

China's Calculus in the Asia-Pacific Region: A Political Strategy through Economic Integration

Jose Guerra Vio

International Doctoral Program in Asia-Pacific Studies, National Chengchi University, Ph. D student

《Abstract》

With the multiple globalization processes more and deeper Economic Integration in the world is being undertaken. The Asia-Pacific region has become the most dynamic and fast growing region in the world due to the rise of China, changing dramatically the way economic and political relations are conceived across the Pacific Ocean. Beijing's new economic moves towards integration practices are sustained by the fact that China's economy has become significantly intertwined with other regional economies over the past two decades. From this fact also arises the motivation of this research, which tries to analyze how China's strategy regarding economic integration across the Pacific Ocean is being planned and developed, considering not only its economic, but especially its political implications and possible strategic motives. This last aspect constitutes the main purpose of this article.

The hypothesis for this paper is based on the assumption that China is using its economic might as a means to enhance and expand its traditional sphere of influence in the Asia-Pacific region by achieving different kinds of trade arrangements. The ASEAN plus China FTA, together with the agreements between China and Australia, New Zealand and Chile are taken into account; while some other possible future pacts are outlined as well. The methodological standpoint for the analysis is mainly built upon what is known as Political Economy, particularly its international or global strand, which helps to connect the world of politics and economics. The outcome for the question whether China is taking a leading role in regionalism just because of its growing need to coordinate and cooperate with other economies in order to keep its growth rate, or if it is also doing so because of its desire to enhance and further its traditional sphere of influence as a regional power; contemplates elements of both scenarios.

Keywords: Globalization, Regionalism, Economic Integration, International Political Economy, Hegemony, Asia-Pacific, RTAs and FTAs.

Section I

1.1 Introduction

With the multiple processes brought about by globalization, more and deeper economic integration in the world is being undertaken. Regionalization, as the mainstream economic trend within these global processes has to be considered as a key aspect in any country's developmental strategy. While the economic and also political maps of Europe, North and South America are being redrawn, the Asia-Pacific region in particular has become the most dynamic and fast growing region in the world. This is mainly due to the so called "Rise" or "Emergence" of the People's Republic of China (PRC), which has changed dramatically the way economic and political relations are conceived across the Pacific Ocean. As trade flows are being redirected to the insatiable Chinese appetite for Foreign Direct Investment (FDI) and the other booming economies in this part of the globe, the traditional direction that International Relations have historically taken, that is across the Atlantic Ocean, has now shifted to what is widely known as the "New Century of the Pacific."

In this environment, where international politics is increasingly determined by economic ties, China's foreign policy signifies a turnover in the regional arena. This is not only substantially transforming the economic relations of the PRC with the outside world, but also implies a great impact on the political economy for the East Asian and trans-Pacific economic integration processes. Beijing's new economic moves towards integration practices are mainly based on Chinese leadership's concern over economic regionalism in the world and also sustained by the fact that China's economy has become significantly intertwined with other regional economies over the past two decades. Therefore, the Chinese are looking for efficient and stabilizing trade mechanisms within the competitive Asia-Pacific market.

Why is China enthusiastically seeking for different levels of economic integration and taking participation in mostly all the regional organizations? How this new role of China on regional integration affects the configuration of the political economy within the Pacific Rim? To try to understand these issues is especially relevant now the PRC has become markedly more active in engaging regional frameworks after its WTO accession. Moreover, as Vincent Wang describes, China even assumes the hitherto unprecedented role as a trade promoter in East Asia. This author actually wonders "what is the relationship between China's current trade offensive and its 'new' foreign policy thinking? Does it signify a long-term and fundamental shift in China's economic statecraft or represent a short-term tactical expedient aimed at buying the crucial time needed for China to develop into an unparalleled power in the region capable of safeguarding its core interests?" (Wang, 2005: 18) This kind of curiosity helped to build up the framework for the present study.

That said the hypothesis for this paper is based on the assumption that China is using its

economic might as a means to enhance and expand its traditional sphere of influence in the Asia-Pacific region by achieving different kinds of economic and trade arrangements, especially FTAs and RTAs. Is China taking a leading role in regionalism just because of its growing need to coordinate and cooperate with other economies in order to keep its growth rate, or also because of its desire to enhance and further its traditional sphere of influence as a regional power? Accordingly, when exposing and analyzing China's new economic integration strategy within the Asia-Pacific region, this investigation tries to unfold its possible intentions. Is this a power driven strategy or a growth-rate driven strategy? Do these two exclude each other or could they be complementary?

The structure of this paper is divided in three sections. As part of Section I the following pages set the framework in which the views exposed in this study are then analyzed in Section II, while Section III presents the main outcomes before drawing the final conclusions.

1.2 Regional Framework and the 'Re-Emergence' of China

Before analyzing the particular economic integration processes carried out in the Asia-Pacific and the role of the PRC in this regard, it becomes necessary to discuss briefly what defines this region and its recent development. Asia-Pacific is a relatively new name for a region that no longer looks to the West for geographical definition, and while its growing role in the world economy has attracted greater attention to the region, sometimes the concept of "Asia-Pacific" constitutes an imprecise geographical descriptor. The term became popular from the late 1980s as the economies within the heterogeneous region flourished due to increased regional capital flow, trade and other forms of economic and political interaction. The inclusion of Oceania countries such as Australia and New Zealand is largely based upon the economic relationships between those countries and their East Asian trading partners to the north. In some contexts, the region may extend further to include as well those countries around the Pacific Rim, stretching from Oceania, up to Russia, and down the western coast of the Americas. The Asia-Pacific Economic Cooperation (APEC) for example, includes Canada, Chile, Russia, Mexico, Peru, and the United States.

Since the United States constitutes the hegemonic power within the Pacific Rim this broad notion of Asia-Pacific as a region is the one taken into account for the purposes of this analysis, thus including more countries than the mere non-Christian East-Asian geographic and cultural border. The APEC forum, as the most inclusive Asia-Pacific organism, has helped to understand and define the notion of a wide Asia-Pacific, which comprises approximately 41% of the world's population, approximately 56% of world GDP and about 49% of world trade.

