

CIIS Report

**China's New Neighborhood
Diplomacy: Seeking Stability
Through Management
and Planning**

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中国国际问题研究院
CHINA INSTITUTE OF INTERNATIONAL STUDIES

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China's New Neighborhood Diplomacy: Seeking Stability Through Management and Planning

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Acronyms

ADB	Asian Development Bank
ADIZ	Air Defense Identification Zone
ADMM-Plus	ASEAN Defense Ministers' Plus Meeting
AIIB	Asian Infrastructure Investment Bank
APEC	Asia-Pacific Economic Cooperation
AR	Autonomous Region
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
BCIM	Bangladesh-China-India-Myanmar
BIT	Bilateral Investment Treaty
CASCF	China-Arab States Cooperation Forum
CICA	Conference on Interactions and Confidence Building Measures in Asia
COC	Code of Conduct
CPC	Communist Party of China
CPEC	China-Pakistan Economic Corridor
DPRK	Democratic People's Republic of Korea
DOC	Declaration on the Conduct of Parties in the South China Sea
EAS	East Asia Summit
EEU	Eurasian Economic Union
ETIM	East Turkistan Islamic Movement
FTA	Free Trade Area
FTAAP	Asia-Pacific Free Trade Area
GCC	Gulf Cooperation Council
IS	Islamic State
PPP	Public-Private Partnership
PRC	People's Republic of China
ROK	Republic of Korea
RCEP	Regional Comprehensive Economic Partnership
RCTS	Regional Counter-Terrorism Structure
SCO	Shanghai Cooperation Organization
TPP	Trans-Pacific Partnership
UNCLOS	United Nations Convention on the Law of the Sea
UNESCO	United Nations Educational, Scientific and Cultural Organization

Summary

China's neighborhood diplomacy is taking a fascinating turn. Since the Work Forum on Neighborhood Diplomacy held by the Central Committee of the Communist Party of China (CPC) in October 2013, China's neighborhood diplomacy has focused on carrying out the spirit of General Secretary Xi Jinping's speech in pursuit of the guideline of building friendship and partnership with its neighbors, implementing the policy of harmony, security and common prosperity in its neighborhood and upholding the principles of amity, sincerity, mutual benefit and inclusiveness in its neighborhood policy, intent on living in harmony with all its neighbors.¹ The interconnection and interdependence between China's economy and that of the rest of the Asia-Pacific and the world at large have continued deepening. China will concentrate its energy on addressing its own affairs well and at the same time strive to benefit the rest of the region and the world with its own development. Guided by this thinking, China's neighborhood diplomacy has taken on a new look of seeking stability through management and planning.

First of all, with global situation in view, China has concentrated on its neighborhood, making high-level visits that cover its neighboring countries in an all-round way, expanding bilateral and multilateral cooperation and enhancing its influence in its neighborhood. As pointed out in General Secretary Hu Jintao's work report to the CPC 18th National Congress, "We call for promoting equality, mutual trust, inclusiveness, mutual learning and mutually beneficial cooperation in international relations and making joint efforts to uphold international fairness and justice." This displays China's global perspective. China's new leadership has taken the country's neighborhood as a focal point of diplomacy, launching unprecedentedly intensive offensives of neighborhood diplomacy. The footprints of President Xi Jinping and Premier Li Keqiang have covered all four directions of China's neighborhood. President Xi has visited Russia and held several summits with President Putin, reaching with the latter strategic consensus of offering and seeking mutual assistance and making solid progress in deepening China-Russia strategic partnership of coordination. Chinese leaders have respectively paid visits

1 "Xi Jinping Zai Yatai Jinghe Zuzhi Gongshang Lingdaoren Fenghui Shang De Yanjiang"(Speech by President Xi Jinping, at the Opening Ceremony of the APEC CEO Summit), Nov. 9, 2014,, <http://www.apec-china.org.cn/41/2014/11/13/3@2582.htm>.http://www.fmprc.gov.cn/mfa_chn/zyxw_602251/t1208842.shtml.

to countries in Central Asia, Southeast Asia, Northeast Asia and South Asia, further consolidating the geo-strategic underpinning in China's western neighborhood and strengthening Sino-ASEAN mutually beneficial cooperation. Moreover, President Xi have paid separate visits to the ROK and Mongolia and the summit of heads of state of China, Russia and Mongolia was held, which has given China the initiative in handling Korean Peninsula and Northeast Asian affairs. During his visit to the three South Asian countries (Maldives, Sri Lanka and India) in September 2014, Xi Jinping expounded on China's policy toward India and South Asia. At the East Asia Summit (EAS) held on November 13, 2014, Li Keqiang pointed out that China has always acted as an important force for peace and stability in East Asia and that China is firmly committed to the path of peaceful development. Li also said that China is ready to work with other countries in the region to build an Asian community of shared interests, share responsibilities and a shared destiny. According to Li, to achieve durable peace and stability in East Asia requires the backing of strong institutional arrangements and for that reason China stands ready to become the first dialogue partner to sign with ASEAN a treaty of friendship and cooperation. Moreover, China is ready to explore the conclusion of legal documents on good-neighborliness with more countries in the region with a view to achieving lasting peace in East Asia and proposes that the EAS conduct in-depth discussions on the outlook and principles for security cooperation in order to build consensus and make joint efforts to safeguard security and stability in the region. China is also willing to make concerted efforts with other East Asian countries to address non-traditional security challenges, such as terrorism, infectious diseases, climate change and disaster management.²

Secondly, to lead the trend of peace, development and cooperation in its neighborhood, China has brought into full play the advantage of home-court diplomacy, endeavored to implement the Belt and Road initiative³, and turned new initiatives and concepts from idea to practice. The world looks up to the Asia-Pacific. The Asia-Pacific looks up to China. Taking the opportunity of hosting the 2014 Conference on Interactions and Confidence Building Measures in Asia (CICA), China put forward the concept of Asian security, which features common, comprehensive, cooperative and sustained security, thereby enhancing its say on regional security issues. On October 31, 2014, China hosted the 4th Foreign Ministerial Conference of the Istanbul Process on Afghanistan, both Premier Li Keqiang and President Ashraf Ghani of Afghanistan jointly attending the opening

2 "Remarks by H. E. Li Keqiang, Premier of the State Council of the People's Republic of China, at the Ninth East Asia Summit", Nov. 13, 2014, http://english.gov.cn/premier/speeches/2014/11/15/content_281475010415779.htm.

3 The Belt and Road initiative refer to the Silk Road Economic Belt and the 21st Century Maritime Silk Road, which were proposed by Chinese President Xi Jinping in September and October 2013 when he visited Central Asia and Southeast Asia.

ceremony and delivering speeches. By hosting the 2014 Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting, China took on the mantle of a major country, contributing Chinese solutions and Chinese wisdom. Of more than 100 proposals for cooperation from APEC economies, over 50 originated from China, involving such key issues as regional economic integration, innovative economic development, reform, and interconnectivity. China has changed from a participating player to a leading one, making clear the direction for future development of the APEC. China has forcefully promoted the Asian Infrastructure Investment Bank (AIIB) and launched the Silk Road Fund, with a contribution of US\$ 40 billion, which are in perfect unity and coherence with the previous land-sea coordinated Belt and Road initiative, putting in place a new investment and banking platform for infrastructural development in Asia. The CICA mainly discusses political and security issues whereas the APEC serves as a platform for advancing economic and trade cooperation, both of which, adding radiance to and mutually reinforcing one another, presented a striking “two-wheel drive” model of parallel progress in both the political-security field and the economic field. As Chinese Foreign Minister Wang Yi observed, “the APEC Beijing summit was a successful exercise of major-country diplomacy with Chinese characteristics. It was significant and would have a long-term impact. China would continue to let out “Chinese voices”, come up with “Chinese solutions” and contribute “Chinese wisdom”, making efforts to turn Chinese opportunities into world opportunities and turn world opportunities into China's in order to realize the Chinese dream of great renewal of the Chinese nation.”⁴

Thirdly, from Sunnylands Meeting to Yingtai Meeting, China has pushed for “early harvest” of the Sino-American new model of major-country relations. Between November 10 and 12, 2014, U.S. President Barack Obama made a state visit to China at the invitation of President Xi Jinping. On November 11, Xi Jinping and Obama held a historic Yingtai Meeting at Zhongnanhai compound. The two leaders had in-depth interaction for a long time, meeting, conversing, strolling together and chatting over tea. After Xi Jinping met Obama in Sunnylands retreat in the United States when both sides committed themselves to building a new model of major-country relations, it marked another important meeting when both sides further reaffirmed to promote the construction of the new model of major-country relationship and to strengthen practical cooperation. As Xi Jinping remarked, “The strategic significance of China-U.S. relations is on the rise. ... Both President

4 “Beijing APEC: Chengqianqihou Biaoingshice De Shenghui” (APEC Beijing Summit Is a Historic Meeting, Serving as a Link Between Past and Future”, *Guangming Daily*, Nov. 14, 2014, http://news.gmw.cn/2014-11/14/content_13830654.htm.

Obama and I believe that when China and the United States work together, we can become an anchor of world stability and a propeller of world peace. China stands ready to work with the United States to firm up our confidence, exercise our wisdom, and take action to strengthen our coordination and cooperation bilaterally, regionally and globally; and to effectively manage our differences on sensitive issues so that we can make new gains in building the new model of major-country relations between China and the United States, which serves the fundamental interests of our two peoples and the people elsewhere in the world”.⁵

Xi Jinping emphasized that both sides should make efforts in six priority areas⁶ and putting into effect such principles as non-confrontation, non-conflict, mutual respect, and win-win cooperation. China and the United States achieved several important results and reached consensus on strengthening bilateral, regional and global cooperation, reaping “early harvest”. Both sides agreed to quicken negotiations for the Bilateral Investment Treaty (BIT), striving to reach agreement on core issues and key articles by the end of 2014 and to start talks for a negative list by 2015. Both sides regarded positively the agreement between the two countries on enlarging the scope of negotiations for the Information Technology Agreement. China and the United States issued the Sino-U.S. Joint Statement on Climate Change, jointly announcing their respective post-2020 targets and pledging to make sure that international climate change negotiations would reach an agreement as scheduled at the Paris Conference in 2015 and to deepen practical cooperation in clean energy, environment protection and other areas. This marked a turn-about for global talks on climate change that had been in trouble for years. China and the United States agreed to issue 10-year, multiple-entry visas for each other’s business travelers and tourists, and 5-year, multiple-entry visas for students. Both sides reaffirmed their firm opposition to terrorism of all forms, and agreed to conduct international counterterrorism cooperation on the basis of the UN Charter and the basic norms of international relations. Both sides would enhance law enforcement cooperation, continuing cooperation on fugitives hunting, recovery of criminal proceeds, drug control and cracking down on cyber-crimes. Both sides would work with the rest of the international community to help African countries affected by the Ebola virus to fight against the disease. Both sides would continue

5 “President Obama and President Xi Jinping in Joint Press Conference”, November 12, 2014, <https://www.whitehouse.gov/the-press-office/2014/11/12/remarks-president-obama-and-president-xi-jinping-joint-press-conference>.

6 The six priority areas are first, to strengthen high-level communication and exchanges so as to enhance mutual strategic trust; secondly, to handle bilateral relations on the basis of mutual respect; third, to deepen exchanges and cooperation in all fields; fourth, to manage differences on sensitive issues in a constructive way; fifth, to conduct inclusive coordination in the Asia-Pacific region. As President Xi have said on several occasions, the Pacific Ocean is broad enough to accommodate the development of both China and the United States. And sixth, to join hands in dealing with various regional and global challenges. http://www.fmprc.gov.cn/mfa_chn/zyxw_602251/t1209988.shtml.

to strengthen dialogue and cooperation on the Iranian nuclear issue, the Korean nuclear issue and the Afghan issue for proper and appropriate solutions. At present, China and the United States account for a quarter of the world population, a third of the world economy and a fifth of global trade, the issues in focus between the two countries being both profound and broad. The leaders of both countries are pushing to change the initiative of a new model of major-country relations between the two countries from concept to concrete results, to make it bloom and bear fruits for the benefit of the two societies and peoples and of the Asia-Pacific and the world at large.

Fourthly, to manage differences and frictions constructively and be “harmonious but different” partners. To manage differences is also cooperation and likewise requires parties to move towards one another. As Xi Jinping remarked, “Those who share the same ideal and follow the same path can be partners. Those who seek common ground while shelving differences can also be partners.”⁷ More friends, more opportunities. As a result of the Xi-Obama meeting, the Chinese and American militaries signed Memorandum of Understanding on Notification of Major Military Activities Confidence-Building Measures Mechanism and Memorandum of Understanding Regarding the Rules of Behavior for Safety of Air and Maritime Encounters. The military-to-military relationship between the two countries has always been complex, sensitive and relatively fragile. The signing of the above documents is a case in point of constructive management of differences that enhances predictability of Sino-U.S. military activities and helps avoid triggering off a conflict by accident. Another case in point is China and Japan reaching four-point principle agreement to handle and improve bilateral relations, which is as follows: that the two sides would follow the principles and spirit of the existing four political documents between the two countries and continue to develop China-Japan strategic relationship; that both sides also reached some agreement on overcoming political obstacles in bilateral relations in the spirit of “facing history squarely and looking forward to the future”; that both sides acknowledged that different positions exist between them regarding the recent tensions over the Diaoyu Islands and some waters in the East China Sea, and agreed to set up crisis management mechanisms in order to prevent further aggravation; and that both sides agreed to gradually resume political, diplomatic and security dialogue through various multilateral and bilateral channels and to make efforts to build political trust.⁸ It was an important step in the direction of improving Sino-Japanese

7 Address by H.E. Xi Jinping, President of the PRC to the APEC CEO Summit on Nov. 9, 2014, <http://www.apec-china.org.cn/41/2014/11/13/3@2582.htm>.

8 “Yang Jiechi Huijian Riben Guojia Anquan Baozhang Juzhang Gunei Zhengtailang, Zhongri Jiu Chuli He Gaishan

relations. On the South China Sea issue, China has conducted close and effective communication and dialogue with ASEAN countries regarding comprehensive and effective implementation of the Declaration on the Conduct of Parties in the South China Sea (DOC) and promotion of practical maritime cooperation. Li Keqiang “put forward a ‘dual-track’ approach, making it clear that specific disputes are to be addressed by countries directly concerned peacefully through negotiation and consultation based on historical facts, international law and the DOC, and that peace and security of the South China Sea be jointly upheld by China and ASEAN countries working together”. Li said,

“We stressed the need to actively advance practical maritime cooperation and accelerate the establishment of cooperation mechanisms in such areas as joint maritime search and rescue, scientific research, environmental protection and crackdown on transnational crimes. We agreed to engage actively in consultations and, on the basis of consensus-building, conclude a Code of Conduct (COC) at an early date. China stands ready to work with ASEAN countries to promote full and effective implementation of the DOC and consultation on a COC, so as to effectively boost communication and mutual trust, expand consensus and cooperation and turn the South China Sea into a ‘sea of peace, friendship and cooperation’ for the benefit of people of all countries in the region.”

Looking ahead, China’s neighborhood remains “the chief preoccupation” of Chinese diplomacy and the strategic base for the rise of the country. China’s development has benefited from that of its neighboring countries and progress of the world. China is willing to provide its neighboring countries with opportunities and space for common development. As Xi Jinping observed, “All countries are welcomed to board the train of China’s development. Either for a fast ride or for a free ride is welcome.”¹⁰ China’s new diplomacy will take into account both righteousness and benefit, be forceful both in virtue and power, and couple strength with delicacy. It will rise to the challenge, take advantage of the situation and endeavor to probe a path to a new-model of harmonious co-existence and mutually beneficial situation for all neighboring countries.

Zhongri Guanxi Dacheng Sidian Yuanze Gongshi” (State Councilor Yang Jiechi Meets Shotaro Yachi, Head of the Japanese National Security Council’s Secretariat, China and Japan Reaching Four-point Principle Agreement on Handling and Improving Sino-Japanese Relations)], Nov. 7, 2014, http://www.fmprc.gov.cn/mfa_chn/zyxw_602251/t1208349.shtml.

9 “Remarks by H.E. Li Keqiang, Premier of the State Council of the People’s Republic of China, at the 17th ASEAN-China Summit”, Nov. 14, 2014, http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1212266.shtml.

10 “Xi Jinping: Welcome aboard China’s train of development”, http://news.xinhuanet.com/english/china/2014-08/22/c_133576739.htm.

I. Introduction

Committed to the road of peaceful development, China pursues a good-neighborly and friendly policy and deepens mutually beneficial cooperation with its neighboring countries, writing “the China story”, a legend in the 21st century, and making major contributions to the prosperity and stability of its neighborhood. In 2013, trade volume between China and Southeast Asian and South Asian countries exceeded US\$ 1.14 trillion, half of China’s top ten trading partners being Asian countries and over 70 percent of Chinese outward investment being made to countries and regions in Asia. For many Asian countries, China has become their biggest trading partner, export market and source of inward investment. China is an important participant and promoter of regional security mechanisms and economic and trade mechanisms in Asia, being a strong force for safeguarding regional peace and stability and for promoting regional growth and prosperity. In the process of China deepening the reform comprehensively, the mutual penetration of economic interest between China and the rest of Asia will become more intertwined, a community of shared destiny being imminent to appear.

China’s development today is at a period of uphill struggle. To make passive response to the situation lives up neither to the inherent demand of deepening reform and opening-up and realizing the “two centennial goals”¹ nor to the expectation of the international community for China to play an even greater role. As required by the domestic and international situations, China should move from seeking advantage to seeking potential, working on structural planning and becoming more progressive and proactive. Internationally, much is counted on China, expecting the country not only to export commodities but also to contribute plans. It is a test on China’s capacity to take up its responsibility if it can make timely and positive responses. It requires China to show its development direction and strategic intent to the whole world with confidence rather than keep them to itself in confidence and to be open for cooperation with all countries in the world. China needs not only to stabilize its east front but also to “go west”. From Silk

1 The two centennial goals refers to the completion of the building of a moderately well-off society by 2021, the year marking the 100th anniversary of the founding of the CPC, and the accomplishment of developing China into a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious by 2049, the year marking the 100th anniversary of the founding of the PRC.

