS compiled a list of about a thousand persons and forty groups that were involved in terrorism.⁷⁶ By 2013, it had passed over 300 resolutions on anti-terrorist cooperation.⁷⁷ Yet, notwithstanding the annual joint exercise and other small-scale bilateral initiatives, China did not exercise institutional leadership in combatting the “three force,” drug-trafficking and transnational crime. As mentioned above, many of the major initiatives came from Russia, even though they could not have been adopted without China's support. Indeed, an analysis of Hu Jintao's speeches at the heads of state summits shows that China did not propose any major initiatives. In 2008, the President recommended continuation of the public security cooperation mechanism for major events by institutionalizing those practices that proved to be mature and effective during the Beijing Olympics.⁷⁸ One year later, he recommended extending those arrangements to observers by including them in the consultation mechanism.⁷⁹ While strengthening cooperation in the pursuit, arrest and extradition of

⁷⁴ “The Astana Declaration on the Tenth Anniversary of the Shanghai Cooperation Organization” [上海合作组织十周年阿斯塔纳宣言], The Shanghai Cooperation Organization, (15th June 2011), <http://chn.sectsc.org/documents/>; Wang, “Security Cooperation in the Shanghai Cooperation Organization,” 210.

⁷⁵ “Joint Communiqué of the Heads of Government (Premiers) Council Meeting of SCO Member States.”

⁷⁶ Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 29.

⁷⁷ “Adapting to New Situations, Actively Expanding Security Cooperation under the SCO – An Interview with Director of the Executive Committee of the Regional Anti-terrorist Structure Zhang Xinfeng” [适应新形势积极拓展上合组织安全合作—访上合组织地区反恐怖机构执委会主任张新枫], Xinhuanet [新华网], (12th September 2013), http://news.xinhuanet.com/world/2013-09/12/c_117349250.htm

⁷⁸ Jintao Hu [胡锦涛], “Hold Our Hands Together to Build a Harmonious Region of Lasting Peace and Co-prosperity – Remarks at the Eighth Heads of State Council Meeting of SCO Member States” [携手建设持久和平、共同繁荣的和谐地区—在上海合作组织成员国元首理事会第八次会议上的讲话], Ministry of Foreign Affairs, (28th August 2008), http://www.fmprc.gov.cn/web/ziliao_674904/zyjh_674906/t509726.shtml

⁷⁹ Jintao Hu [胡锦涛], “Hold Our Hands Together to Respond to the Global Financial Crisis, Jointly Create a Harmonious and Bright Future – Remarks at the Ninth Heads of State Council Meeting of SCO Member States” [携手应对国际金融危机, 共同创造和谐美好未来—在上海合作组织成员国元首理事会第九次会议上的讲话], Ministry of Foreign Affairs, (16th June 2009), http://www.fmprc.gov.cn/web/ziliao_674904/zyjh_674906/t567931.shtml

terrorists, member states should explore the possibility of concluding an agreement on combating organized crime.⁸⁰ Other than these, the President mainly called for expediting the implementation of agreements and enhancing cooperation under existing mechanisms.

Ironically, despite its repeated emphasis that the SCO is not an alliance, China initiated the joint anti-terrorist military exercise with member states in 2002. Since then, it has hosted or joined every annual exercise. As an epitome of the tacit bargain between Beijing and Moscow, the SCO and the CSTO, following an agreement in 2005, began to conduct jointly what is now codenamed “Peace Mission.”⁸¹ While these exercises went beyond typical anti-terrorist exercises in scale, they were, as Laruelle and Peyrouse pointed out, not so much “joint exercises” as “parallel maneuvers” with low degree of force integration.⁸² At the same time, China also provided military aid and conducted joint exercise with member states at bilateral level, though these initiatives remained small-scale.⁸³

The above discussion has shown that China’s activities in combatting the “three forces,” drug-trafficking and transnational crime were highly limited in scope and scale. Interestingly, in the view of the country’s foreign policy elites, the SCO achieved great success in the suppression of the “three forces.”⁸⁴ Terrorist activities had in general been confined to small scale; terrorists groups were prevented from launching mass attacks and developing into the same capacity as the Taliban.⁸⁵ The public security cooperation mechanism was invoked for the first time during the Beijing Olympics; as a result, no single act of terrorism from Central Asia had

⁸⁰ *Ibid.*

⁸¹ Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 28.

⁸² Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 28-9.

⁸³ Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 32-3.

⁸⁴ Interviewee 3, Beijing, 18th March 2016; Interviewee 21, 10th May 2016, Shanghai.

⁸⁵ Tao Wang [王涛], “Review and Prospect of Security Cooperation under the Shanghai Cooperation Organization” [上海合作组织安全合作的回顾与展望], *Military History* [军事历史], No. 1, (2014), 42.

occurred.⁸⁶ Between 2004 and 2011, RATS was reported to have successfully prevented over 500 incidents of terrorist attacks.⁸⁷

6.2.1.2 Political Security

Notwithstanding China's emphasis that the SCO is "not targeted at third party," neutralizing the threat of American hegemony, shielding member states from external interference and coordinating their position on international affairs remained implicit yet vital functions of the organization. The Tulip Revolution in Kyrgyzstan and the Andijan Incident in Uzbekistan in 2005 brought the threat of American presence in Central Asia closer than ever to China and other member states.⁸⁸ Upon Russia and Uzbekistan's proposals, the SCO demanded in the 2005 Astana Declaration that the United States should set the deadline for withdrawal from military facilities in member states.⁸⁹ The American military's eviction from Uzbekistan, however, did not end the competition between the United States and Russia for military bases in Central Asia.⁹⁰ Indeed, the American military continued to lease the Manas airbase in Kyrgyzstan until 2014.

The events in 2005 exposed the SCO's incapacity to respond to emergencies. The signing of the SCO Treaty of Political and Diplomatic Measures for Responding to Threats to Regional Peace, Security and Stability ("the Treaty") (上合組織關於應對威脅本地區和平、安全與穩定事態的政治外交措施及機制條例) in 2009 did not solve the problem. Indeed, the political bargain between China, Russia and the Central Asian states on the SCO's institutional design precluded the development of

⁸⁶ Guang Pan [潘光] and Zhen Wang [王震], "International Cooperation on Counter-terrorism: New Situation, New Development and Effectiveness Evaluation" [国际反恐怖合作：新态势、新发展和绩效评估], *Journal of Social Sciences* [社会科学], No. 11, (2010), 42.

⁸⁷ Wang, "Review and Prospect of Security Cooperation under the Shanghai Cooperation Organization," 42.

⁸⁸ Wu, "Three Objectives of the United States in Instigating 'Color Revolution' in the Region of the Commonwealth of Independent States," 1-8.

⁸⁹ "Declaration of the Heads of State of the Shanghai Cooperation Organization" [上海合作组织成员国元首宣言], The Shanghai Cooperation Organization, (5th July 2005), <http://chn.sectsc.org/documents/>

⁹⁰ Ning Zhang [张宁], "Competition between the United States and Russia over the Manas Airbase in Kyrgyzstan" [美俄围绕吉马纳斯空军基地的博弈] in Jinfeng Li, Hongwei Wu and Wei Li (eds.), *Annual Report on the Shanghai Cooperation Organization (2013)*, (Beijing: Social Sciences Academic Press, 2013), 114-5.

such function and capacity. Structural, political and institutional constraints led to Beijing's inactivity in political security cooperation.

The SCO's leadership deficit and its incapacity to fully adapt to a changing international environment was exposed once again during the Second Kyrgyz Revolution in 2010. During the crisis, the organization only issued statements, with Kyrgyz Secretary-General Muratbek Imanaliyev paying a visit to the country.⁹¹ The call of some such as Nazabayev to review the organization's position on non-interference resulted only in the revision of the Treaty two years later.⁹² Like Russia, other SCO member states, the United States and the EU, China refrained from intervention. Apart from diplomatic mediation, Beijing provided within four months of the unrest over 120 million *renminbi* of aid to Kyrgyzstan, including 8 million *renminbi* of food, medicine and medical equipment.⁹³

The SCO's ineffectiveness triggered a debate among China's foreign policy elites on the country's long-standing position on non-interference.⁹⁴ Nevertheless, perhaps still trying to grapple with the dilemma between the supremacy of sovereignty and the need to protect its regional interests, Beijing did not take any major initiatives. In 2011, Hu Jintao called for strengthening the SCO's capacity for action and fast response to "real threats"; but this, he stressed, should be based on respect for member states' independence, sovereignty, territorial integrity and the will of the people.⁹⁵ The

⁹¹ Guang Pan [潘光], "Unrest in Kyrgyzstan: The role of Russia, the United States and Europe and Impact on China" [吉尔吉斯斯坦动荡：俄美欧的作用、对中国的影响], *Journal of Xinjiang Normal University (Social Sciences)* [新疆师范大学学报(哲学社会科学版)], Vol. 31, No. 4, (December 2010), 43-4.

⁹² Huasheng Zhao [赵华胜], "Development Path of the Shanghai Cooperation Organization" [上海合作组织的发展路径], *Journal of Xinjiang Normal University (Philosophy and Social Sciences)* [新疆师范大学学报(哲学社会科学版)], Vol. 33, No. 2, (March 2012), 40.

⁹³ Pan, "Unrest in Kyrgyzstan," 43.

⁹⁴ Zhao, "Development Path of the Shanghai Cooperation Organization," 40. Yan, *Inertia of History*, 191-4.

⁹⁵ Jintao Hu [胡锦涛], "Peaceful Development, Ever-lasting Friendship – Remarks at the 11th Meeting of the Council of Heads of State of the Shanghai Cooperation Organization" [和平发展, 世代友好 — 在上海合作组织成员国元首理事会第十一次会议上的讲话], Ministry of Foreign Affairs, (15th June 2011), http://www.fmprc.gov.cn/web/ziliao_674904/zt_674979/ywzt_675099/2011nzt_675363/hjtcxshzzfh_675419/t830978.shtml

President only reiterated the same position in the heads of state summit one year after.⁹⁶

China's inactivity, however, did not instill trust among Central Asian states in its ability to provide regional security public goods. As Laruelle and Peyrouse's survey showed, most of the experts in Central Asia dismissed the SCO's role in regional security cooperation.⁹⁷ Indeed, half of the Kazakh experts surveyed still considered Russia as their country's most important regional security partner, while close to half of them did not expect China to develop the capacity to intervene in contingencies in the short term.⁹⁸ On the other hand, China's self-constraint did not eliminate deep-seated fear of its future security presence in the region.⁹⁹ Notwithstanding resolution of border disputes and the signing of the Treaty of Long-Term Good-Neighborly Friendship and Cooperation among SCO Member States, some in Kyrgyzstan remained resentful of their country's cession of territory to China and apprehensive about the future validity of the border agreement.¹⁰⁰ Negative perception of Beijing's handling of the Uyghur minorities in Xinjiang further reinforced mistrust of the rising power in Central Asia.¹⁰¹

Though deferring responsibilities of regional security leadership to Russia, China strove to preserve the SCO's identity by preventing Moscow from turning the organization into an anti-West alliance. The Russo-Georgian war in 2008 presented China with such a dilemma. On the one hand, it was under pressure to support its fellow SCO member and strategic partner; on the other hand, Russia's action challenged the supremacy China and other member states had always given to sovereignty and territorial integrity.¹⁰² Beijing's ambivalence manifested itself in the

⁹⁶ Jintao Hu [胡锦涛], "Maintain Lasting Peace, Promote Common Prosperity – Remarks at the Twelve Heads of State Council Meeting of SCO Member States" [维护持久和平, 促进共同繁荣—在上海合作组织成员国元首理事会第十二次会议上的讲话], Ministry of Foreign Affairs, (7th June 2012),

http://www.fmprc.gov.cn/web/ziliao_674904/zl_674979/ywzt_675099/2012nzt_675307/shys12hy_675323/t939132.shtml

⁹⁷ Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 163-4.

⁹⁸ Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 141-2.

⁹⁹ *Ibid.*

¹⁰⁰ Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 176.

¹⁰¹ Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 178-80.

¹⁰² Niklas Swanstrom, "Shanghai Cooperation Organization and the Aftermath of the Russian Invasion of Georgia," *China and Eurasia Forum Quarterly*, Vol. 6, No. 3, (2008), 5-6.

2008 Dushanbe Declaration, which expressed member states' concern over the situation and urged all parties to resolve the conflict through peaceful dialogue. The declaration also welcomed the six-point peace plan concluded in Moscow on conflict resolution in South Ossetia and supported Russia's efforts in promoting peace and cooperation in the region.¹⁰³ In this way, Beijing and other member states offered limited support to Moscow without endorsing its action.

6.2.1.3 Afghanistan

Regional security in Central Asia was inextricably linked with the situation in Afghanistan, as the war-torn country had become a foothold for not only external great powers, but also terrorism, drug trafficking and organized crime. As was the case in political security, both China and the SCO's activities were negligible. Indeed, Feigenbaum, who served as the United States' Deputy Assistant Secretary of State for South and Central Asian Affairs between 2006 and 2009, criticized China and other SCO member states for free riding on the United States' provision of regional security public goods.¹⁰⁴

The Hu Jintao administration's second term saw the institutionalization of cooperation between the SCO and Afghanistan. Following the establishment of the SCO-Afghanistan Contact Group in 2005, Afghan President Hamid Karzai was invited to the 2007 Bishkek Summit as a guest for the first time. Upon Russia's proposal, the SCO held a Special International Conference on Afghanistan in Moscow in 2009, which resulted in the formulation of the Action Plan of SCO Member States and Afghanistan on Combating Terrorism, Drug-trafficking and Organized Crime. According to the Action Plan, the two sides would cooperate in joint operation, intelligence exchange and law enforcement personnel training.¹⁰⁵ Meanwhile, they would explore the possibility of upgrading the diplomatic rank of head of the Contact Group to the level of Deputy Director-General, formulate cooperation plan with the

¹⁰³ "Dushanbe Declaration of the Heads of State of the Shanghai Cooperation Organization" [上海合作组织成员国元首杜尚别宣言], The Shanghai Cooperation Organization, (28th August 2008), <http://chn.sectsc.org/documents/>

¹⁰⁴ Feigenbaum, "Reluctant Stakeholder."

¹⁰⁵ "Action Plan of the Shanghai Cooperation Organization and the Islamic Republic of Afghanistan on Combating Terrorism, Drug-trafficking and Organized Crime" [上海合作组织成员国和阿富汗伊斯兰共和国打击恐怖主义、毒品走私和有组织犯罪行动计划], The Shanghai Cooperation Organization, (27th March 2009), <http://chn.sectsc.org/documents/>

CSTO's Working Group on Afghanistan, and push forward cooperation on the creation and consolidation of a regional "anti-narcotics and financial security belt".¹⁰⁶ In 2012, one year after the United States began withdrawal, Afghanistan was granted observer status.¹⁰⁷ Nonetheless, the lack of progress in cooperation was demonstrated by the fact that the Contact Group ceased meeting after 2009.¹⁰⁸

It is not surprising, therefore, that China's activities were limited. Indeed, all of the major initiatives came from Russia.¹⁰⁹ While supporting Afghanistan's inclusion in multilateral cooperation under the SCO, China engaged in supporting primarily at bilateral level. In the first decade after the SCO's establishment, Beijing cooperated with Kabul in intelligence exchange and law enforcement, as well as provided different forms of aid including credit, debt relief, infrastructure investment and the training of over a thousand personnel.¹¹⁰ In 2009, China promised to provide 75 million dollars of aid to Afghanistan in the next five years.¹¹¹ It followed up with another 150 million dollars and other assistance in the country's reconstruction two years later.¹¹²

China's self-constraint was attributed as much to its ambiguity over the role itself and the SCO should play as to American presence or the organization's incapacity. The SCO's approach to the Afghan issue, in Yu Jianhua's words, should

¹⁰⁶ *Ibid.*

¹⁰⁷ "Declaration of the Heads of State of the Shanghai Cooperation Organization on Building a Region of Lasting Peace and Common Prosperity." "Declaration of the Heads of State of SCO Member States on Building a Region of Lasting Peace and Common Prosperity" [上海合作组织成员国元首关于构建持久和平、共同繁荣地区的宣言], The Shanghai Cooperation Organization, (7th June 2012), <http://chn.sectsc.org/documents/>

¹⁰⁸ Richard Weitz, "Has the SCO Solved its Expansion Dilemma?" *The Central Asia-Caucasus Analyst*, (3rd August 2017), <https://www.cacianalyst.org/publications/analytical-articles/item/13460-has-the-sco-solved-its-expansion-dilemmas>

¹⁰⁹ Zhao, "An Analysis of the Relationship between Russia and the Shanghai Cooperation Organization," 22.

¹¹⁰ "Vice-Minister Song Tao's Remarks at the Shanghai Cooperation Organization Special International Conference on the Afghan Question" [宋涛副部长在上海合作组织阿富汗问题特别国际会议上的讲话], Ministry of Foreign Affairs, (27th March 2009),

http://www.fmprc.gov.cn/web/ziliao_674904/zyjh_674906/t554793.shtml; "Foreign Minister Yang Jiechi's Remarks at the Bonn Conference on the Afghan Question" [杨洁篪外长在阿富汗问题波恩会议上的讲话], Ministry of Foreign Affairs, (5th December 2011),

http://www.fmprc.gov.cn/web/ziliao_674904/zyjh_674906/t884414.shtml

¹¹¹ "Vice-Minister Song Tao spoke at the Shanghai Cooperation Organization Special International Conference on the Afghan Question"

¹¹² "Foreign Minister Yang Jiechi spoke at the Bonn Conference on the Afghan Question"

be “intervention without entrapment.”¹¹³ While the organization had neither the obligation nor the ability to shoulder full responsibility for the resolution of the Afghan issue, loss of control over the situation could lead to civil war, which the organization would be incapable of containing.¹¹⁴ In the end, American military presence would lose its “rationale” when the situation in Afghanistan became stable; any demand for American withdrawal when the situation remained grave would not be “convincing and well-received by relevant states.”¹¹⁵ The SCO’s mission should be to promote Afghanistan’s peaceful transition and reconstruction through political, social, economic and cultural means.¹¹⁶

6.2.1.4 Energy and Other Areas of Non-Traditional Security Cooperation

Energy security is one of the driving factors of Chinese diplomacy in Central Asia. Indeed, Beijing’s energy diplomacy began long before the SCO’s establishment.¹¹⁷ Of the 127 projects specified in the Action Plan of The Program for Multilateral Economic and Trade Cooperation, 19 involved energy cooperation.¹¹⁸ Yet energy cooperation truly became a priority in the SCO’s agenda when Russian President Vladimir Putin raised the idea of establishing an “energy club” at the 2006 Shanghai Summit.¹¹⁹ This was followed by Nazabayev’s proposal of an energy exchange one year after.¹²⁰ Nevertheless, differing interests between producing countries, as well as between producing and consuming countries, hampered the implementation of these ideas. Thus at the time only ministerial meetings and expert working groups were set

¹¹³ Jianhua Yu [余建华], “The Afghan Question and the Shanghai Cooperation Organization” [阿富汗问题与上海合作组织], *West Africa and Asia* [西亚非洲], No. 4, (2012), 73.

¹¹⁴ Zhao, “Development Path of the Shanghai Cooperation Organization,” 41.

¹¹⁵ Zhao, “Development Path of the Shanghai Cooperation Organization,” 40.

¹¹⁶ Zhao, “Development Path of the Shanghai Cooperation Organization,” 41; Yu, “The Afghan Question and the Shanghai Cooperation Organization,” 71-2.

¹¹⁷ See, Guang Pan [潘光], “The Shanghai Cooperation Organization and China’s Strategy of Overseas Energy Development” [上海合作组织与中国的海外能源发展战略], *World Economy Study* [世界经济研究], No. 7, (2005), 5-9.

¹¹⁸ “Declaration on the Establishment of the Shanghai Cooperation Organization”; Yongxiang Sun [孙永祥], “Progress and Problems in Energy Cooperation under the SCO” [上合组织能源合作的进展及问题], *Asia & Africa Review* [亚非纵横], No. 5, (2009), 23.

¹¹⁹ Xiaoyun Qiang [强晓云], “Assessing the Prospect of the SCO Energy Club from the Perspective of Public Goods” [从公共产品的视角看上海合作组织能源俱乐部发展前景], *Journal of Shanghai Business School* [上海商学院学报], Vol. 15, No. 6, (December 2014), 48.

¹²⁰ Changwei Pang [庞昌伟] and Meng Zhang [张萌], “Development of a SCO Energy Club and the Bargaining between China and Russia over Natural Gas Pricing System” [上合组织能源俱乐部建设及中俄天然气定价机制博弈], *Academic Journal of Russian Studies* [俄罗斯学刊], No. 1, (2011), 46.

up to strengthen consultation and explore the prospect of future cooperation. It was not until 2013 that member states concluded the Memorandum on the Establishment of SCO Energy Club.¹²¹

As a net energy importer, China had little leverage over the “critical decisions” concerning institution building in energy cooperation. Indeed, neither Hu Jintao nor Wen Jiabao put forward any concrete proposals on energy cooperation in the SCO during their second term. On the other hand, as one of the world’s fastest growing energy importers China promoted the original collective purpose of energy cooperation through supporting. Beijing participated in every one of the 19 energy cooperation projects in the Action Plan, even though more than half of them concerned research, planning, information exchange and tendering.¹²²

China was more successful in tapping Central Asia’s vast oil and gas reserves through bilateral or minilateral diplomacy, from importation, pipeline construction to joint ventures in oil exploration and refinement.¹²³ The Hu Jintao administration’s greatest achievement was the construction of the China-Central Asia Pipeline from Turkmenistan via Kazakhstan and Uzbekistan to China. As the first pipeline that did not transit Russian territory, the China-Central Asia Pipeline precluded Russia from drawing and consolidating a geopolitical boundary separating China and the post-Soviet space.¹²⁴

China’s influence, however, should not be overestimated. Although Chinese-owned operations constituted up to 30% of Kazakhstan’s total oil production in 2012, China’s share in the Central Asian state’s oil sector remained significantly lower than that of the United States at the peak of its presence, when it controlled close to 70%

¹²¹ Qiang “Assessing the Prospect of the SCO Energy Club from the Perspective of Public Goods,” 48.