Regarding the developmental evolution of East Asia in particular, and how China has come to challenge this order, Dajin Peng points out that all the major theories based on the Western experiences, including the economic, realist, and functional theories, are of little use in explaining economic integration in this part of the world. Using a historical institutionalist approach, Katzenstein finds that Asian regionalism is characterized by dynamic rather than by formal political institutions

(Peng, 2004: 427). It is often claimed that what is known as the Flying Geese Pattern (FGP) is the most prominent theoretical model of East Asian economic development to explain the catching-up process led by Japan as the first newly industrializing economies (NIEs). "The form of regional development as postulated by the modern flying geese paradigm presupposes the existence of hierarchy, with a dominant economy acting as the growth centre and followed by other developing economies" (Kasahara, 2004: 2). For Kaname Akamatsu (1896-1974), who first applied this idea to the East Asian region, this hierarchy is not permanently fixed and might change, since it is a catching-up process. Regarding these aspects, China's leapfrogging due to its privileged position as a latecomer, with both its huge economy and growing domestic market, might signify a challenge to this formation.

Kasahara addresses the possibility of this situation as a "China-centric" regional development pattern that has been encouraged by PRC's central authorities. China's overwhelming rise has signifies a decline on the inward FDI share among other economies in the region. This phenomenon, so called the "Rise or Emergence of China", is been widely discussed by scholars around the world. In this article the difference lies on whether, due to this situation, China is prepared and capable to assume an apparently leading role on regionalism and economic integration. As a latecomer in the international division of labor in Asia, China has become the new game in town. Asian trade is flourishing due to China's huge market for industrial components, raw materials, food, and other consumer products. Recently, China has surpassed Germany as the number one exporter in the world, which adds to the advantages of Beijing and its privileged position to carry out integration processes in a more institutionalized way, since its economy is already highly integrated by market-driven informal ties.

Munakata points out that the recent momentum for economic integration in East Asia has largely been driven by China, "with its vast economic potential from which all its neighbors wish to benefit (...) at the same time, China tries to use East Asian cooperation as a vehicle to promote multipolarity in the world" (Munakata, 2002: 19). The reference to the concept of multipolarity is relevant here since it is related to the political implications of Beijing's foreign policy. Zhao highlights that there are three key words, namely, modernization, nationalism and regionalism, which can be used to illuminate the basic trends of Chinese foreign policy in the post-Cold War era. Regionalism in particular emphasizes that "despite its global aspirations, the PRC has remained a power within Asia. Beijing has confined China's international, political, economic, and military activities primarily to the Asia-Pacific region" (Zhao, 1996: 185). Hence, as this paper tries to clarify as well, to promote institutional kinds of regionalism through economic integration agreements can be considered as a consistent part of Beijing's new international strategy.

This became a priority after the Asian Financial Crisis (AFC) which marked a turning point on East Asian integration, and contributed to change the way the process had been carried out until 1998, namely, a market-driven integration. As various authors emphasized, particularly Cai and also Munakata, the AFC left an acute sense of interdependence among the region, and convinced not only

the affected ASEAN nations but also the Northeast Asian countries that they need a regional mechanism in order to avoid another economic debacle. As a result of the AFC, the configuration of the Asia-Pacific political economy changed dramatically. This allowed China showed itself as a regional power interested in further its ties with its neighbors and strengthen cooperation and integration among the countries in the region.

In addition to the Crisis aftermath, the lack of a coherent regional voice and institutionalized mechanisms for cooperation in the Asia-Pacific have been compounded by the recent stagnation and weaknesses of the two major regional groupings, APEC and ASEAN. A widespread sense of disillusion over the integration processes carried out during the 1990s has triggered the race for bilateral FTAs in the region, among not only the much damaged Asian members but also Australia, New Zealand and some North and South American countries who suffered after the 1997-98 economic collapse because their intense trans-Pacific trade.

In the meantime, however, the Chinese economy has grown on average at an impressive 10% rate since 1978 and its GDP stood at more than 1 trillion in recent years. The real implications of China being now the workshop for the world are that because of its global market share of manufacturing exports is still soaring, and because FDI inflows are expected to rise further in, together with an alluring growth in domestic demand; the PRC has become an attractive trade partner to achieve integration with. The significance of the PRC's WTO entry should not be understated in these regards. The implementation of WTO-related reforms will lead to far-reaching changes in the domestic economy. WTO entry provides a schedule for market access which has given the PRC an unprecedented opportunity to fully integrate its economy into the global market.

But China's entry as an economic giant to the world stage in the 90s had many anti-China hands worrying about its implications for the international community. This study is inserted within this logic as well. Some wonder whether China would use its new economic strength to bully its neighbors and challenge particularly the US as the de facto super power. Denny Roy points out that "at its present rate of economic growth, China's productive capabilities and total wealth will soon outstrip those of the other Asia-Pacific powers, and increased relative capabilities make it feasible for a rising great power to exert more control over its surroundings" (Roy, 1996: 761-762).

This can be understood since all great powers have historically used their strength to promote their regional interests, and China's emergence as an economic powerhouse undoubtedly alters the distribution of power in the Asia-Pacific, in which US has had a hegemonic position for more than 50 years. Joseph Nye quotes William Pfaff to argue that there is no balance of power in Asia today in the classic sense. There is an American military and political predominance that China wishes to break. "China's natural ambition to restore its own primacy actually tends to create a balance that now is absent (...) in this perspective, it is the United States that increasingly is the destabilizing factor in East Asia" (Nye, 1997/98: 65). That is why Nye points out that the so called 'Rise of China' is a misnomer, and proposes that 'Re-emergence' is more accurate, since Mainland China, before as an Empire and

now as the People's Republic, has always been a major power in the Asia-Pacific region.

The new role of China in promoting regional integration, as the main concern for this study, necessarily requires discussing the PRC's approach towards foreign policy and its international and regional strategy. Throughout the 1980s and early 1990s, as China increasingly became incorporated into the Asia-Pacific, Beijing sought a position in the region that was commensurate with China's great power aspirations. During this time, however, China did not devise a "grand strategy" according to authors like Christoffersen. He refers "grand strategy" as a political-military-economic means-ends chain that integrates the military and nonmilitary instruments employed by a state to achieve a broadly defined goal of national security (Christoffersen, 1996: 1067). By 1995 China still had not defined a clear role for itself in the Asia-Pacific and had not yet developed a comprehensive, coordinated strategy towards the region. Steven Levine noted more than two decades ago that Chinese leaders did not think in regional terms, leaving China "a regional power with-out a regional policy" (Levine, 1984: 107).