Road Economic Belt (hereafter abbreviated as “the Economic Belt) to Bangladesh-China-India-Myanmar (BCIM) Economic Corridor, from China-Pakistan Economic Corridor (CPEC) to the 21st Century Maritime Silk Road, from the upgraded version of China-ASEAN Free Trade Area to the Asia-Pacific Dream and to Asia-Pacific Free Trade Area (FTAAP), all these initiatives embody the new, progressive posture of Chinese diplomacy.

In the face of a rising China, the mentality of China’s neighboring countries has changed quietly. On the one hand, their expectations are on the rise, hoping to share more dividends of China’s development and requesting the country to shoulder greater responsibilities. On the other, their worries also increase, fearing that China would become “the sole dominant country” in Asia, squeeze their space for development and take the path of “a strong country necessarily seeking hegemony”.

In fact, China’s neighboring countries have to face both pressures from the growth of Chinese national strength and the spill-over effects of this proactive Chinese diplomacy. Affected by the double changes, some of the countries feel so ill at ease that they make misjudgments and lift a rock only to drop on their own toes. Some of them tend to think that whatever they do to China, China would swallow insult and humiliation silently, seemingly being used to China making “passive response” or “concessions to avoid trouble”. As such, they wish to follow the set pattern, encroaching on China’s territories and violating its core national interest while expecting China to make no reaction, otherwise China would allegedly move away from the road of peaceful development. Some of the countries are not accustomed to the transformation of China’s diplomacy, taking its legitimate conducts to protect its national sovereignty and territorial integrity as “threats” and purposely dwelling on China’s “assertive diplomacy”. Some of the people harbor the mentality that “it is allowed for me to bash you but it is not for you to return the bash”, being so self-assured that situation is in their favor that they reach out for a yard after taking an inch. At present, China faces grave situation in maintaining its maritime rights and interests in the neighborhood where its islands and reefs are taken away, its resources are plundered and its waters are divided up by others. Facing the situation, China can either firmly uphold its rights or do nothing. By doing the former, China will be labeled “being assertive”. However, even if China submits to humiliation and does the latter, nobody will be satisfied.² China’s new, proactive diplomacy is a timely and sharp warning for them. China will unswervingly take the road of peaceful development and so should related

2 Ruan Zongze, “Zhongguo Waijiao Shi ‘Zuojianzifu’ Ma?” (Has Chinese Diplomacy Fallen Into a Pit of Its Own Digging?), *Guoji Xianqu Daobao* (*The International Herald Leader*), June 13, 2014.

countries. Otherwise, China will take resolute counter-measures to protect its legitimate rights and interests and to preserve the overall situation of stability and peaceful development in Asia.

As Xi Jinping observed during his visit to Australia, “China is a large country of over 1.3 billion people. It is like a big guy in the crowd. Others will naturally wonder how the big guy will move and act and be concerned that the big guy may bump into them, stand in their way or even take up their place.”³ To deal with such misgivings, Xi Jinping remarked, “While China is big in size, our forefathers realized over 2,000 years ago that ‘a warlike state, however big it may be, will eventually fall’. ... China is dedicated to upholding peace. ... Peace is precious and needs to be protected. ... If people just want to enjoy peace but do nothing to uphold it, peace will be gone. We Chinese are committed to pursuing peaceful development, and we sincerely hope that all other countries will do the same.”⁴ This indicates that China is willing and capable of protecting peace and stability in the Asia-Pacific region.

History tells us that China’s path to a strong country starts at its neighborhood. To achieve the Chinese dream, i.e. the great renewal of the Chinese nation, it is necessary to link the dream of the Chinese people with that of the rest of Asians, which primarily needs recognition and support of other Asian countries. The more China develops and the closer its relations with the rest of Asia and the world at large, the more it is necessary for China to consolidate its strategic base in Asia and particularly in its neighborhood. It is necessary for China to carry forward and innovate on its long-held good-neighborly and friendly neighborhood policy, which needs to place China’s development and security in the context of overall development and common security of Asia as a whole. It is not only China’s responsibility and commitment to Asia’s future and destiny but also the strategic choice it must make for its own long-term development.⁵

China has entered the “Silk Road Era”, as the bold vision of “the Economic Belt” and “the 21st Century Maritime Silk Road” will be the two wings boosting the great opening and development of the country in the future, finding converging points for common development of China, countries in Central Asia and Southeast Asia and other countries in the world. With regard to the Maritime Silk Road,

3 “Jointly Pursue Dream of Development for China and Australia and Realize Prosperity and Stability in Our Region - Address by H.E. Xi Jinping, President of the People's Republic of China at the Parliament of Australia”, Nov. 17, 2014, http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1225915.shtml.

4 Ibid.

5 Liu Zhenmin, “Insisting on Win-Win Cooperation and Forging the Asian Community of Common Destiny Together”, *China International Studies*, No.45, March/April 2014.

Southeast Asia is the core area of rivalry between several mechanisms for the Asia-Pacific, a confluence of various free trade arrangements like the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). The Maritime Silk Road that China promotes is an inclusive, cooperative concept. It is a recognition and consolidation of the pilot role played by ASEAN in regional cooperation. The task for building land-based Silk Road is also an arduous one. China has proposed “connectivity in five aspects” including policy, road, trade, currency and common aspiration of the people, which interfaces cooperation within the framework of Shanghai Cooperation Organization (SCO), both mutually supporting each other, helpful for the Central Asian countries to extend their space for development and enhance their capacity for outward development.



II. Introduction to Neighborhood Diplomacy

What does China's neighborhood refer to? There are narrow-sensed neighborhood and broad-sensed neighborhood. Besides traditional neighboring countries, it is necessary to establish the concept of "greater neighborhood", which includes the United States and European countries. The neighborhood has very important bearings on China's existence and development. In recent years, the relations between China and its neighboring countries have witnessed rapid growth, with unprecedented increase of interdependence and fusion of interest. China's development demands a neighboring environment featuring peace and stability and, likewise, its neighborhood needs prosperity and development of China.

A. The definition and positioning of neighborhood

China is the country with the greatest number of neighboring countries in the world, among which on land joined by rivers and mountains are 14 countries, including Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Mongolia, the DPRK, Vietnam, Laos, Myanmar, India, Bhutan, Nepal, Pakistan and Afghanistan, and separated by the sea are six countries including the ROK, Japan, the Philippines, Malaysia, Brunei and Indonesia, totaling 20 neighboring countries. China has a borderline of over 22,000 kilometers, with many ethnic groups inhabiting across the borders, which is a unique landscape. That makes China's traditional neighborhood.

As the rapid progress of globalization makes true the ancient aspiration of "collapsing distance and making everyone your neighbor", the traditional concept of neighborhood can no longer adapt to the new, changing situation. It becomes necessary to look at the relations with neighboring countries in a broader perspective, actively develop China's relations with its greater neighborhood and establish a more extensive concept of neighborhood diplomacy. In concrete terms, "greater neighborhood" diplomacy boils down to two tiers, the first tier referring to China's relations with its traditional close neighbors, and the second tier, China's relations with Russia, EU countries and the United States.⁶ That is a necessary result of the development of international situation.

6 Ruan Zongze, "Gouzhu Xin Shiji Da Zhoubian Waijiao" (Developing Greater Neighborhood Diplomacy for the New Century), *Liaowang Xinwen Zhoukan (Outlook Weekly)*, Issue 38, 2001, p.3.

Looking back in Chinese history, especially modern and contemporary history, whenever China enjoys good relations with its neighboring countries, the country's stability and development can be secured. Otherwise, the country will "have no day of peace with disruption from nearby states". As far back as more than two thousand year ago, Chinese forefathers came up with the wisdom that "benevolence and good-neighborliness are treasured assets of a country". As another Chinese saying goes, "A close neighbor is better than a kinsman afar." China's peaceful development calls for a favorable external environment. China's prosperity can only be achieved on the basis of benign interaction with its neighboring countries. The more China develops, the more it cherishes a peaceful and stable neighboring environment.

In terms of geographical location, natural environment and interrelationship, the neighborhood is of immensely important strategic significance to China. At present, great changes have happened in the situation and environment of China's neighborhood and in China's relations with its neighbors, with still closer economic and trade ties and even more frequent interaction. China's neighborhood is full of vigor and vitality, endowed with remarkable development advantage and potential and able to maintain general stability, good-neighborliness, friendship and win-win cooperation, which is the mainstream of the relationship between China and its neighboring countries. China's neighborhood policy must be subject to and at the service of achieving "the two centennial goals" of the country and the renewal of the Chinese nation, comprehensively developing China's relations with its neighbors, cementing good-neighborliness and friendship, intensifying win-win cooperation and safeguarding its national sovereignty, security and development interests. It is necessary for China to make efforts to further improve political relations, strengthen economic ties, deepen security cooperation and enhance cultural exchanges with its neighboring countries.

B. Track record of China's good relations with its neighboring countries

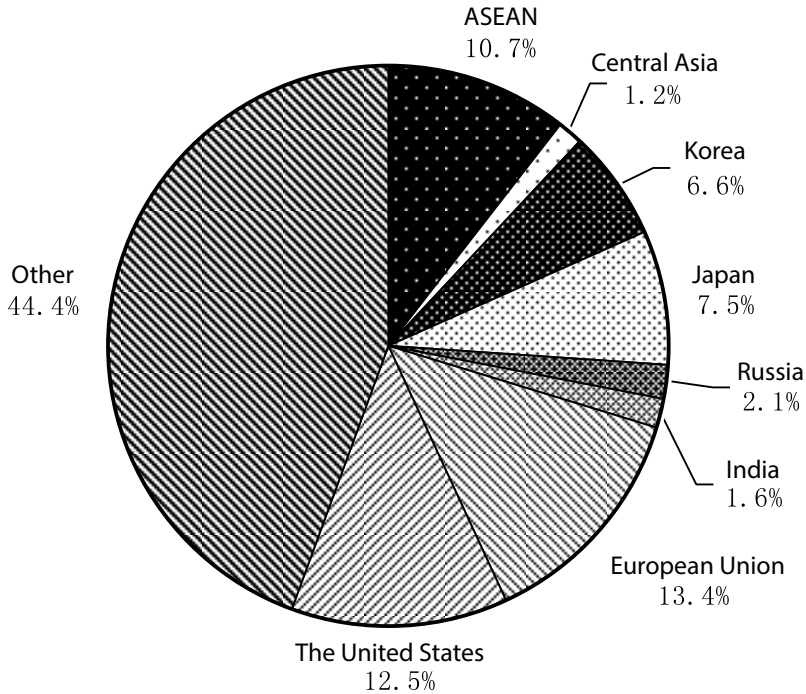
China and its nearby states are closely related and mutually dependent like lips and teeth, though there are inevitable different opinions and interests between them. There is nothing to fear to have contradictions, the key resting with properly managing and resolving them. China has constantly taken a positive and constructive approach in handling its contradictions and differences with its neighbors. In recent years, affected by multiple factors from within and beyond the region, China's disputes with a few periphery countries over maritime rights

and interests have somewhat heated up. China has consistently persevered in the principles of “shelving differences and seeking common development”, insisting on resolving the disputes through dialogue with concerned countries. On the whole, the mainstream of China’s relations with neighboring countries is good-neighborliness, friendship and mutually beneficial cooperation.

Mutual political trust between China and its neighboring countries is on the rise, convergence of interest among them intensifies, and regional cooperation in the Asia-Pacific surges ahead. China has appropriately solved border issues with 12 countries by means of peaceful negotiations, demarcating boundary lines accounting for 90 percent of China’s total land borderline, among which border issues with Russia and Central Asian countries have been completely resolved, setting an example for peaceful resolution of border issues. When Central Asian countries won independence, China immediately recognized them. In the past twenty-odd years, China’s relations with Central Asian countries have undergone a full-fledged development.

China’s development has benefited its neighborhood first. For over thirty years of reform and opening-up, China has made tremendous achievements in development, its development benefiting the neighboring countries the earliest and the most. For many of its neighbors, China has become the biggest trading partner, the largest export market and an important source of foreign investment. In 2013, China’s foreign trade volume totaled US\$ 4,160.33 billion, among which the trade volume with ASEAN countries being US\$ 443.6 billion, that with five Central Asian countries, US\$ 50.2 billion, that with the ROK, US\$ 274.25, that with Japan, US\$ 312.55 billion, that with Russia, US\$ 89.21 billion and that with India US\$ 65.95 billion. During the same period, China’s trade volume with the EU amounted to US\$ 559.04 billion and that with the United States, US\$ 521 billion (see Figure 1).⁷ In another word, the sum of China’s trade volume with the ROK and Japan has surpassed that with the EU, and the sum of China’s trade volume with ASEAN countries, Central Asia and Russia has overtaken that with the United States. It is projected that in the coming decade, China’s outward investment will total US\$ 1.25 trillion. In the next five years, the accumulation of China’s commodity imports will exceed US\$ 1 trillion, and outgoing tourists of the country will surpass 500 million person-times. China’s development has brought great opportunities and benefits to the Asia-Pacific and the world at large, with lasting and unlimited business opportunities, which undoubtedly will bring a new round of great opportunities for development of its neighboring countries.

⁷ Based on data from the website of the Chinese Ministry of Commerce, Government of China: <http://www.mofcom.gov.cn/>.

Figure 1. Distribution of China's foreign trade, 2013

In September 2013, President Xi Jinping visited Russia and four Central Asian states, comprehensively elevating China's relations with them, making major achievements in practical cooperation and further strengthening strategic partnership with those countries. China has also made positive contributions to regional security and cooperation. In the past fourteen years since the establishment of SCO, its member countries have forged a close community of shared destiny and interest, producing fruitful results in multiple areas of security, economic and cultural cooperation. In particular, the SCO has played an indispensable role in the crackdown of terrorism, separatism and extremism, and the maintenance of regional stability. Meanwhile, China has set up strategic partnerships with most of the countries in East Asia and South Asia, and amity and soundness have become the mainstream of their bilateral relations. Since 2013, principal Chinese leaders Xi Jinping and Li Keqiang have paid intensive visits to neighboring countries, meeting their counterparts and making multiple proposals to intensify mutual cooperation and to build community of shared destiny, which has resulted in the signing of a series of cooperation agreements and the creation of a new situation of China's neighborhood diplomacy.

There is great promise of cooperation between China and its neighboring countries. At present, the world economic pattern is undergoing profound readjustment. As China has blown the horn for a new round of reform and opening-up, many of its neighboring countries seek development at a higher level. Against this backdrop, it is necessary for China and its neighboring countries to keep advancing their cooperation with the times and to build new platforms and models of cooperation so that the economic ties between them can be strengthened, cooperation deepened and development space further expanded. Since 2013, members of the new Chinese leadership have paid visits to about a dozen neighboring countries, proposing a number of new concepts and new initiatives on comprehensively enhancing cooperation including joint construction of a community of shared destiny between China and ASEAN countries, building the 21st Century Maritime Silk Road, preparation for the Asian Infrastructure Investment Bank (AIIB), working on an upgraded version of China-ASEAN FTA and the construction of the Economic Belt. Cooperation between China and its neighboring countries is at a new point of departure.⁸

C. The status of neighborhood in Chinese diplomatic layout

Over the years, in the layout of China's diplomacy that "big powers are the key, neighbors are paramount", neighborhood diplomacy has taken a very important position. As China continues to ascend, the country's relations with its neighbors and the rest of the world are undergoing profound changes. Either in economic terms or in geopolitical terms, the importance of neighborhood to China is on the rise. China's relations with its neighbors have become a yardstick for the outside world to measure the seriousness of China to fulfill its promise on peaceful development. In the process of China's growth from a regional power to a global power, the neighborhood is both an important strategic base and a test ground for China to practice the concept of peaceful development. However, as the United States has advanced its policy of "rebalancing toward the Asia-Pacific" in recent years, delicate changes have happened to China's neighboring countries in their conception and response to China, senses of insecurity and anxiety being on the rise and some of the sensitive issues developing somewhat and being intensified now and then with increasing risks of friction and even conflict. Although such symptoms of unhealthy tendencies cannot reverse the overall situation of peace and

8 "Zhu Hasakesitan Dashi Le Yucheng Zai Ha Meiti Fabiao Shuming Wenzhang: 'Qinrenshanlin' De Zhongguo Waijiao"(Chinese Ambassador to Kazakstan Le Yucheng Publishes in Kazak Press an Signed Article Entitled "China's Benevolent and Good-neighborly Neighborhood diplomacy"), Dec. 2, 2013, http://www.mfa.gov.cn/mfa_chn/ziliao_611306/zt_611380/dnzt_611382/ydyl_667839/zwb_d_667922/t1104691.shtml.

development in China's neighborhood, they have produced interference to China's relations with some of its neighbors, consuming quite a few diplomatic resources.

It was against this backdrop that the new Chinese leadership set greater store by the neighborhood diplomacy. On October 25, 2013, China held a "work forum on Chinese diplomacy toward the neighborhood". As President Xi Jinping emphasized, "Good diplomatic work on neighboring countries is necessary for achieving 'the two centennial goals' and for achieving the Chinese dream of great national renewal. We should be more proactive in advancing neighborhood diplomacy in order to gain a favorable neighboring environment for China's development and to benefit more nearby states with China's development so as to achieve common development."⁹ It was unprecedented in PRC's diplomatic history to hold a national forum on a certain aspect of diplomacy, which put in the limelight the importance attached to neighborhood diplomacy by the new leadership. Expounded in a comprehensive and in-depth way at the forum were the importance of neighborhood diplomacy and new concepts and new ways to conduct diplomacy toward neighboring countries, making clear the direction of neighborhood diplomacy in the future.

In follow-up diplomatic practice, China has kept increasing its input in neighborhood diplomacy. In addition to systematically summarizing and deepening the concept of neighborhood diplomacy, it has also strengthened top-down design, providing path pointer for constructing regional order of the neighborhood, putting forward "the Belt and Road" initiative, coordinating internal and external development, providing more public goods, properly managing differences and safeguarding the overall situation of peace and development. Proceeding from concrete conditions of neighborhood diplomacy, China explicitly gives priority of neighborhood diplomacy to ASEAN countries. With clear concept and positioning as well as increased input, China's neighborhood diplomacy will move forward with sustained drive, and its paramount position in the overall layout of Chinese diplomacy will be consolidated.