¹²² See the table in Yongxiang Sun [孙永祥], “Energy Cooperation in the Shanghai Cooperation Organization” [上海合作组织的能源合作], in Guangcheng Xing, Hongwei Wu and Ning Zhang (eds.), *Annual Report on the Shanghai Cooperation Organization (2009)*, (Beijing: Social Sciences Academic Press, 2009), 124-6.

¹²³ Sun, “Progress and Problems in Energy Cooperation under the SCO,” 23-4; Elzbieta Maria Pron, “China’s Energy Diplomacy via the Shanghai Cooperation Organization,” in Yao Shujie and Maria Jesus Herrerias (eds.), *Energy Security and Sustainable Economic Growth in China*, (Basingstoke: Palgrave MacMillan, 2014), 52-70.

¹²⁴ Cooley, *Great Games, Local Rules*, 94.

of Kazakhstan's total oil production.¹²⁵ Moreover, China faced intense competition from other great powers in its scramble for Central Asia's energy resources. Russia sought to ensure that the region's energy resources would continue to be transmitted and exported to the world through its pipelines.¹²⁶ Indeed, only until 2009 did Moscow begin to change its reservations about Beijing's idea of constructing oil and gas pipelines between the two countries.¹²⁷ Meanwhile, the United States, India and Japan all engaged in the scramble for oil and gas in Central Asia.¹²⁸

In addition to energy, China engaged in supporting and soft selling in other areas of non-traditional security. Beijing called for expediting the establishment of cooperation and emergency mechanisms in areas including food security, disaster relief, technology and public health. Moreover, it promoted capacity building through capital investment, including a high-tech development zone, a center for disaster relief, agricultural technology demonstration centers, seeds bank, a center for environmental protection and satellite services.¹²⁹ These initiatives, however, remained small-scale, functional tasks with low uncertainty and interdependence.

¹²⁵ Pron, "China's Energy Diplomacy via the Shanghai Cooperation Organization," 57; Cheng Yang [杨成]. "Thoughts on the Establishment of Unified Energy Space under the SCO Framework" [关于在上海合作组织框架内建立统一能源空间的几点思考], *Siberian Studies* [西伯利亚研究], Vol. 35, No. 1, (February 2008), 28.

¹²⁶ Jianhua Yu [余建华], "Great Power Competition and Cooperation in the Political Contest for Energy Resources in Central and South Asia" [中南亚能源政治博弈中的大国竞合], *Foreign Affairs Review* [外交评论(外交学院学报)], No. 5, (2011), 21-2.

¹²⁷ Daniel Burghart, "Playing Chess on the Eurasia Steppe: The State of the Energy 'Game' 10 Years into the New Millennium in Russia and the Near Abroad," *China and Eurasia Forum Quarterly*, Vol. 8, No. 4, (2010), 89, 94.

¹²⁸ Yongxiang Sun [孙永祥], "Latest Development in the Competition for Energy Resources in Central Asia and Thoughts on Our Country's Response" [中亚能源争夺新常态及我国对策的思考], *Natural Gas Economy* [天然气经济], No. 6, (2006), 8-10; Yu, "Great Power Competition and Cooperation in the Political Contest for Energy Resources in Central and South Asia," 11-27.

¹²⁹ "The Seventh Heads of Government Meeting of SCO Member States Took Place, Wen Jiabao Attended and Spoke" [上海合作组织成员国第七次总理会议举行, 温家宝出席并讲话], Ministry of Foreign Affairs, (30th October 2008), http://www.fmprc.gov.cn/web/ziliao_674904/zt_674979/ywzt_675099/2008zt_675545/wjbzlcfelds_675553/t528141.shtml; "The Ninth Heads of Government Meeting of SCO Member States Took Place, Wen Jiabao Attended and Spoke" [上海合作组织成员国第九次总理会议举行, 温家宝出席并发表讲话], Ministry of Foreign Affairs, (26th November 2010), http://www.fmprc.gov.cn/web/ziliao_674904/zt_674979/ywzt_675099/2010nzt_675437/wenjiabaozonglifangwenrussiahetajikistan_675453/t772257.shtml; "Wen Jiabao Attended and Spoke at the Tenth Heads of Government Meeting of SCO Member States" [温家宝出席上海合作组织成员国总理第十次会议并发表讲话], Ministry of Foreign Affairs, (8th November 2011), http://www.fmprc.gov.cn/web/ziliao_674904/zt_674979/ywzt_675099/2011nzt_675363/wjb_sh10hy_675427/t874863.shtml; "Wen Jiabao Attended and Spoke at the Eleventh Heads of Government Meeting of SCO Member States" [温家宝出席上海合作组织成员国总理第十一次会议并发表讲话

The above discussion has shown that even though the SCO was established first and foremost for security cooperation, structural, political and institutional constraints resulted in leadership deficit and prevented the organization from adapting to a changing international environment. China's adherence to a policy of non-alliance and non-interference, as well as its tacit bargain with Russia, meant that Beijing's leadership activities were limited, confined to supporting and soft selling in functional tasks with low uncertainty and interdependence. This is indeed all the more surprising, as most in China's foreign policy elites considered security cooperation under the SCO more successful than economic cooperation.

Nevertheless, the SCO's leadership deficit and its incapacity to adapt to a changing international environment raised questions about its importance to regional security in Central Asia. While scholars such as Aris argues that the SCO's primary function and achievement lay in the promotion of regime security of Central Asian countries, its relative inactivity during the Second Kyrgyz Revolution or over the Afghan question raises questions about the organization's importance to "autocratic survival."¹³⁰

6.2.2 Economic, Social and Cultural Cooperation

While security cooperation has continued to define the SCO's external image, the organization was intended from its inception to promote cooperation in other areas.¹³¹ Indeed, it was China that initiated economic cooperation under the organization.¹³² The Program for Multilateral Economic and Trade Cooperation (the "Program"), which was approved by the Heads of Government Council in 2003, laid out a three-stage strategy. In the short-term, member states would strive to facilitate trade and investment. To fulfil the mid-term objective, they would establish "clear, transparent rules and procedures" for extensive multilateral cooperation by 2010. These efforts

], Ministry of Foreign Affairs, (5th December 2012), http://www.fmprc.gov.cn/web/ziliao_674904/zt_674979/ywzt_675099/2012nzt_675307/wjbsbshsydd_675309/t995467.shtml

¹³⁰ Stephen Aris, *Eurasian Regionalism: The Shanghai Cooperation Organization*. (Basingstoke: Palgrave MacMillan, 2011); Julia Bader, "China, Autocratic Patron? An Empirical Investigation of China as a Factor in Autocratic Survival," *International Studies Quarterly*, Vol. 59, (2015), 23-33.

¹³¹ "Declaration on the Establishment of the Shanghai Cooperation Organization"

¹³² Xu, *Development and Prospect of Regional Economic Cooperation under the Shanghai Cooperation Organization*, 51.

would contribute to the long-term objective of achieving free movement of goods, capital, services and skills by 2020.¹³³ In 2004, the Heads of Government Council approved the Action Plan of the Program (“Action Plan”), which included a total of 127 projects in eleven areas and specified the mechanisms for their implementation at different stages.¹³⁴

To China’s foreign policy elites, however, economic cooperation remained “the most difficult and most unsatisfactory.”¹³⁵ Indeed, Hu Jintao pointed out at the 2009 Yekaterinburg Summit that the progress of economic cooperation fell significantly short of member states’ expectations and the organization’s development goals.¹³⁶ Implementation of the “concrete measures” of economic cooperation did not begin until 2007.¹³⁷ Moreover, according to Xu Tongkai, who served as Inspector and Deputy Director-General of the Department of European Affairs of China’s Ministry of Commerce, by 2010 only four to five out of the 127 projects in the Action Plan were implemented.¹³⁸

As was the case in East Asia, the global financial crisis presented a potential “critical juncture” for Central Asian regionalism. Increasing pressures for collective crisis response led member states to conclude the SCO Joint Initiative on Increasing Multilateral Economic Cooperation in the Field of Tackling the Consequences of the Global Financial Economic Crisis (“Joint Initiative”) in 2009. The agreement, however, was marked by its hollowness. Agreed measures included monitoring the Action Plan’s implementation; accelerating the implementation of pilot projects; expediting work on an international road transportation facilitation agreement as well

¹³³ “The Program for Multilateral Economic and Trade Cooperation among SCO Member States” [上海合作组织成员国多边经贸合作纲要], Ministry of Foreign Affairs, (23rd September 2003), <http://scochina.mfa.gov.cn/chn/zywj/t1492503.htm>

¹³⁴ “Joint Communiqué of the Heads of Government (Premiers) Council Meeting of SCO Member States” [上海合作组织成员国政府首脑(总理)理事会联合公报], The Shanghai Cooperation Organization, (23rd September 2004), <http://chn.sectesco.org/documents/>. For details of the 127 projects, see, Xu, *Development and Prospect of Regional Economic Cooperation under the Shanghai Cooperation Organization*, 248-71.

¹³⁵ Zhao, “Development Path of the Shanghai Cooperation Organization,” 42.

¹³⁶ Hu, “Hold Our Hands Together to Respond to the Global Financial Crisis, Jointly Create a Harmonious and Bright Future.”

¹³⁷ “Joint Communiqué of the Heads of Government (Premiers) Council Meeting of SCO Member States,” (2nd November 2007).

¹³⁸ Xu, *Development and Prospect of Regional Economic Cooperation under the Shanghai Cooperation Organization*, 230.

as the basic principles regarding the establishment and management of a SCO development fund (special account); and promoting cooperation in customs, finance and agriculture.¹³⁹ Later in the same year, member states' Treasury Ministers and Governors of Central Banks reaffirmed the need to facilitate implementation of the Action Plan and the Joint Initiative, study the possibility of expanding local currency settlement and expedite negotiations on the establishment of a SCO development fund (special account).¹⁴⁰

While China was already the largest economy in the SCO, the global financial crisis further cemented its economic influence in Central Asia (Table 6.1). Notwithstanding the impact of the crisis on regional economies, trade between China and member states rose from 86.8 in 2008 to 123.7 billion dollars in 2012.¹⁴¹ China became the largest or second largest trade partner of all member states except Tajikistan, as well as an increasingly important source of capital (Table 6.2 / 6.3). The rising power would normally be expected to exercise enormous influence over regional economic integration.

Table 6.1 Regional States' Gross Domestic Products (In Current US\$ Billions)

<i>Central Asia</i>	2007	2012	2017
China	3552	8561	12015
Russia	1300	2210	1527
Kazakhstan	105	208	161
Kyrgyz Republic	4	7	7
Tajikistan	4	8	7
Turkmenistan	13	35	38
Uzbekistan	22	52	48

(Sources: World Bank and IMF¹⁴²)

¹³⁹ "Joint Initiative of SCO Member States on Strengthening Multilateral Economic Cooperation, Tackling the Global Financial Crisis and Ensuring Sustainable Economic Growth" [上海合作组织成员国关于加强多边经济合作、应对全球金融危机、保障经济可持续发展的共同倡议], The Shanghai Cooperation Organization, (14th October 2009), <http://chn.sectSCO.org/documents/>

¹⁴⁰ "Joint Statement of Finance Ministers and Central Bank Governors of SCO Member States" [上海合作组织成员国财长和央行行长联合声明], The Shanghai Cooperation Organization, (9th December 2009), <http://chn.sectSCO.org/documents/>

¹⁴¹ Huaqin Liu [刘华芹], "Regional Economic Cooperation in the Shanghai Cooperation Organization" [上海合作组织的区域经济合作], in Guangcheng Xing, Hongwei Wu and Ning Zhang, *Annual Report on the Shanghai Cooperation Organization (2009)*, (Beijing: Social Sciences Academic Press, 2009), 92.

¹⁴² "GDP (Current US\$)"; "GDP, Current Prices, Billions of U.S. Dollars."

International and domestic developments, as I discussed in 4.2.2, generated pressures on the Hu Jintao administration to stimulate external demand by promoting economic integration in China's peripheral regions. At the 2007 Bishkek Summit, Hu Jintao emphasized the importance of "joint development." While engaging in extensive international cooperation, member states should strive to achieve "self-help, independence and self-strengthening" under the SCO.¹⁴³ As the global financial crisis went full-blown one year after, the President reiterated that "resolution of regional problems depend[ed] fundamentally on the unity of member states in self-strengthening."¹⁴⁴ His repeated emphasis on "joint development" reflected China's endeavor to identify its interests with those of other member states.

As was the case of APT, although member states' capability deficit and demand for regional public goods provided an opportunity for China to engage in supporting, low level of trust thwarted Beijing's soft selling of its proposals of a free trade area, a development fund and a development bank. As a result, Chinese institutional leadership was confined to functional tasks with low uncertainty and interdependence. China's inability to steer the SCO's adaptation to a changing international environment after the global financial crisis represented a deadlock in the renegotiation on the geopolitical reconstruction of Central Asia.

6.2.2.1 Trade

As I mentioned earlier, the Program laid out a roadmap for regional trade liberalization, with the goals of establishing "clear, transparent rules and procedures" by 2010 and ultimately achieving free movement of goods, capital, services and skills a decade after. While China had promoted economic cooperation in the SCO since the beginning, the global financial crisis rendered regional economic integration more important than ever in sustaining national and regional growth. During the Hu Jintao administration's second term, China sought to advance trade and investment liberalization by supporting and soft selling. To promote the collective purposes as

¹⁴³ Hu, "Strengthen Neighborliness and Mutual Trust, Promote Peaceful Development."

¹⁴⁴ Hu, "Hold Our Hands Together to Build a Harmonious Region of Lasting Peace and Co-prosperity."

Table 6.2 Primary Trade Partners of SCO Member States (In US Million Dollars)

	Trade Partners	2007	2012	2016
Kazakhstan	China	9146.86	23982.1	7895.44
	Russia	16286	23857.7	12733.5
	EU	27632.2	53975.8	24375.5
	Italy	8905.34	16426.2	8317.39
Kyrgyz Republic	China	488.68	1271.62	1544.66
	Russia	1185.06	2003.74	945.03
	EU	305.84	607.63	318.73
	Kazakhstan	413.65	923.65	786.7
Tajikistan	China	283.6	923.61	487.93
	Russia	911	1260.42	1251.66
	EU	875.64	336.55	356.82
	Turkey	550.5	575.88	295.78
Turkmenistan	China	366.77	9369.74	5609.8
	Russia	472.43	1456.57	917.27
	EU	1043.22	2605.98	2032.9
	Others	4233.62 (Ukraine)	1855.18 (Turkey)	1714.54 (Turkey)
Uzbekistan	China	1154.71	2920.46	3698.61
	Russia	3213.73	3775.8	2799.21
	EU	2893.45	1980.89	2085.26
	Kazakhstan	1432.1	2195.28	1535.23
Russia	China	40305.5	87416.9	66117.6
	EU	284901.0	410266.0	199907.0
	Germany	52899.7	73298.9	40416.1
	Netherlands	46683.7	82867.4	32268.4

(Sources: IMF and ADB¹⁴⁵)

stated in the Joint Initiative, China dispatched trade delegations to member states, supported the establishment of cross-border special economic zones and the identification of new pilot projects, proposed the creation of an electronic commerce platform, and developing the Eurasian Economic Forum and China-Eurasia Expo into platforms for regional economic cooperation.¹⁴⁶

¹⁴⁵ “Direction of Trade Statistics,” International Monetary Fund, <http://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85b>; “Integration Indicators,” Asian Development Bank, <https://aric.adb.org/integrationindicators>

¹⁴⁶ Hu, “Hold Our Hands Together to Respond to the Global Financial Crisis, Jointly Create a Harmonious and Bright Future”; Jintao Hu [胡锦涛], “Deepen Concrete Cooperation, Maintain Peace and Stability – Remarks at the Tenth Heads of State Council Meeting of SCO Member States” [深化

Table 6.3 Regional States' Foreign Exchange Reserves (In Current US\$ Millions)

<i>Central Asia</i>	2007	2012	2017
China	1546365	3387513	3498040
Russia	478822	537816	509394
Kazakhstan	17641	28299	43242
Kyrgyz Republic	1177	2067	2377
Tajikistan	85	631	
Turkmenistan			
Uzbekistan			

(Sources: World Bank and IMF¹⁴⁷)

Nevertheless, the central task remained the establishment of a free trade area. In the same year when he sold EAFTA to other APT countries, Wen Jiabao proposed a SCO free trade area. As I explained in 4.2.2, a changing international environment and domestic economic challenges after the global financial crisis increased the pressures on China to expedite regional economic integration. Nevertheless, as was the case in East Asia, member states' mistrust of China prevented Beijing from uniting them behind its preferences in the "critical decision" on regional free trade. Central Asian states viewed the rising power's economic diplomacy as driven above all by self-interests and were thus apprehensive of becoming its "vassal states."¹⁴⁸ Indeed, Lukin saw China's "aggressive and selfish manner" in advancing its economic interests one of the main reasons for the stalemate of economic cooperation under the SCO.¹⁴⁹ Such perception, moreover, was exacerbated by deeply entrenched Sinophobia.¹⁵⁰ As a result, member states remained ambivalent about economic integration with China.

务实合作, 维护和平稳定—在上海合作组织成员国元首理事会第十次会议上的讲话], Ministry of Foreign Affairs, (11th June 2010),

http://www.fmprc.gov.cn/web/ziliao_674904/zyjh_674906/t708175.shtml; Hu, "Peaceful Development, Ever-lasting Friendship"; Hu, "Maintain Lasting Peace, Promote Common Prosperity"; "The Seventh Heads of Government Meeting of SCO Member States Took Place, Wen Jiabao Attended and Spoke"; "The Ninth Heads of Government Meeting of SCO Member States Took Place, Wen Jiabao Attended and Spoke"; "Wen Jiabao Attended and Spoke at the Tenth Heads of Government Meeting of SCO Member States."

¹⁴⁷ "Total Reserves"; "International Reserves and Foreign Currency Liquidity (IRFCL)."

¹⁴⁸ Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 167-72; Li and Niu, "Why is the Shanghai Cooperation Organization incapable of sustaining China's Security Strategy in its Periphery in the North West," 115.

¹⁴⁹ Alexander Lukin, "The Shanghai Cooperation Organization: What Next?" *Russia in Global Affairs*, No. 2, (July – September 2007), http://eng.globalaffairs.ru/number/n_9132

¹⁵⁰ Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 175-87.

In particular, the shifting regional balance of economic power, Russia's mistrust of China and its leadership aspirations led Moscow to block the "critical decisions" necessary to the SCO's institutional adaptation while accelerating its own regionalist initiative. Partly inspired by Nazabayev's proposal of a Eurasian Union in 1994, Russia established the EurAsEc with Belarus, Kazakhstan, Kyrgyzstan and Tajikistan in 2000. As Russia contested China's preferences in the "critical decision" on regional free trade in the SCO, it formed with Belarus and Kazakhstan a Eurasian Customs Union (CU) in 2007, which was subsequently upgraded into a Single Economic Space (SES) two years after.¹⁵¹ With a much higher degree of integration and formalization than Beijing's proposal, Moscow's project aimed to reorganize the Post-Soviet space and consolidate its boundary separating itself and China.

Seeking to reorganize the Post-Soviet space on its own terms, Russia adopted the position that negotiations on a free trade area should begin only after all member states joined the WTO.¹⁵² The overlap of the EurAsEc and the SCO in their membership and functions have led some to worry about "institutional competition" and the SCO's marginalization in the future.¹⁵³ While most of China's foreign policy elites believed that the SCO and the Russian-led institutions could coexist, cooperate or even integrate,¹⁵⁴ Russia's recession after the global financial crisis raised questions about Moscow's attitude toward inter-institutional cooperation.¹⁵⁵

¹⁵¹ Richard Weitz, "The Customs Union and Eurasian Union: A Primer," in S. Frederick Starr and Svante E. Cornell (eds.) *Putin's Grand Strategy: The Eurasian Union and its Discontents*, (Washington D.C.: Central Asia-Caucasus Institute, 2014), 29-39, <http://silkroadstudies.org/resources/1409GrandStrategy.pdf>

¹⁵² Alexander Gabuyev, "Taming the Dragon: How Can Russia Benefit from China's Financial Ambitions in the SCO?" *Russia in Global Affairs*, (19th March 2015), <http://eng.globalaffairs.ru/number/Taming-the-Dragon-17372>

¹⁵³ Shuchun Wang [王树春] and Qingsong Wan [万青松], "Analysis of the Relationship between the Shanghai Cooperation Organization and the Eurasian Economic Community" [上海合作组织与欧亚经济共同体的关系探析], *Journal of World Economy and Politics* [世界经济与政治], No. 3, (2012), 23-8, 36.

¹⁵⁴ Zhao, "Development Path of the Shanghai Cooperation Organization," 42-4; Xiaoqiong Guo [郭晓琼], "Competition and Cooperation: Perspective on the relationship between the Eurasian Economic Community and the Shanghai Cooperation Organization," [竞争与合作: 对欧亚联盟与上海合作组织关系的思考], *Journal of Russian, Eastern European and Central Asian Studies* [俄罗斯东欧中亚研究], No. 3, (2013), 48-9; Shu Yang [杨恕] and Shusen Wang [王术森], "The Development and Impact of the Eurasian Customs Union" [俄白哈关税同盟的发展及其影响], *International Studies* [国际问题研究], No. 4, (2014), 104-7.

¹⁵⁵ Wang and Wan, "Analysis of the Relationship between the Shanghai Cooperation Organization and the Eurasian Economic Community," 38.

6.2.2.2 Finance

As was the case of APT, SCO member states' capability deficit provided China with an opportunity to employ various instruments of economic leadership – production capacity, market and capital – in supporting and soft selling. Of all the initiatives, supply of credit was the most important, since stalemate in economic cooperation was attributed first and foremost to its shortage.¹⁵⁶ In 2007, Hu Jintao promised to provide financing support for major projects in transportation, communication, energy and other areas.¹⁵⁷ A group of infrastructure projects was duly chosen a year after for financing support.¹⁵⁸ Meanwhile, China would consider providing starting capital once a SCO development fund (special account) was established.¹⁵⁹

To stimulate growth in the wake of the global financial crisis, Hu Jintao announced in 2009 the provision of 10 billion dollars of credit to finance cooperation projects.¹⁶⁰ By 2011, the amount of credit China agreed or promised to provide reached 45 billion dollars, including 25 and 15 billion dollars to, respectively, Russia and Kazakhstan.¹⁶¹ In 2012, China promised to offer another 10 billion dollars of credit and explore the possibility of establishing an economic-technological cooperation fund.¹⁶² The Interbank Consortium was another channel for Beijing to provide financial support to member states. By 2012, the credit extended by the National Development Bank of China amounted to 38.5 billion dollars.¹⁶³

¹⁵⁶ Tongkai Xu [须同凯], “Steadily Push ahead Regional Economic Cooperation under the Shanghai Cooperation Organization” [稳步推进上海合作组织区域经济合作], *China Business Update* [中国经贸], No. 1, (2008), 40.