Currently, when transnational, supranational and global forces are at work, the concepts of nations, sovereignty and national boundaries are changing, coming along with no-states actors (such are international organizations, regional groupings and multinational corporations) playing greater roles. Within these developments, there has been constant tension in China's foreign policy, but this tension seems to be eased since the CCP apparently understood that taking participation in regional arrangements will help better to assure sovereignty and also will enhance China's national interests due to the capacity of influencing the regional affairs from within. That is why some authors have indicated the possibility that China has been in the process of "learning" a regional policy in the last few decades. This is reflected on the fact that while joining multilateral regimes, China still prefers bilateral interactions, in the understanding that the former option can become an arena to pressure Beijing, whereas within the latter China has more room to maneuver.

For Jean Garrison, China represents a patient power and savvy strategist. This author points out that China's newfound international confidence and surging growth raise important questions about the country's future role in regional and global politics. Regarding this new role, this author notes that "China acknowledges that acceding to international and regional rules-based organizations and agreements has become a sovereignty-enhancing mechanism rather than a limit to its autonomy. In the near future China will primarily follow agreed-upon international practices, although it is increasingly moving it position to directly shape the system itself" (Garrison, 2005: 25).

Indeed, regionalism represents a new policy option for China. This would explain why China is now increasingly putting more emphasis on the regional integration in Asia-Pacific. With the 1990s as a context, there was a renewed emphasis in China on the principles of peaceful co-existence. By then, China had changed its previous "*realpolitik*" for a more liberal point of view. Deng explains:

“While the traditional Anglo-American realist considered military security as ‘high politics’ and social and economic issues as the domain of ‘low politics,’ Chinese contemporary realists tend to place greater emphasis on economic and technological development. This difference is attributable to China’s recent conviction that international politics is now characterized by ‘the competition for a comprehensive power’ (*zonghe guoli de jiaoliang*) on a wide range of battlegrounds in, *inter alia*, military, political, economic and technological areas” (Deng, 1998: 315).

This means, for most Chinese analysts, that with the end of the Cold War, “bloc politics” and ideological differences are less important; instead, national interests, especially economic interests, rise to be preeminent. This aspect has been China’s calculus and is what determined its shift on foreign policy to further seek for economic integration in the Asia-Pacific.

Vincent Wang presents a theory that differs from some other by presenting a political logic of China’s economic statecraft. This author explains how China’s “new diplomacy”, also called “peaceful ascendancy”, “peaceful rise” or even “independent foreign policy of peace” is basically a pragmatic approach to international relations. “Chinese are more accustomed to analyze international relations from the perspective of practical interests. They are less likely to believe that some spiritual beliefs (values, religions or even ideologies) can be a driving force behind diplomacy” as it occurs in the West (Deng, 1998: 316). The Chinese see international exchanges more in the terms of the motives of interest and the gains-losses thereof.

The timing for this is ideal, since the United States is busy in other issues like the war on terror, Iraq or North Korea, and while Southeast Asia is still grappling with the aftermath of the Asian Financial Crisis. China’s peaceful rise presents an alternative policy agenda and opportunities particularly to Southeast Asian nations, and since the major instrument used in advancing China’s fundamental objectives is its economic power. Wang is exceptionally accurate when he defines China’s peaceful ascendancy: “the language is peace and stability, the style is constructive diplomacy, and the substance is economics – at least for now. The key is ascendancy. The theory leaves open the question what happens *after* China has ascended. In other words, is peace an end in China’s theory of ‘peaceful rise’ or simply a mean for achieving ascendancy?” (Wang, 2005: 34).

This analysis gathers different perspectives as a framework, from theories such as economics and international politics. It is worth noting however, that this study does not intend to set an agenda or pre-constructed scheme to analyze the different economic and trade agreements being carried out by the PRC, because it is acknowledged each case has its own different characteristics and implications.

The main theoretical standpoint exposed here is inserted in what it is known as International Political Economy (IPE), since this prospective serves as the bridge to connect the world of politics and economics. This theory allows us to understand better how political influence or motivations can be used through economic means. The IPE theory constitutes the theoretical and methodological foundations of this analysis, drawing attention to the increasingly transnational nature of economic activity and the disjuncture between national boundaries as the limits of political space. In fact, it was

not so long ago since the study of China's political economy could all but ignore the external dynamic of the global political economy, as Shaun Breslin emphasizes. "But with China's insertion into that global political economy – particularly after Deng Xiaoping's 'nanxun' in 1992 – not only has China become embedded in the global, but the global is also increasingly embedding itself in China" (Breslin, 2004: 7).

Section II

2.1 China and the US Hegemony in the Region

International Politics are determined and characterized by the distribution and transition of power within the international system; hence it becomes necessary to discuss here how power will be understood in this investigation, and how nowadays it is intimately related to economics. In order to do so, Jacek Kugler's approach has been integrated, since it deals with power structures and hierarchies in IR from the prospective of the Political Economy Theory. Power transition theory describes a hierarchical system. All nations recognize the presence of this hierarchy and understand their relative position within this power terrain. The distribution of power is uneven and concentrated in the hands of a few. A dominant nation, that controls the largest proportion of resources within the system, sits at the top. Until not so long ago it could be said that this position was unquestionably occupied by the United States.

Today the great powers are China, Japan, Germany or the EU in total, Russia assuming recovery, and potentially India. Most great powers are satisfied with the regime's rules, their share in the allocation of resources and they actually help to maintain the international system. Occasionally, great powers are dissatisfied, such as China or India today, and are not fully integrated into the dominant power's regime. Therefore they might try to enhance or further its sway within the international community. In accordance with this, as Kugler emphasizes, on certain occasions a challenger arises out of this pool: "challengers are defined as nations that have 80% or more of the dominant country's power. China today is the strongest potential challenger to the United States. In the future India could also play this role. The EU is satisfied and thus not a potential challenger. Dissatisfied challengers and their supporters can be the initiators of war unless economic and political means are applied to alter their course" (Kugler, 1999: 2). Through those economic or political means the challenger can enhance and extend its sphere of influence.

For half a century, since the end of the World War II, the Asia-Pacific order, in particular, has been built around the mutual strategic embrace of America and its Asian partners. After the collapse of the Soviet Union, international politics turned into a unipolar system. As it has been noted, the region is characterized by the US hegemonic position which is fixed with the American-led system of

bilateral security arrangements.