9 Xi Jinping, "Rang Mingyun Gongtongti Yishi Zai Zhoubian Guojia Shenggenluodi" ("Let the Concept of Community of Shared Destiny Take Roots in Neighboring Countries"), Oct. 25, 2013, http://news.xinhuanet.com/2013-10/25/c_117878944.htm.

III. New Concepts and New Practice of China's Neighborhood Diplomacy

Since the new leadership took office, China has made comprehensive review and general plan on neighborhood diplomacy, coming up with a series of new concepts and new thinking in the fashion of top-down design and taking a number of new measures in diplomatic practice. The Belt and Road initiative has been made and promoted, coordinating internal and external development, bringing about new opportunities and opening a new vista of neighborhood diplomacy.

A. *New concepts*

1. **The way of handling relations characterized by “amity, sincerity, mutual benefit and inclusiveness”**

In October 2013, President Xi Jinping delivered an important speech at the National Work Forum on Neighborhood Diplomacy in which he put forward the neighborhood diplomatic concepts of “amity, sincerity, mutual benefit and inclusiveness”. “Amity” refers to consolidating the friendship marked by geographical proximity and intimate relationship. “Sincerity” refers to the way of treating people with sincerity and getting along with other people by gaining their trust. “Mutual benefit” refers to the idea of cooperation that benefits the surrounding areas and produces mutually beneficial win-win outcome. “Inclusiveness” refers to the demonstration of the big power broadmindedness, openness, tolerance and readiness to seek common grounds while reserving differences.¹⁰ Relations between countries are like personal relations in the sense of being a process of interaction. The “four-Chinese-character motto” above comes as a vivid declaration of China to stick to the path of peaceful development under the new situation, an incisive summary of the practice of China's neighborhood diplomacy over the years, and the distillation of a series of previous policy statements such as “building friendship and partnership with the neighbors”, “working for harmony, security and common prosperity in the neighborhood” and “harmonious neighborhood”, illustrating

10 Wang Yi, “Jiandingbuyi De Zou Heping Fazhan Daolu, Wei Shixian Minzu Fuxing Zhongguomeng Yingzao Lianghao Guoji Huanjing” (Steadfastly Take the Path of Peaceful Development, Create a Good International Environment for Chinese Nation's Great Rejuvenation), *Guoji Wenti Yanjiu (International Studies)*, Issue 1, 2014, pp. 18-19.

the new leadership's innovation and development on neighborhood diplomatic concepts. Although the "four-character motto" emphasizes on China's approach to developing relations with neighboring countries, a closer look reveals that it is quite adequate to be the code of conduct for the interaction between neighboring countries themselves. Only by observing the "four-character motto" can countries in East Asia live in friendship like members of a big family and can they achieve common dreams.

2. New-model relations between a regional power and its neighboring countries

In regard to handling major country relations, China has put forward the concept of "new model of major-country relationship", attempting to break the historical logic of necessary antagonism and conflicts between a rising power and an established power. With regard to handling neighborhood diplomacy, China has made a series of arrangements and proposed a number of new concepts and initiatives, which by drawing an analogy with the conception of "a new model of major-country relations" can be called "a new model of relations between a regional power and its neighboring countries".

Looking back in history, it is always difficult for a regional power, be it oriental or occidental, to treat neighboring countries as equals. In East Asia, China used to occupy a central position and maintain a "tributary system" with neighboring countries, which is regarded as an example of "oriental rule by benevolent kingcraft". Although it is different from the "occidental rule of might" such as "colonialism and colonization" of other countries practiced by Western powers in modern history, the tributary system is based on the premise that China styles itself Heavenly Kingdom with cultural superiority and, as such, China's relations with neighboring countries were not equal. In modern history, with its ascendance, Japan attempted to integrate East Asia into a Japan-centered "East-Asia Community", "East Asian Union" and "the Greater East-Asia Co-Prosperty Sphere", being nothing but a guise of the enslavement of Asian countries where equality was still out of the question. In the West, the domineering relations of old European colonial empires with their neighboring countries spoke for themselves. Even the United States, which considers itself as a power not seeking colonies overseas, turned Latin America into its "backyard" through practicing the Monroe Doctrine. During the Cold War, the former Soviet Union, which flaunted socialism, took East European nations for "satellite countries" with which it had no equal relations. Today, as China has become a major country in the region, to properly handle relations with

neighbors is a priority and subject of chief preoccupation for Chinese diplomacy. While developing “a new model of major-country relations” aims at avoiding the tragedy of conflicts between great powers, building “a new model of relations between a regional power and its neighboring countries” attempts to establish a relationship based on equality and harmony, thereby avoiding the phenomenon of “major country domination” and “sphere of interest” frequently seen in history.

3. The concept of “common, comprehensive, cooperative and sustainable” security in Asia

What sort of security does Asia need? In May 2014, Chinese President Xi Jinping delivered a keynote speech at the Shanghai Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA), in which he put forward and expounded on the concept of Asian security featuring common, comprehensive, cooperative and sustainable security, emphasizing that China will work with all parties to promote the exploration on the basis of CICA for establishing a new regional security cooperation architecture and to jointly build a road for security of Asia that is shared by and win-win to all.

This is hitherto the most systematic, comprehensive and profound statement on Asian security by a Chinese leader on an international occasion, declaring China's sincere commitment to safeguarding security, stability and development in Asia, reflecting China's aspiration, wisdom and assumption of responsibility, and making clear the objectives and direction for establishing the general framework of Asian security cooperation and for constructing new security cooperation mechanisms in Asia, which has important bearing on achieving lasting peace and common development in Asia and provides China's peripheral security environment with effective assurance.

(1) Common Security

Common security means respecting and ensuring the security of each and every country. Asia is a region of great diversity. Countries differ in size, wealth and strength. They vary in historical and cultural traditions as well as social systems, and have different security interests and aspirations. However, all of them live in the same Asian family. With closely intertwined interests and security, they share together danger and safety, and have increasingly become a community of common destiny. Security should not be exclusive and unilateral but should be universal, that is, “security for each means security for all”. It is not allowed to have security of one country and insecurity of the rest of the countries, or to have security of

some countries while leaving the rest insecure, still less for one country to seek the so-called “absolute security” of itself at the expense of the security of others.

Security must be equal. Every country has the equal right to participate in the security affairs of the region as well as the responsibility of upholding regional security. No country should attempt to dominate regional security affairs or infringe upon the legitimate rights and interests of other countries. Security must be inclusive. Asia’s diversity and the differences among Asian countries should be turned into the energy and driving force for regional security cooperation. All countries should abide by the basic norms governing international relations such as respect of sovereignty, independence and territorial integrity, and non-interference in the internal affairs of other countries, respect the social systems and development paths chosen by other countries on their own, and fully respect and accommodate the legitimate security concerns of all parties. It is not conducive to maintaining common security to strengthen a military alliance targeted at a third party.

(2) Comprehensive Security

Comprehensive security means upholding security in both traditional and non-traditional fields, namely “double security”. Asia’s security challenges are extremely complicated, which include both hot, sensitive issues and ethnic, religious problems. The challenges brought by terrorism, transnational crimes, environmental degradation, cyber threats, energy and resource scarcity and natural disasters are clearly on the rise. Traditional and non-traditional security threats are interwoven. Security is a growing issue in both scope and implication. Asian countries should take into full account the historical background and reality of Asian security issues, adopt a multi-pronged and holistic approach, and enhance regional security governance in a coordinated way. While tackling the immediate security challenges facing the region, they should also make plans for addressing potential security threats, and avoid a fragmented and palliative approach that only treats the symptoms. They should have zero tolerance for terrorism, separatism and extremism, strengthen international and regional cooperation, and step up the fight against the three forces in order to bring a happy life and tranquility to the people in the region.

(3) Cooperative security

Cooperative security means promoting the security of both individual countries and the region as a whole through dialogue and cooperation. All countries in the region should engage in sincere and in-depth dialogue and communication to increase strategic mutual trust, reduce mutual misgivings, seek common ground while

resolving differences and live in harmony with each other. They should bear in mind the common security interests of all countries, and start with low-sensitivity areas to build the awareness of meeting security challenges through cooperation. They should expand the scope and means of cooperation and promote peace and security through cooperation. They should stay committed to resolving disputes through peaceful means, stand against the arbitrary use or threat of force, oppose the provocation and escalation of tensions for self-interest, and reject the practice of shifting trouble to neighbors and seeking selfish gains at the expense of others.

As Xi Jinping emphasized, “In the final analysis, it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia. The people of Asia have the capability and wisdom to achieve peace and stability in the region through enhanced cooperation.”¹¹ Asia is open to the world. While enhancing cooperation among themselves, countries in Asia must also firmly commit themselves to cooperation with countries in other parts of the world, and regional as well as global international organizations, welcoming all parties to play a positive and constructive role in promoting Asian security and cooperation and to work together to achieve win-win results for all.

(4) Sustainable Security

Sustainable security means that countries concerned need to focus on both development and security so that security can be durable. Development is the foundation of security, and security the precondition for development. For most Asian countries, development means the greatest security and “the master key” to regional security issues. To build an Asian security mansion that could stand the test of winds and storms, it is necessary to focus on development, actively improve people’s well-being and narrow down the wealth gap so as to cement the foundation of security. It is necessary to advance the process of common development and regional integration, foster sound interactions and synchronized progress of regional economic cooperation and security cooperation, and promote sustainable security through sustainable development.

In sum, the military alliance in Asia is an outdated product of the Cold War, being a source of insecurity in Asia. It seeks the security of some Asian countries at the expense of other Asian countries’ security. To prove its *raison d’être*, it does not flinch from creating tensions. It is not likely for the thinking of zero-sum game to disappear or be replaced in the short run. Therefore, establishing the new Asian

11 Xi Jinping, “New Asian Security Concept for New Progress in Security Cooperation - Remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia”, May 21, 2014, http://www.cica-china.org/eng/yxxw_1/t1170132.htm.

security concept remains an arduous task. It is significant for China to put forward the new Asian security concept so as to make clear its bottom line in security area and provide Asia with a new option and a new perspective, conducive to building consensus and enhancing mutual understanding. However, some international public opinion calls it “Chinese rendition of the ‘Monroe Doctrine’”. Against this misunderstanding, Xi Jinping observed, “the Chinese side has proposed the Asian security concept in the hope that Asian countries build common security in an inclusive and cooperative spirit. China and the United States should continue to enhance dialogue and coordination on Asia-Pacific affairs, and respect and accommodate each other’s interests and concerns in the region, and join hands to contribute to Asian security, which is complementary to each other rather than mutually exclusive.”¹²

4. Construction of three “communities”

In April 2014, Premier Li Keqiang made a speech at the opening plenary of the Boao Forum for Asia Annual Conference 2014, in which he pointed out that it is necessary to stick to the overarching goal of common development in order to build an Asian community of shared interests, to foster a general environment for integrated development in order to form an Asian community of common destiny, and to maintain the general environment of peaceful development in order to build an Asian community of shared responsibilities.¹³ The construction of the three communities makes clear the direction for future development of China’s relations with neighboring countries.

(1) Community of shared interests

In the age of economic globalization, no Asian countries can achieve development in isolation from each other, still less can they pursue development as a “zero-sum game”. Rather, with their interests closely entwined, the Asian countries need to seek mutually beneficial cooperation where “one plus one can make more than two” and even produces a multiplying effect in which “two times two makes more than four”. The impact of the international financial crisis still affects the Asian countries. The world economy is under downward pressure. Macro-policy adjustments made by developed countries have added uncertainty to the

12 China News Service, “Xi Jinping Tong Meiguo Zongtong Obama Gongtong Huijian Jizhe” (Xi Jinping and U.S. President Obama Meet the Press Together), Nov. 12, 2014, http://www.fmprc.gov.cn/mfa_chn/zyxw_602251/t1210045.shtml<http://politics.people.com.cn/n/2014/1112/c70731-26010961.html>.

13 “Jointly Open up New Vistas for Asia’s Development – Speech by H. E. Li Keqiang, Premier of the State Council of the People’s Republic of China, at the Opening Plenary of the Boao Forum for Asia Annual Conference 2014”, Apr. 10, 2014, http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1145980.shtml.

environment for development. Some Asian countries have experienced economic slowdown, rising inflation, and even capital flight and currency depreciation. Pessimistic views about the prospects of emerging economies have resurfaced. Faced with these new developments and new problems, Asian countries should continue to act in the spirit of “sailing on the same boat” and solidarity in face of difficulties, turn their rich economic complementarity into mutual support for each other’s development, expand convergence of interests and achieve mutually beneficial co-existence and win-win development.

In the past decade and more, the volume of intra-regional trade in Asia has expanded from US\$ 1 trillion to US\$ 3 trillion, and the share of intra-regional trade in the total trade volume of Asian countries has increased from 30% to 50%. Yet this is still far less than that in the EU. Regional economic integration serves the interests of all Asian countries. It is necessary for Asian countries to work in unison to promote trade liberalization and investment facilitation, and upgrade regional and sub-regional cooperation. The negotiation on the RCEP is the largest trade agreement negotiation with the most extensive participation in Asia, and the RCEP is integration of existing mature free trade areas. Being highly inclusive and based on Asia’s industrial structure, economic model and social tradition, the RCEP is a phased-in arrangement that accommodates member countries at different levels of development, and it does not exclude other regional trade arrangements.

(2) Community of common destiny

Asian countries have destiny in common, sharing weal and woe. To achieve common development in Asia, we need build on mutual trust, economic integration and people-to-people relations. Asia’s beautiful future hinges upon not only the development of each and every country but, more importantly, the common progress of the whole region. Countries in the region need to deepen result-oriented cooperation in all fields, pursue integration through opening-up and development through integration, strengthen economic ties, seize the opportunity of innovation-driven development, and thus hold the destiny of development in their own hands.

Infrastructural connectivity is a basic condition for integrated development. Countries in the region should join hands to speed up infrastructure construction including railways, roads, and air and water lines of transportation. Asian economies in general face the challenge of insufficient driving force for growth whereas large-scale infrastructure construction can provide lasting impetus while meeting the need for urbanization of countries in the region, serving multiple purposes. China has worked with countries involved to draw up plans for building

the BCIM Economic Corridor and the CPEC, and to upgrade China-ASEAN FTA. China will continue to promote the important projects of the Economic Belt and the 21st Century Maritime Silk Road. Industrial complementarity is a key aspect of integrated development. Asian countries should take advantage of their geographical proximity to deepen cooperation across the upstream, mid-stream and downstream of the industrial chain, and build an industrial network and economic system that draw on their respective comparative advantages. Whoever takes the lead on reform, innovation and structural adjustment will gain advantage for future development. Asian countries need to ride the global trend of new technology revolution, enhance exchanges, and draw on each other's experience to advance scientific and technological progress and personnel training, especially of young people, boost the "new economy" featuring green development, energy, environmental protection and the Internet so as to seize an advantageous position in future development and enhance industrial and economic competitiveness. This will not only increase the internal impetus for achieving sustained development of the region, but create new opportunities for global economic recovery.

(3) Community of shared responsibilities

Asia owes its progress to a peaceful and stable regional environment, and peace and stability are the fundamental safeguards for Asia's development. Sixty years ago, China, India and Myanmar jointly initiated the Five Principles of Peaceful Coexistence, which have become basic norms governing international relations. These principles embody eastern wisdom and represent a major contribution to human civilization. The vision of peaceful coexistence should be passed on from generation to generation. To achieve peace and stability in Asia, Asian countries should build consensus, make active efforts and jointly fulfill their due responsibilities, turning out more "public goods made in Asia" for stability and development in the region and the world at large. Asian countries should promote security dialogue and consultation, strengthen cooperation on non-traditional security issues, including disaster management, maritime search and rescue, counter-terrorism and combating transnational crimes, and actively explore the establishment of a regional security cooperation framework in Asia.

China is committed to peaceful development. It pursues a neighborhood policy of building amity and friendship and stands ready to seek peaceful solutions to disputes. At the same time, China is firm in its resolve to uphold its territorial sovereignty. China will give full support to initiatives that help strengthen maritime cooperation. To those acts that undermine stability in the South China Sea, China

will take resolute counter-measures. China values friendship and never treats friends unfairly, and also stands by principles and firmly upholds its fundamental position. “A peaceful and stable South China Sea is in the interest of all littoral countries, including China. China is ready to steadily advance consultation on a code of conduct in the South China Sea within the framework of the Declaration on the Conduct of Parties in the South China Sea, and work with other countries to ensure peace, stability and freedom of navigation in the South China Sea. China loves peace and cherishes development. It is ready to work with other countries in the region to build a peaceful, prosperous and open Asia and maintain peace, stability and tranquility in our neighborhood by enhancing political mutual trust.”¹⁴

B. New Practice

Concepts and practice always complement each other. Without practical policy measures to make it effective, a concept will not become reality, no matter how good it is. As the new Chinese leadership comes up with a series of new neighborhood diplomatic concepts, it has taken quite a few innovative measures on diplomatic means and practice, of which some are hitherto nonexistent; others are built on previous measures. People find everything fresh and new in these new diplomatic practices.