¹⁵⁷ Hu, “Strengthen Neighborliness and Mutual Trust, Promote Peaceful Development.”

¹⁵⁸ Hu, “Hold Our Hands Together to Build a Harmonious Region of Lasting Peace and Co-prosperity.”

¹⁵⁹ “The Seventh Heads of Government Meeting of SCO Member States Took Place, Wen Jiabao Attended and Spoke.”

¹⁶⁰ Hu, “Hold Our Hands Together to Respond to the Global Financial Crisis, Jointly Create a Harmonious and Bright Future.”

¹⁶¹ Xin Li [李新], “A Decade of Economic Cooperation under the SCO: Achievements, Challenges and Prospect” [上合组织经济合作十年: 成就、挑战与前景], *Contemporary International relations* [现代国际关系], No. 9, (2011), 10.

¹⁶² Hu, “Maintain Lasting Peace, Promote Common Prosperity”; “Wen Jiabao Attended and Spoke at the Eleventh Heads of Government Meeting of SCO Member States.”

¹⁶³ “Credit Provided by the National Development Bank of China to the Region of the Shanghai Cooperation Organization reached 38.5 Billion Dollars” [国开行在上合组织区域的贷款余额达 385 亿美元], Xinhuanet [新华网], (6th June 2012), http://news.xinhuanet.com/finance/2012-06/06/c_112139761.htm

The global financial crisis also entailed the need to strengthen the mechanisms of financial and monetary cooperation under the SCO. In 2009, China supported the holding of meetings of Treasury Ministers and Governors of Central Banks, as well as recommended the establishment of dialogue mechanism in financial and monetary affairs.¹⁶⁴ One year after, Hu Jintao called for expediting the launch of economic development and oversight mechanism.¹⁶⁵ Nevertheless, development of a “multi-level, multi-channel system of financing” remained necessary; the key to the creation of such system would be a development bank. The proposal of a SCO Development Bank was put forward by Wen Jiabao at the 2010 Heads of Government Council meeting.¹⁶⁶

Nevertheless, as was the case in trade, member states’ mistrust of China and Russia’s leadership aspirations prevented Beijing from mobilizing them behind its preferences in the “critical decisions” on financial institution building. As far back as the 2004 Tashkent Summit, member states agreed that work should begin to establish a SCO development fund (special account).¹⁶⁷ One year after, they pledged to complete preparatory work on the procedures for establishing the fund as well as the rules and regulations governing its operation by the first quarter of 2006.¹⁶⁸ In their 2007 Joint Communiqué, however, the heads of member states’ governments only reiterated the need to accelerate research on the creation a development fund. Since then no reference had been made regarding the project.¹⁶⁹

After the outbreak of the global financial crisis, China proposed the establishment of a SCO Anti-Crisis Fund as a short-term liquidity facility for the region. Nevertheless, not only did Russia reject the idea; it introduced its own financial aid initiatives in the EurAsEC. China put forward a revised proposal at the 2009

¹⁶⁴ Hu, “Hold Our Hands Together to Respond to the Global Financial Crisis, Jointly Create a Harmonious and Bright Future.”

¹⁶⁵ Hu, “Deepen Concrete Cooperation, Maintain Peace and Stability.”

¹⁶⁶ “Wen Jiabao Attended and Spoke at the Tenth Heads of Government Meeting of SCO Member States.”

¹⁶⁷ Li, “The International Institutional Basis for the Rise of the *Renminbi*,” 24.

¹⁶⁸ “Joint Communiqué of the Heads of Government (Premiers) Council Meeting of SCO Member States” [上海合作组织成员国政府首脑（总理）理事会会议联合公报], The Shanghai Cooperation Organization, (26th October 2005), <http://chn.sectsc.org/documents/>

¹⁶⁹ “Joint Communiqué of the Heads of Government (Premiers) Council Meeting of SCO Member States,” (2nd November 2007).

Yekaterinburg Summit, according to which Beijing and Moscow would each contribute five billion dollars as the fund's starting capital and exercise joint management. Yet China's proposal was once again rejected by Russia. This eventually led Beijing to establish the fund itself.¹⁷⁰

As I mentioned above, a multilateral development bank was central to the establish of a robust regional financial system. Under Wen Jiabao's proposal in 2010, China would contribute 8 billion to the Bank's start-up capital of 10 billion, while other SCO member states will provide the remaining 2 billion. China's proposal, however, did not obtain Russia's consent.¹⁷¹ In response to Beijing's proposal to establish a SCO Development Bank in 2010, Moscow suggested that the proposed bank be founded on the basis of the Russian-led Eurasian Development Bank (EDB), with China becoming the EDB's shareholder.¹⁷²

Although China rose to be the largest provider of financial public goods in Central Asia, we should not overstate China's influence and the scale of regional financial cooperation. For instance, China under Hu Jintao concluded bilateral agreements with Russia, Kazakhstan and Uzbekistan on local currency settlement. Nevertheless, as Li Wei argued, except for the 2011 Sino-Russian agreement, which extended beyond border trade to cover trade in other areas and sectors, the size of these agreements remained considerably limited. The Sino-Uzbek currency swap agreement, for instance, had a maximum drawable amount of only 700 million *renminbi*.¹⁷³

6.2.2.3 Social and Cultural Cooperation

As I demonstrated in the case of APT, China was not unaware of the problem of trust in its quest for institutional leadership. The Hu Jintao administration sought to deepen mutual understanding with member states and promote their capacity building by supporting and soft selling in social and cultural cooperation. In 2007, Beijing established the SCO China scholarship, providing 100 scholarships for students from member states to study in China. It would also organize student exchange and support

¹⁷⁰ Cooley, *Great Games, Local Rules*, 91.

¹⁷¹ Li, "The International Institutional Basis for the Rise of the *Renminbi*," 25.

¹⁷² Gabuyev, "Taming the Dragon"

¹⁷³ Li, "The International Institutional Basis for the Rise of the *Renminbi*," 24.

the teaching of Chinese in member states.¹⁷⁴ In 2012, China promised to further provide 30 thousands scholarships and invite 10 thousands students at Confucius Institutes in member states to study in China in the following decade.¹⁷⁵ Apart from education, China supported member states in public administration training. In 2009, Beijing recommended the institutionalization of the Forum of Presidents of National Administrative Academy.¹⁷⁶ Three years later, it promised to train 1500 experts from member states in the next three years.¹⁷⁷

Nevertheless, despite the signing of the Treaty of Long-Term Good Neighborly Friendship and Cooperation among SCO Member States, the impasse of cooperation reflected member states' lingering mistrust of China. As was the case in East Asia, China's policy in Xinjiang and the social, cultural and environmental ramifications of its growing regional economic presence have fueled deep-seated Sinophobia in Central Asian states.¹⁷⁸ Even though the global financial crisis, member states' demand for regional public goods and the SCO's ineffectiveness presented China with a leadership opportunity, low level of trust prevented Beijing from mobilizing member states to accomplish the tasks that were necessary to the SCO's adaptation to a changing international environment.

6.2.3 Enlargement

How to promote regional economic integration under the SCO was not the only conundrum facing the Hu Jintao administration. Institution building was anything but complete when the organization was established in 2001. Instead of following a blueprint, institution building proceeded "extemporarily."¹⁷⁹ Ambivalence over the SCO's geopolitical identity was manifested most clearly in the question of enlargement.¹⁸⁰ While Russia strongly supported India's accession, China,

¹⁷⁴ Hu, "Strengthen Neighborliness and Mutual Trust, Promote Peaceful Development."

¹⁷⁵ Hu, "Maintain Lasting Peace, Promote Common Prosperity."

¹⁷⁶ Hu, "Hold Our Hands Together to Respond to the Global Financial Crisis, Jointly Create a Harmonious and Bright Future."

¹⁷⁷ Hu, "Maintain Lasting Peace, Promote Common Prosperity."

¹⁷⁸ Laruelle and Peyrouse, *The Chinese Question in Central Asia*, 167-87.

¹⁷⁹ Zhao, "Opportunities and Challenges for the Shanghai Cooperation Organization," 39.

¹⁸⁰ Zhuangzhi Sun [孙壮志] "Regional Orientation and Priority Direction for Security Cooperation" [上合组织区域定位与安全合作的优先方向], *Journal of Lanzhou University (Social Sciences)* [兰州大学学报(社会科学版)], Vol. 41, No. 2, (March 2013), 56-7.

Kazakhstan and Uzbekistan were more cautious.¹⁸¹ As I pointed out in chapter three, membership is one of the “critical decisions” that shape an institution’s identity; control over membership, therefore, is central to the exercise of institutional leadership.

Nevertheless, during the Hu Jintao administration’s second term, China remained ambivalent on the question of enlargement. Beijing, according to Zhao Huasheng, was not opposed to enlargement but believed that it should be implemented in a cautious way.¹⁸² Indeed, improvement of the SCO’s effectiveness remained a higher priority than enlargement, which could “dilute” the organization’s agenda, spawn factionalism and complicate the original plan for organizational development.¹⁸³ Li Xing and Niu Yichen also warned against overexpansion, especially admission of the United States or countries that are “vociferously anti-American.”¹⁸⁴ China’s reservations about India’s accession, meanwhile, arose from their unresolved border dispute and New Delhi’s continuing provision of refuge to the Dalai Lama and his exiled group.¹⁸⁵

As it did on other controversial issues, China “watered down” Russia’s proposal to safeguard its core interests without provoking open conflict with Moscow. While Beijing acquiesced to enlargement, it took advantage of the SCO’s decision-making process by postponing and managing the issue. Disagreement among member states on the issue led to the imposition of a moratorium on enlargement in 2006.¹⁸⁶ Meanwhile, as a partial solution to the question, the organization introduced observer and dialogue partner statuses.

It was until 2010 – nine years after the organization’s establishment – that the organization approved the Regulations on the Procedures for Admitting New Members and the SCO Rules of Procedure.¹⁸⁷ According to the Regulations, a state is

¹⁸¹ Zhao, “Development Path of the Shanghai Cooperation Organization,” 44-5; Interviewee 12.

¹⁸² Zhao, “Development Path of the Shanghai Cooperation Organization,” 46.

¹⁸³ *Ibid.*

¹⁸⁴ Li and Niu, “Why is the Shanghai Cooperation Organization incapable of sustaining China’s Security Strategy in its Periphery in the North West,” 114.

¹⁸⁵ Zhao, “Development Path of the Shanghai Cooperation Organization,” 45.

¹⁸⁶ Lukin, “Should the Shanghai Cooperation Organization Be Enlarged?”

¹⁸⁷ “Press Release of the Foreign Ministers Council Meeting of SCO Member States” [上海合作组织成员国外交部长理事会会议新闻稿], The Shanghai Cooperation Organization, (13th July 2013), <http://chn.sectsc.org/documents/>

eligible for membership if it is located in Eurasia, has diplomatic and active economic relations with all current member states, is already a dialogue partner or observer state, and is currently not subjected to sanctions from the UN.¹⁸⁸ These conditions raise the threshold of membership, prolong the accession process, and prevent any attempt to turn the SCO into an anti-American alliance.

Although the SCO did not accept any new member states during the Hu Jintao administration's second term, it granted observer status to Afghanistan and dialogue partner status to Belarus, Turkey and Sri Lanka.¹⁸⁹ Meanwhile, China continued to call for strengthening cooperation with observers. In 2008, Beijing recommended including observers in intergovernmental cooperation in security, trade, energy, transportation, customs, and culture. Of these, transportation and cultural cooperation could become demonstration areas in the organization's cooperation with observers.¹⁹⁰ Rather than making the "critical decision" on enlargement, China adopted an ambivalent and cautious attitude partly in order to postpone enlargement without antagonizing Russia.

6.3 Conclusion

This chapter has examined China's leadership behavior in the SCO during the Hu Jintao administration's second term. As the first intergovernmental organization named after a Chinese city, the SCO embodies the potentials and limits of China's quest for leadership. While Chinese institutional leadership was crucial to the development of a dialogue and meeting mechanism into an intergovernmental organization, Beijing was unable to promote the organization's identity and its adaptation to a changing international environment after the global financial crisis.

Though security cooperation was, and has continued to be, the SCO's defining purpose, its security function remained severely limited by structural, political and institutional constraints. China engaged in small-scale activities of supporting and soft

¹⁸⁸ Lukin, "Should the Shanghai Cooperation Organization Be Enlarged?"

¹⁸⁹ "Press Release of the Heads of State Council Meeting of SCO Member States" [上海合作组织成员国元首理事会会议新闻公报], The Shanghai Cooperation Organization, (6th – 7th June 2012), <http://chn.sectsc.org/documents/>

¹⁹⁰ Hu, "Strengthen Neighborliness and Mutual Trust, Promote Peaceful Development"; Hu, "Holding Our Hands Together to Build a Harmonious Region of Lasting Peace and Co-prosperity"; "Wen Jiabao Attended and Spoke at the Tenth Heads of Government Meeting of SCO Member States."

selling; nevertheless, lingering suspicion among member states and its policy of non-alliance and non-interference led Beijing to defer responsibilities for regional security leadership to Moscow. Meanwhile, economic cooperation, in which the Hu Jintao administration invested most of its efforts, was unsatisfactory. Growing time pressure for collective action and member states' capability deficit provided an opportunity for China to exercise leadership through supporting and soft selling. Nevertheless, member states' anxiety about China's growing influence and Russia's leadership aspirations prevented Beijing from securing support for its preferences in the "critical decisions" concerning the establishment of a free trade area, a development fund and a development bank. As was the case in APT, low level of trust confined Chinese institutional leadership to tasks with low uncertainty and interdependence. Russia's efforts to turn the SCO into an anti-West alliance and push for India's accession further hampered China's efforts to maintain and promote the SCO's identity.

A comparison with China's activities in APT, as discussed in Chapter 4, shows that although the SCO and APT differ in some ways, the leadership challenge China faced in both institutions was highly similar. In both regions, there exists a regional order – or remnant of it – that was established by the dominant or previously dominant power *without* China's participation in the first place. The malfunctioning of the existing order in the light of the shifting regional balance of power set off a leadership competition among regional stakeholders to redefine the region – its membership, structure and rules. As this and chapter four have shown, even though China was increasingly capable of providing the public goods that other member states needed, the problem of trust prevented the rising power from uniting them as a group behind its preferences in the "critical decisions" concerning the membership, institution building and external relations of the two regional institutions.

A changing international environment and domestic economic balancing would put pressure on China to make a major strategic adjustment that would significantly increase the importance of Central Asia. How would the Xi Jinping administration promote the organization's identity and its adaptation to a changing international environment? How would China leadership behavior shape the geopolitical

reconstruction of Central Asia? To answer these questions, we now turn to the next chapter.

7. The Xi Jinping Administration and Chinese Institutional Leadership in the Shanghai Cooperation Organization, 2012-2017

The previous chapter has examined China's leadership behavior in the SCO during the Hu Jintao administration's second term. Notwithstanding the differences between the SCO and APT, the rising power was no less hamstrung in its quest for institutional leadership in the former than the latter. Although Chinese institutional leadership was crucial to the development of the "Shanghai Five" mechanism into the SCO, structural, political and institutional constraints prevented China from steering the organization's adaptation to a changing international environment after the global financial crisis. Russia's leadership aspirations and mistrust of China manifested themselves in the ongoing bargaining on the "critical decisions" concerning the SCO's membership, institution building and external relations. Thus even though the SCO was established first and foremost for security cooperation, its security function and China's leadership activities were severely limited in scope and scale. While the global financial crisis and member states' capability shortage provided an opportunity for China to exercise leadership through supporting and soft selling, anxiety about the rising power's growing economic influence not only led Moscow to block Beijing's proposals of a free trade area, an anti-crisis fund and a development bank, but also to support India's accession to the organization. As a result, Chinese institutional leadership under Hu Jintao was confined primarily to functional tasks with low uncertainty and interdependence. The SCO's stalemate reflected a contested process of renegotiation on the geopolitical definition of Central Asia.

As chapters two and five have shown, a changing international environment and domestic economic imperatives generated pressures on China to "strive for achievement" by embarking on the BRI. While unveiling its maritime arm in the largest country in Southeast Asia, Xi Jinping launched its continental arm in Kazakhstan, the largest and most important country in Central Asia. Speaking at Nazabayev University in Astana on 8th September 2013,¹ the President, while

¹ Xi, "Promote Friendship Between Our People and Work Together to Build a Bright Future."

disavowing any intention on China's part to "dominate regional affairs or establish any sphere of influence," proposed the idea of "jointly building an 'economic belt along the Silk Road'" that could potentially become "the biggest market in the world with unparalleled potential."² Whereas APT is, at least nominally, led by the ASEAN, the SCO is a Chinese-led initiative. Yet given China's struggle to exercise institutional leadership under Hu Jintao, how would the launch of the BRI influence its institutional behavior?

This chapter examines China's leadership behavior in the SCO during the Xi Jinping administration's first term. As was the case of APT, China's leadership behavior underwent a shift from supporting and soft selling to hard selling in economic cooperation. Chinese institutional leadership, however, was subject to very much the same structural, political and institutional constraints as it was under Hu Jintao. Member states' mistrust of China and Russia's leadership aspirations prevented Beijing from uniting them behind its preferences in the "critical decisions" concerning the SCO's membership, institutional development and external relations. While the United States' withdrawal from Afghanistan compelled China to step up its diplomatic investment with regard to the Afghan issue, its leadership activities in political and security cooperation remained confined to small-scale supporting and soft selling of institution and capacity building. Meanwhile, Moscow's opposition to Beijing's proposals of a free trade area, a development fund and a development bank meant that Chinese institutional leadership in economic cooperation was restricted to functional tasks with low uncertainty and interdependence. Although the Sino-Russian agreement on the cooperation between the BRI and the Eurasian Economic Union (EAEU) signified Russia's recognition of China's interests in Eurasia, it also prevented Beijing from marginalizing Moscow and dictating the geopolitical definition of Central Asia. India and Pakistan's accession as full members, moreover, could further hamper China's quest for institutional leadership. As was the case of APT, Beijing's hard selling did not break the stalemate of the SCO but rather further its fragmentation.

² *Ibid.*

China's failure to promote the SCO's adaptation to a changing international environment showed that the negotiation on the geopolitical definition of Central Asia remained in a holding pattern. While the SCO contributed to the consolidation of China's presence and the post-Soviet regional order in Central Asia, the launch of the BRI represented its attempt to reintegrate Central Asia into an expanding, Sino-centric geopolitical construct of periphery. This, however, came into direct conflict with Russia's vision of greater Eurasia. As long as Beijing had no intention to overthrow the *status quo*, the geopolitical definition of Central Asia would remain contested.

7.1 The Silk Road Economic Belt and the Remaking of Eurasia

As I discussed in chapter two, although China recognized the strategic significance of Central Asia long before the launch of the BRI, its geostrategic posture remained for a long time oriented toward East Asia. Nevertheless, as I discussed in 2.5.2, a changing strategic environment after the global financial crisis triggered a debate at the end of the Hu Jintao administration on the rising power's need for its own "pivot." As Wang Jisi argued in his now famous article, given the increasingly zero-sum competition with the United States in East Asia, China should expand its "strategic maneuvering space" by expanding its diplomatic investment in the "West."³ The Peking University professor's view was representative of China's expanding conception of its Western periphery as extending beyond Central Asia to the broader Eurasia.⁴ A changing international environment, together with the domestic economic imperatives to sustain growth and expedite structural economic reform, led the rising power to embark on its most ambitious geoeconomic initiative.

Like Southeast Asia, Central Asia is pivotal to the implementation and success of the BRI. Four of the six "economic corridors" – the China-Mongolia-Russia Economic Corridor, the New Eurasia Land Bridge, the China-Central Asia-West Asia Economic Corridor and the China-Pakistan Economic Corridor – go through the region and involve the SCO's members, observers or dialogue partners. It is not surprising, therefore, that the organization became the central platform for the

³ Wang, "March West."

⁴ It should be noted, however, that Wang Jisi was not the first scholar who conceived of Eurasia as China's hinterland. See, for instance, Feng, "Strategic Orientation and Development Direction of the Shanghai Cooperation Organization."

implementation of the Silk Road Economic Belt (SREB).⁵ Nevertheless, as the previous chapter has shown, low level of trust confined Chinese institutional leadership to functional tasks with low uncertainty and interdependence. The Xi Jinping administration was not unaware of the problem, as manifested in the President's denial of any intention on China's part to seek regional dominance, Beijing's emphasis on the BRI's collaborative nature, and its initiatives to promote social and cultural exchange.

The BRI expanded the geopolitical contest from Central Asia to the broader region of Eurasia. In response, Russia expedited its regionalist project by upgrading EurAsEc and SES into the EAEU in January 2015. A geoeconomic initiative like the BRI but with a higher degree of integration among member states, the EAEU represented Moscow's attempt to consolidate the post-Soviet space.⁶ As the following discussion will show, Russia's mistrust of China and Moscow's leadership aspirations manifested themselves in the ongoing bargaining between the two great powers over the "critical decisions" concerning the SCO's membership, institution building and external relations.