However, in recent years the most powerful nation in the world has begun to feel the presence of a new influential competitor in the trans-pacific affairs. The traditional American supremacy in the region is now challenged, especially in economic terms. The recent financial breakdown started in the US; the huge trade deficit it maintains with China and the assertive new role Beijing is playing regarding economic arrangements along the Pacific Rim could be taken as proofs of this new situation. The two world's giants on both sides of the most dynamic ocean in terms of trade are inevitably colliding in this region, which is in both best interests. Each one of these two powers is certainly trying to guarantee a more influential position within the economic integration processes carried out along the region.

On the one hand, as East Asia's economic strength keeps growing, its economies have become increasingly intertwined with that of the United States. The Americans trade more with the Asia-Pacific region than with any other region. In this context the Asia-Pacific Economic Cooperation forum has become "the architecture" used by Washington to facilitate a kind of relationship that would keep the US involved in Asia in a post Cold War world. The US Government has remained committed to APEC, which views as the logical focus for economic cooperation, and it has made regional trade liberalization as its ultimate goal regarding economic policies for the region. For the Americans, a regional regime such as APEC offered a forum in which China could learn multilateralism.

On the other hand, the fact is that American military power has remained as the paramount security umbrella setting deterrence and providing stability in Asia-Pacific. However, in the last decade the US uncontested leadership in the Pacific has encountered some obstacles, especially regarding the economic field, and China has a lot to do with this. As David Shambaugh explains, Beijing new confidence, its distinctive diplomatic voice and increasing involvement in regional and multilateral affairs have helped China to earn praise around its neighbors, in detriment of US image. "As China's influence continues to grow, many of these countries are looking to Beijing for regional leadership or, at a minimum, are increasingly taking into account China's interest and concerns in their decision making," which has become the principal catalyst in shaping a new order in Asia and the Pacific (Shambaugh, 2004/05: 65). This new emerging order is also characterized by a changing role for the United States, because China's reputation has never been better, and partly due to the several developments occurred in East-Asia within the last decade, especially after the financial crisis.

But is really the American hegemony in the Asia-Pacific being challenged by this "re-emergence of China"? Here the notion of *hegemony* proposed by Gramsci is the one taken into consideration. This author's approach to the world is anchored firmly in Marxism. He recognized that ideas interact with material forces and that the ideal and the material are both necessary in creating hegemony and securing the structural integration of a social formation. Hegemony then involves "consensus armoured by coercion" and is materialized in a "historic bloc" that reflects a historically

constituted correspondence between the economic base and its ethico-political superstructure. Cox and other neo-Gramscian IPE scholars have transferred Gramsci's account of hegemony and the historic bloc from national states to international relations, which is what this study is trying to pursue as well.

Thus, whereas Gramsci's own work was mainly concerned with the relationships between consent and coercion, culture and politics, in the nation-state and only occasionally considered trans-national relations and broader geopolitical issues, Cox (1987) is more concerned with the nature and dynamic of 'world orders' and tend to allocate a subordinate position to most nation-states in this regard.

In pure realist terms, considering just material implications of power, many authors and even Chinese officials have agreed that for China it is still impossible to compete against the US as the world's strongest military power. Denny Roy agrees that the disparities existent among China and the US make it difficult to foresee a direct power struggle in the region within the near term. However, as it has been noted, in the economic field, the PRC has presented huge advancements, and this is what could mean a setback for Washington's influential position in the region. Roy explains that "for the last two decades, a developing China has enjoyed a much higher growth rate (around 8%) than that of America's mature economy (generally 3-4% when not in recession). If China maintains its pace, it could surpass the US in economic output in a generation" (Roy, 2003: 58).

In the meantime, however, the United States remains far ahead of China in the key determinants of national power. The so called 'peace and development' strategy proposed as the main pillar for Chinese foreign policy towards the region basically has been built in accordance to this fact. It is a policy towards the US that avoids confrontation and seeks to maintain healthy economic and technical exchange, in other words, a policy of accommodation to US hegemony at least in the short run. As Roy points out, the mainstream of the Chinese elite remains committed to this approach, as they realize that a confrontational posture towards the US, and even vociferous complaining about American hegemonism, will likely elicit a tougher policy towards China coming from Washington.

For their part, the Chinese are quite aware of China's weaknesses, and many analysts assure the PRC has neither the capability nor the intention to challenge America's commanding position in the Pacific in the short term. That might be for now, while China needs the stable security umbrella provided by American hegemony to continue its path towards development; but there are indicators that Beijing is quietly preparing the ground for a future era in which Chinese international leadership has waxed and American leadership has waned, and beginning within its region seems to be the obvious course of action for this strategy. In this line of thought it is inserted the discussion regarding whether China, as a rising power, will try to alter the current order by redrafting the rules in an attempt to consolidate its own regional hegemony, or will it just respect the existing situation; that is, will behave more as a revisionist or '*status quo*' power?

Alastair Iain Johnston in his article tries to give some answers to this question, considering the PRC's high level of involvement in regional and global organizations, and if it can be really considered as part of the International Community. This author argues that China is becoming increasingly socialized, though mainly in the sphere of economic norms, as this paper also emphasizes. However, Johnston goes on, as a rising power China is dissatisfied with the US dominated global order. "A rising, dissatisfied China presents a fundamental challenge to the international order established and preferred by the United States" (Johnston, 2003: 8), therefore the Chinese intentions on building new regional blocs as a long term strategy. Johnston perspective is finally congruent with Denny Roy's proposal: accommodation seems to be the best option for Beijing at the moment.

If the latest economic developments in the world are also taken here into consideration, namely, the credit crunch in America and the big debt that foreign capital has helped to ease in the harmed US economy - coming mainly from China, India and other Middle Eastern countries - empiric proofs of the partial shift in the balance of global power are indeed founded. Although things are changing fast, at this point the PRC still follows the rules of the system and it does not seem to have an urgent intention of taking over it.