1. Enhancing top-down design and actively participating in the construction of neighborhood order

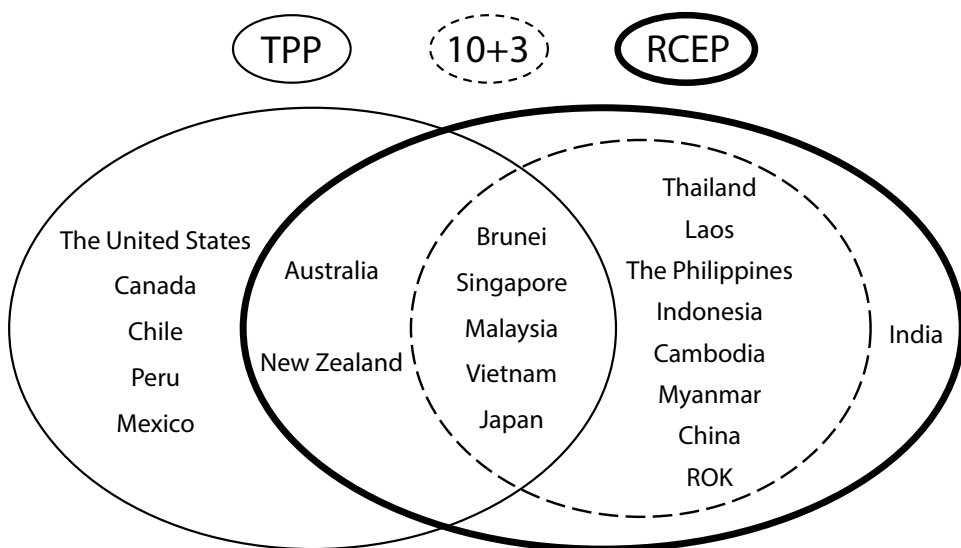
For a long period of time, China has been pursuing a policy of “being integrated” or “adapting to” in dealing with its relations with the outside world, neighborhood included. This basic approach has not changed to date. However, with increased national strength and influence, China’s external behaviors are tilted more towards “making active efforts”. Either at bilateral level or within multilateral framework, the aspect on China’s part of active participation, positive guidance and proactive planning is on the increase.

For instance, China has strengthened top-down design and actively pushed forward the Belt and Road initiative, coordinating various domestic sources in placing their conceptions and mechanisms for regional and sub-regional cooperation under this grand framework, and actively interfacing it with development plans and cooperation conceptions of various neighboring countries so as to take a road to win-win cooperation jointly conceived, built and shared by all. To promote regional connectivity, China has initiated the AIIB and launched the Silk Road

14 Ibid.

Fund for the provision of more public goods. Within the framework of East Asian cooperation centering on ASEAN and in keeping with the “bottom-up” and “ASEAN-centrality” premises, China has proactively drawn the outline of prospect for regional cooperation and come up with a road map to regional cooperation with the construction of FTAAP as a leading objective. Taking the opportunity of hosting the 22nd APEC Leaders’ Meeting, China set off the negotiation process for the FTAAP, which is conducive to integrating various Asia-Pacific economic and trade mechanisms, to maximizing the benefits of trade and investment in the Asia-Pacific, and to elevating the standing of the region in the global industrial chain so as to maintain its competitiveness. China takes an open position towards the TPP. As long as the TPP is conducive to the development of global trade and the fostering of an equitable and open trade environment, China is happy to see its conclusion. China continues to uphold the central role of the WTO multilateral trade system in global trade development. Both the RCEP and the TPP (see Figure 2) should become important supplements to the multilateral trade system, and these two mechanisms should go hand in hand and reinforce each other. China hoped that agreement could be reached on the RCEP by 2015. As long as Asian countries make concerted efforts, they can ensure that Asia will continue to serve as an important engine driving the global economy. Meanwhile, China actively pushes forward the cooperation with ASEAN, Japan and the ROK (the so-called “10+3” mechanism). All of the above mechanisms are the route to the FTAAP.

Figure 2. Overlapping of member countries of the TPP, the 10+3 and the RCEP



Regarding regional security framework, China has initiated and practiced the Asian security concept featuring “common, comprehensive, cooperative and sustainable security”, rejecting the alliance system based on the premise of an imaginary enemy and Cold War thinking. For example, China is turning the SCO into a model for regional security cooperation and actively supports multilateral security cooperation under the frameworks of ASEAN Regional Forum (ARF) and ASEAN Defense Ministers’ Plus Meeting (ADMM-Plus).

2. Innovation on the means of neighborhood diplomacy

Since the new leadership took office, China’s neighborhood diplomacy has taken a new look not only in guiding concepts and policy planning but also in innovation on means and concrete measures in diplomatic practice, displaying greater flexibility while standing by principles. For instance, that Chinese leaders have paid “point-to-point” visits to countries in the neighborhood in a stand-alone bilateral capacity and that China has taken advantage of “home-court diplomacy” to promote the development of multilateral and bilateral relations are hitherto hardly seen. President Xi Jinping visited Mongolia and the ROK respectively in July and August 2014, setting a precedent for state leaders to pay exclusive visit to one country at one time, which illustrates the importance attached to neighboring countries by China and has also produced very good diplomatic effects, both Sino-Mongolian and Sino-ROK relations stepping up to a new level. In recent years, and particularly in 2014, China actively took the opportunity of hosting international conferences such as the Boao Forum for Asia, the CICA Summit, the 2014 Summer Youth Olympics in Nanjing and the APEC Economic Leaders’ Meeting to give full play to the advantage of “home-court diplomacy” to promote the development of multilateral and bilateral relations. All of the useful attempts above have accumulated experience for conducting neighborhood diplomacy in the future.

3. Sticking to the dual consideration of righteousness and interest and the balance of authority and responsibility

The new Chinese leadership has advocated sticking to the sound value of justice and benefit in international relations, which is both a new concept of China’s diplomacy and a new norm of China’s diplomatic conduct and will necessarily become a new guidance of China’s neighborhood diplomacy. The debate on righteousness and interest is an important topic in the history of Chinese thoughts, and the Chinese always stress on “righteousness outweighing interest”. In today’s world, the relationship between the two is dialectic. It is not necessarily

contradictory to uphold righteousness while pursuing interest. However, under the nation-state system holding sway in modern times, the pursuit of interest is regarded as “a major national affair”, national interest being the point of departure and foothold of all foreign policies. The emphasis on the pursuit of interest has many drawbacks. The PRC’s diplomacy has upheld international justice in its pursuit of interest. It is worth noting that the sound value of justice and benefit is a reflection and distillation in the new era of what China has always stood for, such as the Five Principles of Peaceful Coexistence, building an equitable and reasonable international political and economic order, and promoting democratization of international relations.

Specific to the relationship with neighboring countries, China aspires to link its development with that of neighbors, linking the Chinese dream with the dreams for a better life of the people in nearby states. China will not bully the weak by being strong, bully the small by being big nor bully the poor by being rich. Neither will it interfere with the internal affairs of other countries, nor export its development model. China has provided its periphery countries with assistance and will continue to do so, not haggling over every ounce in cooperation with others, more often than not “giving more and taking less” and even “giving without taking”. Of course, such a principle is of two-way traffic and China expects other countries to follow the same principle in dealing with China.

China takes the responsibility for safeguarding regional peace and stability. However, in face of provocation and willful trouble making by some countries, China will not sacrifice its own sovereignty, security and development interests in order to maintain friendly relations with them. In recent years, it has done quite a few things to safeguard legitimate national rights and interests, especially to guard its maritime rights in the neighborhood, making measured responses while exercising restraint so as to dispel unrealistic illusions of the outside and to prevent further strategic miscalculation on the other side, which in the long haul helps maintain regional peace and stability. It is not a sign of China being assertive or seeking hegemony, as alleged by some people in the outside, but concrete Chinese practice of the sound value of justice and benefit.

4 “Two-wheel and one-spoke” drive model

For quite some time, China has been engaged in economic and trade cooperation with neighboring countries, achieving full-fledged development both at regional and sub-regional levels. However, due to complex historical and current reasons,

security cooperation between China and its nearby states has somehow lagged behind. Besides the successful attempts of initiating and founding the SCO to crack down on the “three forces”, many items of bilateral and regional security cooperation are yet to be put on agenda, giving rise to the opinion that neighboring countries rely on China for economy and rely on the United States for security. No one denies that such a divided dualistic structure does exist, to the detriment of China’s relations with neighboring countries. Seeing this limitation, China has noticeably stepped up its security cooperation with its neighbors. It has taken an ever increasing, active part in various multilateral and bilateral security dialogue and cooperation, putting in place mechanisms for regular security and defense consultation with many peripheral countries. As part of its overall diplomacy, military diplomacy plays an increasingly indispensable role. Cooperation in various non-traditional security areas keeps deepening.

If China’s relations with its neighbors used to be driven by the wheel of economy alone in the past, then at the moment and in the future growing importance will be attached to the wheel of security in order to achieve two-wheel drive. In order to ensure that both wheels work in synchronicity and effectively, social and cultural exchanges should be strengthened and serve as the spoke connecting the two wheels. As Chinese Vice Foreign Minister Liu Zhenmin remarked at the Xiangshan Forum 2014, “If economy and security are the two wheels driving the Asian community, then cultural and people-to-people exchanges is the spoke connecting the two wheels.” In recent years, China has attached greater importance to social and cultural exchanges with neighboring countries. As President Xi Jinping remarked, diplomatic relations rely on the bond between the peoples. In the Belt and Road initiative, “the conception of connectivity in five areas” includes “understanding between peoples”. China also set 2014 as the year of China-ASEAN cultural exchanges, conducting rich and colorful cultural activities, drawing closer the hearts of the two peoples.

The wheel of economy is to promote development. The wheel of security is to safeguard peace. The spoke of cultural and people-to-people exchanges is to transmit positive energy between the two wheels so that they affect and boost one another. The “two wheel, one spoke” drive model is more in line with the mechanics of international relations, more able to fully utilize and rationally allocate various diplomatic resources and to drive the sustainable and healthy development of China’s relations with neighboring countries.

IV. Opportunities and Challenges of Neighborhood Diplomacy

Guided by the new thinking of neighborhood diplomacy, China has commenced its new practice of neighborhood diplomacy. A review of present situation reveals that there are unprecedented opportunities for advancing neighborhood diplomacy. The interdependence between China and its neighborhood is the basic precondition for smooth operation of China's neighborhood diplomacy. Recently, China has pressed ahead with the Belt and Road initiative, opening a new vista of neighborhood diplomacy. At the same time, China faces challenges in implement its neighborhood policy as there remain, to a degree, a ready market for the "China threat theory", territorial and maritime rights disputes and, in addition, complicated effects of the U.S. factor. However, in general, opportunities outweigh challenges.

A. Opportunities for Conducting Neighborhood Diplomacy

1. China and its neighboring countries need each other

China and its neighborhood bring opportunities to each other. China needs a peaceful neighboring environment to concentrate its energy on economic development. At present, China's neighborhood is undergoing great changes, at a period of both active pattern-shift and high-incidence of contradictions. In spite of that, it is not changeable as a fundamental characteristic for China and its neighbors to need one another. In line with the evolution of the situation within and beyond the region, such interdependence will be more deeply ingrained.

(1) China needs a peaceful and prosperous neighborhood

Historical experience shows that peace and development in the neighborhood is most favorable for China's reform and opening-up, or in another word, a precondition. Neighborhood instability will necessarily interfere with or even disrupt China's development process. After the founding of the People's Republic, China was forced into involvement of several conflicts and wars during the Cold War, leaving the country hardly able to concentrate its energy on economic development and even forced to put on hold its development process.

Since the late 1970s, there have been no wars in China's neighborhood, and the development of Japan and the four Asia dragons has propelled prosperity in Asia to the benefit of China's reform and opening-up. As such, China switched the focus of national energy to domestic economic development, setting foot on the historic march of changing its destiny and commencing the great practice of reform and opening to the outside world. Such a switch was due to Deng Xiaoping's outstanding strategic judgment. When the 3rd Plenum of the 11th CPC Central Committee decided for turning the central task of the nation to economic development, the world was at the peak of the Cold War, and confrontation between the United States and the former Soviet Union was once intensified. Deng Xiaoping made a forward-looking judgment that peace and development are the underlying themes of our times, considering that the growth of force for peace outweighs that of force for war, China not being in the vortex of the Cold War, which made it possible for China to gain key lead in the race. In other words, when the end of the Cold War came, China had already accumulated a decade of experience on reform and opening-up through unswerving bottom-up and top-down exploration, which laid a solid foundation for China's economic take-off. The surging development of Asian economy also provided China's reform and opening-up with a favorable external environment.

Practice attests to the fact that China, through its reform and opening-up, has gone along with the tide of the times, seized the opportunity of globalization and made the achievements that has attracted global attention. In more than thirty years, Chinese economy has enjoyed rapid growth at the double-digit rate on the average, foreign trade surging at a high speed and a fascinating China story being written. When China was engaged in peaceful development and concentrated its attention on economic development, the United States was enjoying its "vacation granted by history". However, the Afghan War, the Iraq War and the 2008 Financial Crisis "made in the Wall Street" dealt heavy blows to the self-confidence of Americans, inflicting an acute cutting pain on the United States. With the burst of economic bubbles, Japan has fallen into stagnation of "two lost decades". Against this backdrop, a structural shift marked by China's "double overtaking" has occurred to the East Asia: by 2010, China's GDP surpassed that of Japan; and by 2013, it replaced the United States as the world's largest trading nation in goods. It is an important, mile-stone breakthrough. It is estimated that in the coming decade or so China's GDP by exchange rate will overtake that of the United States, turning China into the world's largest economy.

The most eye-catching bit in the evolution of China's peripheral situation is the profound change in the balance of power. The new shift in the regional power pattern boils down to China's rise, the U.S. anxiety, Japan's feeling of being left out and Russia's return. Although the four phenomena are not mutually causative, China's rise has obviously accelerated the power shift in the region, the impact of which is profound and complex.

(2) The neighborhood needs a stable and prosperous China

When giving a written joint interview to media from ASEAN countries on October 9, 2013, Premier Li Keqiang said,

*"[T]ime has changed. In the 21st century, the trend toward peace and development has gained momentum. China has developed in such a peaceful environment and is heading toward national renewal in a peaceful way. ... The Chinese nation has no such tradition as seeking hegemony or expansion. And in the past several thousand years, the Chinese nation has developed such philosophy as treating your neighbors amicably, valuing peace above anything else and cherishing harmony in diversity. They constitute the historical foundation for China's policy of building friendship and partnership with its neighbors."*¹⁵

In history, stability in China leads to stability of its neighborhood and prosperity of China leads to prosperity of the neighboring region, this community of shared destiny being long standing. Today, Asia is an important engine driving the recovery of world economy whereas China is an important engine for the development of Asia. In the "post financial crisis" era, China contributes to 50 percent of economic growth in Asia, which is unprecedented. China has become a principal market for its neighboring countries, being the largest trading partner for many of them. Peace, cooperation and development are the underlying trends of the 21st century.

One of the preconditions for China's success in reform and opening-up is to safeguard a peaceful neighboring environment, and likewise a long, stable international environment is necessary for the country to achieve the Chinese dream. China's reform and opening-up has brought about growing cooperation opportunities for its neighboring countries. In the 1990s, when the East Asian Financial Crisis broke out, China persevered with a responsible policy of non-

15 Ministry of Foreign Affairs of the PRC, "Full text: Premier Li Keqiang Gives Joint Written Interview to Media from ASEAN Countries", Oct. 19, 2013, http://www.fmprc.gov.cn/mfa_eng/topics_665678/lkqzlcxdyldrxlhy_665684/t1085974.shtml.

depreciation of its currency, leading the neighboring nations to recovery. When the global financial crisis broke out in 2008, China once again took a responsible approach to expanding cooperation with the nearby states, built a free trade area with the ASEAN and, by boosting demand and maintaining growth, led the economic recovery and development of neighboring countries, together becoming the best of the world. If the first crisis made the East Asian countries realize that they could not do well just by themselves but should strengthen their bond of mechanisms with China, hence ASEAN plus China cooperation (10+1) and ASEAN-China-Japan-ROK cooperation (10+3) coming into being, then the second crisis made them realize further that only by joining hands with China is it possible for them to attain the goal of becoming prosperous and powerful. China actively promotes the spirit of inclusiveness and mutual learning, strives to increase mutual trust and dispel doubts through dialogue, and presses ahead with all sorts of economic and financial cooperation, making important contributions to security and prosperity in Asia. As such, everything has fallen into place for upgrading the friendship and cooperation between China and its neighboring countries.

(3) Geopolitical contest arising from pattern shift

China's leap and bound development is based on its reform and opening-up and peaceful development in its neighborhood rather than taking the beaten track of Western colonialism, even less based on the defeat of other countries. It has been so in the history of the past thirty years and more, and it will be so in the future. China's rapid rise has directly resulted in the emergence in the East Asia region of a dual-centric pattern with China and the United States on the core, carrying more or less equal weight. At present, China's neighborhood is characterized by striking duality. On the one hand, it is the convergence of almost all outstanding contradictions and lurking dangers of conflict in the world, including major-power contest, nuclear proliferation, territorial disputes, the three forces¹⁶, social transformation, and energy and water security. And on the other hand, it is also the region of fastest growing economies of the world, with the greatest economic vitality and the "Asian Century" being imminent and catching global attention. If the former are the challenges, then the latter are the opportunities.

Such a power pattern, such a complicated environment and such development opportunities not only touch the nerves of the countries in the region but also attract the attention of forces beyond the region, which are ready to start wriggling, making probes and speculative moves so as to draw China into the whirlpool of multiple contradictions and drive a wedge between China and its neighboring

16 The three forces refer to ethnic separatism, religious extremism, and violent terrorism.

countries. Some of the countries harbor unprecedented anxiety, even accusing China of eating up “their lunch”, attempting to shift their domestic contradictions to China and let it to foot the bill.

On December 23, 2013, the Chinese Government announced the establishment of the East China Sea Air Defense Identification Zone (ADIZ) in accordance with the Law of the People’s Republic of China on National Defense (March 14, 1997), the Law of the People’s Republic of China on Civil Aviation (October 30, 1995) and the Basic Rules on Flight of the People’s Republic of China (July 27, 2001). This move should not have given much cause for criticism, which is conducive to China more effectively safeguarding its air security and maritime rights and interests and also provides the grounds for regular naval and air monitor and survey over the Diaoyu Islands, increasing transparency and reducing risk of miscalculation. Furthermore, in the 1950s and 1960s, the United States and Japan respectively announced their ADIZs, that of Japan covering the sea and air space of China’s Diaoyu Islands. It never occurred to them that they should have consulted China beforehand. However, the Chinese measure was still considered unreasonably as moving their “cheese”.