If the start of the United States' war in Afghanistan changed the dynamics of renegotiation on the geopolitical definition of Central Asia, so did its end. While the contest increasingly centered on China and Russia, external forces sought to embed their interests in the region through different forms of linkages. Although the United States completed withdrawal of combat troops from Afghanistan in 2014, it sought to maintain its ties with regional stakeholders through the "C5+1" dialogue and multinational energy infrastructure projects. In addition to India and Pakistan's

⁵ Xiaoding Chen [陈小鼎] and Ru Ma [马茹], "The Role of and Development Options for the Shanghai Cooperation Organization in the Silk Road Economic Belt" [上合组织在丝绸之路经济带中的作用与路径选择], *Journal of Contemporary Asia-Pacific Studies* [当代亚太], No. 6, (2015), 63-81; Xin Li [李新], "The Shanghai Cooperation Organization: An Important Platform for Jointly Building the Silk Road Economic Belt" [上海合作组织: 共建丝绸之路经济带的重要平台], *Academic Journal of Russian Studies* [俄罗斯学刊], No. 2, (2016), 29-37; Vitaly Vorobyov, "The SCO and China's Third Phase," *Russia in Global Affairs*, Vol. 1, (2016), <http://eng.globalaffairs.ru/number/The-SCO-and-Chinas-Third-Phase-17986>

⁶ For an overview of different geopolitical conceptions of Eurasia, see Anna Kuznetsova, "Greater Eurasia: Perceptions from Russia, the European Union, and China," The Russian International Affairs Council, (1st September 2017), <http://russiancouncil.ru/en/analytics-and-comments/analytics/greater-eurasia-perceptions-from-russia-the-european-union-and-china/>

accession to the SCO in 2017, the Iranian nuclear deal opened the way for Tehran to reengage the region.⁷ The rise of the Islamic State (IS), meanwhile, aggravated the threat of Islamic radicalism to regional security. These developments tested the SCO's ability to adapt to a changing external environment.

7.2 The Xi Jinping administration and Chinese Institutional Leadership in the Shanghai Cooperation Organization, 2012 – 2017

7.2.1 Political and Security Cooperation

“Security,” Xi Jinping stressed at the 2014 Dushanbe Summit, was the “precondition of development.”⁸ Despite the increasing prominence of economic cooperation, security cooperation continued to be fundamental to the organization's identity. Indeed, the Xi Jinping administration's first term saw deterioration of security in Central Asia. Though relieving member states of political security threats, Western disengagement from Afghanistan exacerbated the threats of terrorism, drug-trafficking and transnational crime to the region.⁹ Meanwhile, geographical proximity, ethno-cultural linkages and socio-political problems rendered Central Asia vulnerable to the spread of radicalism from the Middle East, which was epitomized by the cross-border activities of the Islamic State (IS) and other terrorist groups.¹⁰ Though the presence of IS was largely confined to Afghanistan, its potential threat to the region began to

⁷ Eugene Rumer, Richard Sokolsky and Paul Stronski, “U.S. Policy toward Central Asia 3.0,” Carnegie Endowment for International Peace, (January 2016), 14-5, https://carnegieendowment.org/files/CP_259_Central_Asia_Final.pdf

⁸ Jinping Xi [习近平], “Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage – Remarks at the Fourteenth Heads of State Council Meeting of SCO Member States” [凝心聚力精诚协作推动上海合作组织再上新台阶—在上海合作组织成员国元首理事会第十四次会议上的讲话], Ministry of Foreign Affairs, (12th September 2014), http://www.fmprc.gov.cn/web/ziliao_674904/zt_674979/ywzt_675099/2014zt_675101/xcf_675183/zxxx_675185/t1190748.shtml

⁹ Xinming Chen [陈新明] and Yuanzheng Li [李源正], “American Withdrawal from Afghanistan and the Challenges Facing SCO Member States and their Response” [驻阿美军撤离与上合组织成员国面临的挑战及应对], *Contemporary International Relations* [现代国际关系], No. 3, (2015), 24-8.

¹⁰ Haiyun Wang [王海运], “The Rise of Islamic Radicalism and its Challenges to Security in Eurasia” [伊斯兰极端势力的泛起及其对欧亚安全的挑战], *Academic Journal of Russian Studies* [俄罗斯学刊], No. 2, (2016), 6-8; Ning Zhang [张宁] and Wencheng Ma [马文琚], “Development of IS around China's Periphery in the West” [IS在中国西部周边的发展态势], *Academic Journal of Russian Studies* [俄罗斯学刊], No. 1, (2016), 9.

manifest itself in the growing number of incidents involving its supporters.¹¹ Various sources suggest that the number of Central Asians who had joined IS at the time ranged from 2000 to 4000.¹² The group's leader, Abu Bakr al-Baghdadi, referred to China in his speech as a target for infiltration.¹³

The SCO's inability to respond to external challenges made the building of its capacity to "maintain stability" a principal task.¹⁴ "The common concern of member states," Xi Jinping pointed out at the 2015 Ufa Summit, was to "prevent regional situation from lapsing into chaos, prevent the spread of terrorism and religious extremist ideas, and prevent the forces with ulterior motives from undermining regional peace and stability."¹⁵ This required continuing efforts to improve existing mechanisms in security and law enforcement cooperation, strengthen policy coordination, and study the possibility of instituting response measures to safeguard member states' "regime, system, societal security and stability."¹⁶

Nevertheless, the bargain between China, Russia and the Central Asian states on the "critical decisions" concerning the SCO's institutional development and its relations with the Moscow-led CSTO continued to block the organization's adaptation to a changing international environment. The SCO Development Strategy toward 2025 approved at the 2015 Ufa Summit reaffirmed that the organization "does not aim to develop into a military-political alliance with supranational institutions."¹⁷ Meanwhile,

¹¹ Zhang and Ma, "Development of IS around China's Periphery in the West," 9-10.

¹² Reid Standish, "Shadow Boxing with the Islamic State in Central Asia," *Foreign Policy*, (6th February 2015), <https://foreignpolicy.com/2015/02/06/shadow-boxing-with-the-islamic-state-in-central-asia-isis-terrorism/>

¹³ Zhang and Ma, "Development of IS around China's Periphery in the West," 10.

¹⁴ Xi, "Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage."

¹⁵ Xi Jinping [习近平], "Unity and Mutual Assistance, Joint Response to Challenges, Promote a New Leap Forward in the SCO's Development – Remarks at the Fifteenth Heads of State Council Meeting of SCO Member States" [团结互助, 共迎挑战, 推动上海合作组织实现新跨越—在上海合作组织成员国元首理事会第十五次会议上的讲话], Ministry of Foreign Affairs, (10th July 2015), http://www.fmprc.gov.cn/web/ziliao_674904/zt_674979/ywzt_675099/2015nzt/xzxcxjzsg15_674983/zxxx_674985/t1280493.shtml

¹⁶ *Ibid.*

¹⁷ "Development Strategy of the Shanghai Cooperation Organization Toward 2025" [上海合作组织至2025年发展战略], The Shanghai Cooperation Organization, (10th July 2015), <http://chn.sectesco.org/documents/>

the SCO would strengthen contact with other institutions including the Russian-led CSTO and CIS.

Structural, political and institutional constraints led China under Xi Jinping to adopt essentially the same approach to political and security cooperation as his predecessor. China sought to exercise institutional leadership by supporting and soft selling in selected tasks; its activities, however, were confined to small-scale tasks with low uncertainty and interdependence. American withdrawal from Afghanistan, however, led Beijing to significantly augment its efforts with regard to the Afghan issue.

7.2.1.1 Combatting the “Three Forces,” Drug-trafficking and Transnational Crime

The SCO Development Strategy toward 2025 reflected the fear of some member states – particularly Uzbekistan – over the organization’s transformation into a military-political alliance.¹⁸ Apart from the routines of formulating regular “strategies,” “frameworks” or “action plans,” anti-terrorist cooperation during the Xi Jinping administration’s first term continued to take the form of law making, policy coordination and joint operation. To combat cross-border terrorism and the trafficking of drugs, weapons and humans, member states signed the Cooperation Agreement of SCO Member States on Border Security in 2015 and the SCO Convention on Combating Extremism two years later.¹⁹

The growing threat arising from the dissemination of radical ideas in cyberspace placed information security at the center of the SCO’s security agenda. As Xi Jinping suggested at the 2014 Dushanbe Summit, security cooperation should focus on combating “religious extremism and cyber terrorism.”²⁰ Member states repeatedly

¹⁸ Roger McDermott, “Uzbekistan Snubs SCO Peace Mission 2012,” *Eurasia Daily Monitor*, Vol. 9, No. 116, (19th June 2012), <https://jamestown.org/program/uzbekistan-snubs-sco-peace-mission-2012/>; Farkhod Tolipov, “Uzbekistan concerned over SCO expansion,” *The Central Asia-Caucasus Analyst*, (5th August 2015), <https://www.cacianalyst.org/publications/analytical-articles/item/13253-uzbekistan-concerned-over-sco-expansion.html>

¹⁹ “Ufa Declaration of the Heads of SCO Member States” [上海合作组织成员国元首乌法宣言], The Shanghai Cooperation Organization, (11th July 2015), <http://chn.sectsc.org/documents/>; Xi, “Unite and Cooperate, Be Open and Inclusive.”

²⁰ Xi, “Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage.”

reaffirmed their support for the creation of a “peaceful, safe, just and open cyber space”; commitment to preventing the spread of “terrorist, extremist, separatist, radical, fascist and chauvinist ideas”; and opposition against “the use of information technology to undermine member states’ political, economic and public security.”²¹ To promote the formulation of standard principles governing international relations in cyberspace, member states circulated their jointly drafted “International Code of Conduct on Information Security Practice” and its amended version as formal documents of the United Nations in 2014 and 2015.²²

Another growing concern was the convergence of terrorism and drug-trafficking. While member states recognized the need to establish effective mechanisms and cooperate with other stakeholders in addressing the threats of drug-trafficking and drug abuse, they upheld the existing international anti-drug regime founded upon the three United Nations Conventions and opposed any attempt to undermine it.²³ Meanwhile, member states agreed to coordinate their position in the UN Special Meeting on Drug-trafficking.²⁴ They also began work on the 2017-2022 Anti-Drug Strategy of SCO Member States in 2015.²⁵ To enhance cooperation in combatting transnational crime, member states pledged to promote information exchange, adopt threat prevention measures, conduct joint operation and strengthen law enforcement coordination.²⁶

Security cooperation at operational level continued to take the forms of exchange, military exercise and joint operation. During the Xi Jinping administration’s

²¹ “Bishkek Declaration of the Heads of SCO Member States” [上海合作组织成员国元首比什凯克宣言] The Shanghai Cooperation Organization, (13th September 2013), <http://chn.sectsc.org/documents/>

²² “Ufa Declaration of the Heads of SCO Member States.”

²³ “Bishkek Declaration of the Heads of SCO Member States” [上海合作组织成员国元首比什凯克宣言], The Shanghai Cooperation Organization, (13th September 2013), <http://chn.sectsc.org/documents/>; “Dushanbe Declaration of the Heads of SCO Member States” [上海合作组织成员国元首杜尚别宣言], The Shanghai Cooperation Organization, (12th September 2014), <http://chn.sectsc.org/documents/>

²⁴ “Declaration of Heads of SCO Member States on Addressing the Problem of Drug-trafficking” [上海合作组织成员国元首关于应对毒品问题的声明], The Shanghai Cooperation Organization, (10th July 2015), <http://chn.sectsc.org/documents/>

²⁵ “Joint Communiqué of the Heads of State Council Meeting of SCO Member States” [上海合作组织成员国元首理事会会议新闻公报], The Shanghai Cooperation Organization, (11th July 2015), <http://chn.sectsc.org/documents/>

²⁶ “Ufa Declaration of Heads of SCO Member States.”

first term, member states continued to hold the annual anti-terrorist military exercise, including the first internet anti-terrorist exercise in Xiamen, China in 2015.²⁷ They also took initiatives to develop RATS's operational capacity and enhance coordination. In 2013, RATS established a joint expert team with representatives from all member states to address the threat of cyber terrorism.²⁸ It also held a roundtable on cooperation in combating the "three forces" in the same year.²⁹ Furthermore, the public security cooperation mechanism for major events, which was invoked for the first time in the 2008 Beijing Olympics, was invoked again during the Sochi Winter Olympics and the Astana Expo in 2017.³⁰

Notwithstanding Russia's declining capacity to provide regional security public goods, Beijing's "tacit bargain" with Moscow, its policy of non-alliance and non-interference and low level of trust led the Xi Jinping administration to continue to defer leadership responsibility in security cooperation to Russia. As a result, its activities of supporting and soft selling remained highly limited in scope and scale. While calling for member states to expedite cooperation in law making, the President advanced various proposals for building up the organization's operational capacity, including a law enforcement cooperation network and operational mechanisms for combating cyber terrorism.³¹ Specifically, he repeatedly called for giving RATS anti-drug function and the establishment of a Center for Response to Security Threats and

²⁷ "SCO successfully held its First Internet Anti-terrorist Exercise in Xiamen" [上合组织首次网络反恐演习在厦门成功举行], *People's Daily* [人民日报], (14th October 2015), <http://politics.people.com.cn/n/2015/1014/c1001-27697762.html>

²⁸ "SCO Regional Anti-terrorist Structure will Play a more Important Role: Interviewing Director of the Regional Anti-terrorist Structure Zhang Xinfeng" [上合组织地区反恐怖机构将发挥更重要作用—访上合组织地区反恐怖机构执委会主任张新枫], *Xinhuanet* [新华网], (10th September 2014), http://www.gov.cn/xinwen/2014-09/10/content_2748056.htm

²⁹ "SCO Regional Anti-terrorist Structure will Play a more Important Role"

³⁰ "Press Release of the Heads of State Council Meeting of SCO Member States" [上海合作组织成员国元首理事会会议新闻公报], The Shanghai Cooperation Organization, (13th September 2014), <http://chn.sectsc.org/documents/>

³¹ Jinping Xi [习近平], "Promote the 'Shanghai Spirit,' Facilitate Joint Development – Remarks at the Thirteenth Heads of State Council Meeting of SCO Member States" [弘扬 '上海精神', 促进共同发展—在上海合作组织成员国元首理事会第十三次会议上的讲话], Ministry of Foreign Affairs, (13th September 2013), http://www.fmprc.gov.cn/web/ziliao_674904/zt_674979/ywzt_675099/2013nzt_675233/xjpfcyghy_675259/zxxx_675261/t1076570.shtml; Xi "Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage"; Xi, "Unity and mutual assistance, Joint Response to Challenges, Promote the SCO's Development to Achieve a New Leap."

Challenges.³² Member states' agencies, meanwhile, should establish regular communication channels and explore the possibility of conducting joint operation.³³ While continuing to play the central role as the host and the participant of the annual anti-terrorist joint exercise, China undertook operational cooperation with other participant states of the SCO primarily through bilateral and mini-multilateral channels. To support member states' capacity building, Beijing also established a "China National Institute for SCO International Exchange and Judicial Cooperation" in Shanghai³⁴

7.2.1.2 Political Security

Although the SCO's incapacity became manifest during the Kyrgyz Revolution in 2010, Western disengagement from Afghanistan significantly reduced political security threats to Central Asian states. As was the case during the Hu Jintao era, the SCO served primarily as a "talk shop" for member states to coordinate their position on major international and regional issues and provide political cover for each other. Given China and Russia's involvement in the Syrian peace process as well as the negotiations on the North Korean and Iranian nuclear issues, the SCO offered political support for the two great powers' diplomacy.³⁵ Meanwhile, Beijing strove to preserve the organization's identity as "non-alliance, non-confrontational and not targeted at third party."

Of the greatest importance during the Xi Jinping administration's first term was the Iranian nuclear issue, not only because China and Russia participated in the

³² Xi, "Promote the 'Shanghai Spirit,' Facilitate Joint Development"; Xi "Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage"; Xi, "Unity and mutual assistance, Joint Response to Challenges, Promote the SCO's Development to Achieve a New Leap"; Jinping Xi [习近平], "Promote the Shanghai Spirit, Consolidate Unity and Mutual Trust, Comprehensively Deepen Cooperation in the Shanghai Cooperation Organization – Remarks at the Sixteenth Heads of State Council Meeting of SCO Member States" [弘扬上海精神, 巩固团结互信, 全面深化上海合作组织合作—在上海合作组织成员国元首理事会第十六次会议上的讲话], Ministry of Foreign Affairs, (24th June 2016), http://www.fmprc.gov.cn/web/ziliao_674904/zyjh_674906/t1375136.shtml; Keqiang Li [李克强] "Remarks at the Twelve Heads of Government Meeting of SCO Member States" [在上海合作组织成员国总理第十二次会议上的讲话], Ministry of Foreign Affairs, (29th November 2013), http://www.fmprc.gov.cn/web/ziliao_674904/zyjh_674906/t1104115.shtml

³³ Xi, "Promote the 'Shanghai Spirit,' Facilitate Joint Development."

³⁴ *Ibid.*

³⁵ "Bishkek Declaration of the Heads of SCO Member State"; "Joint Communique of the Meeting of Foreign Ministers of SCO Member State"

six-party talks, but also because Iran was an observer of the SCO and had long indicated its interest in full membership. In the 2013 Bishkek Declaration, member states stressed that “any attempt by individual state to threaten military action or unilateral sanction against Iran would be unacceptable.”³⁶ The issue could only be resolved on the basis of equality and a “step-by-step approach.”³⁷ They supported “constructive dialogue” between the “P5+1” group and Iran, and welcomed the “Joint Action Plan” concluded by the foreign ministers of the six parties in 2013.³⁸ With the conclusion of a historic deal in 2015, the heads of state praised the resolution and gave positive recognition of the prospect of Iran’s accession to the organization.³⁹

Russia’s military intervention in Ukraine posed a diplomatic challenge to China in the same way as the Russo-Georgian war did in 2007. Nevertheless, ambivalence toward Russia’s action and alarm about the SCO’s transformation into an anti-West coalition led China and other member states to provide limited political support without approving Moscow’s military action.⁴⁰ In the 2014 Dushanbe Declaration, the heads of states expressed their wish for the restoration of peace to Ukraine and support for continued negotiations.⁴¹ They welcomed the minute signed by the trilateral contact group on the implementation of the peace plans put forward by the two sides.⁴² From then on, member states continued to reiterate their support for the political resolution of the conflict on the basis of the Minsk Agreement in 2015.⁴³ Nonetheless, scant reference was made to the crisis in comparison with the Syrian peace process or the Iranian nuclear issue throughout the Xi Jinping administration’s first term.

³⁶ “Bishkek Declaration of the Heads of SCO Member States.”

³⁷ *Ibid.*

³⁸ “Dushanbe Declaration of the Heads of SCO Member State.”

³⁹ “Ufa Declaration of Heads of SCO Member State.”

⁴⁰ For example, Colum Lynch, “Beijing and Moscow Part Ways over Ukraine,” *Foreign Policy*, (5th March 2014), <http://foreignpolicy.com/2014/03/05/beijing-and-moscow-part-ways-over-ukraine/>;

Annette Bohr, “Crisis in Ukraine: the View from Central Asia,” The Royal Institute of International Affairs, (11th March 2014), <https://www.chathamhouse.org/media/comment/view/198149>

⁴¹ “Dushanbe Declaration of the Heads of SCO Member State.”

⁴² *Ibid.*

⁴³ “Joint Communique of the Meeting of Foreign Ministers of SCO Member State”

7.2.1.3 Afghanistan

American withdrawal from Afghanistan brought the SCO to the forefront in addressing the situation in the war-torn country. Nevertheless, there remained disagreement between member states as well as among China's foreign policy elites over the extent and form of the organization's involvement. Whereas Putin continued to call for the SCO to play a more active role in the Afghan issue, the late Uzbek President Islam Karimov argued that the organization should avoid military and political involvement.⁴⁴ Apart from the country's "complicated situation" and the "lessons of recent history," the SCO's involvement could be misinterpreted by the world as its preparedness to take full responsibility for the Afghan issue.⁴⁵

Not surprisingly, disagreement led to inaction. Member states repeatedly reaffirmed their support for the rebuilding of Afghanistan to be a country of "independence," "neutrality," "peace," "prosperity" and "free of terrorism and drug-trafficking."⁴⁶ The Afghan people should play the central role in the national reconciliation process; the international community, meanwhile, should respect the country's "independence, sovereignty and territorial integrity."⁴⁷ The United Nations should play a leading role in the Afghan issue, while regional stakeholders should jointly address the problem of drug-trafficking through bilateral and multilateral frameworks.⁴⁸

China sought to exercise greater leadership in capacity building by supporting, even though it attempted to enhance its control over task implementation by initiating structures of cooperation at bilateral or mini-multilateral levels. Of particular

⁴⁴ Joshua Kucera, "After Putin-Karimov Meeting, Disagreements on Afghanistan Remain," Eurasianet, (26th April 2016), <https://www.eurasianet.org/after-putin-karimov-meeting-disagreements-afghanistan-remain>

⁴⁵ *Ibid.*

⁴⁶ "Bishkek Declaration of the Heads of SCO Member States"; "Dushanbe Declaration of the Heads of SCO Member States"; "Ufa Declaration of Heads of SCO Member States."

⁴⁷ "Dushanbe Declaration of the Heads of SCO Member States"; "Tashkent Declaration of the Fifteenth Anniversary of the Establishment of the Shanghai Cooperation Organization" [上海合作组织成立十五周年塔什干宣言], The Shanghai Cooperation Organization, (24th June 2016), <http://chn.sectsc.org/documents/>

⁴⁸ "Dushanbe Declaration of the Heads of SCO Member States"; "Ufa Declaration of Heads of SCO Member States"; "Tashkent Declaration of the Fifteenth Anniversary of the Establishment of the Shanghai Cooperation Organization"; "Declaration of Heads of SCO Member States on Addressing the Problem of Drug-trafficking"

significance was the establishment of a Quadrilateral Cooperation and Coordination Mechanism in Counter Terrorism by the armed forces of China, Afghanistan, Tajikistan and Pakistan in 2016.⁴⁹ China's initiative raised suspicion in Russia, even though some – such as Moscow's special envoy to Afghanistan Zamir Kabulov – believed that Beijing's primary purpose was border control cooperation, and that it had no intention to employ military forces.⁵⁰ Despite China's denial that the mechanism was a military alliance, Russia, reportedly in response to the Chinese initiative, subsequently held a large military exercise with Tajikistan.⁵¹ Russia's response reflected its lingering mistrust of the rising power and explained Beijing's recalcitrance to exercise institutional leadership in security cooperation.