2.2 China's New Regional Leadership: Courting ASEAN

Shujiro Urata identifies that one of the main problems for the integration in the region until now was the absence of strong political leadership to lead the moves towards a more institutionalized East Asian integration (Urata, 2004: 26). Apparently, China has understood this and has decided to do something about it. Its active strategy and shift of approaching regional agreements has received a lot of attention, especially since it joined the WTO in 2001, which established an access to the world markets. As it has been acknowledged partially, China has offered various schemes of economic cooperation, trade liberalization and integration to its neighbors, starting primarily with the Southeast Asian economies. China's leading role and influence is now undeniably on the rise. In 2007, at the second East Asian Summit of 16 Asian nations held in the Philippines, the country's president, Gloria Macapagal Arroyo, declared: "We are happy to have China as our big brother."¹

Indeed, in recent years China has been faster and more successful than other powers in the region like the US and especially Japan when applying its regional integration strategy. Moreover, apparently PRC's strong, centralized and authoritarian regime has happened to be more efficient when unifying the domestic public opinion regarding foreign policy. Now, based on pure economic gains, the trade creation effect of integration that leads to an increase in the economic welfare of the members would be broadly beneficial not only for the countries signing an agreement with China, but for the PRC itself as well. This is especially significant due to the diversity among the region, with high-income countries, such as Japan or Singapore, and low-income nations such as the new ASEAN

¹ Extract from The Economist, Survey: China and its Region, "Smile Diplomacy: Working magic along China's Periphery. March 29th, 2007.

members and China, which could be extensively benefited from trade liberalization, attracting even more FDI and technology transfer from the more advanced economies in East Asia.

Hence, a Northeast Asian RTA, on the one hand, has not been entirely dismissed by Chinese leadership, since this sub-region has the greatest unexplored economic potential in East Asia. The Northeast Asian economies are highly complementary: Northeast China has abundant cheap labor, and Japan and South Korea have capital and technology. Although, there are many difficulties for the establishment of an FTA among China, Korea and Japan, and a possible expanded Asian Community.

On the other hand, as Kevin Cai concludes, the achievement of an FTA between China and the Southeast economies was more likely to succeed, considering that both China and the ASEAN countries taken together are generally equal in terms of level of economic development (Cai, 2005: 587-588). In addition, because of the vulnerability of their economies after the 1997 Asian Financial Crisis, ASEAN was hoping to see China play a more important role in the regional economy. Consequently, within the ASEAN plus China forum context, the Chinese proposal in 1999 for a FTA was thus immediately accepted by the Southeast countries, and formally signed in November 2004, becoming effective since July 2005. But, skeptics of the ASEAN process worry that an FTA with China could actually undermine the ASEAN Free Trade Area and further its own economic integration process. They question whether China's real motivation is actually domination, as opposed to integration. This is especially true in that compared to China, which has very clear strategic goal; ASEAN seems to lack a clear picture about its place in the new strategic environment of an emergent China.

The economic gains for China are indeed relevant regarding and FTA with ASEAN. Based on pure profitable interests, China's exports were expected to grow after completing this agreement, mainly because of the facilitation of importing raw materials and intermediate goods from ASEAN countries. However, Vincent Wang in his article argues that China's FTA with ASEAN countries is driven primarily by strategic considerations. China is not in fact the most important trade partner for ASEAN. The US is the top export destination for each ASEAN members (and the US is also PRC's top export market); while Japan is the top import partner of four ASEAN nations (and Japan is also China's top import source). So, as Wang emphasizes, economic arguments are insufficient to explain ASEAN-China FTA. There must be a geopolitical sense behind it.

"If economy of scale is the main concern, then ASEAN nations (and for that matter China itself) should pursue FTAs with their largest trade partners – the United States and Japan. The fact that the smaller economies band together – a kind of economic 'balancing' – shows that the main impetus for the China-ASEAN FTA is a political logic" (Wang, 2005: 26).

On this regards, ASEAN's position is to become the "Hub" of the Hub-and-Spoke pattern in East Asia regarding economic integration. But can China, with its huge economy and its new assertive role on economic integration become the new regional hub for FTAs or a larger RTA? For Munakata the turning point on further integration was characterized by an evident change in Beijing's attitude

towards regional cooperation. This transition started in the summer of 1999:

“(…) When China began attaching more importance to its relations with neighboring countries. In the wake of the U.S. bombing of the Chinese embassy in Belgrade in May 1999, Sino-U.S. relations were particularly tense. China started viewing East Asian cooperation as a vehicle for “multi-polarity” and the reduction of U.S. dominance. Beijing, well aware of the perceived “China Threat” – both economic and military – felt by its neighbors, has been making efforts, through its support for regional political and economic structures, to reduce regional anxiety about its strategic intentions” (Munakata, 2002: 15).

This new attitude presented by the PRC and its leadership gives some clues regarding the new role of China within the region. The question that also arises thereof is what other Asian countries should do: whether to “engage” or “contain” a rising China. What will be the response from China’s neighbors, trade partners and competitors in the region to these developments? Apparently, the response from other economies in the region has been primarily closer to the engagement option, trying to benefit from China’s economic rise.

2.3 China’s Most Recent Economic Statecraft

Economic integration and trade agreements have been defined as an increasingly important part of any country’s economic statecraft.¹ Nowadays, FTAs are empirically the most successful tool used by countries in these regards. With its particular point of view, this paper proposes a political understanding of economic statecraft, arguing that the success of it, in this case economic integration, does not depend uniquely on the magnitude of its economic effect. Instead, it would succeed when the economic gain it engenders translates into political opportunities. Economic statecraft like trade agreements can also motivate key domestic reforms, encouraging growth and development. This is something that the Chinese have particularly aimed for when engaging in trade talks.

Economic growth specifically has been the main driver of poverty reduction in the developing world. In East Asia, progress in reducing poverty correlates strongly with its impressive growth performance. Countries that have opened themselves up to trade and investment have grown much faster than those which have not. The World Bank estimates that further trade liberalization in the Doha Round of trade negotiations could increase real income in developing countries by as much as \$US350 billion by 2015 and lift an additional 140 million people out of poverty. Here, there is an ideational acceptance that dependence on the capitalist global economy is the best or at least the

1 The concept of Economic Statecraft has been widely discussed and developed by many analysts regarding of how countries construct and use economics as part of their international strategies. For a further understanding of the topic the reader can refer to authors like Steil, Benn and Robert E. Litan (2006) *Financial Statecraft-The Role of Financial Markets in American Foreign Policy* (New Heaven: Yale University Press); Hirschman, O. Aberto [1945](1980) *National Power and the Structure of Foreign Trade* (Berkeley, Cali.: University of California Press); Mansfield, E.D. and B.M. Pollins (eds) (2003) *Economic Interdependence and International Conflict: New Perspectives on an Enduring Debate* (Michigan, Ill.: The University of Michigan Press); Blanchard, F.J., E.D. Mansfield and N.M. Ripsman (eds) (2000) *Power and the Purse: Economic Statecraft, Interdependence and National Security* (London: Frank Cass & Co., Ltd).

quickest way of promoting economic growth. The Chinese leadership in Beijing has adopted this standpoint as well, and in 2004 The Chinese government was advised to follow the trend and to join the “small group” of FTAs after joining the “big group” of the WTO. This was in fact a conscious and deliberated decision.