In January 2014, Admiral Sam Locklear, the commander of the U.S. Pacific Command, said that the era when the U.S. military enjoys uncontested control over the Pacific’s blue water and its airspace is coming to an end, and that the rise of China is a key factor that is putting at risk U.S. Navy ships and service members in the Pacific.¹⁷ In February 2014, when meeting Japanese Foreign Minister Fumio Kishida on his visit to the United States, U.S. State Secretary John Kerry reiterated that “the United States neither recognizes nor accepts China’s declared East China Sea ADIZ”.¹⁸ As such, China has been gradually described as a “terminator” of the U.S. hegemony in the Pacific region.¹⁹

2. The Belt and Road initiative opens up a new prospect for China’s neighborhood diplomacy

China’s diplomacy has entered the “Silk Road era”. The Economic Belt and the 21st Century Maritime Silk Road, in short the Belt and Road, is an important initiative made by the new Chinese leadership, drawing strong responses at home and from

17 Andrew Tilghman, “PACOM chief: Uncontested U.S. control of Pacific is ending”, Jan. 15, 2014, <http://archive.navytimes.com/article/20140115/NEWS08/301150028/PACOM-chief-Uncontested-U-S-control-Pacific-ending>.

18 U.S. State Department, “Remarks of John Kerry, Secretary of State of the United States, with Japanese Foreign Minister Fumio Kishida After Their Meetings”, February 7, 2014, <http://www.state.gov/secretary/remarks/2014/02/221459.htm>.

19 Ruan Zongze, “Zhongguo Xuyao Goujian Zenyang De Zhoubian” (What Kind of Neighborhood Will China Build), *Guoji Wenti Yanjiu (International Studies)*, Issue 2, 2014, p.15.

aboard. The Belt and Road marks the beginning of a new round of China's opening-up and cooperation with foreign countries.

(1) Building a neighborhood of growth and peace

China's revisit to the concept of Silk Road is not only to make the ancient serve the present but also to position and expound on it at a higher plane of Asian cooperation and the world peace. On November 8, 2014, President Xi Jinping presided over the Dialogue on Strengthening Connectivity Partnership and delivered a key speech entitled "Connectivity Spearheads Development and Partnership Enables Cooperation", in which he emphasized that Asian countries should be the priority for the Belt and Road construction, that Asia should develop a basic framework of connectivity based on economic corridors, that Asia should realize an early harvest in connectivity by making breakthroughs in transport infrastructure development, and that Asia should build platforms for banking and ties of people-to-people exchange. Asia should strengthen practical cooperation on the Belt and Road, deepen connectivity partnership among countries in the continent and jointly build a community of common development and shared destiny.²⁰

a. Making the ancient serve the present in advancing regional cooperation in Asia

The reason for China to put forward the construction of the Economic Belt and the maritime Silk Road is above all to probe into the values and concepts unique to the ancient Silk Road and injecting to it new connotations of our times. The values and concepts of the ancient Silk Road rest with being open and inclusive, mutual learning, taking reference of each other so as to build a road of peace, cooperation and friendship, which belongs to the valuable spiritual heritage of all countries along the Silk Road.

The construction of the Belt and Road is an important platform for China to adapt to the new pattern shift of globalization, coordinate domestic and international developments, press ahead with a new round of reform and opening-up and bring into full play both the on-land and maritime advantages. China works not only on the upgrading of its economy but on the upgrading of its opening-up. The Third Plenary Session of the 18th CPC Central Committee adopted the Decision on Major Issues Concerning Comprehensively Deepening Reforms, which says that "we [China] will accelerate the construction of infrastructure connecting

20 In the Dialogue, Xi Jinping announced that China will commit 40 billion U.S. dollars to establish a Silk Road Fund, which is to finance connectivity programs in countries along the "Belt and Road". See Xinhua News Agency, "China proposes connectivity initiative to sustain Asia's growth", Nov. 8, 2014, http://news.xinhuanet.com/english/china/2014-11/08/c_133774835.htm.

China with neighboring countries and regions, and work hard to build a Silk Road Economic Belt and a Maritime Silk Road, so as to form a new pattern of all-round opening”.²¹

Asia has become a true engine of the world economic growth and a hard core of economic globalization. However, it also faces old and new problems. For one, compared with Europe and the United States, there is a considerable gap in the level of regional integration, the balanced development of different sub-regions, the closeness of economic ties, and the connectivity of transport and other infrastructures, which have hindered the deepening of regional cooperation. For another, as a profound global trade, investment and energy pattern shift is in the making, Asian countries are at a key stage of economic transformation and upgrading, under unprecedented pressure to adapt to the pattern shift, maintain strong and sustainable economic growth and escape the “middle-income trap”.

The Belt and Road initiative is likely to become two great wings for rejuvenation of Asia, helping connect Central Asia, South Asia, Southeast Asia, West Asia and even part of Europe. It includes infrastructure construction and institutional innovation, conducive to improving the business environment in the region and in relevant countries, promoting orderly free flow and optimal allocation of productive factors, accelerating the development of land-locked countries and remote areas of various countries, creating new economic growth points and enhancing endogenous economic driving force and anti-risk capacity.

As Xi Jinping pointed out,

*“Connectivity has been a yearning of mankind since ancient times. ... The Silk Road was just a case in point, giving the Asian peoples the well-deserved title of connectivity pioneers. ... Structural adjustment, reform and innovation are becoming a prevailing trend of the world. Against such a backdrop, Asian countries ought to redouble their efforts to build on their traditional strengths in resources, manufacturing capacity, savings and as the world’s workshop and acquire new strengths in value-added, innovation, investment and market, with a view to cultivating together new growth areas and new competitive edges.”*²²

21 “Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform”, Jan. 6, 2014, http://www.china.org.cn/china/third_plenary_session/2014-01/16/content_31212602_7.htm.

22 Xi Jinping, “Connectivity Spearheads Development and Partnership Enables Cooperation – Address at Dialogue on Strengthening Connectivity Partnership”, Nov. 8, 2014, http://www.fmprc.gov.cn/mfa_eng/topics_665678/ytjhzzdrsrclrdzfzshyjxghd/t1210466.shtml.

b. Necessary for world peace and development

The Silk Road was a road of peaceful development, promoting peace by development and seeking development in peace. Through the Silk Road, ancient countries along it achieved exchange of commodities, people, technology and ideas, advancing economic, cultural and social progress, spurring dialogue and blend of various civilizations, and writing a splendid chapter in human history. The spirit of peace, friendship, openness, inclusiveness, mutual benefit and win-win outcomes on display along the Silk Road has come down as spiritual heritage of the Chinese people and non-material cultural heritage of the world at large. As the world entered the 21st century, in face of complex international and regional situation, it will be a unique contribution to the promotion of world peace and development to inherit and carry forward the spirit of the ancient Silk Road and to inject into it a new connotation of our times.²³

To build the Economic Belt and the Maritime Silk Road is neither to set up closed, fixed and exclusive mechanisms nor to work out a binding document or grouping. Rather, it is an initiative for cooperation or a concept of cooperation, which can help integrate all types of ongoing cooperation, especially that of connectivity, with the concept and spirit of the Silk Road so that various projects can be linked with each other and promote one another.²⁴

As Xi Jinping proposes, to turn the Economic Belt into reality, China and countries in the Eurasian region can start work in individual areas and link them up over time to cover the whole region. To achieve that, Xi suggests related countries focus on “connectivity in five areas”, namely, connectivity of policy, transportation, trade, currency and the heart of the people.²⁵ According to Chinese State Councilor Yang Jiechi, “connectivity of the heart” could be achieved through many ways, and the first way is to increase people-to-people contacts. He said,

“A lot of biases and misunderstandings do not stem from hatred but from estrangement and the lack of familiarity. ... For neighboring countries in particular, it is necessary for both the leaders and the general

23 Ministry of Foreign Affairs of the PRC, “Waijiaobu Fubuzhang Zhang Yesui Zai Zhongguo Fazhan Gaoceng Luntan ‘Jianshe Luhai Sichouzhilu’ Fenzuhui Shang De Yanjiang” (Speech by Chinese Vice Foreign Minister Zhang Yesui at the panel “Building On-Land and Maritime Silk Roads” of China Development Forum), March 25, 2014, http://www.gov.cn/xinwen/2014-03/25/content_2645355.html

24 “Wang Yi Chuxi Shijing Luntan Nianhui Qijian Jieshou Zhongfang Meiti Lianhe Caifang” (Wang Yi Gives a Joint Interview to Chinese Media at the World Economic Forum Annual Meeting), Jan. 25, 2014, http://www.gov.cn/gzdt/2014-01/25/content_2575465.htm.

25 Ministry of Foreign Affairs of the PRC, “Promote Friendship Between Our People and Work Together to Build a Bright Future – Speech by H. E. Xi Jinping, President of the People’s Republic of China, at Nazarbayev University”, Sept. 7, 2013, http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1078088.shtml.

public to have more interaction. ... [we should] promote cooperation in culture, art, archeology, sport, health and other areas of people-to-people exchange and enhance exchanges at the local level and among media organizations, think tanks and young people. Young people are the future of Asia and the world. We should encourage and help them interact more. The importance of it could never be over-stated. [We should] promote the study of foreign languages and step up student exchanges. Learning and mastering the languages of other countries helps increase understanding of each other's culture, form a rational approach to differences, and develop a sense of inclusiveness and amity toward other people and other countries. [We should] persist in our efforts and focus on cultural exchanges. The Silk Road was not built in a day. Likewise, cultural convergence and affinity between people takes a long process and cannot be achieved overnight. As long as we keep working at it with firm confidence, we will achieve the goal, just as drops of water will eventually wear a hole in the solid rock.”²⁶

The Silk Road is also a necessary path to arriving at “enhanced bond between the peoples” and “connection of the heart” between China and its neighboring countries in the 21st century.

c. The route way of cooperation between China and the Arab and Central Asian countries

First of all, there is a good political and economic foundation for China and the Arab states to jointly build the Belt and Road. Both sides should firmly go by the principles of upholding mutually beneficial win-win situation, improving the people’s well-being and employment, promoting openness and inclusiveness, and enhancing cultural and people-to-people exchanges. Meanwhile, both sides should take into account interests and concerns of the other side, and set store by both top-down design to achieve “early harvest” and “connectivity of the heart” in carrying forward traditional China-Arab friendship. Joint construction of the Belt and Road provides a historic opportunity for guiding the development of China-Arab relations and the China-Arab States Cooperation Forum (CASCF).

China’s Belt and Road initiative is to connect China’s development with that of countries along the Silk Roads including Arab states in forming a “community of common interest and shared destiny” for conducting mutually beneficial

²⁶ Yang Jiechi, “Jointly Undertake the Great Initiatives with Confidence and Mutual Trust – Speech at the Session of ‘Reviving the Silk Road: A Dialogue with Asian Leaders’ at the Boao Forum for Asia Annual Conference 2014”, April 10, 2014, <http://english.boaoforum.org/ac2014news/13794.jhtml>.

cooperation and seeking common development. As the converging point of the ancient Silk Road on land and at sea, the Arab region used to play a decisive role in East-West trade and cultural exchange. It was the Silk Road that bred mutual understanding and friendship between China and Arab states, which are natural partners for joint construction of the Belt and Road.

China has put forward direction and goals of planning, being a “one plus two plus three” cooperation pattern. “One” refers to taking energy cooperation as the principal axis, deepening cooperation on the whole industrial chain in oil and gas area, safeguarding energy transport channel and building China-Arab strategic energy cooperative relationship of equality, mutual benefit, safety, reliability and long-term friendship. “Two” refers to taking for two wings infrastructural construction and facilitation of trade and investment, enhancing China-Arab cooperation on major development projects and landmark projects of livelihood of the people and making institutional arrangements for the promotion of bilateral trade and investment. China will encourage its enterprises to import non-oil goods from Arab states in an effort to increase the bilateral trade volume from US\$ 240 billion in 2013 to US\$ 600 billion in 2023. It will encourage Chinese enterprises to invest in energy, petro-chemical industry, agriculture, manufacturing and service industries in Arab states in an effort to increase non-financial Chinese investment in Arab countries from US\$ 10 billion in 2013 to US\$ 60 billion in 2023. “Three” refers to cooperation between the two sides in new sectors including nuclear energy, aerospace technology and new energy, aiming at a breakthrough in raising the level of China-Arab pragmatic cooperation. The two sides can discuss the establishment of a China-Arab center for technology transfer, joint build-up of an Arab training center for peaceful utilization of nuclear energy and the landing of Beidou Navigation Satellite System in Arab states.

At present, the Gulf countries have become the most important source of China's oil and natural gas supply, and China has become one of the largest oil export market for the Gulf countries, second only to Japan. As Chinese economy develops, shortfall of energy supply and external energy constraint may become one of the principal bottlenecks that constrain China's sustained economic development. Conversely, affected by diversification strategy for oil supply of Europe and the United States and modularization of international oil market, the Gulf countries have lost their position as the largest sources of oil supply for the United States and Europe in the past decade. Therefore, China's rapid economic development and fast increase in its demand for oil are nothing but a great strategic opportunity for the

Gulf countries in search for a long-term stable oil export market.²⁷

Sino-Arab joint construction of the Belt and Road is both on a foundation of traditional friendly relations and a solid foundation of economic cooperation. In the decade since the founding of the CASCF in 2004, the bilateral trade volume has jumped from US\$ 25.5 billion to US\$ 238.9 billion, with an annual increase of over 25 percent on the average, with the increase of China's crude oil import from the Arab states from 40.85 million tonnes to 133 million tonnes at the rate of over 12 percent per year, and that of contract value newly made by Chinese enterprises in the Arab states from US\$ 2.6 billion to US\$ 27 billion a year at the rate of 27 percent on the average. At present, China is the second largest trading partner of the Arab states, and the largest one for nine of the Arab states whereas the Arab states have become the largest source of China's crude oil supply, the seventh largest trading partner and an important market of construction contracts and outward investment. As a big market jointly accounting for 16 percent of the World's GDP and with a combined population of 1.8 billion, the Sino-Arab joint construction of the Belt and Road helps effective interfacing and optimized allocation of fund, technology, resources and market between both sides, opening a new gate of opportunity for the development of Sino-Arab States relations.²⁸

For the Belt and Road, it is indispensable to have cultural exchange and people-to-people interaction. It is essential to walk on the two legs - pragmatic cooperation and cultural exchange - for paralleled progress to bring out the best in each other. The Belt and Road cannot be built upon the basis of one given culture but requires progress in cross-culture exchange and dialogue, taking advantage in absorbing cultural plurality that embraces both Chinese and Arab cultures. The Belt and Road cannot rely on intergovernmental exchange only but should absorb broad participation of all sectors of the society, particularly the young people so that the cultural spirit of the Silk Road is carried forward in the whole society from generation to generation.²⁹ Both sides have decided to designate 2014 and 2015 as the years of China-Arab friendship, and in the three years starting from 2014, China will train another 6,000 personnel of various types for Arab states, and share with Arab countries China's experience in development and poverty reduction and its advanced applicable technologies. In the 10 years starting from 2014, China will

27 Wang Jinbo, "Yidai Yilu Yu Quyu Jichu Sheshi Hulian Hutong" (The Belt and Road and Regional Infrastructural Connectivity), *Zhongguo Shehui Kexue Bao (Chinese Social Sciences Today)*, Oct. 24, 2014, p.A05.

28 "Yidai Yilu' Wei Zhong'a Hezuo Dailai Xin Jiyu" (The Belt and Road Brings New Opportunities for Sino-Arab Cooperation), *Nanfang Daily*, June 6, 2014, p.F02.

29 "Wang Yi Waizhang Zai Zhong'a Hezuo Luntan Diliujie Buzhangji Huiyi Shang De Zhuzhi Fayan" (Keynote Speech by Foreign Minister Wang Yi at the 6th Ministerial Conference of the China-Arab States Cooperation Forum), June 5, 2014, http://news.xinhuanet.com/world/2014-06/05/c_1111006165.html

organize mutual visits by 10,000 Chinese and Arab artists, encourage and support counterpart cooperation between 200 Chinese and Arab cultural institutions, and invite 500 cultural workers and artists from Arab states to training courses in China and give them support.³⁰

Secondly, there is a good material and state-to-state-relations foundation for the joint construction of the Economic Belt between China and Central Asian countries. Most of the countries including Russia have expressed their positive attitudes towards the Economic Belt. Central Asia sits on the hub of the Economic Belt and occupies an extremely important position on the chain of cooperation between China and its neighboring countries. There is a good political and economic foundation in Central Asia for the construction of the Economic Belt. Relationship between China and Central Asian countries are at the best period, China having set up strategic partnerships with all Central Asian countries and high-level exchange of visits happening frequently. The visits to Central Asian countries by President Xi Jinping elevated such a relationship to a new high. At present, the Central Asian countries pursue a friendly policy to China, being trusted partners of China on the international arena.

The fact that China is an important trading partner of Central Asian countries constitutes a favorable condition for the construction of the Economic Belt. The Sino-Central Asia trade is on the increase, results of transport and energy cooperation being remarkable, especially in oil and gas cooperation. In 2013, trade volume between China and Central Asian countries exceeded US\$ 50 billion. The Central Asian countries are at a crucial period of economic restructuring and development, being in urgent need of enhanced international economic cooperation. Uzbekistan, Kyrgyzstan and Tajikistan are in dire need of attracting investment for infrastructural construction. The building of the Economic Belt will bring a new historic opportunity for the land-locked Central Asian countries to access the Pacific Ocean and extend their relations with Asia-Pacific countries for international economic cooperation.

The development of the SCO has laid a good foundation for the construction of the Economic Belt, and the progress of the latter will provide the former with new impetus for deepening cooperation, both being an opportunity of the other. The SCO member countries have signed legally binding Treaty of the Long-term Good Neighborly and Friendly Cooperation, giving priority to the areas of energy, transport, telecommunication and agriculture. They have also reached

30 "Xi addresses CASC ministerial meeting", June 5, 2014, http://en.ce.cn/National/foreignaffairs/201406/05/t20140605_2927480.shtml.

basic consensus on an agreement on the facilitation of international road transport, helping achieve road connectivity for the Economic Belt. Besides, China has made arrangements with Kazakhstan and Kyrgyzstan respectively for the use of local currencies in bilateral trade settlement, starting to pave the way for currency connectivity.