Apart from the quadrilateral anti-terrorist cooperation mechanism, Beijing had since 2013 established a web of dialogue mechanisms to strengthen coordination with other members, observers and dialogue partners on the Afghan issue. They included the China-Pakistan-Afghanistan Trilateral Strategic Dialogue, China-Russia India Senior Security Representatives Meeting on the Afghan Issue and the China-Pakistan-Russia Trilateral Dialogue on Afghanistan.⁵² Beijing also hosted meetings of the “6+1” Dialogue and the Istanbul Process.⁵³

⁴⁹ Hang Yin [尹航] and Xu Ren [任旭], “The Inaugural High-Level Defense Officials’ Meeting of the ‘Afghanistan-China-Pakistan-Tajikistan’ Quadrilateral Cooperation and Coordination Mechanism in Counter Terrorism Took Place” [首届‘阿中巴塔’四国军队反恐合作协调机制高级领导人会议举行], Ministry of National Defense, (3rd August 2016), http://www.mod.gov.cn/topnews/2016-08/03/content_4707671.htm

⁵⁰ Joshua Kucera, “China Proposes New Central Asian Military Alliance,” Eurasianet, (21st March 2016), <https://www.eurasianet.org/china-proposes-new-central-asian-military-alliance>

⁵¹ Kucera, “China Proposes New Central Asian Military Alliance”; Joshua Kucera, “Don’t Worry, Russia: China’s Not Starting a ‘Central Asian NATO,’” Eurasianet, (6th April 2016), <https://www.eurasianet.org/dont-worry-russia-chinas-not-starting-a-central-asian-nato>

⁵² Changhong Sun [孙昌洪], “SCO Member States’ Response to the United States’ Imminent Withdrawal from Afghanistan” [上合组织成员国对美军即将撤离阿富汗的反应], in Jinfeng Li [李进峰], Hongwei Wu [吴宏伟] and Wei Li [李伟] (eds.), *Annual Report on the Shanghai Cooperation Organization (2014)* [上海合作组织发展报告 (2014)], (Beijing: Social Sciences Academic Press, 2014), 57.

⁵³ “China and Russia Co-host 6+1 Dialogue on Afghanistan Issue,” Ministry of Foreign Affairs of the People’s Republic of China, (7th March 2014), http://www.fmprc.gov.cn/mfa_eng/wjbxw/t1136653.shtml; “The Fourth Foreign Ministers’ Meeting of the Istanbul Process on the Afghan Question Took Place in Beijing” [阿富汗问题伊斯坦布尔进程第四次外长会在京举行], *People’s Daily* [人民日报], (1st November 2014), <http://politics.people.com.cn/n/2014/1101/c1001-25950613.html>

Meanwhile, China promoted Afghanistan's capacity building by supporting. Beijing promised to provide 327 million dollars of foreign aid when Afghan President Ashraf Ghani visited China for the first time in 2014; it also invited a delegation from the Taliban to visit China at the end of the year.⁵⁴ During General Fang's visit to Kabul in 2016, China promised to provide Afghanistan with 70 million dollars of military aid.⁵⁵

7.2.1.4 Energy and Other Areas of Non-Traditional Security Cooperation

China also sought to exercise institutional leadership in selected areas of non-traditional security cooperation by supporting and soft selling. Most of the tasks, however, remained functional tasks with low uncertainty and interdependence. As I mentioned in the previous chapter, the signing of the Memorandum on the Establishment of SCO Energy Club in 2013 seemed at first to represent the eventual realization of an idea that was first raised in 2005. Nevertheless, the scant reference to the Energy Club and energy cooperation in the organization's statements since then indicates continuing disagreement between member states.

China had expressed its support for the establishment of an Energy Club since the Hu Jintao era. The importance of energy cooperation led Xi Jinping and Li Keqiang to raise the idea again at the first annual meetings of the SCO they attended as national leaders.⁵⁶ Since then, however, scant reference had been made to the subject. Beijing called for maximizing the use of the Energy Club as a platform to strengthen dialogue, policy coordination and cooperation.⁵⁷ Meanwhile, member states should strengthen cooperation in the production, transmission and refinement of both conventional and

⁵⁴ Sun, "SCO Member States' Response to the United States' Imminent Withdrawal from Afghanistan" 52; Jinfeng Li [李进峰] "Grasp the Historic Opportunity, Respond to the Challenges of Our Era, Promote a New Step of Development of the Shanghai Cooperation Organization" [把握历史机遇, 应对时代挑战, 推动上合组织发展迈上新台阶], in Jinfeng Li [李进峰], Hongwei Wu [吴宏伟] and Wei Li [李伟] (eds.), *Annual Report on the Shanghai Cooperation Organization (2015)* [上海合作组织发展报告 (2015)], (Beijing: Social Sciences Academic Press, 2015), 25.

⁵⁵ Kucera, "China Proposes New Central Asian Military Alliance"

⁵⁶ Xi, "Promote the 'Shanghai Spirit,' Facilitate Joint Development"; Li, "Remarks at the Twelve Heads of Government Meeting of SCO Member States."

⁵⁷ Xi "Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage"; Keqiang Li [李克强], "Remarks at the Thirteenth Heads of Government Meeting of SCO Member States" [在上海合作组织成员国政府首脑理事会第十三次会议上的讲话], Ministry of Foreign Affairs, (15th December 2014), http://www.fmprc.gov.cn/web/ziliao_674904/zvjh_674906/t1219537.shtml

new energy such as including nuclear power.⁵⁸ To encourage cooperation, China expressed its willingness to provide support in technology, equipment and capital.⁵⁹

Despite its market power, China was unable to exercise institutional leadership in energy cooperation. Yet, as was the case during the Hu Jintao era, stalemate in multilateral cooperation did not stop the rising power from stepping up its search for energy supply through bilateral and mini-lateral channels. With the launch of the BRI, China's hard selling in infrastructure development included energy projects such as the Southern Kazakhstan-China gas pipeline. The Xi Jinping administration's greatest achievement was the conclusion of mega energy deals with Russia. In 2016, the Export-Import Bank of China and the China Development Bank Corporation provided 10.6 billion and 1.5 billion dollars of credit to Yamal LNG to finance the largest natural gas production project in the Arctic.⁶⁰ The China National Petroleum Corporation (CNPC) and the Chinese-led Silk Road Fund also held 20% and 9.9% of the shares of a nearby gas field with a reserve of 926 billion cubic meters.⁶¹ Another ambitious project is the so-called "Power of Siberia," which consists in the construction of a 3000-long network of pipelines.⁶² In 2014, Gazprom and CNPC concluded a 30-year agreement on supplying 38 billion cubic meters of gas to China from the Yakutia and Irkutsk gas production centers through the "Power of Siberia" pipelines.⁶³ The two corporations subsequently concluded another agreement to build an underwater pipeline across the Amur River.⁶⁴

China promoted capacity building through supporting and soft selling in other areas of non-traditional security. In agriculture and food security, Beijing proposed the establishment of a unified information exchange platform, and offered to provide

⁵⁸ Xi "Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage"; Li, "Remarks at the Twelve Heads of Government Meeting of SCO Member States"; Li, "Remarks at the Thirteenth Heads of Government Meeting of SCO Member States."

⁵⁹ Li, "Remarks at the Twelve Heads of Government Meeting of SCO Member States."

⁶⁰ "Russia LNG Plant Gets \$12 Billion from China amid Sanctions," Bloomberg, (29th April 2016), <http://www.bloomberg.com/news/articles/2016-04-29/russian-lng-project-gets-12-billion-china-loans-amid-sanctions>

⁶¹ *Ibid.*

⁶² "Power of Siberia," Gazprom, <http://www.gazprom.com/about/production/projects/pipelines/built/ykv/>

⁶³ *Ibid.*

⁶⁴ *Ibid.*

50 million dollars for technological development and professional training.⁶⁵ The new administration also proposed the establishment of cooperation mechanisms for food security cooperation. In health, China proposed to develop Xinjiang into an international medical service center and establish research institutes of Chinese Medicine with member states.⁶⁶ In 2013, the heads of government signed the Proposal on Reporting the Spread of Epidemics among SCO Member States.⁶⁷

Another major concern was environmental conservation. Beijing called for member states to formulate a cooperation strategy for environmental cooperation under the SCO.⁶⁸ To facilitate exchange and capacity building, the administration proposed expediting the building of an information exchange platform upon the basis of the China-SCO Environmental Cooperation Center; Li Keqiang announced in 2015 that the platform would soon begin operation.⁶⁹ Meanwhile, the new administration introduced a SCO Technological Partnership Scheme and a Green Silk Road Ambassador Scheme.

The above discussion shows that structural, political and institutional constraints restricted the scope and scale of Chinese institutional leadership under Xi Jinping in very much the same way as they did under his predecessor. China engaged in supporting and soft selling of small-scale, functional tasks with low uncertainty and interdependence. American withdrawal from Afghanistan, however, compelled Beijing to exercise greater control over task implementation by initiating new structures of cooperation. Nevertheless, China's adherence to a policy of non-alliance

⁶⁵ Li, "Remarks at the Thirteenth Heads of Government Meeting of SCO Member States"; Xi, "Unity and mutual assistance, Joint Response to Challenges, Promote the SCO's Development to Achieve a New Leap"; Xi, "Promote the Shanghai Spirit, Consolidate Unity and Mutual Trust, Comprehensively Deepen Cooperation in the Shanghai Cooperation Organization."

⁶⁶ Xi, "Promote the Shanghai Spirit, Consolidate Unity and Mutual Trust, Comprehensively Deepen Cooperation in the Shanghai Cooperation Organization."

⁶⁷ "Joint Communiqué of the Twelve Heads of Government (Premier) Council Meeting of SCO Member States" [上海合作组织成员国政府首脑（总理）理事会第十二次会议联合公报], The Shanghai Cooperation Organization, (29th November 2013), <http://chn.sectSCO.org/documents/>

⁶⁸ Li, "Remarks at the Twelve Heads of Government Meeting of SCO Member States."

⁶⁹ Xi "Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage"; Li, "Remarks at the Twelve Heads of Government Meeting of SCO Member States"; Keqiang Li [李克强] "Remarks at the Large-Scale Talks of the Fourteenth Heads of Government Meeting of SCO Member States" [在上海合作组织成员国总理第十四次会议大范围会谈时的讲话], Ministry of Foreign Affairs, (15th December 2015), <http://www.fmprc.gov.cn/chn/pds/wjb/zzjg/dozys/dqzzzoyS/shhz/zyjh/t1324612.htm#>

and non-intervention, together with the bargain between China, Russia and the Central Asian countries on the “critical decisions” concerning the SCO’s institution building, meant that the SCO continued to suffer from leadership deficit and was thus incapable of adapting to a changing international environment.

7.2.2 Economic, Social and Cultural Cooperation

With the launch of the SREB, the first term of the Xi Jinping administration saw the growing prominence of economic over security cooperation under the SCO. Beijing embarked on its ambitious geoeconomic initiative at a time when the domestic imperative to “rebalance” the Chinese economy converged with member states’ struggle to resuscitate theirs. Russia achieved only 0.7% of growth in 2014, while Kazakhstan’s growth slowed down from 4.3% in 2014 to 1.2% in 2015.⁷⁰ Kyrgyzstan, Tajikistan and Turkmenistan also underwent various degrees of growth slowdown in the same period. The slump in oil price and commodity demand resulted in a decline in exports. In 2015, Kazakhstan’s and Tajikistan’s exports dropped 37.1% and 18% respectively from the previous year, while Kyrgyzstan’s exports from January to November in 2015 dropped 23.7% from the same period in the previous year.⁷¹ Economic dependence on Russia meant that Central Asian states were severely affected when it was plunged into recession by structural economic problems and Western sanctions over the Ukrainian crisis. In particular, the Ruble’s plummet brought Central Asian currencies down. On 20th August 2015, when the Kazakh government lifted currency controls, the Tenge dropped immediately from 188.36 to 255.56 to 1 US dollar within the same day; the fall continued to 375 to 1 US dollar on 27th January 2016.⁷²

Economic downturn reversed the rapid growth in China’s trade with member states during the Hu Jintao era (Table 6.2). Throughout the Xi Jinping administration’s first term, China fell back to parity with Russia and trailed significantly behind the EU in its total volume of trade with Central Asia. Trade decline, however, slowed down

⁷⁰ Li, “The Shanghai Cooperation Organization,” 32; Hongwei Wu [吴宏伟], “Latest Assessment of the Situation in Central Asia” [中亚地区形势新探], *Journal of Xinjiang Normal University (Philosophy and Social Sciences)* [新疆师范大学学报(哲学社会科学版)], Vol. 37, No. 4, (July 2016), 104.

⁷¹ Wu, “Latest Assessment of the Situation in Central Asia,” 105.

⁷² *Ibid.*

but did not stop the rising power's growing economic presence in the region. China remained a top three trading partner with all member states. With the launch of the SREB, the volume of containers transiting from China to Europe through Kazakhstan rose from 1,200 in 2011 to 200,000 in 2017.⁷³ Of the 433 newly registered foreign enterprises in Uzbekistan in 2014, 110 were from China.⁷⁴ Beijing became Tajikistan's largest creditor of, holding 42% of the country's debt.⁷⁵ Similarly, the Export-Import Bank of China was Kyrgyzstan's largest creditor, having provided up to 1.116 billion dollars of loan to the country by 2014.⁷⁶

The need to promote sustainable development and global economic governance reform, as the joint communiqué of heads of government in 2015 suggested, seemed to provide a new impetus for member states to unite behind a common purpose.⁷⁷ As China embarked on the BRI, other member states also launched their new national development strategies, such as Kazakhstan's "Nurly Zhol" ("Bright Path") New Economic Policy, Uzbekistan's "Vision-2030" and Tajikistan's "National Development Strategy for the Period up to 2030." Member states' demand for public goods on the one hand, and the national economic imperatives to expand foreign investment, industrial transfer and export of surplus production capacity on the other, provided the incentives for China to seek institutional leadership. Nevertheless, while China under Xi Jinping demonstrated increasing capacity to provide the public goods that member states needed, it remained unable to unite them as a group behind its purpose in promoting the SCO's adaptation to a changing international environment.

⁷³ Robert Daly and Matthew Rojansky, "China's Global Dreams Give its Neighbors Nightmares," *Foreign Policy*, (12th March 2018), <https://foreignpolicy.com/2018/03/12/chinas-global-dreams-are-giving-its-neighbors-nightmares/>

⁷⁴ *Ibid.*

⁷⁵ Huaqin Liu [刘华芹]. "Regional Economic Cooperation under the Shanghai Cooperation Organization in 2014" [2014 年上海合作组织区域经济合作], in Jinfeng Li [李进峰], Hongwei Wu [吴宏伟] and Wei Li [李伟] (eds.), *Annual Report on the Shanghai Cooperation Organization (2015)* [上海合作组织发展报告 (2015)], (Beijing: Social Sciences Academic Press, 2015), 131.

⁷⁶ *Ibid.*

⁷⁷ "Joint Statement of the Heads of Government (Premier) of SCO Member States on Regional Economic Cooperation" [上海合作组织成员国政府首脑(总理)关于区域经济合作的声明], The Shanghai Cooperation Organization, (16th December 2015), <http://chn.sectsc.org/documents/>

7.2.2.1 Trade and “Strategic Convergence”

As 4.2.2 and 6.2.2 have shown, member states’ mistrust of China and great power rivalries prevented Beijing from consolidating the geoeconomic boundaries of its peripheral regions. As EAFTA was rejected by Japan and ASEAN countries, Beijing’s proposal of a SCO free trade area was “shelved” due to Russia’s opposition. China’s dissatisfaction with the progress of economic cooperation under the SCO was expressed in Xi Jinping’s call for member states to “take a bigger stride in undertaking trade and investment facilitation.”⁷⁸ As was the case from the beginning, economic cooperation continued to take the form of the formulation of “frameworks” and “measures lists.” Throughout the Xi Jinping administration’s first term, member states repeatedly called for the implementation of projects in the 2012-2016 Measures List for Further Promoting Project Cooperation under the SCO while preparing a measures list of 38 projects in seven areas for the period of 2017-2021.⁷⁹

From the beginning of its first term, the Xi Jinping administration strove to renegotiate the “critical decisions” concerning institution building in trade and investment. In his first attendance of the heads of state summit in 2013, Xi Jinping suggested that member states should begin negotiations on a trade and investment facilitation agreement.⁸⁰ Later in the same year, Li Keqiang called for simplification of customs and quarantine procedures, reduction of duties and removal of trade barrier so as to “create the conditions for free trade under the SCO framework.”⁸¹ One year after, the President went further by recommending member states to “grant each other most-favored nation status, promote regional economic integration and construct a unified regional space for trade, investment and logistics.”⁸²

⁷⁸ Xi, “Unity and Mutual Assistance, Joint Response to Challenges, Promoting a New Leap Forward in the SCO’s Development.”

⁷⁹ “Bishkek Declaration of the Heads of SCO Member States”; “Joint Communiqué of the Thirteenth Heads of Government (Premier) Council Meeting of SCO Member States” [上海合作组织成员国政府首脑（总理）理事会第十三次会议联合公报], The Shanghai Cooperation Organization, (15th December 2014), <http://chn.sectsc.org/documents/>; “Joint Communiqué of the Fourteenth Heads of Government (Premier) Council Meeting of SCO Member States,” [上海合作组织成员国政府首脑（总理）理事会第十四次会议联合公报], The Shanghai Cooperation Organization, (15th December 2015), <http://www.fmprc.gov.cn/chn/pds/wjb/zzjg/dozys/dqzsoys/shhz/zywj/t1324741.htm#>

⁸⁰ Xi, “Promoting the Shanghai Spirit, Consolidate Unity and Mutual Trust, Comprehensively Deepen Cooperation in the Shanghai Cooperation Organization.”

⁸¹ Li, “Remarks at the Twelve Heads of Government Meeting of SCO Member States.”

⁸² Xi, “Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage.”

China did not refer to its proposal of a SCO free trade area again until the end of 2016. While expressing Beijing's willingness to strengthen cooperation with member states in customs, quarantine and certification and accreditation, Li Keqiang stated at the meeting of the Heads of Government Council that China

adopts an open attitude to initiatives such as a SCO free trade area and is willing to conduct free trade area feasibility study with all parties. Taking into full consideration the concerns of all parties and regional characteristics, [China] will actively explore [with all parties] a more comprehensive, compact and effective framework of regional economic cooperation.⁸³

The passivity of the Premier's statement, however, reflected the lack of progress in China's attempt to mobilize member states as a group to accomplish a task with high uncertainty and interdependence. It was at the last heads of state summit in his first term that Xi Jinping proposed a SCO trade facilitation agreement.⁸⁴

As was the case during the Hu Jintao era, political and institutional constraints prevented China from exercising institutional leadership by renegotiating the "critical decision" on regional free trade. Indeed, the SCO Development Strategy toward 2025 stated clearly that the organization "does not aim to develop into an economic bloc with supranational institutions."⁸⁵ Meanwhile, the document made no reference to the development of a free trade area as the objective of economic cooperation.⁸⁶ Given that supranational integration is the aim of the Russian-led EAEU, the Strategy reflects Moscow's attempt to maintain the SCO's existing institutional bargain, constrain Chinese institutional leadership and prevent its own marginalization. Thus notwithstanding member states' agreements on customs, technology and tourism as well as their instruction to commerce ministers to make "feasible proposals" for trade and investment facilitation, the idea of a free trade area remained "shelved."⁸⁷

⁸³ Keqiang Li [李克强], "Remarks at the Fifteenth Heads of Government (Premier) Council Meeting of SCO Member States" [在上海合作组织成员国政府首脑（总理）理事会第十五次会议上的讲话], Ministry of Foreign Affairs, (3rd November 2016), http://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/lhg_683094/zyjh_683104/t1412729.shtml

⁸⁴ Xi, "Unite and Cooperate, Be Open and Inclusive."

⁸⁵ "Development Strategy of the Shanghai Cooperation Organization Toward 2025."

⁸⁶ *Ibid.*

⁸⁷ Li, "Remarks at the Large-Scale Talks of the Fourteenth Heads of Government Meeting of SCO Member States."

Like the 21st Century Maritime Silk Road in Southeast Asia, the SREB represented a shift in China's leadership behavior in economic cooperation to hard selling. As Beijing sought to enhance its control over collective action, it redefined collective purposes and initiated structures of cooperation on its own terms. This was manifested in the reference to the SREB in Strategy as the means to promote regional economic cooperation under the SCO.⁸⁸ Engaging member states selectively and individually rather than as a group, China's hard selling further shifted the locus of its activities to Chinese-led channels. To promote balanced trade with member states in agriculture, China proposed to increase its beef and lamb imports and strengthen cooperation in agricultural production and processing. To reduce trade and investment barriers, China would improve customs efficiency and simplify the application process for visa, labor permit and stay. Beijing would also provide logistical services in Lianyungang harbor in order to facilitate Central Asian states' exports to the world. To strengthen member states' capacity, China offered to train 1000 trade facilitation experts, build customs facilities and establish an e-commerce association.⁸⁹

China's behavioral change was also driven by the pressure to expedite domestic economic rebalancing through exports of its surplus production capacity. In 2014, Li Keqiang expressed China's willingness to establish cooperation parks in each member state.⁹⁰ The Xi Jinping administration's greatest achievement was the conclusion of agreement with Kazakhstan in 2015, which included a total of 52 "early harvest projects."⁹¹ At the Heads of Government Council meeting, Li Keqiang expressed China's willingness to extend the Chinese-Kazakh experience to other member states and jointly select pilot projects for cooperation.⁹² Since then, China has concluded agreements on investment and production capacity cooperation with Russia

⁸⁸ "Development Strategy of the Shanghai Cooperation Organization Toward 2025."

⁸⁹ Li, "Remarks at the Twelve Heads of Government Meeting of SCO Member States"; Li, "Remarks at the Thirteenth Heads of Government Meeting of SCO Member States"; Li, "Remarks at the Large-Scale Talks of the Fourteenth Heads of Government Meeting of SCO Member States"; Xi, "Promote the Shanghai Spirit, Consolidate Unity and Mutual Trust, Comprehensively Deepen Cooperation in the Shanghai Cooperation Organization."

⁹⁰ Li, "Remarks at the Thirteenth Heads of Government Meeting of SCO Member States"

⁹¹ Li, "Remarks at the Large-Scale Talks of the Fourteenth Heads of Government Meeting of SCO Member States."