Beijing’s leaders are indeed relative newcomers to integration agreements. In mid-2003, when Pangestu and Gooptu listed 36 Asian FTAs completed or contemplated, China appeared only twice, once regarding the possible China-ASEAN FTA and the other time regarding the even looser ASEAN Plus Three discussions (Pangestu and Gooptu in Krumm and Kharas, 2003: 83). No bilateral FTA was on China’s agenda at that time. In recent years FTAs within the Asia-Pacific have become a vigorous tool used by the PRC towards a comprehensive national power (Hoadley and Yang, 2007), and this big change seems to be a key issue associated with this new leadership role in the integration process in the region taken by China.

The strategy shift is clearly noticeable. The PRC has been talking with 27 countries within and outside the region regarding the establishment of nine FTAs, covering one-fourth of China’s total trade. The most recent Chinese FTAs partners in the Asia-Pacific are Chile, the ten-member ASEAN group and New Zealand, while the negotiation with Australia are still in course.¹ Moreover, it has been the PRC authorities the ones taking a step forward when proposing FTAs with Japan and South Korea, together with many other pacts proposed with other Asian nations, including even India. This attitude and proactive approach presented by China illustrates that in Beijing have understood the kind of aim an FTA can involve.

China’s case supports the hypotheses distilled by this analysis. Other authors like Hoadley and Yang have also taken into account a similar approach when arguing that China’s recent interest in FTA negotiations appears to be consistent with economic and leverage motives. Furthermore, the FTAs across the region also serve China’s security and diplomatic interests. “Inasmuch as enhancing the country’s ‘comprehensive national power’ is central to Beijing’s long-term strategy, economic initiatives like FTA negotiations are valued in Beijing for their positive political security implications” (Hoadley and Yang, 2007: 328).

From this it can be deduced that China’s negotiators developed a realistic understanding of their limited influence in multilateral talks as is the case in APEC for example, which is dominated by the US. China therefore has become increasingly interested in the potential for regional liberalization, an arena in which it could play a strong and effective role. Actually, in the past few years, Chinese analysts have come to accept the widespread notion that bilateral FTAs will help China increase its regional clout as an aspirant to rising power, and that FTAs are complementary to multilateral trade agreements, or “building blocs”. Chinese advisors also noted that the Asia-Pacific as a whole seemed to be entering into new FTAs faster than many other regions, with many more to come.

¹ A figure of China’s current FTAs status in the Asia-Pacific it is shown in the annexes.

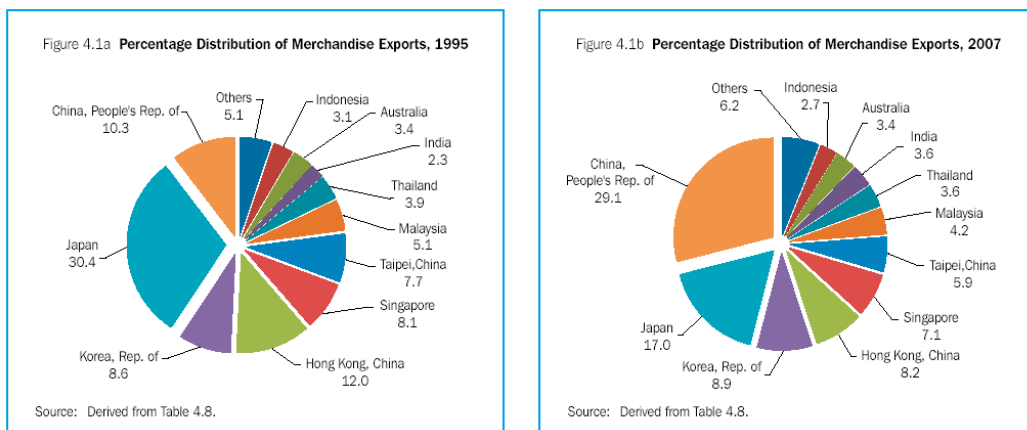
Other reasons were also put forward when establishing this new economic statecraft based on FTAs. First, they might help alleviate China's energy problem and enhance energy security, a key strategic goal. Closer economic relations with oil producers would help ensure more secure and diverse sources of energy. Second, FTAs might enhance the efficiency and productivity of China's somewhat old-fashioned command enterprises, partly because of the scale effect and partly because of rationalization and modernization would be stimulated by the new competition (Zweig and Bi, 2005: 25-38). Both would make China more competitive in the changing world economy.

Here it is possible to expose the link between China's economic integration strategy and its necessity of maintaining high rates of economic growth. Indeed, trade helps an economy grow in several ways. It encourages economies to specialize and produce in areas where they have a relative cost advantage over other economies. Over time, this helps economies to employ more of their human, physical and capital resources in sectors where they get the highest returns in open international markets, boosting productivity and the returns to workers and investors. Even in populous developing economies like China, trading with the world is vital and it has proven to be the answer to accelerate economic domestic growth and development. China's experience highlights a lesson for all developing countries: open economies are conduits for wealth. In theory, production should be oriented with an eye towards maximum efficiency, but in real life, economic ideals may take a back seat to politics. Therefore, the great advantage of free trade, as many authors emphasize, is that it helps liberate economies from unhelpful political meddling.

The central issue for the Chinese case is that in fact in the last 30 years increased openness dramatically increased competition in the domestic market, and that competition has contributed to a substantial transformation of the economy, particularly in the state-owned sector. The so called competitive effect of openness has brought great benefits to the PRC and it helps to understand why economic integration and free trade are being used by Beijing as a way to sustain growth rates. China recorded an unprecedented annual GDP growth rate of 9.8% through the last three decades and it relieved 300 million Chinese of poverty. It has become the 3rd largest economy and the first largest trading nation of the world.