To sum up, the Belt and Road is a gigantic project of system engineering, covering many areas and involving many countries, with even more cooperation mechanisms. It cannot be accomplished at one move or in a short period of time. The key rests with early harvest and phased attainments, which should be shown in key arrangements for cooperation mechanisms in key areas and key countries. In June 2014, “Silk Roads: the Routes Network of Chang’an-Tianshan Corridor” jointly submitted by China, Kazakhstan and Kyrgyzstan has been successfully approved by the United Nations Educational, Scientific and Cultural Organization (UNESCO) to be put on the list of the World Cultural Heritage. It is a result of the efforts made by China and relevant Central Asian countries over the years, belonging to “early harvest” of the Economic Belt.

China and Russia are working on the integration of the Economic Belt and the Eurasian Railroad Network as well as the Eurasian Economic Union (EEU). China and Russia have reached historic cooperation agreement on East Route natural gas pipeline. And the C Route natural gas pipeline running through Turkmenistan, Uzbekistan and Kazakhstan has already come into use. China and Kazakhstan have started the project of Lianyungang Logistics Station. It has worked with Uzbekistan on the renovation of the ancient city of Samarkand and stepped up cooperation between its national astronomical observatories and Uzbekistan’s Ulugh Beg Astronomical Institute. China and Pakistan have smoothly implemented some energy projects on the list of early harvest of the CPEC and the project of Orange Line of the Lahore rapid mass transit rail. Moreover, China and India are working together on integrating the two major markets and advancing the construction of BCIM Economic Corridor. China and the Gulf Cooperation Council (GCC) countries are pressing ahead with the construction of a free trade area. Chinese companies have completed the second-phase construction of the contracted Ankara-Istanbul high-speed railway. And scheduled freight trains between China and Europe has grown rapidly.³¹ These accomplished or ongoing projects have shown

31 “Wushi Hezuo, Tuijin Sichouzhilu Jingjidai Jianshe: Waijiaobu Buzhang Zhuli Liu Jianchao Zai Sichouzhilu Jingjidai Meiti Hezuo Luntan Shang De Yanjiang” (Conduct Pragmatic Cooperation to Push Forward the Construction of the Silk Road Economic Belt: Speech by Assistant Foreign Minister Liu Jianchao at the Silk Road Economic Belt Media Cooperation Forum), July 2, 2014, http://www.mfa.gov.cn/mfa_chn/ziliao_611306/zt_611380/dnzt_611382/ydyl_667839/wjbxw_667920/t1170782.shtml.

that the Economic Belt is turning from a concept into the concrete projects and results of cooperation.

(2) The maritime Silk Road initiative gives impetus to China-ASEAN cooperation

In recent years, China-ASEAN relations have moved forward by leaps and bounds. The initiative of building the 21st Century Maritime Silk Road proposed by China will surely further consolidate the foundation for bilateral cooperation, opening a broad prospect for both sides to achieve common prosperity and development. China and ASEAN countries should take the advantage of building the maritime Silk Road to comprehensively advance pragmatic cooperation in multiple areas, creating a new situation for China-ASEAN relationship.

a. The new leap forward in China-ASEAN relations

On October 3, 2013, Xi Jinping delivered an important speech at the Indonesian Parliament entitled “Working for a Bright Future for the China-ASEAN Community of Shared Destiny”, in which he comprehensively expounded on China’s policy of good-neighborliness and friendship to Indonesia and the ASEAN at large, proposing to strengthen comprehensive partnership between China and Indonesia and to build an even closer community of shared interest between China and ASEAN so as to achieve common development and shared prosperity. China is committed to strengthening the construction of connectivity with ASEAN countries, initiating preparations for the AIIB. China stands ready to build on partnership with ASEAN countries for maritime cooperation, jointly building the 21st Century Maritime Silk Road. Since the ancient times, Southeast Asia has been an important hub of the maritime Silk Road. China is ready to work with ASEAN countries to strengthen maritime cooperation and make good use of the China-ASEAN Maritime Cooperation Fund set up by the Chinese Government. China is also ready to carry on the exchange of needed goods with ASEAN nations, complement each other with respective advantages, share opportunities and face challenges together so as to achieve common development and common prosperity.

The year of 2013 marked the 10th anniversary of the establishment of China-ASEAN strategic partnership. Over the decade, China-ASEAN relations had thrived, gaining gratifying results in bilateral cooperation. Mutual political trust had continued to deepen, both sides supporting one another on many major international and regional issues and keeping in place good-neighborliness, friendship and harmonious coexistence. Pragmatic cooperation between the two sides had grown rapidly. From 2002 to 2012, the bilateral trade volume grew at an average annual

rate of 23.6 percent, reaching US\$ 440 billion. Mutual investment increased 3.4 times, totaling over US\$ 100 billion. China is now ASEAN's biggest trading partner and ASEAN China's third largest trading partner.³² China and ASEAN have completed the building of the world's largest free trade area among developing countries. Cultural exchange and people-to-people relations between the two sides are strengthening, and the cooperation on people's livelihood and between social sectors is deepening. In 2012, 9.69 million Chinese tourists made visits to ASEAN countries. In the face of the international financial crisis and major natural disasters, China and ASEAN stood alongside each other and worked closely together, which has enhanced the public support for the bilateral cooperation.³³

Furthermore, China has always firmly supported the construction of the ASEAN community and ASEAN's role as the pilot of cooperation toward regional integration. In view of the impact of U.S. strategy of "pivoting to Asia" and its damage to ASEAN centrality in East Asia cooperation, leading to discord and disunity of the ASEAN, China's support as such is even more valuable.

b. The ways of cooperation between China and ASEAN

The region of Southeast Asia was the hub of the ancient maritime Silk Road. ASEAN countries used to occupy a vital position in the ancient maritime road of ceramics and spices. Today, China and ASEAN are closely related and interdependent like lips and teeth. In future construction of the maritime Silk Road, it is necessary for China to continue deepening and expanding result-oriented cooperation between China and ASEAN countries based on the existing bilateral FTA.

Start negotiations for upgrading the China-ASEAN FTA. China proposes to start negotiations for upgrading the existing bilateral FTA, spurring both sides to take more opening measures in areas of trade in goods, trade in services and investment cooperation, raise the level of liberalization and facilitation of trade and investment, and increase trade volume between the both sides to US\$ 1 trillion by 2020 so that ASEAN countries will benefit more from regional integration and China's economic growth. According to Chinese Premier Li Keqiang, in the eight years starting from 2013, China will import as much as US\$ 3 trillion of goods from ASEAN and invest over US\$ 100 billion in ASEAN countries.³⁴ The Chinese Government supports Hong Kong in conducting FTA negotiations with ASEAN

32 The State Council of the PRC, "Premier Li Keqiang's Remarks at the 16th ASEAN-China Summit", Oct. 9, 2013, http://english.gov.cn/premier/speeches/2014/08/23/content_281474983013212.htm.

33 Ibid.

34 Ibid.

as a separate customs territory. China also stands ready to work with ASEAN to advance negotiations of the RCEP to deepen economic integration of the region.

While upgrading the China-ASEAN FTA, it is advisable to continue, through the existing East Asia/Asia-Pacific production network, to elevate cooperation in such strategic areas as industry, technology, energy and environment or to elevate the level of sub-regional cooperation with ASEAN, to push forward infrastructural construction and connectivity, and accelerate the establishment of regional resources security system and industrial division system for shared benefit. In the short run, it is advisable to take the opportunity of upgrading the China-ASEAN FTA and make use of the “2+7 cooperation framework”³⁵ to advance the construction of maritime Silk Road between China and various ASEAN countries, with the aim of building a community of shared destiny. In the future, as the construction of maritime Silk Road goes on and as China-ASEAN cooperation deepens, the economic integration with ASEAN and the construction of a community of shared interest will change from regional strategic objective into one of the strategic means to achieve regional peace and stability.³⁶

Actively explore the conclusion of a treaty between China and ASEAN countries on good-neighborliness, friendship and cooperation. Good-neighborliness and friendship is a gem of China-ASEAN relations, a principal theme to be kept in place steadfastly. The new Chinese leadership sets great store by ASEAN as a priority area of China's neighborhood diplomacy. At a special China-ASEAN foreign ministerial meeting, both sides explored the possibility of concluding a China-ASEAN treaty on good-neighborliness, friendship and cooperation. The smooth progress of this process will help display the confidence and determination of all parties to jointly maintain regional peace and stability including the South China Sea and to deepen mutually beneficial cooperation. If all the parties can reach a consensus and ultimately conclude the treaty, it will provide China-ASEAN

35 The “2+7 cooperation framework” was proposed by Chinese Premier Li Keqiang in October 2013 at the 16th ASEAN-China Summit. The “2” refers to two points of consensus: first, deeper strategic mutual trust and good-neighborly relations is fundamental to closer cooperation; second, focusing on economic development and expanding win-win results is crucial to deeper cooperation. And the “7” refers to seven-point proposal on building a framework for wide-ranging, in-depth, high-level and all-round China-ASEAN cooperation in the next decade, which include: first, actively discussing the possibility of concluding a treaty on good-neighborliness, friendship and cooperation between China and ASEAN countries; second, starting negotiations on an upgraded version of the China-ASEAN Free Trade Area; third, expediting the development of infrastructural connectivity; fourth, stepping up regional financial cooperation and risk prevention; fifth, steadily advancing maritime cooperation; sixth, strengthening exchange and cooperation in the security field; seventh, intensifying cultural, scientific, technological, environmental and people-to-people exchanges. See “Premier Li Keqiang's Remarks at the 16th ASEAN-China Summit”, Oct. 9, 2013, http://english.gov.cn/premier/speeches/2014/08/23/content_281474983013212.htm.

36 Wang Jinbo, “Yidai Yilu Yu Quyu Jichu Sheshi Huliai Hutong” (The Belt and Road and Regional Infrastructural Connectivity), *Zhongguo Shehui Kexue Bao* (Chinese Social Sciences Today), No. 660, Oct. 24, 2014.

cooperation with a legal and institutional safeguard, being a banner guiding the development of the bilateral relations.

Quicken the pace of connectivity and infrastructural building. It helps promote regional trade facilitation and expand the scope of bilateral and multilateral trade to advance connectivity. It is necessary to make effective use of such mechanisms as China-ASEAN Committee on Connectivity Cooperation and China-ASEAN Transport Ministers Meeting in planning connectivity and in early implementation of landmark connectivity projects. China is ready to work with all parties to jointly press ahead with the construction of “flag-ship” project of Pan-Asia Railway and to strive for its early commencement. In consideration of the necessity for some of the regional countries to solve the problems of fund for improving infrastructure, it is advisable to have China-ASEAN Investment Cooperation Fund to play its role of providing the ASEAN and connectivity enhancement of the region with a banking platform and to make joint efforts, in an open fashion, to enhance financing capability.

Strengthen regional financial cooperation and risk prevention. China stands ready to work with regional countries to jointly take more effective measures to deal with international and regional financial risks. China has proposed to enlarge the size and scope of bilateral exchange of local currencies so as to reduce foreign exchange risk and settlement cost for trade and investment in the region and give full play to the China-ASEAN Inter-Bank Association. It is necessary to strengthen the multilateral cooperation proposed by the Chiangmai Initiative, achieving an early improvement on the operational procedure of the 240-billion-U.S.-dollar foreign currency reserve. China is ready to facilitate monetary authorities and other institutions of ASEAN countries to invest in China’s bond market. It is necessary to actively explore a roadmap for future development of regional financial cooperation, bringing into being Asian monetary stability system, Asian credit system and Asian investment and banking cooperation system.

Steadily advance maritime cooperation. Maritime cooperation is an important link in safeguarding peace and stability of the South China Sea. It is necessary for both sides to take positive actions to do their best in advancing maritime cooperation partnership. China has set up the China-ASEAN Maritime Cooperation Fund, with a contribution of RMB 3 billion and has welcomed all countries to make project submissions. The first 17 cooperation projects for implementation are on developing maritime economy, maritime connectivity, maritime environmental protection and research, and maritime search and rescue. Priority should be given to

cooperation on fishing, which directly benefits people's livelihood and is conducive to stability.

Enhance communication and cooperation in the security field. China calls for further improving the mechanism of China-ASEAN defense ministers meeting, conducting regular dialogue on regional security issues. It is also necessary for both sides to deepen cooperation in non-traditional security areas such as disaster prevention, rescue and relief, cyber security, transnational crimes, joint law enforcement. China proposes that a plan of action be formulated on China-ASEAN disaster relief cooperation, and that contact be strengthened with the ASEAN Coordination Center for Humanitarian Assistance on Disaster Management. China will provide RMB 50 million for cooperation on disaster prevention and relief. China is also ready to establish a dialogue and exchange mechanism between the maritime law enforcement agencies of the two sides and conduct personnel training and joint patrol with ASEAN countries.

Further enhance cultural, science and technology, and environmental protection exchanges. The roots of friendship and cooperation lie in the people. China and ASEAN countries jointly formulated the Action Plan for China-ASEAN Cultural Cooperation (2014-2018) and made efforts to ensure the success of activities during the 2014 year of China-ASEAN cultural exchange. Chinese Premier Li Keqiang made the commitment at the 16th ASEAN-China Summit in October 2013 that in three to five years to come, China will provide ASEAN countries 15,000 government scholarships and build more education centers catered to ASEAN countries in China. China will add RMB 200 million to the Asia Regional Cooperation Fund to mainly finance people-to-people exchange between the two sides and capacity building. China will continue to support the development of such platforms as the China-ASEAN Center, China-ASEAN Think Tank Network, China-ASEAN Public Health Cooperation Fund, and advance exchanges in culture and education and between youth, think tanks and media organizations, so as to build strong popular support for the bilateral cooperation. China will continue to implement the China-ASEAN Scientific and Technological Partnership Program, set up a China-ASEAN Science and Technology Innovation Center, and bolster cooperation in new energy and other areas. China will also put forward an initiative for cooperation between Chinese and ASEAN environmental industries, and establish a China-ASEAN demonstration base for cooperation and exchanges on environment-related technologies and between relevant industries.³⁷ In sum, the Belt and Road initiative will reshape China's relations with neighboring countries,

37 The State Council of the PRC, "Premier Li Keqiang's Remarks at the 16th ASEAN-China Summit", Oct. 9, 2013.

cementing a future-oriented partnership of good-neighborliness, friendship and mutually beneficial cooperation.

c. Making earnest risk assessment and taking precautions

Preparedness ensures success, and unpreparedness spells failure. The Belt and Road initiative is neither spending-spree diplomacy nor a charity undertaking. What it pursues is win-win cooperation, and as such, it cannot be promoted by government alone but needs the support of public-private partnership (PPP). It is necessary to fully mobilize forces in the private sector and let market play the leading role. At present, it is necessary to pay sufficient attention to the difficulties and risks this initiative may encounter, and in particular in the process of advancing and implementing pertinent projects, we need to do a good job of risk assessment and control, including political, security, economic, diplomatic and social risks.

The first issue is how to make a breakthrough on the state of China and its neighboring countries being “nearby but not intimate”. The implementation of the Belt and Road initiative needs the understanding and support of the countries along the Belt and Road. It is necessary for them to believe that by partaking in the initiative, they can take more advantages than disadvantages or they can draw on advantages and avoid disadvantages in political, security, economic and diplomatic terms. In this regard, China should enlarge convergence of interests with countries along the Belt and Road rather than impose its will on them.

The second issue is how to ensure that the Belt and Road initiative will neither go against the existing cooperation mechanisms nor be mutually exclusive with any of them. At present, there are quite a number of cooperation mechanisms in the region in the fields of politics, security, economy and finance, such as the SCO, the CICA and the East Asia Summit, the RCEP, “10+1” and the TPP. It is advisable to seek a complementary relationship between the Belt and Road initiative and the above mechanisms rather than a counteractive one.

The third issue is how to ensure that the transfer of China’s advantageous production capacity to foreign countries will benefit host nations. Indeed, it is necessary for China to transfer some of its advantageous production capacity abroad. However, it does not mean that China will simply move its high-polluting, high-energy consuming enterprises to other places. On the contrary, China should encourage its competent enterprises to invest in nearby states, helping them with capacity building, not just seeking commercial profits there.

The fourth issue is how to avoid the impact of government change in some

relevant countries. Recently, regime changes in Greece and Sri Lanka have somewhat affected major local projects with Chinese investment, giving alarm to China's Belt and Road initiative that has just started. As Chinese outward investment increases, such risks will be all the more.

The fifth issue is that the Belt may face interference and sabotage of the "three forces" whereas the maritime Silk Road calls for appropriate handling of the disputes over the South China Sea.

d. Doing the best at the Belt and Road public diplomacy

To win over more understanding for the Belt and Road initiative, it is necessary to build on mutual trust and dispel misgivings. An important means to attain this goal is to use an appropriate set of terms and concepts to expound on the contents of the initiative. At present, in discussion on the Belt and Road initiative, there are some Chinese scholars who use such concepts as "strategy" and even "military strategy" to interpret China's international economic and trade policy, artificially adding strategic color to trade and investment activities of local governments or enterprises as if without so doing, their analysis would be less profound, which actually have aroused unnecessary concerns. India is very alert to the so-called "Strategic Thoroughfare to China's Southwest", fearing that China may harm its national interest. ASEAN countries are vigilant against the term "bridgehead", as the term has much military connotation. Russia is not at ease with China's "westward march". In historical perspective, the core of Silk Road is economic relations and trade, the essence of which is peacefulness. As such, the discourse on the Silk Road should not be constructed in "strategic" terms. It is necessary to emphasize that China will neither pursue unilateralism nor impose its will on others, and to avoid using such concepts pertaining to unilateralism as "westward march" and "rise", which may generate misgivings on the part of the outside world.³⁸ It is necessary to enhance public diplomacy, dispelling unnecessary misgivings and creating an objective and friendly international opinion environment for the implementation of the Belt and Road initiative.