⁹² Li, "Remarks at the Thirteenth Heads of Government Meeting of SCO Member States"; Li, "Remarks at the Large-Scale Talks of the Fourteenth Heads of Government Meeting of SCO Member States."

and Kyrgyzstan. Other notable projects included industrial parks in Belarus and Uzbekistan, oil refineries in Kyrgyzstan and cement factories in Tajikistan.⁹³

While the need to mitigate mistrust and signal its commitment to the *status quo* resulted in the BRI's lack of any integrated institutional component and China's emphasis on the centrality of the SCO in its implementation, Beijing engaged in hard selling by initiating parallel structures of cooperation at mini-lateral and bilateral levels on its own terms. Indeed, all of the SREB's six "economic corridors" involved the organization's members, observers or dialogue partners. The Xi Jinping administration's first term saw the greatest progress in the China-Pakistan and the China-Mongolia-Russia Economic Corridors. First proposed by Li Keqiang in 2013, China and Pakistan embarked on the initiative with 5 projects on electricity and 51 agreements and memoranda worth 46 billion dollars.⁹⁴ One year later, Xi Jinping proposed the building of a China-Mongolia-Russia Economic Corridor in his meeting with Putin and Mongolian President Tsakhiagiin Elbegdorj prior to the 2014 Dushanbe Summit.⁹⁵ In 2015, the three states concluded a "mid-term roadmap" for trilateral cooperation, a memorandum on formulating a development framework and cooperation agreements in trade and border port development.⁹⁶

The deadlocked bargain on the "critical decisions" concerning the SCO's institution building and external relations was a manifestation of the broader contestation over the geopolitical definition of Eurasia. The shifting balance of economic power exacerbated the problem of trust that hindered China back from promoting the SCO's identity and adaptation to a changing international environment after the global financial crisis. As 6.2.2 has shown, Russia's mistrust of China and its leadership aspirations led Moscow to block Beijing's of free trade initiative while accelerating its regionalist project.

⁹³ Li, "Remarks at the Fifteenth Heads of Government (Premier) Council Meeting of SCO Member States."

⁹⁴ Xin Li [李新], "Convergence between the Silk Road Economic Belt and the Eurasian Economic Union: Jointly Building a Common Economic Space" [丝绸之路经济带对接欧亚经济联盟, 共建欧亚共同经济空间], *Northeast Asia Forum* [东北亚论坛], No. 4, (2016), 67-8.

⁹⁵ "Xi Jinping: Build a China-Mongolia-Russia Economic Corridor" [习近平: 打造中蒙俄经济走廊] Xinhuanet [新华网], (12th September 2014), http://www.xinhuanet.com/world/2014-09/12/c_1112448804.htm

⁹⁶ Li, "Convergence between the Silk Road Economic Belt and the Eurasian Economic Union," 68.

China's launch of the SREB intensified Sino-Russian leadership competition. In response, Russia "upgraded" the SES by concluding the Treaty on the EAEU with Kazakhstan and Belarus on 29th May 2014. Armenia and Kyrgyzstan acceded to the EAEU one day after the Treaty entered into force on 1st January 2015. According to Vorobyov,

[t]he launch of EAEU is partially an attempt to limit the expansion of goods from China and to create an opportunity for post-Soviet countries to restart their own industrialization programs. That is why the Eurasian integration union is not being favorably disposed towards the idea of a full-scale free trade zone between EAEU and China, something that is widely supported by Beijing. There is another issue, as Moscow is in favor of a unified position of EAEU countries in terms of cooperation with China and is therefore encouraging them to act like a 'single front.' Beijing is subverting this 'single front,' aiming for bilateral cooperation with the countries of Central Asia.⁹⁷

Thus even though the SREB satisfies Russia's demand for market access and capital, China's hard selling, in Moscow's view, threatens to marginalize the EAEU and prevent Russia from consolidating the geopolitical boundaries of the post-Soviet space.

Moscow's suspicion seemed to be warranted, as China signed cooperation agreements with Kazakhstan, Uzbekistan and Azerbaijan to integrate the SREB with their national development strategies.⁹⁸ Indeed, according to Gabuyev, Moscow's "obstructionism" in financial cooperation already generated dissatisfaction among Central Asian countries.⁹⁹ On the other hand, China's increasing economic dominance has fueled the deep-seated, historical mistrust of the rising power among its neighbors. The dilemma is manifested most strongly in Kazakhstan. While Astana is the only ardent supporter of China's proposal of a SCO free trade area, the prospect of "integrat[ing] with 1.5 billion people" raises concern with the nature of the bilateral relationship.¹⁰⁰ The Kazakh government's proposal of land reforms, which was

⁹⁷ Alexander Vorobyov, "China and Central Asia: Growing Friendship at Russian Borders," Russian International Affairs Council, (11th July 2017), <http://russiancouncil.ru/en/analytics-and-comments/analytics/china-and-central-asia-growing-friendship-at-russian-borders/>

⁹⁸ Li, "The Shanghai Cooperation Organization," 33-4.

⁹⁹ Gabuyev, "Taming the Dragon."

¹⁰⁰ Daly and Rojansky, "China's Global Dreams Give its Neighbors Nightmares"; Andrey Kortunov, "SCO: The Cornerstone Rejected by the Builders of a New Eurasia?" Russia International Affairs

considered by many locals as opening the way for Chinese investors to buy up their country's land, sparked off protests in 2016.¹⁰¹

Although China and Russia both admitted that competition existed between the SREB and the EAEU, they managed to strike a bargain when they signed the “Joint Communiqué of the People’s Republic of China and the Russian Federation on the Integration and Cooperation between the Silk Road Economic Belt and the Eurasian Economic Union” (“the Communiqué”) in May 2015.¹⁰² While in practice there existed formidable difficulties in the integration of the two grand schemes, the Communiqué signified Russia’s recognition of, if not acquiescence to, China’s interests across Eurasia.¹⁰³

In this regard, the Communiqué was a “painful” decision for Russia, as some believed it would inevitably lead to Chinese economic dominance.¹⁰⁴ On the other hand, the Communiqué prevented Beijing from marginalizing the EAEU and dictating the geopolitical definition of Eurasia on its own terms. By designating the SCO as a key platform for cooperation, it enabled Moscow to utilize its rules and procedures to preempt any “critical decisions” on institutional development that would undermine Russia’s interests.¹⁰⁵ The signing of the Joint Declaration of Feasibility study on Eurasian Economic Partnership Agreement between China and Russia in 2017 represented the continuation of Moscow’s efforts to check Chinese influence and bind Beijing to its vision of “Great Eurasian Partnership.”

Council, (16th May 2018), <http://russiancouncil.ru/en/analytcs-and-comments/analytcs/sco-the-cornerstone-rejected-by-the-builders-of-a-new-eurasia/>

¹⁰¹ Daly and Rojansky, “China’s Global Dreams Give its Neighbors Nightmares.”

¹⁰² “Joint Communiqué of the People’s Republic of China and the Russian Federation on the Integration and Cooperation between the Silk Road Economic Belt and the Eurasian Economic Union” [中华人民共和国与俄罗斯联邦关于丝绸之路经济带建设和欧亚经济联盟建设对接合作的联合声明], Xinhuanet [新华网], (9th May 2015), http://www.xinhuanet.com/world/2015-05/09/c_127780866.htm; A. G. Larin and V. A. Matveev, “How Russia Views the Convergence between the Eurasian Economic Union and the “Silk Road Economic Belt” (Chinese) [俄罗斯如何看待欧亚经济联盟与‘丝绸之路经济带’对接], *Russian, Central Asian & East European Market* [欧亚经济], Vol. 2, (2016), 18-26. Interviewee 3; Interviewee 12

¹⁰³ Interviewee 20.

¹⁰⁴ Alexander Gabuev in Alexander Gabuev, Paul Haenle, C. Raja Mohan and Dmitri Trenin, “Shanghai Cooperation Organization at Crossroads: Views from Moscow, Beijing and New Delhi,” Carnegie Moscow Center, (9th June 2017), <https://carnegie.ru/commentary/71205>

¹⁰⁵ “Joint Communiqué of the People’s Republic of China and the Russian Federation on the Integration and Cooperation between the Silk Road Economic Belt and the Eurasian Economic Union.”

To reassure Russia and other member states, Xi Jinping expressed China's hope at the 2015 Ufa Summit that the SREB and national development of the SCO's participant states would be "complementary."¹⁰⁶ China would strive to accomplish strategic integration of the SREB with the EAEU and other member states' national development strategies.¹⁰⁷ Beijing also supported the holding of dialogue between the SCO and the Eurasian Economic Commission in order to facilitate integration of the two regionalist projects.¹⁰⁸

7.2.2.2 Finance

As chapters four to six have shown, capital was China's most powerful instrument of economic leadership. The global financial crisis, the shifting balance of power and member states' capability deficit catapulted China to be the largest provider of economic public goods in Central Asia. Nevertheless, as I discussed in 6.2.2.2, Russia's mistrust of China and its leadership aspirations prevented Beijing from making the "critical decisions" on the establishment of a development fund and a development bank.

Although Beijing raised the idea at the SCO's annual meetings every year, it failed to achieve any breakthrough. The lack of consensus was manifested in the organization's declarations and statements.¹⁰⁹ In 2013, the heads of government concluded the Resolution on the Next Stage of Work in Establishing the SCO Development Bank and the SCO Development Fund (Special Account).¹¹⁰ In the following two years, the heads of state continued to reaffirm the "great importance" of studying their feasibility and "instructed [the relevant bodies] to complete the work as soon as possible."¹¹¹ Since then, however, member states had shifted their position. The Ufa Declaration only stated that exploratory work on establishing the bank and

¹⁰⁶ Xi, "Unity and Mutual Assistance, Joint Response to Challenges, Promoting a New Leap Forward in the SCO's Development."

¹⁰⁷ *Ibid.*

¹⁰⁸ Li, "Remarks at the Thirteenth Heads of Government Meeting of SCO Member States."

¹⁰⁹ Larin and Matveev, "How Russia Views the Convergence between the Eurasian Economic Union and the "Silk Road Economic Belt," 24.

¹¹⁰ "Joint Communique of the Twelve Heads of Government (Premier) Council Meeting of SCO Member States," (29th November 2013).

¹¹¹ "Bishkek Declaration of the Heads of SCO Member States"; "Dushanbe Declaration of the Heads of SCO Member State."

the fund (special account) would continue.¹¹² The Strategy, meanwhile, made no reference to the development bank as the objective of economic cooperation under the SCO.¹¹³ Later in the same year, the heads of government only directed the heads of ministries to study the issue in the meetings of treasury ministers and central bank governors in the following year.¹¹⁴ Afterwards, member states only reiterated their support for the continuation of consultation at working group level.¹¹⁵

Member states did recognize the need to enhance cooperation and establish financing and underwriting institutions in order to facilitate project implementation, maintain the stability of regional financial markets, and promote economic development.¹¹⁶ As consultation continued, they recommended strengthening of the role of the Business Council and the Interbank Consortium.¹¹⁷ The two civil bodies should enhance coordination, improve financing and underwriting mechanisms, as well as deepen their ties with business and financial communities in order to promote member states' socio-economic development.¹¹⁸ The Heads of Government Council, meanwhile, called for expediting implementation of the Interbank Consortium's Plan for Strengthening the Measures in Enhancing Financial cooperation and Regional Development as well as the consensus reached in the Business Council and the SCO Forum.¹¹⁹ Member states' ministries should also strengthen investment cooperation with commercial enterprises.¹²⁰

¹¹² "Ufa Declaration of Heads of SCO Member States."

¹¹³ "Development Strategy of the Shanghai Cooperation Organization Toward 2025."

¹¹⁴ "Joint Communiqué of the Fourteenth Heads of Government (Premier) Council Meeting of SCO Member States," (15th December 2015).

¹¹⁵ "Tashkent Declaration of the Fifteenth Anniversary of the Establishment of the Shanghai Cooperation Organization"; "Astana Declaration on the Tenth Anniversary of the Shanghai Cooperation Organization" [上海合作组织十周年阿斯塔纳宣言], The Shanghai Cooperation Organization, (15th June 2011), <http://chn.sectesco.org/documents/>

¹¹⁶ "Joint Communiqué of the Thirteenth Heads of Government (Premier) Council Meeting of SCO Member States"; "Joint Communiqué of Fourteenth Heads of Government (Premier) Council Meeting of SCO Member States."

¹¹⁷ Jinfeng Li [李进峰], "Adapt to a New Environment, Respond to New Challenges, The Shanghai Cooperation Organization Enters a New Stage of Practical Cooperation" [适应新形势, 应对新挑战, 上合组织迈进务实合作新阶段], in Jinfeng Li [李进峰], Hongwei Wu [吴宏伟] and Wei Li [李伟] (eds.), *Annual Report of the Shanghai Cooperation Organization (2014)* [上海合作组织发展报告 (2014)], (Beijing: Social Sciences Academic Press, 2014), 16.

¹¹⁸ "Press Release of the Heads of State Council Meeting of SCO Member States" [上海合作组织成员国元首理事会会议新闻公报], The Shanghai Cooperation Organization, (13th September 2013), <http://chn.sectesco.org/documents/>

¹¹⁹ "Joint Communiqué of the Thirteenth Heads of Government (Premier) Council Meeting of SCO Member States."

¹²⁰ *Ibid.*

As China redefined collective purposes of the SCO with the SREB, it sought to exercise greater degree of control over task implementation through the establishment of alternative financing mechanisms including the AIIB, the Silk Road Fund and the China-Eurasia Economic Cooperation Fund. Of particular relevance is the China-Eurasia Economic Cooperation Fund, which was established in 2013 with a start-up capital of one billion dollars.¹²¹ The first batch of projects financed by the Fund was launched two years after.¹²² Another major lending arm is the 40-billion Silk Road Fund, which, by the end of 2016, provided two million dollars of starting capital for the China-Kazakhstan Capacity Cooperation Fund and financed fifteen projects in infrastructure, energy and capacity cooperation totaling 6 billion dollars.¹²³ Moreover, although unable to mobilize unanimous support for its proposals of a development fund and a development bank, China circumvented political and institutional constraints in the SCO with the establishment of the AIIB, which, ironically, all member states joined. By the end of 2017, the AIIB had funded two projects in Tajikistan.¹²⁴ China also promised to join and contribute starting capital to the Russian-led Renaissance Capital as well as expressed its willingness to establish sub-funds with member states or provide financing support through the NDB.¹²⁵ By 2015, China provided a total of 27.1 billion dollars of credit to member states.¹²⁶

Equally important in China's quest to exercise institutional leadership and renegotiate the geoeconomic definition of Eurasia was expansion of settlement in local currencies, which was raised in every year's meetings of the Heads of State and Government Councils. In 2014, China signed or renewed or currency swap agreements with Russia, Kazakhstan and Kyrgyzstan.¹²⁷ While supporting Kazakhstan's proposal

¹²¹ Xi, "Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage."

¹²² Li, "Remarks at the Large-Scale Talks of the Fourteenth Heads of Government Meeting of SCO Member States."

¹²³ "Jointly Building 'One Belt One Road': Ideas, Implementation and China's Contributions" [共建“一带一路”: 理念、实践与中国的贡献], Office of the Leading Group for the Belt and Road Initiative, (10th May 2017), <https://www.yidaiyilu.gov.cn/zchj/qwfb/12658.htm>

¹²⁴ "Approved Projects."

¹²⁵ Li, "Remarks at the Large-Scale Talks of the Fourteenth Heads of Government Meeting of SCO Member States."

¹²⁶ *Ibid.*

¹²⁷ Vladimir Kuznetsov and Olga Tanas, "Russia, China Sign Currency Swap Agreement to Double \$100b Trade," Bloomberg, 13th October 2014, <http://www.bloomberg.com/news/articles/2014-10-13/russia-china-sign-currency-swap-agreement-to-double-100b-trade>; "After the Talks Karim Massimov and Premier of China's State Council Li Keqiang signed Agreement on Mutual

to expand settlement and exchange in local currencies, China promised to provide a better proposal for cross border payment in order to promote local currency settlement. Beijing also encouraged the inclusion of more member states' financial institutions in financial cooperation under the SCO.¹²⁸ By 2016, the aggregate amount of currency swap agreements between China and other member states reached 160 billion *renminbi*.¹²⁹

7.2.2.3 Infrastructure

As chapter five has shown, domestic economic imperatives increased the pressure on China to facilitate regional industrial transfer and export of surplus production capacity. As was the case of APT, SCO member states's capability deficit and their demand for regional public goods provided an opportunity for China to address its domestic economic challenges by seeking institutional leadership in infrastructure development. At the heart of cooperation was transportation, since underdeveloped transportation infrastructure in landlocked Central Asia posed a major impediment to the implementation of the SREB and member states' national development strategies.

Notwithstanding the importance of infrastructure development, the Hu Jintao administration's second term, as the previous chapter has shown, saw little progress in cooperation. The launch of the SREB, the AIIB and other development financing mechanisms represented a significant expansion of China's diplomatic and material investment. "Connectivity of transportation," as Xi Jinping pointed out, remained the "priority and foundation of regional cooperation."¹³⁰ Two months after the President's speech at Nazabayev University, member states agreed to strengthen multilateral cooperation in transportation, with priority given to the building of an international

Cooperation," Official Site of the Prime Minister of Kazakhstan, (15th December 2014), <https://primeminister.kz/en/news/integratsiya-po-itogam-peregovorov-glav-pravitelstv-rk-i-knr-v-astane-podpisan-rjad-vazhnyh-dokumentov-o-vzaimnom-sotrudnichestve-;> Jacopo Dettoni, "China Extends Tajikistan \$500 Million Swap Line to Keep Currency Afloat," *Nikkei Asian Review*, (5th September 2015), <http://asia.nikkei.com/Politics-Economy/International-Relations/China-extends-Tajikistan-500-million-swap-line-to-keep-currency-afloat>

¹²⁸ Li, "Remarks at the Thirteenth Heads of Government Meeting of SCO Member States"; Xi, "Promote the Shanghai Spirit, Consolidate Unity and Mutual Trust, Comprehensively Deepen Cooperation in the Shanghai Cooperation Organization."

¹²⁹ Xi, "Unite and Cooperate, Be Open and Inclusive."

¹³⁰ Xi Jinping, "Unity and mutual assistance, Joint Response to Challenges, Promoting the SCO's Development to Achieve a New Leap."

transportation corridor.¹³¹ While urging the conclusion of the Agreement on Facilitation of International Road Transportation among SCO Member States (“the Agreement”) the heads of government called for expediting implementation of the agreed cooperation projects, approving railway infrastructure projects, as well as utilizing and building logistics center.¹³² The Agreement was eventually signed in 2014.¹³³

Every year Chinese leaders called for the signing of the Agreement and its implementation afterwards, so that the specified cross-border routes could be opened by 2020. To encourage active participation of member states in the building of the New Eurasian Land Bridge and the Chongqing-Xinjiang-Europe International Railway Corridor, Beijing offered to provide support in technology, equipment and financing.¹³⁴ In addition to member states, observers and dialogue partners should be included into these schemes on a voluntary basis.¹³⁵ To expedite the Agreement’s implementation, Beijing offered to prioritize implementation of road connectivity projects that had already been agreed, conduct financial feasibility studies and planning activities, and participate in project investment and financing. The aim would be to complete the construction of 4000 km of railway and over ten thousand km of road in order to achieve basic connectivity.¹³⁶

The launch of the SREB redefined collective purposes and created parallel structures of cooperation on Chinese terms. The precedence of task over relationship and the nature of the tasks led Beijing to engage member states selectively and individually. As was the case in other areas of cooperation, member states’ capability deficit enabled China to deploy its advantageous capabilities in its pursuit of

¹³¹ “Joint Communiqué of the Twelve Heads of Government (Premier) Council Meeting of SCO Member States.”

¹³² “Joint Communiqué of the Heads of Government (Premiers) of SCO Member States on Furthering Transportation Cooperation” [上海合作组织成员国政府首脑（总理）关于进一步开展交通领域合作的联合声明], The Shanghai Cooperation Organization, (29th November 2013), <http://chn.sectsc.org/documents/>

¹³³ “Press Release of the Heads of State Council Meeting of SCO Member States,” (13th September 2014).

¹³⁴ Li, “Remarks at the Twelve Heads of Government Meeting of SCO Member States.”

¹³⁵ Xi, “Promote the ‘Shanghai Spirit,’ Facilitate Joint Development.”

¹³⁶ Xi, “Unity and mutual assistance, Joint Response to Challenges, Promote the SCO’s Development to Achieve a New Leap.”

institutional leadership. For instance, China provided over 6 billion dollars of loan for the construction of the Moscow-Kazan high speed rail.¹³⁷ In Central Asia, the Export-Import Bank of China provided a loan of 350 million dollars to Uzbekistan for the building of a tunnel which formed part of the Angren-Pap railway.¹³⁸ Undertaken by the Chinese Railway Tunnel Group, construction of the 19.1km-long, technically challenging tunnel was completed in 2016.¹³⁹ Another Chinese-led project, the Taldykorgan Kalbatau Ust Kamenogorsk Highway in Kazakhstan, was completed a year after. In addition to infrastructure construction, China offered to provide quality transit services to goods that were transported across Chinese border, and proposed the strengthening of cooperation in the development of a global positioning system.¹⁴⁰

The Xi Jinping administration also engaged in hard selling of multinational projects. In 2014, China concluded an agreement with Afghanistan, Iran, Kyrgyzstan and Tajikistan to build a “five nation railway corridor.”¹⁴¹ Nevertheless, with a higher level of task uncertainty and interdependence, these projects raised the concern of member states. One of the examples was the Chinese-Kyrgyz-Uzbek railway. Kyrgyzstan’s unease about China’s growing control over the country’s natural resources through the “resources for investment” scheme, together with Russia’s concern with the project’s security implications, generated enormous difficulties and prolonged the negotiations.¹⁴²

¹³⁷ Joanna Law, “China to Lend over 6 Bln USD for Russia’s Moscow-Kazan High Speed Rail,” *People’s Daily* [人民日报], (30th April 2016), <http://en.people.cn/n3/2016/0430/c90000-9051752.html>

¹³⁸ “Chinese Eximbank Provides Loan to Uzbekistan for Tunnel Construction,” *UzDaily*, (30th April 2014), Nexis.