All this means more than mere numbers for the Chinese central government and the CCP control over it. It has also brought the legitimacy necessary to support further reforms and policy-making regarding trade liberalization for an economy that depends largely on exports. In recent years, China's economic growth has remained respectable amid a difficult global environment, especially given that the PRC's economy is more integrated into the world economy than many other major emerging markets and developing economies. An illustrative picture of this fact it is shown in the following figures. In a comparison of how the shares of merchandise exports from the Asia and Pacific region have changed between 1995 and 2007, the most striking feature is that by 2007, the PRC had replaced Japan as the dominant exporter in at a regional level. At a global level it has been announced recently that China has also surpassed Germany, becoming the world's largest exporter.

Figure: Change in Distribution of Merchandise Exports in Asia-Pacific (1995-2007)



Source: Asian Development Bank, Key Indicators-2008

Consequently, for an economy highly dependent on exports, the access to new markets in a competitive way is thus essential to maintain domestic growth. Economic integration and trade agreements become then an efficient tool used by developed countries and more recently, developing economies like the Chinese. China's most recent economic statecraft could be defined then as a way of assuring economic growth and development through trade liberalization.

Section III

3.1 China's Strategic Motives on Free Trade

China's first big regional initiative, namely the FTA with ASEAN, has potential strategic significance as many diverse analysts in Beijing have pointed out. China's decision to enter into FTA talks with ASEAN was, to a great extent, a politically driven move (Qiu, 2005: 8-13). ASEAN is crucial to the Chinese strategy of promoting multipolarity. Lijun Sheng notes that an FTA with ASEAN would strengthen regionalism in the Asia-Pacific, and the PRC could "use this new regionalism as a precautionary measure to dilute potential US unilateralism" (Sheng, 2003: 19). More important, Southeast Asia could be China's ally in resisting the West's pressure on issues like political liberalization and human rights, and closer relations with Southeast Asian nations would also make it harder for Taiwan to build up its political ties with these nations and thus strengthen its autonomy from Beijing (Hoadley and Yang, 2007: 335). Indeed, enough have been said regarding the China-ASEAN FTA in the previous section. Important is to mention here that since 2005, the tariffs of more than 7000 items of both sides has been eliminated immediately or gradually. In 2007, China and ASEAN became the 4th trade partner to each other.

The fact is that with its economic development, the PRC's international influence has also been enhanced. In recent years, Chinese leaders including President Hu Jintao and Premier Wen Jiabao have paid visits to other countries in the broader Asia-Pacific region and Latin America, establishing trade and economic cooperation programs. The signal sent to the rest of the Pacific Rim area seemed clear when China began three bilateral FTA negotiation in 2004, first with New Zealand and then with Australia and Chile. What motivated the Chinese leadership to reach beyond the immediate Asian neighborhood for China's initial bilateral FTA partners?

China's leaders have not publicly announced their official FTA strategy or their criteria for choosing FTA partners, as other actors in the regions have done, especially democracies. Most of the analysts reviewed for this article make the point that not only economic aims, but also diplomatic and strategic motives were in play. For example, in their early steps into trade liberalization, Beijing's leaders may have wished to avoid intimate dealing with a neighbor of which the PRC has been historically suspicious or which would provoke public protest if accommodated, such as Japan. In addition, other potential partners have been set aside due to an association too close with the US, like maybe the Philippines or South Korea for example.

Hence, the opportunities for expeditious FTA negotiation with developed, experienced and accommodating partners were fulfilled by New Zealand, Australia and Chile. According to many authors, from all of the Asia-Pacific potential partners, these three countries are politically stable and

a good investment haven. All three economies are complementary to the Chinese economy. They are also open, liberal and relatively small and therefore non-threatening. China's specific motives in each varied though.

Wellington's early recognition of China as a market economy was the decisive factor in choosing New Zealand as the first partner for FTA talks, agreement that was finally signed in 2008 after a long negotiation process. In Australia, China sees strategic value because this middle power has close relations with some Southeast Asian countries and perhaps can serve as a diplomatic bridge between Beijing and Washington. For its part, Chile is also crucial to China's economic strategy of penetrating the Free Trade Area of the Americas, considering this small and stable South American economy is one of the freest in the world and a "hub" for economic integration. In fact, PRC's trade leaders made no secret of their intention to use the pact with Chile as a "bridge" to talks with the Mercosur (the Common Market of the South, which also includes Brazil, Argentina, Paraguay and Uruguay). In Beijing's view, Mexico would be an especially attractive partner, given its market size, oil resources and membership in the North American Free Trade Agreement (NAFTA), therefore, it would come as no surprise the prospective of another transpacific FTA between the PRC and Mexico or Peru.¹

Some striking features in China's FTAs are their diversity both in form and coverage, which appears to reflect pragmatism in recognizing differences across partners. Nevertheless, one can then go further into speculating that China seems to be establishing "clear linkages between seemingly conventional trade interest and China's interests in wider economic, diplomatic and strategic relationships" (Antikiewicz and Whalley, 2004: 14).

This line of thought converges with that of this analysis of China's political and possible security motives. For instance, given China's large economy and many suitors, bilateralism is not as economically imperative as it is for other trade-dependent Asia-Pacific countries. Others are more blunt, like Alan Oxley when he asserts in his column that "what China has done so far is generally bad economics (by selecting favorites for liberalization and avoiding commitments on services and investment, its policies will create distortions on trade and regional markets) but its shabby trade policy is enabling it to politic as a regional leader" (Oxley, 2006). These views support those of this study, that China's motives might be more than primarily economic and are highly influenced and reinforced by political, diplomatic and strategic considerations.

Within this logic, important is to pinpoint that China's concept of security has been broadening in parallel with similar reconceptualization in Western states. More attention is being paid to non-military security threats, such as global warming, mass unemployment, drugs and people trafficking, refugee flows, illegal migration, pandemic diseases, terrorism and most recently financial turmoil. This debate has also influence understanding of national security in Beijing. Chinese analysts

¹ A figure of China's current FTAs status in the Asia-Pacific it is shown in the annexes.

accept that security now means “comprehensive security” (zonghe anquan). It no longer simply equals national defense and diplomacy and is no longer limited to the defense of national sovereignty and territorial integrity. In addition to the traditional military security, national security for the Chinese now includes, among other things, economic, political, societal, environmental, human and technological security (Lin in Hoadley and Yang, 2007: 345). Most fundamental is the realization that without a strong economy, as these authors explain, the military dimension of national security is not sustainable. This understanding contributed to China’s concept of “comprehensive national power,” which now constitutes the foundation of China’s foreign and domestic policies, and which is one big driving force when Beijing leadership is considering economic integration.