To sum up, the construction of the Belt and Road cannot be accomplished at one move, and therefore patience is required. We should keep in mind the old saying: More haste, less speed. It is advisable to be confident that as long as the initiative is in the common interest of China and the neighboring countries, it will win over an increasingly large number of people. For China, how to advance the initiative, how to find accurate convergent points of interests between China

38 Jiang Xiheng and Cheng Guoqiang, "Yidai Yilu' Yanjiu Ruogan Guandian Yaolan" (A Survey of the Views on the Belt and Road Initiative), *Beijing Daily*, Oct. 20, 2014.

and countries along the Belt and Road, and how to enhance mutual trust and dispel misgivings will determine whether the Belt and Road initiative would be implemented smoothly or not.

B. Challenges for Conducting Neighborhood Diplomacy

1. There is still a ready market for the “China threat” theory

Among China’s neighboring countries, “China threat” is a long standing proposition rather than one cropping up today. For different historical periods, it has different interpretations and takes different forms. “China’s arrogance” and “China’s assertiveness”, which are often mentioned in the outside world these days, are just the recent variations of the “China threat” theory. There are profound historical sources and practical reasons for the making of the “China threat” theory, including negative memories of a strong China in history by neighboring countries, rejection to the current Chinese political-social system, anxiety about China’s rapid development and particularly the aversion accumulated in daily experience. In recent years, with the widening of gap in national strength between China and its neighboring countries, some hot issues becoming even hotter, and external forces adding fuel to the flame, the “China threat” theory is on the verge of becoming popular again. For instance, the Japanese nationals’ impression on China is the worst in history, large-scale anti-Chinese protests have occurred in Vietnam, and at the grass-root levels in Myanmar, there is psychological resistance against Chinese enterprises and personnel. Such phenomena illustrate that as a sort of “threat perception”, “China threat” exists in the neighboring countries and will grow in the short term, displaying at various political, economic and social levels and seriously poisoning China’s relations with nearby countries. For example, although the aim of China’s Belt and Road initiative is to achieve common development, the voices of doubt have lingered on. Some believe that there is a hidden agenda behind it, either to gain access to the Indian Ocean or to seek hegemony in Asia to exclude the United States, or to practice “neo-colonialism”, or to put on a smokescreen of peace to cover up China’s territorial and maritime disputes with neighboring states.

Judgments based on the above perceptions do not proceed from facts but from certain preconceived ideas or prejudice, which may seriously poison the bilateral relations between China and its neighbors and on many occasions have turned undesirable results into self-fulfilling prophecy. To correct such misconceptions, on the one hand, it is necessary for China’s neighboring countries to have the right

frame of mind, enhancing their confidence in developing relations with China. On the other hand, it is necessary for China to fully expound on its neighborhood policy so as to reduce misunderstanding and to make good use of tangible cooperation benefits as well as the positive energy of peaceful development to dispel these misconceptions and build up a fine national image featuring peace, openness and inclusiveness.

2. The “three forces” of terrorism, separatism and extremism are on the rise

Recently, the Islam State (IS) has been attacking cities and capturing territories, becoming another upsurge of religious extremism after the al-Qaeda and endangering stability of the Middle East with spillover effects on other regions. With limited governing capacity, some Central Asian and South Asian countries have seen the domestic ethnic and religious contradictions leading to instability, some even turning to be base camp of violent, terrorist forces. Although there are no such terrorist organizations as “East Turkistan” within China, the terrorist attacks that have occurred in China in recent years have shown that the dispersed terrorist groupings within the country are closely associated with external forces.³⁹

For instance, in October 2013, a terrorist attack happened near the Jinshui Bridge across the moat of the Forbidden City, which is opposite to the Tian'anmen Square. Behind the terrorist attack is the East Turkistan Islamic Movement (ETIM), which is based in the tribal areas of Pakistan and Afghanistan. In January 2014, Kyrgyz border troops shot dead a group of unidentified gunmen in a place near the Chinese border. Investigation indicated that it was very likely that these unidentified gunmen are radicals who had crossed the border from Xinjiang.

On the one hand, the international terrorist network headed by the ETIM and al-Qaeda has deepened its collaboration, with a tendency to be integrated into the international Jihad. The terrorist attack that occurred at Kunming Railway Station in Southwest China Yunnan Province was done by a gang of criminals who had failed in their attempt to get across the border for joining the Jihad. On the other hand, some members of the East Turkistan, having been trained by al-Qaeda in the tribal areas in Pakistan and Afghanistan to make simple explosive devices and practice suicide bombing, await their chances to sneak back into Xinjiang and launch terrorist attacks. For example, one of the culprits of the serial terrorist attacks in Kashgar, Xinjiang Uigur Autonomous Region (AR) in July 2011 had

39 Qiu Yongzheng et al., “Shui Zai Bang ‘Dongtu’ Shili Huoluan Xinjiang” (Who Is Helping “East Turkistan” Forces Breed Unrest in Xinjiang), *Baokan Huicui* (*Digest of Newspapers and Magazines*), Issue 9, 2013, p.29.

received such training in the tribal areas in Pakistan and Afghanistan.

As the IS rises in the Middle East, some young people from Xinjiang Uigur AR have gone abroad to join the international extremist organization. Since border control is tight in Xinjiang, they tend to choose Guangdong Province, Guangxi Zhuang AR and Yunan Province, the places with favorable geographical or topographical features for border-crossing, to steal out of the country. After that, some of them joined the Southeast Asian branches of al-Qaeda, such as the East Indonesian Jihad Organization, the others went to Syria or Iraq to join IS forces. Their ultimate objective is, on the one hand, to receive terrorist training and then to “fight their way back” to China and on the other, to build up contacts in the international network of terrorist organizations and to raise funds for their terrorist operations in China.⁴⁰ Pakistan and Central Asian and Southeast Asian countries are key areas for China’s large-scale external economic cooperation, and Guangdong Province, Guangxi Zhuang AR and Yunan Province are on the frontline of China’s opening of its coastal and border areas. Under the circumstances of enhancing connectivity, it is necessary to consider how to prevent terrorist forces at home and abroad from strengthening their connection and biding their time to make trouble.

Central Asia still faces security challenges. First, the pullout of American forces from Afghanistan may result in escalation of domestic conflicts in the country and there may be spillovers of refugees, Islamic extremism and terrorism. Second, ethnic and religious contradictions still exist in Central Asia, and complex relations between Central Asian states threatens regional stability.⁴¹ Third, the “three forces” of terrorism, separatism and extremism have been rampant in Central Asia for a long time. The Fergana Valley is an important base for religious extremism. And it is not an unnecessary worry that the hostile forces within China may collude with foreign terrorists to launch terrorist attacks, such as disrupting oil and gas pipelines running through Central Asian countries to China.⁴²

Some people believe there is a paradox between globalization and terrorism. On the one hand, the international political, economic and cultural integration has prepared necessary conditions for eradicating global terrorist crimes. On the other, economic globalization results in challenges facing economic sovereignty of

40 Qiu Yongzheng and Xing Xiaojing, “Dongtu Fenzi Cong Nanfang Chujing Touben ISIS, Zuizhong Mubiao Dahui Zhongguo” (Members of East Turkistan Cross the Chinese Border from the South to Go to ISIS for Help, and Their Ultimate Goal Is Returning to China for Terrorist Attacks), *Huanqiu Shibao* (Global Times), Sept. 22, 2014.

41 Zuo Fengrong, “Gongjian ‘Sichouzhilu Jingjidai’ Mianlin de Jiyu Yu Tiaozhan” (Opportunities and Challenges in Joint Construction of Silk Road Economic Belt), *Dangdai Shijie* (Contemporary World), Issue 5, 2014, p.14.

42 He Maochun et al., “Xin Sichouzhilu Jingjidai de Guojia Zhanlue Fenxi” (An Analysis of National Strategy on the New Silk Road Economic Belt), Dec. 26, 2013, http://fj.rmlt.com.cn/2013/1226/205582_3.shtml.

pertinent countries, increased risks for economic operation, widened gap between the North and the South, and the rampage of organized transnational crimes, thereby providing terrorist crimes with fertile soil.⁴³

In fact, similar dilemma rests with the process of advancing regional economic cooperation and integration. The construction of the Economic Belt is a fundamental policy to deal with the “three forces”, and the latter may spare no efforts to disrupt the former. In recent years, the Chinese Government has taken forceful measures to crack down on terrorist forces in Xinjiang Uigur AR, resulting in increased diffusion, fragmentation and disorganization of terrorist activities. Xinjiang has become a secret rear area of terrorists whereas China’s central and western regions may become the forefront of terrorist activities, which will do greater harm to the construction of the Economic Belt with more profound effects.

Economic development cannot replace security building. As a leading official in charge of counter-terrorism in Xinjiang observed, to believe that economic construction can solve the issue of terrorism in Xinjiang is but an expression of less than profound understanding.⁴⁴ As Mr. Zhang Xinfeng, Director of the Executive Committee of the SCO Regional Counter-Terrorism Structure (RCTS) remarked, “The faster the construction of the Silk Road Economic Belt, the greater benefit for Central Asian countries. At the same time for our own security in Western China, it is necessary to have stability in Central Asia. Economic development and maintenance of stability should be taken into account at the same time, both needing advancement and neither being dispensable.”⁴⁵ Of course, without economic development, it would be even more difficult to sustain security. As such, economic cooperation and security maintenance are the two sides of one coin, both being indispensable.

3. The territorial and maritime disputes remain complex

China is a sea-land composite country sitting on the Eurasian continent with 14 neighboring countries on land and 6 neighboring countries across the sea. Among the neighbors on land, only border issue with India is yet to be resolved. But with maritime neighbors, there have been little progress in resolving the disputes on islands sovereignty and sea demarcation. Recent years have witnessed unremitting

43 Yu Yidong, “Zouxiang Jingji Fanzui de Kongbu Zhuyi” (Terrorism: Towards Economic Crimes), *Fanzui Yanjiu* (Criminal Research), No.5, 2013, p.49.

44 Qiu Yongzheng et al., “Shui zai Bang ‘Dongtu’ Shili Huoluan Xinjiang” (Who Is Helping “East Turkistan” Forces Breed Unrest in Xinjiang), *Baokan Huicui* (Digest of Newspapers and Magazines), Issue.9, 2013, p.29.

45 Zhang Xinfeng, “Silu Jingjidai Jianshe Yao Tongshi Tuijin Fazhan Jingji he Baochi Wending de Guanxi” (Construction of the Silk Road Economic Belt Needs Both Advancement of Economic Development and Maintenance of Stability), June 7, 2014, http://gb.cri.cn/42071/2014/06/07/7551s4s68135_1.htm#top.

developments and changes of the maritime disputes in the East China Sea and the South China Sea, with tensions cropping up now and then. These undesirable developments have produced a negative effect not only on the bilateral relations between China and other claimants, but on regional peace and cooperation. The reasons for causing this situation are rather complicated: first, China's rapid development have brought about worries of some neighboring countries, who plan to consolidate and expand their vested interest when China is getting strong but not strong yet; second, China's more proactive diplomacy and increased resolve in defending its rights and interests are met with complex reaction; third, some external powers, in order to play a larger role in regional affairs, have added fuel to the flame behind the scene.

The core of the South China Sea issue is the disputes over some of the islands and reefs of the Nansha Islands and the demarcation of some waters in the South China Sea. There are thorny issues accumulated over the years involving bilateral differences between China and some ASEAN countries. The Chinese Government is determined to unswervingly take the path of peaceful development, its will to protect national sovereignty and territorial integrity being unshakable. It is on this basis that China perseveres with having dialogue with countries concerned and with ASEAN, exploring an effective way to safeguard regional stability.

In 2002, China and ASEAN countries jointly signed the DOC, which is a basic document for maintaining peace and stability in the South China Sea. The DOC establishes a series of important principles including resolution of related disputes through peaceful means, all parties committed to self-restraint pending resolution of the disputes, not to take actions that may complicate or intensify the disputes and to conduct pragmatic cooperation. These principles illustrate the wisdom of Asian countries in handling complicated contradictions, reflect the greatest common divisor of interest of all related countries, which is not easy to come by and provides indispensable conditions for the thriving cooperation and economic prosperity of the region. The DOC stands as an important consensus reached by China and ASEAN countries and the cornerstone of peace and stability in the South China Sea. China stands ready to continue consultations with ASEAN countries on the COC in the South China Sea and push forward the formulation of the COC in a proactive and appropriate manner on the basis of consensus. A tranquil South China Sea is a blessing for all countries, and a South China Sea of billows and waves serves the interest of no one.

China has all along been a firm protector of peace and stability. The Chinese

Government and people understand deeply that without a secure environment, there will be no economic development and prosperity. The South China Sea is an important sea passage. As a major trading nation in the world, China relies heavily on the openness and safety of international sea passage and at the same time takes up its responsibilities. As such, China attaches great importance to the freedom of navigation in the South China Sea and is very much concerned about its security. Actually, the territorial disputes in the South China Sea have not affected the openness and safety of the international sea passage in the area, and China will continue to promote and partake in maritime cooperation including maritime security cooperation for peace and tranquility there.

The “dual-track” approach is a guiding concept for China to handle the South China Sea issue. At the 17th ASEAN-China Summit held in Myanmar in November 2014, Chinese Premier Li Keqiang put forward a “dual-track” approach, making it clear that specific disputes are to be addressed by countries directly concerned peacefully through negotiation and consultation based on historical facts, international law and the DOC and that peace and security of the South China Sea be jointly upheld by China and ASEAN countries working together.”⁴⁶ Generally speaking, the situation in the South China Sea is stable, and the disputes there cannot and should not affect the overall situation of China-ASEAN relations. Those disputes should be addressed by countries directly concerned peacefully through negotiation and consultation. China and ASEAN should work together to uphold peace and stability of the South China Sea and create an favorable environment for peaceful resolution of disputes, pending which, China stands for parties to disputes actively advancing common development. The navigation in the South China Sea is free, its security being proved by over 100,000 cargo ships of various countries smoothly passing through every year. China is ready to continue to work with countries in the region to safeguard freedom and security of navigation in the South China Sea.

Contests of various parties have become a “new normal” of the maritime situation in China’s neighborhood. And China has broken Japan’s “actual control” over the Diaoyu Islands, achieving a new balance of cross-control. Taking forceful countermeasures for provocations by Vietnam and the Philippines in the South China Sea, China has increased its efforts to protect its rights and interests under the premise of maintaining stability. While waging struggle, China has increased dialogue and cooperation at bilateral and multilateral levels, putting disagreements

46 “Remarks by H. E. Li Keqiang, Premier of the State Council of the People’s Republic of China at the 17th ASEAN-China Summit”, Nov. 13, 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1212266.shtml.

under practical control and using positive energy of cooperation to offset negative effects of conflicts. At present, tendencies of struggle and cooperation, seemingly contradictory, exist at the same time, with parallel progress according to respective inherent logic. In face of gigantic positive energy of cooperation, though disturbing factors are under control, they consume a lot of resources for cooperation, and the possibility of them producing a greater negative effect cannot be excluded. In sum, it is unrealistic to thoroughly resolve the maritime disputes, which are very likely to cause tensions again, but there is still hope for maritime cooperation. It is necessary for China to forcefully promote regional maritime cooperation in the South China Sea by taking advantage of the construction of the Belt and Road and the timing of 2015 as the Year of China-ASEAN Maritime Cooperation.



V. The U.S. Factor in China's Neighborhood Diplomacy

The United States is not a geographical neighbor of China. However, the reach of its interest and influence is almost everywhere in China's neighborhood. On the one hand, the United States intends to use its allies and partner countries to counter-balance China's influence so as to serve its overall China strategy. On the other hand, it is disinclined to be kidnapped by those countries to take the risk of falling foul of China. In recent years, China's neighborhood diplomacy has been deeply affected by the U.S. "rebalancing toward the Asia-Pacific" strategy and at the same time, China has hoped to guide and train the United States by proactively setting the agenda for the bilateral relations and calling for a new model of major-country relationship. Once the China-U.S. relationship is stable, the situation in the Asia-Pacific will be stable. As President Xi Jinping said, "When China and the United States work together, we can become an anchor of world stability and a propeller of world peace."⁴⁷

A. The Silk Road Economic Belt and the "New Silk Road" Proposed by the United States

For the United States, Central Asia is a region of strategic interest, serving as a bridge for controlling Russia and containing China, and a strategic point for protecting its traditional interest in West Asia and South Asian and for controlling Afghanistan, Iran and Iraq. Besides, to control energy and other resources in Central Asia is an important reason for the United States to attach importance to this region.

In 2011, the United States put forward the "New Silk Road" strategy, a new edition of its plan for greater Central Asia. One of the main intentions of the United States is to integrate Central Asian nations into the West-dominated international system, draw them over by economic means and take them away from Russian

47 The White House, "President Obama and President Xi Jinping in Joint Press Conference", Nov. 12, 2014, <https://www.whitehouse.gov/the-press-office/2014/11/12/remarks-president-obama-and-president-xi-jinping-joint-press-conference>.

and Chinese influence, aiming at checking China. The objective of this strategy is to take Afghanistan as the center, linking Central Asia and South Asia into a broad network of regional transport and economic ties including building such infrastructural facilities as railroads, highways, power grids and oil and gas pipelines connecting Central Asia, Afghanistan and South Asia. The strategy is somewhat disguised and its projects are financed by the Asian Development Bank (ADB). Both Turkmenistan and Uzbekistan have taken part in the plan.

According to a U.S. State Department official, though the United States is an important partner to Central Asian countries and, in energy and other fields, American corporations are important players in the region, due to geographical proximity and its own strong economic growth, China is a “natural leader” of the Central Asian region in terms of trade and investment. The United States welcomes China to construct energy and transport infrastructure in Central Asia and is willing to cooperate with China on the Silk Road projects. The U.S. Deputy Special Envoy of Afghanistan and Pakistan Affairs observed that the Chinese plan and the U.S. concept of “New Silk Road” have many things in common. The fact that there is much overlapping between the two initiatives illustrates that the common interests between China and the United States in the economic development of Afghanistan outweigh the conflicts between them. A spokesperson of the U.S. State Department pointed out that the Chinese Silk Road conception also reflects America’s own conception of New Silk Road.