¹³⁹ Mirzohid Rahimov, “The Pap-Angren Railway and its Geoeconomic Implications for Central Asia,” *The Central Asia-Caucasus Analyst*, (18th April 2016), <https://www.cacianalyst.org/publications/analytical-articles/item/13354-the-pap-angren-railway-and-its-geoeconomic-implications-for-central-asia.html>; Umida Hashimova, “Future of the SCO Under Question after Tashkent Summit,” *Eurasia Daily Monitor*, Vol. 13, No. 117, (29th June 2016), <https://jamestown.org/program/future-of-the-sco-under-question-after-tashkent-summit/>

¹⁴⁰ *Ibid.*

¹⁴¹ “Document on Linking China’s Railway to Iran Signed,” *Xinhua*, (10th December 2014), http://www.china.org.cn/business/2014-12/10/content_34283715.htm

¹⁴² See, for example, Fengyong Zuo [左凤荣], “Opportunity and Challenge to Jointly Building the ‘Economic Belt of the Silk Road’” [共建“丝绸之路经济带”面临的机遇与挑战], *People’s Daily* [人民日报], (13th May 2014), <http://world.people.com.cn/n/2014/0513/c1002-25011656.html>; Roman Muzalevsky, “China-Kyrgyzstan-Uzbekistan Railway Scheme: Fears, Hopes and Prospects,” *Eurasia Daily Monitor*, Vol. 9, No. 102, (30th May 2012), <https://jamestown.org/program/china-kyrgyzstan-uzbekistan-railway-scheme-fears-hopes-and-prospects/#!>

China's hard selling did not improve the effectiveness of cooperation. Indeed, in the assessment of officials, the country's investment is likely to sustain high degrees of loss, from 30% in Central Asia to 80% in Pakistan.¹⁴³ Moreover, the social and environmental impact of some of these projects further heightened anxiety about China's growing economic presence in the region. For instance, the oil refinery built by the Chinese state-owned enterprise Zhongda China Petrol in Kara-Balta, Kyrgyzstan was able to operate at only 6% of its production capacity due to its inability to secure adequate supply of crude oil.¹⁴⁴ This led Kyrgyz Vice-Prime Minister Valery Dil to criticize the project as "ridiculous"¹⁴⁵ Worse still, environmental hazard from the refinery sparked off anti-China protests and consequently forced Bishkek to suspend its operation.¹⁴⁶

7.2.2.4 Social and Cultural Cooperation

At was the case during the Hu Jintao administration's second term, social and cultural cooperation was not only integral to the Xi Jinping administration's attempt to promote capacity building of member states, but also crucial to the building of trust. As chapter four to six have shown, China was aware of the problem of trust that had prevented it from rallying member states behind its purpose and promoting the two regional institutions from fully adapting to a changing international environment. At a time when the shifting balance of power and China's expansion of diplomatic investment heightened uncertainty and mistrust, cultural cooperation became more important than ever to promote mutual trust and understanding. Throughout the Xi Jinping administration's first term, China stepped up its efforts in supporting and soft selling in social and cultural cooperation.

Education was central to the Xi Jinping administration's exercise of leadership through supporting. In 2013, the President promised in the heads of state summit to

¹⁴³ "China Faces Resistance to a Cherished Theme of its Foreign Policy," *The Economist*, (4th May 2017), <http://www.economist.com/news/china/21721678-silk-routes-are-not-always-appealing-they-sound-china-faces-resistance-cherished-theme>

¹⁴⁴ *Ibid.*

¹⁴⁵ Chris Rickleton, "Kyrgyzstan: Chinese Investor Struggling without Russian Help," Eurasianet, (27th January 2015), <https://eurasianet.org/kyrgyzstan-chinese-investor-struggling-without-russian-help>

¹⁴⁶ David Trilling, "Kyrgyzstan Suspends Work at New Chinese Refinery," Eurasianet, (19th February 2014), <https://www.eurasianet.org/kyrgyzstan-suspends-work-at-new-chinese-refinery>

implement China's pledge of providing 30 thousand government scholarships to students from member states.¹⁴⁷ One year after, he offered to invite 50 youth leaders from member states to study in China every year.¹⁴⁸ By 2015, China provided in total 25000 scholarships. In the same year, Li Keqiang promised that from 2016 on China would provide training to 2000 personnel from member states for two years and 20 thousand government scholarships annually for the next five years.¹⁴⁹ Apart from scholarships, China sought to promote cultural exchange by launching youth programs, organizing forums, and establishing a SCO Committee on Good Neighborliness and Friendliness and a SCO Activity Center.¹⁵⁰ These efforts, however, did not mitigate the deeply entrenched Sinophobia that prevented China from exercising full institutional leadership in the SCO.

While China's initiatives in education contributed to member states' capacity building, they were not effective in mitigating mistrust among member states. Indeed, as I mentioned in 2.5.2 and 6.2.2, both the Chinese government and foreign policy elites were not unaware of the problem of trust in hampering the rising power's quest for leadership. Nevertheless, as I pointed out in the previous chapter, negative perception of China's growing economic presence in Central Asia, lingering suspicion of its purpose and historical Sinophobia prevented China from mobilizing member states as a group behind its purpose and promoting the SCO's adaptation to a changing international environment. The findings show that expanding material investment could not solve the problem of trust; indeed, low levels of trust meant that higher level of task behavior did not increase leadership effectiveness.

7.2.4 Enlargement

¹⁴⁷ Xi, "Promote the 'Shanghai Spirit,' Facilitate Joint Development."

¹⁴⁸ Xi "Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage";

¹⁴⁹ Li, "Remarks at the Large-Scale Talks of the Fourteenth Heads of Government Meeting of SCO Member States."

¹⁵⁰ Xi, "Promote the 'Shanghai Spirit,' Facilitate Joint Development"; Xi "Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage"; Xi, "Unity and mutual assistance, Joint Response to Challenges, Promote the SCO's Development to Achieve a New Leap"; Xi, "Promote the Shanghai Spirit, Consolidate Unity and Mutual Trust, Comprehensively Deepen Cooperation in the Shanghai Cooperation Organization"; Li, "Remarks at the Twelve Heads of Government Meeting of SCO Member States."

The most significant “critical decision” on the SCO during the Xi Jinping administration’s first term was enlargement. The Heads of States Council agreed to start the procedures for India and Pakistan’s accession as full members at the 2015 Ufa Summit;¹⁵¹ the process was completed at the Astana Summit two years after. Meanwhile, Iran and Afghanistan were next in line for accession. The Council also upgraded Belarus’s status to observer and conferred dialogue partner status on Azerbaijan, Armenia, Cambodia and Nepal.

As the previous chapter has shown, the bargaining on the “critical decision” on the SCO’s membership was a manifestation of the contestation on the geopolitical definition of Central Asia. Disagreement among member states resulted in the imposition of a “moratorium” on enlargement during the Hu Jintao era. Although the Heads of State Council approved the “Regulations” and the “SCO Rules of Procedures” in the 2010 Tashkent Summit, establishment of rules and procedures governing membership was still underway during the Xi Jinping administration’s first term. At the 2014 Dushanbe Summit, the Heads of State Council approved the amendments to the “Procedures (Rules) for Granting the Status of SCO Membership” and the “Template of the Duties of Applicant States to the SCO.”¹⁵²

Russia’s active push for India’s accession constituted an attempt to constrain Chinese institutional leadership in the SCO, balance its growing influence and prevent it from dictating the geopolitical definition of Central Asia. In Gabuev’s view, China’s approval of India’s accession, however reluctant it was, indicated that it was a decision Beijing “could live with.”¹⁵³ Enlargement would in theory increase the SCO’s geostrategic significance and its capacity to address the Afghan question. From the perspective of institutional leadership, however, it threatened to undermine the organization’s identity by further hindering its adaptation to a changing international environment. To begin with, enlargement entailed the need to review operational

¹⁵¹ “Ufa Declaration of Heads of SCO Member States”; “Press Release of the Heads of State Council Meeting of SCO Member States” [上海合作组织成员国元首理事会会议新闻公报], The Shanghai Cooperation Organization, (24th June 2016), <http://chn.sectsc.org/documents/>

¹⁵² “Dushanbe Declaration of the Heads of SCO Member States.”

¹⁵³ Alexander Gabuev in Gabuev, Haenle, Mohan and Trenin, “Shanghai Cooperation Organization at Crossroads: Views from Moscow, Beijing and New Delhi,” Carnegie Moscow Center, (9th June 2017), <https://carnegie.ru/commentary/71205>

issues including working language, budget and member states' budget contributions.¹⁵⁴ Second, India and Pakistan do not share the same political culture as China and the other five former communist countries, which, in the view of a senior Chinese scholar, has been crucial to the SCO's "success." Third, given the SCO's institutional design, the expansion of the agenda and interstate rivalry threatened to dilute Chinese institutional leadership, undermine the organization's collective purposes, and worsen its impasse.

The accession of India and Pakistan, however, did not end the contestation on the SCO's identity and the geopolitical organization of Eurasia, as Iran and Afghanistan were next in line for full membership. As I discussed in the previous chapter, Beijing's attempt to maintain the SCO's identity as "non-alliance, non-confrontational and not targeted at third party," and the stipulation of the Regulations that a state would not be eligible for full membership if it was under sanctions, prevented Iran's accession during the Hu Jintao administration's second term. The prospect of Iran's membership, however, increased with the conclusion of the nuclear deal and the lift of sanctions in 2015. At the Ufa Summit, the heads of states "positively recognized" Iran's wish to become a full member of the organization, and hoped resolution of the nuclear issue would "create the conditions" for studying the possibility of the country's accession in accordance with the regulations.¹⁵⁵

Notwithstanding the position adopted in the joint communique, member states' attitude toward Iran's membership varied. Given the political, social and economic ties between the two countries, Tajikistan had long been seen as supportive of Iran's membership quest. Indeed, Tajik President Rahmon, as well as Kyrgyz President Almazbek Atambayev, were reported to have expressed support for Iran's membership at the Ufa Summit.¹⁵⁶ Although Kazakhstan had not clarified its position,

¹⁵⁴ Yurong Chen [陈玉荣], "Chen Yurong: Caution is Needed regarding India and Pakistan's Accession and the SCO's enlargement" [陈玉荣: 印巴加入上合扩员必须审慎], China Institute of International Studies, (24th June 2016), http://www.ciiis.org.cn/chinese/2016-06/24/content_8855836.htm

¹⁵⁵ "Joint Communiqué of the Heads of State Council Meeting of SCO Member States"; Richard Weitz, "Iran and the SCO: New Opportunities, New Challenges", *The Central Asia-Caucasus Analyst*, (14th August 2015), <https://www.cacianalyst.org/publications/analytical-articles/item/13255-iran-and-sco-new-opportunities-new-challenges.html>

¹⁵⁶ *Ibid.*

the country's advocacy for regional integration and increasing ties with Tehran seemed to suggest that Astana would be equally supportive.¹⁵⁷ Opposition would likely come from Uzbekistan, not only because of Tashkent's tension with Dushanbe, but also because of the impact of Iran's accession on its influence in as well as benefits from the organization.¹⁵⁸

The moratorium on enlargement did not stop the SCO from acquiring new observers and dialogue partners during the Hu Jintao administration's second term; yet the speed of expansion accelerated during the Xi Jinping administration's first term. One year after the conferral of dialogue partner status on Azerbaijan, Armenia, Cambodia and Nepal, the organization received another five new applications for dialogue partner status.¹⁵⁹ While declining to name the applicant states, Secretary General Rashid Alimov revealed that one came from Eastern Europe, one from Southeast Asia each, and the remaining three from the Middle East.¹⁶⁰ According to a Russian expert, the five applicant states were Laos, Israel, Hungary, Egypt and Syria.¹⁶¹

Under Xi Jinping, China actively promoted cooperation with observers and dialogue partners by soft selling. For instance, in the 2014 Dushanbe Summit, the President called for the strengthening the "6+5 [6 members plus 5 observers] cooperation mechanism."¹⁶² To encourage participation of observers in the building of the Eurasian transportation corridors, China suggested that they should be included into multilateral transportation cooperation on voluntary basis.¹⁶³ The China-Eurasian Economic Cooperation Fund, meanwhile, would provide financing support not only to member states but also to observers and dialogue partners.¹⁶⁴ Ironically, while enlargement might undermine the SCO's identity, the expansion in a network of

¹⁵⁷ *Ibid.*

¹⁵⁸ *Ibid.*

¹⁵⁹ Joshua Kucera, "SCO Continues to Expand, But to What End?" Eurasianet, (22nd June 2016), https://www.eurasianet.org/sco-continues-expand-what-end?utm_source=twitterfeed&utm_medium=twitter

¹⁶⁰ *Ibid.*

¹⁶¹ *Ibid.*

¹⁶² Xi "Unite Our Hearts and Garner Our Energy, Genuinely Cooperate in Promoting the Shanghai Cooperation Organization's Development to a New Stage."

¹⁶³ Xi, "Promote the 'Shanghai Spirit,' Facilitate Joint Development."

¹⁶⁴ Li, "Remarks at the Twelve Heads of Government Meeting of SCO Member States."

observers and dialogue partners represented the SCO's adaptation and changing identity in line with China's embarkation on the SREB and its attempt to renegotiate the geopolitical definition of Eurasia. In this process, Central Asia will be reorganized and reintegrated into an expanding, Sino-centric construct of periphery.

7.3 Conclusion

In the view of Andrey Kortunov, Director-General of the Russian International Affairs Council, the SCO

has obviously entered adulthood, but it has not yet emerged as a fully mature international institution. Furthermore, it runs the risk of becoming an 'eternal teenager,' with its numerous transition problems and frequent changes in hobbies and attachments, but without any particular occupation or specific purpose in life.¹⁶⁵

Leadership is central to the maintenance and promotion of an institution's purpose. As this and the previous chapter have shown, although China demonstrated increasing capacity to provide the regional public goods that member states needed, it was unable to promote the SCO's identity and its adaptation to a changing international environment. As was the case in APT, the interplay of external and internal developments generated enormous pressures on China to make a major strategic adjustment. The need to "march West" and break the impasse of cooperation led to a shift in the orientation of China's leadership behavior from relationship to task. The launch of the BRI and other Chinese-led initiatives constituted the Xi Jinping administration's attempt at hard selling by redefining collective purposes and initiating structures of cooperation on its own terms.

Nevertheless, Chinese institutional leadership was restricted in very much the same way as it was during the Hu Jintao administration's second term. While American withdrawal from Afghanistan compelled China to shoulder greater responsibilities for the rebuilding of the war-torn country than before, member states' lingering mistrust of its purpose led Beijing to confine its activities in security cooperation to small-scale tasks. Low level of trust also meant that despite its expanding diplomatic and material investment in economic cooperation, China was

¹⁶⁵ Kortunov, "SCO."

unable to unite member states behind its preferences in the “critical decisions” concerning the establishment of a free trade area, a development fund and a development bank. Chinese institutional leadership, as a result, remained confined to functional tasks in the economic domain with low uncertainty and interdependence.

As chapters six and seven have shown, Russia’s attitude continued to be the key to China’s quest for institutional leadership and the SCO’s development. Moscow’s leadership aspirations and its anxiety about China’s growing influence led it to check Beijing’s influence on the “critical decisions” concerning the SCO’s membership, institution building and external relations. The Sino-Russian agreement on the integration of the SREB and the EAEU represented as much an attempt by Russia to prevent the marginalization of itself and the EAEU as its begrudging recognition of China’s legitimate economic interests in the post-Soviet space. The shift of the locus of activities to parallel mechanisms, together with the accession of India and Pakistan, threatened to undermine the collective purposes that held member states together. In this regard, China’s hard selling did not maintain the SCO’s identity but rather furthered its fragmentation.

As was the case in East Asia, China’s leadership behavior signified a change in its approach toward the reconstruction of Central Asia. Whereas the Hu Jintao administration sought to consolidate the post-Soviet regional order in Central Asia by anchoring the region to the SCO, the launch of the SREB represented the Xi Jinping administration’s attempt to reintegrate the region into an expanding, Sino-centric conception of periphery.

Conclusion

“This is a new era,” Xi Jinping declared at the start of his second term as party leader, “wherein China will move closer to the center of the world stage and make greater contributions to mankind.”¹ While continuing to shun the term leadership, he pledged the country’s commitment to “participating actively in the reform and rebuilding of the global architecture” and “contributing more Chinese wisdom, Chinese proposals and Chinese energy to the world.”² At a time when the United States under the Trump presidency is increasingly perceived as abdicating its global leadership, China’s high-profile initiatives seem to indicate the rising power’s readiness to fill the global leadership vacuum.

Nevertheless, China’s hard selling has heightened anxiety about its power and mistrust of its purpose. If the United States’ designation of China as a “revisionist power” in its 2017 National Security Strategy was more or less anticipated, the alarm raised by some BRI partner countries at the rising power’s “debt-trap diplomacy” should be of concern to the Chinese government and foreign policy elites. Three months after his election, Malaysian Prime Minister Mahathir Mohamad announced the cancellation of the China-funded East Coast Rail Link project in his visit to Beijing. “We do not want,” he stated at the joint press conference with Li Keqiang,

a situation where there is a new version of colonialism happening because poor countries are unable to compete with rich countries, therefore we need fair trade.³

Mahathir was not the only new leader who reconsidered the BRI. Imran Khan, Pakistan’s cricketer-turned-prime minister, also expressed reservations about the China-Pakistan Economic Corridor during his election campaign. Although Khan was

¹ “Xi Jinping’s Report to the Nineteenth Party Congress” [习近平在中国共产党第十九次全国代表大会上的报告] *People’s Daily* [人民日报], (28th October 2017), <http://cpc.people.com.cn/n1/2017/1028/c64094-29613660-2.html>

² “Remarks at the First Session of the Thirteenth National People’s Congress” [习近平：在第十三届全国人民代表大会第一次会议上的讲话], Xinhuanet [新华网], (20th March 2018), http://www.xinhuanet.com/politics/2018lh/2018-03/20/c_1122566452.htm

³ Richard McGregor, “Mahathir, China and Neo-Colonialism,” *Nikkei Asian Review*, (30th August 2018), <https://asia.nikkei.com/Opinion/Mahathir-China-and-neo-colonialism>

reported to reaffirm his country's "all-weather strategic cooperative partnership" with China as the "cornerstone" of Islamabad's foreign policy, his adviser questioned the "unfairness" of the bilateral economic relationship.⁴ Nevertheless, an escalating trade war with the United States and mounting domestic economic challenges only increased the pressure on Beijing to sell to the developing world.

If we think about these recent developments in relation to China's experience in APT and the SCO, they are nothing but manifestations of the same challenges to its quest for peaceful development, great power status and international leadership. The significance of the global financial crisis lies not only in the shifting balance of material capabilities but also in the shifting balance of bargaining power over the terms of China's rise. Nevertheless, one of the themes throughout this thesis is China's continuing deficit in legitimacy, which is rooted in the perceptual gap between the rising power and the world over what its interests, rights, and responsibilities should be. If great power status is based on the recognition of others, China's struggle to mobilize member states in APT and the SCO behind its purpose indicated its difficulty in gaining such recognition. Legitimacy deficit, in turn, constrained the rising power's capacity to lead. By dissecting China's leadership behavior in APT and the SCO, this thesis puts the "rise of China" into perspective by explaining how it has shaped the dynamics of order and change in the post-crisis era.

This conclusion begins by reviewing the key findings of my research. I will then discuss this thesis's contributions and explore future directions for research.

Review of Research Questions

How did China exercise leadership in APT and the SCO?

China's experience in APT and the SCO underscores the nature of leadership as contextual. The global financial crisis and the shifting balance of power, on the one hand, redefined the possibilities of Chinese international leadership. Regional states'

⁴ "CPEC Deals with China 'Unfair' to Pakistan, says Imran Khan Government: Report," *The Times of India*, (10th September 2018), <https://timesofindia.indiatimes.com/world/pakistan/cpec-deals-with-china-unfair-to-pakistan-says-imran-khan-government-report/articleshow/65753066.cms>

capability deficit and their demand for public goods provided the rising power with an opportunity to lead by employing its instruments of economic leadership – production capacity, market, capital and innovation. APT and the SCO provided the platforms for China to engage its neighbors and enlist their support by initiating cooperation and providing regional public goods. On the other hand, structural, political and institutional constraints meant that Chinese institutional leadership remained primarily economic, functional and non-coercive. Given China’s economic preponderance, Beijing engaged in supporting and both forms of selling in order to develop member states’ capacity for cooperation or accomplish collective purposes.

How did China’s leadership behavior change from the Hu Jintao to the Xi Jinping era?

This thesis shows that leadership behavior is defined by the balance between relationship and task. As chapters four to seven have shown, the transition from the Hu Jintao to the Xi Jinping era was marked by a corresponding shift in the orientation of China’s leadership behavior from relationship to task. This was a response to the pressure for change from a worsening strategic environment, domestic economic challenges and the impasse of regionalism in East and Central Asia. Under Hu Jintao, China sought to lead by supporting and soft selling. To maintain APT and the SCO’s identities, Beijing attempted to mobilize support of member state behind original, collectively agreed purposes through the supply of public goods and other material inducements. Meanwhile, it proposed institution-building initiatives in order to promote APT and the SCO’s adaptation to a changing international environment. Notwithstanding the low level of multilateralism in both institutions, the precedence of relationship over task led China to engage member states more or less as a group and demonstrated its commitment to the collective purposes defined by others.

China’s failure to break the impasse of cooperation and mounting pressure for change caused task to precede relationship in the rising power’s leadership behavior under Xi Jinping. The launch of the BRI and other initiatives represented China’s attempt to lead by hard selling. Chinese proposals of SREB, 21st Century Maritime Silk Road, communities with a shared future and “2+7 cooperation framework” constituted Beijing’s attempt to redefine the collective purposes of APT and the SCO

on its own terms. Meanwhile, to exercise greater control over task implementation, it deployed its advantageous capabilities to initiate new structures of cooperation, from a multilateral development bank, minilateral cooperation mechanisms to new financing bodies. As the locus of its activities shifted from the thirteen-member, multilateral APT to “ASEAN Plus One” and other parallel platforms, China under Xi Jinping increasingly engaged member states selectively and individually.

Why wasn't China able to exercise effective leadership in the two regional institutions?

Notwithstanding the shift in the regional balance of economic power, shortage of regional public goods and leadership deficit in both APT and the SCO, structural, political and institutional constraints continued to limit the domain, form and scale of Chinese institutional leadership. To begin with, the United States and Russia's regional security presence restricted the security functions of not only the economically-oriented APT but also the security-oriented SCO. As a result, China's leadership activities in security cooperation were confined largely to small-scale, functional tasks in non-traditional security. As I pointed out in chapters six and seven, the “tacit bargain” between China and Russia in Central Asia led Beijing to defer responsibilities for regional security leadership to Moscow. Indeed, the shifting regional balance of economic power should not lead one to overstate China's influence. As chapters four and five have shown, even after China overtook Japan as East Asia's largest economy, Beijing did not displace Tokyo's role in the supply of regional financial public goods.

If institutional leadership hinges on a leader's ability to make “critical decisions” concerning membership, institutional development, member states' capacity building and external relations, the institutional design of both APT and the SCO severely constrained the possibilities of institutional leadership. Consensus decision-making gave each member state *de facto* veto over China's preferences. As chapter four showed, Japan blocked the China-backed proposal of EAFTA with CEPEA. By launching RCEP, ASEAN in effect removed the “critical decision” on regional free trade from APT to EAS. Likewise, chapters six and seven showed that Russia continued to constrain Chinese institutional leadership and the SCO's

development by blocking Beijing's proposals of a free trade area, a development fund and a development bank on the one hand, while pushing for India's accession and expediting its own regionalist initiative on the other. Consequently, both APT and the SCO were unable to fully adapt to a changing international environment, as epitomized by CMIM's idleness after the global financial crisis or the SCO's inactivity during the Second Kyrgyz Revolution.

Yet the biggest impediment to Chinese institutional leadership remained the problem of trust. China, as I have shown throughout this thesis, was not unaware of the problem. Not only did it repeatedly deny any intention to seek dominance and stress the need to strengthen mutual trust with other member states; it signaled self-restraint by restricting its activities in security cooperation, adhering to a policy of non-interference and non-alliance, reaffirming its commitment to the *status quo* and making concessions to accommodate other member states' interests. Meanwhile, Beijing continued to increase its investment in education and cultural exchange. Nevertheless, anxiety about China's power, mistrust of its intentions, negative perception of its maritime behavior and economic presence, and historical Sinophobia prevented Beijing from mobilizing support for initiatives with high uncertainty and high interdependence, as exemplified by its failure to establish a free trade area in both East and Central Asia. The major achievements of Chinese institutional leadership – such as APTERR, CMIM, the AIIB and other financial bodies – remained largely functional tasks with relatively low uncertainty and interdependence. In short, while China was increasingly capable of providing the regional public goods others member states needed, low level of trust prevented it from mobilizing member states as a group behind its purpose.

China's launch of the BRI, AIIB and other initiatives under Xi Jinping intensified leadership competition within the two regional institutions. In East Asia, China and Japan sought to outsell each other in infrastructure finance. As the locus of activities shifted from the multilateral APT to "ASEAN Plus Ones" and other parallel platforms, China's hard selling did not maintain the thirteen-member grouping's identity but rather furthered its fragmentation. Similarly, in response to China's SREB, Russia expedited its regionalist initiative of the EAEU. Despite Sino-Russian

agreement to cooperate in the implementation and integration of the two projects, the ongoing competition between the SCO and the Russian-led institutions, together with India and Pakistan's accession, threatened to undermine the SCO's identity and cohesiveness.

Implications of Research Findings

The findings raise important implications for rethinking China's rise and international political change. To begin with, this thesis underscores the importance of the perceptual gap between China and the world. As chapters one and two have shown, while the international and the Chinese discourse are both marked by their diversity, their most significant difference lies in what the rising power's legitimate interests, rights and responsibilities should be. Euro-American centrism and *status quo* bias have led many in the United States and the West to question not only China's capacity but also its legitimacy to lead. The equation of the legitimacy with China's fulfillment of what they define as its responsibilities toward the liberal international order explains their continuing mistrust of China's purpose on the one hand, and the Beijing's perception of injustice and threat on the other.

Leadership, in this regard, is central to the rising power's struggle for self-determination and great power status by renegotiating the terms of its rise in a changing international order. Nevertheless, if leadership, as I have shown throughout this thesis, hinges on trust, legitimacy and shared purpose, China's perceptual gap with its neighbors is central to understanding the challenges Beijing faced in converting the country's capabilities to leadership. As chapters four to seven showed, while China demonstrated increasing capacity to provide regional public goods and other material inducements, mistrust of its purpose and negative perception of its growing influence prevented Beijing from uniting member states behind its purpose.

On the other hand, perceptual gap explains why China has continued to seek to enlist followers through selling, even if its action has turned out to heighten mistrust.⁵ China's leadership behavior reflected Beijing's beliefs that the lack of trust

⁵ Shambaugh, "China's Soft-Power Push," 107; "Buying Love; Soft Power," *The Economist*, Vol. 422, No. 9033, (25th March 2017), 56, ProQuest.

is primarily due to misunderstanding of some states and the “Cold War mindset” of others, and that development is the solution to all problems. These beliefs were manifested, for example, in the way China addressed the South China Sea dispute in APT. Nevertheless, as chapters four to seven showed, negative perception of China’s growing economic presence fueled Sinophobia in neighboring states. This explains why, notwithstanding member states’ demand for regional public goods, China’s selling failed to mobilize them behind its purpose.

Second, China’s quest for institutional leadership underscores the indivisibility of domestic politics and international behavior. Domestic economic imperatives to sustain growth and expedite structural reform increased the pressure on Beijing to break the impasse of regional trade and investment liberalization. This explains the shift in the orientation of China’s leadership behavior from relationship to task. Hard selling, in this regard, was a foreign policy solution to the country’s domestic economic challenges.

Third is the indivisibility of China’s leadership challenge and its struggle for “peaceful development.” China cannot safeguard its right to pursue “autonomous” development if it cannot secure what it considers the country’s “core interests.” Nevertheless, not only do many of its “core interests” now have an international dimension; the perceptual gap between China and the world over what its legitimate interests should be have heightened mistrust. On the other hand, success of China’s quest for great power status through peaceful means hinges on the support of others. The challenges China faced in its pursuit of institutional leadership in APT and the SCO, in this regard, were inseparable from the contradictions in its struggle for peaceful development.

The BRI, from this perspective, should be understood as a compromise between relationship and task. While mounting pressure for change from external and internal challenges caused task to take precedence over relationship in China’s leadership behavior, the need to mitigate mistrust among neighboring states resulted in the BRI’s lack of an integrated institutional component. The Xi Jinping administration, meanwhile, continued to deny any intention to seek dominance, shun

the term leadership, emphasize the BRI's collaborative nature and implements it via existing institutions. This, however, means that the BRI is likely to inherit the problems China faced in its attempt to promote regional economic cooperation under APT and the SCO.

The findings of this thesis also raise questions about order and change in world politics. As chapters four to seven showed, China's quest for institutional leadership in APT and the SCO was central to the renegotiation over the geopolitical definition of East and Central Asia. Under Hu Jintao, China's pursuit of institutional leadership represented an attempt to anchor the two regions to the two institutions. In response, the United States, Japan, ASEAN and Russia sought to prevent the rising power from dictating the geopolitical definition of East and Central Asia by integrating them into the broader geopolitical constructs of ASEAN Plus Six, Asia-Pacific, Indo-Pacific or Eurasia. China's launch of the BRI marked an important change in the rising power's approach to the geopolitical reconstruction of East and Central Asia. The superimposing initiative represents an attempt to reintegrate the two regions into an expanding, Sino-centric construct of periphery.

In this regard, research on leadership behavior has important implications for rethinking the nature of international political change. The accelerating shift and diffusion of power following the global financial crisis revived the debate on the power and political structure of world politics. With the exceptions of some such as Monteiro and Beckley, most, if not agreeing on what the configuration of world politics has or will become, at least conclude that unipolarity has ended.⁶ Kupchan, for instance, argues that "hegemonic transition" in an interdependent world will manifest itself in the complex dynamics between "multiple hegemonic zones."⁷ The rise of China and other emerging powers, each with its distinct "path to modernity," means that competition over norms and rules will play a more significant role than before.⁸

⁶ Nuno P. Monteiro, *Theory of Unipolar Politics*, (New York: Cambridge University Press, 2014); Michael Beckley, *Unrival: Why America Will Remain the World's Sole Superpower*, (Ithaca: Cornell University Press, 2018).

⁷ Charles A. Kupchan, "Unpacking Hegemony: The Social Foundations of Hierarchical Order" in G. John Ikenberry (ed.), *Power, Order, and Change in World Politics*, (Cambridge: Cambridge University Press, 2014), 54-5.

⁸ Kupchan, "Unpacking Hegemony," 54-5, 57-8.

“Multipolarity and normative diversity,” he believes, herald “the onset of a more *regionalized* international system [my italics].”⁹

The findings of this thesis, however, present a more complex picture of international political change. As chapters four to seven have shown, even if the global financial crisis and its repercussions did accelerate the regionalization of world politics, neither East nor Central Asia saw the emergence of any “hegemonic zone” or “parallel order.” Despite the shifting regional balance of power, China continued to face considerable constraints in converting power to leadership. The stalemate and fragmentation of APT and the SCO reflected the rising power’s inability to dictate the geopolitical definition of its peripheral regions.

This might suggest that China’s initiatives amounted to change by addition instead of by replacement. The difference between the two is significant. Except a hegemonic war or the emergence of new issue-area such as cyberspace, change in a highly institutionalized order seldom takes place in a “clean slate.”¹⁰ As chapters four to seven showed, Beijing’s institution building, development financing or technology transfer initiatives were adequate to complement but not replace existing structures. Meanwhile, both the Hu Jintao and Xi Jinping administrations continually reaffirmed China’s commitment to the *status quo* and emphasized the complementarity of its initiatives and the existing order. In short, the institutions led or backed by China are not so much parallel as “parasitical” to the existing order.

Contributions

This thesis contributes to the scholarship in four ways. First, the analytical framework of institutional leadership offers an alternative interpretation of China’s international behavior. Since the global financial crisis, China has significantly augmented its investment in multilateralism. Not only has Beijing played a more active role in the American-led global architecture; it has also launched or promoted a variety of new bodies, platforms and initiatives. Yet, notwithstanding the differences in the purpose,

⁹ Kupchan, “Unpacking Hegemony,” 59.

¹⁰ I borrow the term from Kal Raustiala and David G. Victor, “The Regime Complex for Plant Genetic Resources,” *International Organization*, Vol. 58, No. 2, (Spring, 2004), 296-9.

structure and functions of these institutions and China's role within them, the analytical framework of institutional leadership helps us understand the underlying logic of the rising power's institutional behavior. China's success in establishing the AIIB and its failure in negotiating a regional free trade agreement in both APT and the SCO, for instance, were not separate events but related dimensions of the same phenomenon. As chapters four to seven showed, despite China's capability growth, low level of trust restricted Chinese institutional leadership to functional tasks in the economic domain with low uncertainty and interdependence. Nevertheless, mounting pressure for change and the shortage of regional public goods provided the incentives and opportunity for China to invest more and more of its resources in functional cooperation. The contrasting outcomes, in other words, marked the limits of Chinese institutional leadership.

Second, the comparative study of APT and the SCO complements the scholarship on China's multilateralism by shedding light on Beijing's diplomatic activities in international institutions that exclude the United States and the West. As I mentioned in chapter one, Euro-American centrism and *status quo* bias means that the scholarship on China's multilateralism has for a long time tended to see the rising power as a reactive actor either to be socialized or preoccupied with balancing against the United States. As a result, the focus has remained on institutions the United States and the West lead or support. If any claim to great power status begins with "regional preponderance," studying the various institutions, mechanisms and initiatives situated at the margins of American hegemony will broaden our understanding of the ongoing renegotiation between China and the world on the terms of the international order and its role in it.¹¹ This thesis also demonstrates the importance of examining not only the cases where China succeeded but also those where it failed.

Third, this thesis provides a more nuanced interpretation of the BRI by putting it in the context of China's regional diplomacy in East and Central Asia. While scholars continue to disagree on the causes and motivations of China's grand project, we cannot understand the BRI without understanding China's experience in APT and the SCO. As chapters four to seven showed, while the BRI and other initiatives mark

¹¹ Bull, *The Anarchical Society*, 207-9.

a significant change in China's leadership behavior and its approach toward the geopolitical construction of its periphery, they also represent the continuation of the country's struggle to gain trust and legitimacy its quest for peaceful development and great power status. In this regard, the current form of these initiatives reflect China's experience in its regional diplomacy in East and Central Asia.

Fourth, the in-depth analysis of Chinese writings on international relations and foreign policy contributes to greater understanding in the English-speaking academia of China's perspectives on international politics.¹² As chapters one and two have shown, the perceptual gap between China and the world is crucial in shaping the future dynamics of order and change. As the discourse continues to change with international and domestic development, ongoing efforts will be required analyze China's changing perception of the world and its role in it.

Future Directions for Research

The findings point to four future directions for research. First, as I have discussed above, this thesis demonstrates the need for and promise of further research on leadership. Indeed, IR has made less progress than behavioral sciences in the study of leadership. Given the contextual and multidimensional nature of leadership, I do not intend to overstate the applicability of the analytical framework of institutional leadership to other cases; indeed, what the framework demonstrates the most is the need for further efforts to conceptualize, typologize and theorize leadership behavior. Nevertheless, it provides a starting point for understanding the underlying logic of China's institutional behavior and its implications for international change.

China's embarkation on multiple regionalist and institutional initiatives under Xi Jinping has shifted scholarly attention from Western-led institutions to these Chinese projects. The analytical framework of institutional leadership can be used to dissect China's leadership behavior in institutions such as BRICS. Comprised of China, Russia, India, Brazil and South Africa, the grouping had its origins in the rising powers'

¹² In recent years there have been increasing efforts by scholars to analyse Chinese writings on international relations and foreign policy. See, for example, Jinghan Zeng and Shaun Breslin, "China's 'New Type of Great Power Relations': a G2 with Chinese Characteristics?" *International Affairs*, Vol. 92, No. 4, (1st July 2016), 773-94; Lynch, *China's Future*.

shared dissatisfaction with the global economic architecture. Like APT and the SCO, however, the potential geopolitical significance of BRICS has not been realized. The grouping is defined by low level of institutionalization and multilateralism; with the exception of the NDB, cooperation has remained mostly symbolic.

The analytical framework enables us to dissect China's leadership behavior into the tasks it accomplished, the way it accomplished them, and the influence it exercised over the "critical decisions" concerning the grouping's development. Taking contextual variables including capability, institutional design, trust and task structure into consideration, the framework explains why, for instance, has China engaged primarily in relations-oriented behavior? Why was Beijing able to establish a development bank but unable to advance cooperation in other areas? Why did Russia support the NDB in BRICS but oppose the establishment of a multilateral development bank under the SCO? The analytical framework provides an alternative approach to evaluating Chinese institutional leadership and the successes and failures of BRICS. If China can only serve as a supplier of public goods without the ability to sell or broker a more comprehensive institutional bargain, it will not be able to transform the international order according to its vision for a considerable period of time.

Second is China's legitimation strategy. As I pointed out in the previous section, China's quest for institutional leadership in APT and the SCO was a manifestation of its ongoing struggle for legitimacy as a rising power. Scholars have made significant contributions both to the study of legitimacy in IR theory and China's struggle for legitimacy.¹³ Nevertheless, as this thesis has shown, even if Beijing continued to deny any intention to seek hegemony, avoid the term leadership in its diplomatic lexicon and exercise different forms of self-restraint, it was unable to resolve the problem of trust, unite member states behind its purpose and steer institutional development in adaptation to a changing international environment. Certainly task is not the sole purpose of leadership, nor does it always take precedence over relationship. This raise questions about the China's legitimation strategy. From

¹³ Ian Hurd, "Legitimacy and Authority in International Politics," *International Organization*, Vol. 53, No. 2, (Spring 1999), 379-408; Ian Clark, *Legitimacy in International Society*, (Oxford: Oxford University Press, 2005); Downs and Saunders. "Legitimacy and the Limits of Nationalism"; Deng, *China's Struggle for Status*.

the perspective of prospect theory, a rising state is by definition the biggest beneficiary of the *status quo*.¹⁴ Given its capability advantage and the asymmetric interdependence created in its relations with neighboring states, China has the capacity to make strategic concessions at one moment and wait for leadership opportunities to arise in the future. Nevertheless, under what circumstances is China willing to make concessions? How does it balance the need to make concessions against the need for change? These questions can guide future research on China's multilateral and minilateral diplomacy.

Third is the relationship between multilateralism, minilateralism and bilateralism in Chinese foreign policy. The importance of this question has already been noted by some scholars.¹⁵ As chapters four to seven showed, Beijing's repeated reaffirmation of the centrality of APT and the SCO to regional cooperation regardless of their ineffectiveness raises the question of the role of multilateralism in the rising power's visions of world order. This is particularly important with regard to the question of leadership, since institutional design has significant influence on the constraints and possibilities of institutional leadership. The AIIB provides at best part of the answer to the question, as it is at most a functional body that performs tasks with high task certainty and low task interdependence. Does it suggest that international political life in a Chinese world order will be defined by functional organization without political and economic integration?¹⁶

Fourth is the relationship between China's rise and the nature of international political change. As I discussed in the section on my research findings' implications, international change has been conceived primarily as replacement. The changing nature of the international system suggests that the politics of leadership should no longer be understood only in terms of cycles of transition. The simultaneous shift and diffusion of power mean that international leadership will be distributed differently in

¹⁴ Randall L. Schweller, "Rising Powers and Revisionism in Emerging International Orders," *Valdai Papers* 16, (2015), <http://valdaiclub.com/files/11391/>

¹⁵ William T. Tow and Brendan Taylor, *Bilateralism, Multilateralism and Asia-Pacific Security*, (Abingdon: Routledge, 2013).

¹⁶ Shaun Breslin, "Leadership and Followership in Post-Unipolar World: Towards Selective Global Leadership and a New Functionalism?" *Chinese Political Science Review*, Vol. 2, No. 4, (December 2017), 494-511.

different issue-areas; in a “nonpolar,” “G-Zero” or “no one’s world,” solution to global challenges requires “collaborative leadership.”¹⁷ China, as in the case of the BRI and the AIIB, repeatedly emphasizes the complementarity of its initiatives and the existing architecture. Nevertheless, more often than not these parallel structures do not coexist as equals. Will the shift in the balance of power set off a competition that would result in the dominance of the Chinese-led structures, or will these parallel structures accumulate and, rather than replacing the existing order, simply increase its complexity?

“Pure politics,” de Jouvenel argues, is fundamentally concerned with “aggregates of men.”¹⁸ The driving force behind the formation and evolution of aggregates is *vis politica*, the “capacity to bring into being a stream of wills, the capacity to canalize the stream, and the capacity to regularize and institutionalize the resulting cooperation.”¹⁹ As the global financial crisis severely weakened the stream, world politics has since entered into a period of upheavals. After four decades of “reform and opening-up,” China has become a center of gravity whose action has enormous impact on its neighbors and the world. Yet only when the rising power is capable and ready to lead will it be able to channel the drifting wills into a new course.

¹⁷ Richard N. Haass, “The Age of Nonpolarity: What will Follow U.S. Dominance,” *Foreign Affairs* 87, No. 3, (May/June 2008), 44-56; Ian Bremmer, *Every Nation for Itself: Winners and Losers in a G-Zero World*, (New York: Penguin, 2012); Kupchan, *No One’s World*; Ole Wæver and Zhimin Chen, “Introduction: International Leadership in an Age of American Retreat, Chinese Return and Global Urgency,” *Chinese Political Science Review*, Vol. 2, No. 4, (December 2017), 445-51; Breslin, “Leadership and Followership in Post-Unipolar World.”

¹⁸ Bertrand de Jouvenel, *Sovereignty: An Inquiry into the Political Good*, (Cambridge: Cambridge University Press, 1957), 20.

¹⁹ De Jouvenel, *Sovereignty*, 21.

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Interviews

Interviewee	Date	City	Discription
1	16 th March 2016	Beijing.	A scholar on international political economy.
2	17 th March 2016	Beijing	A scholar on Asia-Pacific security.
3	18 th March 2016	Beijing	A scholar on Sino-Russian relations.
4	20 th March 2016	Beijing	A think tank researcher on Asia-Pacific security.
5	21 st March 2016	Beijing	A scholar on Southeast Asia.
6	25 th March 2016	Beijing	A scholar on international relations theory and East Asia.
7	25 th /30 th March 2016	Beijing	A think tank researcher on international political economy.
8	29 th March 2016	Beijing	A scholar on the BRI.
9	30 th March 2016	Beijing	A think tank researcher on international security.
10	5 th April 2016	Beijing	A scholar on Russia and Eurasia.
11	7 th April 2016	Beijing	A scholar on international relations theory and East Asia.
12	8 th April 2016	Beijing	A scholar on Russia.
13	13 th April 2016	Beijing	A think tank researcher on Southeast Asia.
14	14 th April 2016	Beijing	A scholar on international political economy.
15	15 th April 2016	Beijing	A scholar on Japan.
16	18 th April 2016	Beijing	A think tank researcher on East Asia.
17	29 th April 2016	Shanghai	A scholar on Japan.

18	3 rd May 2016	Shanghai	A scholar on international relations
19	4 th May 2016	Shanghai	A scholar on Chinese foreign policy.
20	5 th May 2016	Shanghai	A scholar on Russia.
21	6 th May 2016	Shanghai	A scholar on Japan
22	10 th May 2016	Shanghai	A think tank researcher on Russia.
23	10 th May 2016	Shanghai	A think tank researcher on East Asia.
24	11 th May 2016	Shanghai	A think tank researcher on East Asia.
25	13 th May 2016	Shanghai	A think tank researcher on India.
26	16 th May 2016	Shanghai	A scholar on Russia
27	17 th May 2016	Shanghai	A think tank researcher on Russia.
28	17 th May 2016	Shanghai	A think tank researcher on Russia
29	19 th May 2016	Shanghai	A think tank researcher on Russia.
30	26 th August 2016	Guangzhou	A scholar on international security.