According to a comparison between Chinese and U.S. editions of Silk Road plans made by American academics, the Chinese Economic Belt outshines the U.S. New Silk Road. First, in regard to strategic intents, the “New Silk Road” plan proceeds from the situation in Afghanistan after 2014 when NATO ends its combat mission there. While persevering in anti-terrorism and preventing proliferation, the plan aims at protecting U.S. corporate interests, upholding American influence in Asia and the Middle East and at the same time marketing U.S.-style democracy and market system. The Chinese conception follows economic returns, seeking to improve infrastructural construction in Xinjiang on the one hand, and elevating its diplomatic and economic relations with Asian neighbors on the other. Secondly, with regard to the mode of implementation, the U.S. New Silk Road is basically vertical extension from India to Afghanistan, with the focus of resolving the Afghan issue. In practice, the U.S.-led West has entrusted the implementation of the New Silk Road plan to bureaucracy. Differently, the China-proposed Economic Belt is a great initiative, the track of which fits that of the ancient Silk Road, and it is

pushed forcefully by the Chinese Government and backed up by huge capital and sizable oil and gas pipelines. Thirdly, regarding the effect of implementation, the U.S.-proposed New Silk Road has little to show to the world, and the U.S. input in Central Asia has been mainly used to build overland passage for the withdrawal of troops rather than to promote economic development of Central Asian countries and thus its military significance far surpassing economic significance. Moreover, as a landmark project of the U.S.-advocated New Silk Road plan, the Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000), has not been implemented smoothly due to various reasons.

B. The U.S. “Rebalancing toward the Asia-Pacific” Has a Great Impact on China’s Neighborhood

The evolution of China’s neighborhood situation is closely related to the profound change of regional balance of power. Since the end of the Cold War, China’s rise has, without doubt, accelerated the power shift in the region. Although China’s leap-forward development is based on its own reform and opening-up rather than on the failure of other countries, its rapid ascendance has directly led to a dual-center pattern with China and the United States at the core. This increases the difficulty for China’s neighboring countries in making diplomatic choice, especially for East Asian nations, which need both economic development and security assurance. Except for very isolated cases, they are reluctant to take sides between China and the United States. For the sake of their own interest, they would not like to see deterioration of the Sino-U.S. relations.

1. “Rebalancing” butts in the Asia-Pacific

A new power pattern, complex environment and development opportunities are not only getting on the nerves of the countries in the region, but attracting the attention of the outside world, the attempts and speculations of which have pushed China into the vortex of multiple interwoven contradictions. Against this backdrop, the United States released its “rebalancing toward the Asia-Pacific” strategy, stimulating some countries in the region to make reckless moves, try to pick a quarrel with China and even talk such nonsense as “containing China”, leading to the heating-up of some territorial disputes. Meanwhile, China’s appropriate responses are played up and distorted as being “assertive” and “over-reaction”, and there are some people who are worried that China may drive the United States away from the Asia-Pacific and replacing the latter as a new regional hegemon.

The political, economic and military pillars of the U.S. “rebalancing” strategy have impacted the situation in China’s neighborhood. At the political level, the United States has comprehensively enhanced its relations with old allies and new partners. It has also actively participated in the activities organized by various multilateral institutions in the Asia-Pacific. Since Obama took office, the United States has noticeably improved its relations with traditional allies like Japan, the R.O.K. and Australia and at the same time enhanced its relations with India, Singapore and Vietnam. At the economic level, dissatisfied with the state of affairs of “exporting security but reaping deficits”, the United States has always tried to open the market of its Asian allies so as to find more clients for its products. At the military level, the United States seeks to make its military deployment in the Asia-Pacific “more extensive, flexible and durable”. While keeping military deterrence against the D.P.R.K., the United States has reinforced its military presence in Southeast Asia and Australia, and strengthened military capacity of its allies and partner countries through training and maneuvers.⁴⁸

Since the U.S. announcement of its “pivot” to Asia, the geopolitical tensions have kept rising. And later on the United States used the pretext of “tensions in regional situation” to transfer its military deployment to the West Pacific in a large scale, projecting to deploy 60 percent of its naval and air forces to the West Pacific. Meanwhile, the United States has frequently conducted military maneuvers in Asia, putting various advanced weapons on show to “deter” potential contenders.

2. The United States performs swordplay with checking China in mind

It was the increasing anxiety of the United States over the rise of China that acted as a catalyst for it to make eastward shift of its strategic center of gravity. Though the “rebalancing” strategy is not entirely aimed at China, guarding against China was surely its main motivation. That was the “sputnik effect”. As President Obama warned in his State of the Union Address 2011, it is just like the Soviets beating the United States into space with the launch of their first satellite called Sputnik that the United States faces challenges from China, the county that is pursuing economic expansionism. The home to the world’s fastest computer and fastest train is no longer the United States but China. Relying on its strong economic growth and wealth, China is now on an equal footing with the United States in the world economic arena. Although Obama’s warning was meant to spur domestic support for his “change”, in objective terms what he said helped promote the sentiment of

48 Ruan Zongze, “Meiguo ‘Yatai Zaipingheng’ Zhanlue Qianjing Lunxi” (An Analysis of the Prospect of U.S. “Rebalancing toward the Asia-Pacific” Strategy), *Shijie Jingji Yu Zhengzhi* (World Economy and Politics), Issue 4, 2014, pp.7-8.

“China threat”.

How to live with China is a serious test facing the United States. What Barack Obama has done is to advance a “New Deal” at home and seek strategic “rebalancing” abroad, taking the Asia-Pacific region as the center of refocusing so as to meet the challenge of China’s rise. One of the U.S. intentions is to sow discord between China and its neighboring countries for its own benefit. Regarding the disputes over the South China Sea, the United States has changed its past aloofness and become increasingly involved in the South China Sea affairs, proclaiming out of thin air that freedom of navigation in the South China Sea is its “national interest”. With increasing partiality to its allies and friends like the Philippines, the United States has made itself a “third party” to the disputes over the South China Sea.

In fact, freedom of navigation in the South China Sea has never become a problem. The United States deliberately plays it up for two purposes: first, making excuses for its aircrafts and warships to conduct close-in reconnaissance of China; second, instigating countries with a grudge on the disputes of territorial sovereignty and maritime rights and interests in the South China Sea to kick up a row with China. Recently senior U.S. officials like John Kerry and Daniel Russel have kept challenging China’s positions on the South China Sea issue. At a congressional hearing, Russel asked China to clarify or readjust the “Nine-Dash Line” to bring it in line with the United Nations Convention on the Law of the Sea (UNCLOS). Although the United States has denied that its “rebalancing” is aimed at China and reiterated that it attaches importance to Sino-American relations, its deeds, especially its partiality in favor of its allies and friends such as Japan and the Philippines on their territorial disputes with China, have made empty its commitment not to “aim at China”.

3. The United States may be kidnapped and used by its allies

The U.S. “rebalancing toward the Asia-Pacific” strategy may either be exploited by its allies or draw fire against the United States itself, thereby increasing the U.S. strategic burden. The U.S. allies are not entirely in the U.S. pocket. Rather, they want the United States to pull the chestnut out of fire for them. The improper control by the United States over its allies may induce them to make reckless moves. U.S. officials and scholars cannot agree on the meaning of the “rebalancing” strategy, but this does not affect the “penetrating insight” of those allies. They see through the true purpose of the U.S. “pivot” to Asia and regard it as an opportunity

to take a voyage on the borrowed American boat. As such, their plots in response to the U.S. policy may vary but they all use the same playbook: to spare no effort to turn their problems into American problems and make their disputes with China into American disputes with China. And then, the small will beat the big.

The U.S. “pivot” to Asia has led to a series of chaos, partly because of “misinterpretation” by U.S. allies. By forming faction in East Asia, having a hand in the South China Sea and being partial to its allies, the United States has acted as a catalyst for instability and a game changer in East Asia in recent years, directly resulting in rasher and bolder provocative activities of the Philippines, Vietnam and Japan, which have compelled China to make strong reactions, therefore testing U.S. commitments to its allies’ security.

In view of this, the United States has to reiterate in principle the above commitments to protecting its allies time and again but is reluctant to clarify its treaty obligations in order to leave room for maneuver. In case its allies causing trouble that leads to conflicts, the United States will be on the horns of a dilemma: failing to give them a hand will damage its credibility, but giving them a hand will take the risk of becoming hostile to China. A case in point is the U.S.-Japan relations, particularly relating to the Diaoyu Islands. The United States has to get closer to Japanese positions step by step, being used by Japan, which is a segment from which the whole can be seen.

C. China-U.S. New Model of Major-Country Relations Helps Reshaping China’s Neighborhood

Since the United States put forward the “rebalancing” strategy, China has dealt with the situation with a mind of ease, avoiding a head-on collision with the United States and playing a smart game with it, i.e. to cooperate when possible and to say “no” when necessary. More importantly, China does not dance to the tune of the United States but rather increases its staying power and keeps forging ahead by actively building on a friendly neighborhood environment to offset the impact of the U.S. “rebalancing” strategy.

1. China sets the agenda proactively

As China-U.S. relations get increasingly close, the situation requires China to proactively set the agenda for the development of the relationship. By putting forward at an appropriate time the proposal of building a new model of China-U.S. major-country

relations, China has made greater efforts in shaping and guiding the development of the bilateral relations. In June 2013, President Xi Jinping met President Obama at the Annenberg Estate, California. The two heads of state emphasized the importance of China-U.S. relations and reached important consensus on how to develop the bilateral relations into the future, that is, China and the United States will not take the beaten track of major-country conflicts in history, but rather display political wisdom and assume historical responsibility in endeavoring to create a new model of major-country relationship.

The meaning of a new-model of China-U.S. major-country relationship includes the following: first, “no conflict, no confrontation”: both countries should see the strategic intention of each other objectively and rationally and handle their contradictions and differences properly through dialogue and cooperation; second, mutual respect: they should respect each other’s choice of social system and development path and respect one another’s core interests and major concerns, seeking common ground while shelving difference, and tolerating and learning from each other; third, win-win cooperation: it is necessary to reject zero-sum mentality, and one should take into consideration of another’s interest while pursuing that of its own, promote common development while seeking its own development, and continue to deepen the integration of each other’s interests.

Today’s China-U.S. relations can no longer, like during the Cold War, be built on the basis of “opposing” a common outside threat. Rather, it should be built on the basis of “establishing” a new order of cooperation for win-win situation. President Xi Jinping’s proposal of striving for a new model of major-country relationship has a salient feature of the times and great historical relevance, therefore it met positive response from President Obama. In November 2014, President Obama made a state visit to China and, during his visit, held nocturnal talks with Xi Jinping at Yingtai in Zhongnanhai. Both sides reaffirmed that the development of a new model of major-country relationship between China and the United States is in the fundamental interest of the people of both countries, and of the people of the Asia-Pacific and the world at large as well.

When he met with visiting U.S. Secretary of State John Kerry in April 2013, President Xi Jinping emphasized that China is firmly committed to building the new model of major-country relationship between China and the United States and is willing to strengthen dialogue with the United States to enhance mutual trust, deepen cooperation, properly handle differences and push for sustained, healthy and stable development of the bilateral relations. Secretary Kerry said that the

United States attaches great importance to the construction of a new model of U.S.-China major-country relations. Being two major economies in the world, the United States and China should strengthen practical cooperation, well manage differences, and unceasingly strengthen the driving force for the development of the bilateral relations.

2. Plough deep the “testing ground” of the Asia-Pacific

Since the United States made high-sounding announcement of “returning to Asia”, the Asia-Pacific region has been in a state that the tree desires stillness but the wind will not cease. In the future, it is essential for China and the United States to reach new consensus on transforming the regional order of West Pacific. Clinging to bygone norms will end up with attending to one thing and losing sight of another. The heads of state of China and the United States have agreed to strive for a new model of major-country relations featuring win-win cooperation, which represents the greatest consensus of the two countries. Only by observing this principled consensus - mutually respecting each other’s concerns and interests - can China and the United States join hands to effectively safeguard the peace and stability of the Asia-Pacific region.

Whether China and the United States can co-exist peacefully in the Asia-Pacific will be a test for the likelihood of building a new model of major-country relations between the two countries featuring win-win cooperation. Xi Jinping has stressed time and again that the Pacific Ocean is broad enough to accommodate the development of both China and the United States, which indicates that China does not intend, as the United States worries, to drive the United States away from the Asia-Pacific region. As Chinese Foreign Minister Wang Yi remarked,

“[I]t is both possible and imperative that our two countries start the building of this new model of relationship from the Asia-Pacific. ... If China and the United States can avoid conflict and confrontation in the Asia-Pacific, there is no reason they cannot co-exist in peace in other parts of the world; if China and the United States can respect each other and conduct win-win cooperation on Asia-Pacific affairs, there is no reason they cannot work together on other issues.”⁴⁹

Wang Yi emphasized that in order to turn the Asia-Pacific into the “testing ground” for such a relationship, two points are of vital importance:

⁴⁹ Wang Yi, “Toward a New Model of Major-Country Relations Between China and the United States - Speech at the Brookings Institution”, Sept. 20, 2013, http://www.china.org.cn/world/2013-09/21/content_30086631.htm.

“First, China and the United States should genuinely respect and accommodate each other’s interests and concerns in the Asia-Pacific. China respects the traditional influence and immediate interests of the United States in the Asia-Pacific. We have never thought about pushing the US out of the region. Rather, we hope the United States will play a positive and constructive role in safeguarding peace, stability and development in the Asia-Pacific. ... The Asia-Pacific has been the home and root of the Chinese nation for thousands of years. Therefore, we hope the United States will also respect China's interests and concerns. ... Second, China and the United States should work together to produce substantive results in our cooperation over hotspot issues in the Asia-Pacific.”⁵⁰

The 21st century demands China and the United States to work together in a responsible way to produce new public goods for the world. The relations between the two countries cannot and should not revisit the beaten track of zero-sum confrontation between major countries in history, causing destruction to both sides. Only by transcending the history in which it was inevitable for major countries to confront one another and innovating on thinking so as to take the path of win-win cooperation can the future be won. A China-U.S. relationship of stable development helps peaceful transformation of the international order in East Asia, helps manage contradictions and differences in the Asia-Pacific region and more importantly, helps maintain the “anchor of world stability and propeller of world peace”.



VI. Conclusion

Over the past thirty-odd years of reform and opening-up, China has undergone the development process that took over 300 years for Western countries to complete, attaining results attracting the world's attention. It has benefited from a peripheral environment of peace and stability, while at the same time China's development has promoted the stability and prosperity of its neighborhood. The rise of China and the rise of its neighborhood as a whole have supported and promoted each other.

Historical experience attests to the fact that China's path to a strong country begins with its neighborhood. To achieve the Chinese dream of national renewal, China first needs the recognition and support from Asian countries, which makes it necessary to link the dream of the Chinese people with that of the Asian people. The more China develops, the closer its ties with the rest of Asia and the world, and the greater the need to consolidate its strategic underpinning in Asia, especially in its neighborhood.

In May 2014, Chinese President Xi Jinping made a speech at CICA Summit in which he put forward and comprehensively expounded on a new vision of Asian security featuring common, comprehensive, cooperative and sustainable security. He emphasized that China will work with all parties to promote the exploration on the basis of the CICA on establishing a new regional security cooperation architecture, and jointly build a road for security of Asia that is shared by and win-win to all. As Chinese Premier Li Keqiang pointed out, it is necessary to stick to the overarching goal of common development and build an Asian community of shared interests, to foster a general environment for integrated development and form an Asian community of common destiny, and to maintain the general environment of peaceful development and build an Asian community of shared responsibilities. These remarks by the Chinese leaders have made clear the direction of future development of China's relations with its neighboring countries.

The Belt and Road initiative is a grand vision for revitalizing China's cooperation with its neighboring countries, which has received positive responses and welcomed by nearby states. To build the Belt and the Road together with nearby countries requires good political and economic basis. And we should strive for "early

harvest” and go by the route of upholding win-win cooperation, advancing people’s well-being and employment, promoting openness and inclusiveness and enhancing cultural and people-to-people exchanges. However, it is hardly possible for the construction of the Belt and the Road to proceed always smoothly. Therefore we should be prepared for various sorts of difficulties, including doubts and misgivings and the disruption and sabotage by the “three forces”. For the maritime Silk Road, it is mainly to properly handle issues like the disputes over the South China Sea. At the same time, it is necessary to conduct case-specific public diplomacy in order to build on an objective and friendly international opinion environment.

China’s neighborhood diplomacy is deeply affected by the U.S. strategy of “rebalancing toward the Asia-Pacific”. The United States is a “shadow neighbor” of China. To keep its “leading” position in the world, the United States, on the one hand, uses its allies and partners to check and balance China to serve its overall China strategy, and on the other hand, it is reluctant to be kidnapped by those countries to become an enemy of China. And China hopes to guide and regulate the United States by proactively setting the agenda for the bilateral relations and initiating the joint construction of a new model of China-U.S. major-country relationship.

In sum, China’s neighborhood diplomacy is undergoing transformation from making responses to actively managing and planning and proactively shaping the conditions. China will carry forward the essence of traditional Chinese strategy, namely a “pragmatic benevolent kingcraft” that takes into consideration both righteousness and benefit, is forceful in both virtue and power, and couples strength with delicacy. It will rise to the challenge, take advantage of the situation and shape a new model of relations between China and its neighbors.

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List of Published CIIS Reports

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ABSTRACT

No matter from the perspective of geopolitics, historical and cultural linkages, economic and trade ties or security environment, Asia is a unique region of strategic importance to China's rise. Currently, the world and Asia's situations have undergone great changes and China's relations with neighboring countries face the test of transformation. Even in the post-financial crisis period, Asia is still full of vigor and vitality and has been the engine of world economic growth. China's neighborhood diplomacy in recent years focuses on the implementation of the new concepts put forward by President Xi Jinping - "amity, sincerity, mutual benefit and inclusiveness" - and the effort to unswervingly safeguard national sovereignty, security and development interests. With the Belt and Road initiative as underpinning, a new scene has appeared in China's neighborhood diplomacy characterized by seeking stability through management and planning. And the purpose of the new neighborhood diplomacy is to create favorable conditions for the achievement of the "two centennial goals" and the great rejuvenation of the Chinese nation.

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