From another viewpoint, these interests are also consistent with China’s desire to be perceived as a major but responsible power. Based on its declared aims of “peaceful rise” and “peaceful development,” the PRC is keen to join the world economic system and to demonstrate that the country’s growing prominence is an opportunity instead of a threat. In these regards, the leverage motive of using economic integration as a source of soft power comes as an evidence of Chinese attempts of exerting influence both domestically and internationally. Hoadley and Yang address that China has been using FTA negotiations with New Zealand, Australia and Chile as leverage because these trading partners are relatively small and therefore harmless. That is why the three countries are believed to be ideal initial match-ups for China, allowing it also to gain FTA negotiation experience and train its bureaucratic cadres.

In sum, despite being a latecomer, China has moved forward briskly in economic integration, whereas multilateral or bilateral agreements, thanks mainly to its new appreciation of utility of these kinds of pacts, especially the second kind to complement the multilateral negotiations that have progressed very slowly. While economic motives seem to be primary, observations regarding China’s FTA initiatives thus appear to support the hypothesis put forward by this paper.

China is using economic integration to open new markets, avoid exclusion from or discrimination in established markets, and leverage reforms in domestic enterprises by exposing them to competition, albeit in a controlled fashion. And China has chosen its initial FTAs partners deliberately, beginning with ASEAN neighbors and moving on to small developed regional states with which Beijing’s negotiators can gain experience with minimum risk. In terms of security and leverage motives, trade agreements are designed to strengthen the PRC’s economic security. They also aim to consolidate China’s regional influence and ability to engage in strategic competition with other great powers, such as Japan but especially the United States, as it was previously exposed in this study. At the same time, FTAs can also be useful vehicles for China to promote its “peaceful development” theory. All these motives are intertwined, since economic development is so closely related to China’s internal stability and external security. Economic integration is allowing the PRC to advance its core interests in foreign policy by validating its conceptualization of a peaceful rise to power.

3.2 China’s New Opportunities in Times of Crisis

According to Sun Tzu, author of the *Art of War* and legendary figure in Chinese classical literature, “supreme excellence consists in breaking the enemy's resistance without fighting.” Today, Sun Tzu's axiom assumes a new meaning as China attempts to become the leader of the Asia-Pacific regional economic integration. China's regional strategy seems to become even clearer in times of crisis: economic integration as means to sustain stability, while restoring confidence, by assuring China's peaceful rise and the possible benefits of it for the whole Asia-Pacific region. A few years ago the message for the East-Asian community given by Chinese Premier Wen Jiabao at a meeting in Kuala Lumpur was strong: “China's development not only benefits its 1.3 billion people, but also provides more opportunities for other East Asian countries.”¹ Nowadays, this stance seems to be strengthened.

The Chinese are seeing the current financial crisis not just as a test for the readiness of the international community to enhance cooperation, but also as an opportunity for upgrading its regional status, in which the political leaders must be “forward-looking”, according to the PRC's Premier. “We should not only take more forceful and effective steps to tide over the current difficulties, but also push for the establishment of a new world economic order that is just, equitable, sound and stable.”² This comment argues that not only does China seek to be the leader of Asian economic integration, but also that it is using international agreements like the one with ASEAN and others in the Asia-Pacific, to break barriers to the fulfillment of its leadership aspirations.

These are the lessons learned in the Asian Financial Crisis aftermath in 1997-98. Now China wants to make up for the costs of this new global instability and take it as an opportunity to position itself definitely as a great power. This time, the benefits of it can be tremendous if the Beijing officials make the right moves, as they certainly did for the AFC before, but now rising as the leader and paramount voice of Asia-Pacific, and as one of the strongest economies in the world. Was this something the Chinese were able to foresee and therefore strategically planed?

China knows it cannot develop itself in isolation from the rest of the world, and particularly Asia-Pacific. Thanks to pursuing a policy of “building good relations and partnership with neighbors,” China enjoys close relations with its neighbors. This has laid a solid political and economic foundation for enhancing its cooperation with other regional countries. As Wen Jiabao has stated in many occasions, “China is committed to East Asia cooperation in the interest of fostering a harmonious, secure and prosperous neighborly environment. China hopes that such cooperation will promote regional peace and prosperity and create a friendly international environment that will facilitate its development endeavor.”³ China also needs extensive international cooperation and in this sense it will continue to seek regional stability and development through economic arrangements.

¹ Extract from Chinese Premier Wen Jiabao's Speech at the opening of the East Asia Summit Leaders Dialogue, Kuala Lumpur Malaysia, 12 December 2005.

² Ibid.

³ Ibid.

“Regional economic integration benefits all” appears to be the standpoint in Beijing when planning the PRC’s regional strategy. It has been admitted by the Chinese leadership that regional economic integration works as a kind of sharing, in which China wants to show its responsibility to create common prosperity and development in the region, especially within the complicated global economic context.

In turn, nowadays the bargaining power of any country depends on its relative economic and political clout in the international community, rather than the relative merits of its claim. The leadership aspirations of Beijing in the arena of Asia-Pacific economic regionalism are based on its desire to capture the economic and political benefits of regional trade. More specifically, leading this economic integration process would boost China's domestic economy. As it has been acknowledged, Chinese leaders increasingly recognize that a primary benefit of participating in trade liberalization initiatives is increased competition in China's domestic market, which would spur badly needed structural reform of state-owned enterprises.

More significantly, taking a leadership role in Asia-Pacific economic integration would allow China to craft the economic rules of the region, rather than merely follow them, especially considering the amount of influence that the US has in these regards. Given that international economic rules establish the system of relations between regional neighbors, such rules and the ability to make them are crucial to China's national interests. If China does not assume a position of leadership in Asia-Pacific regionalism, it may be forced to follow economic rules promulgated by others, possibly rival countries. In other words, should China not initiate formation of a regional arrangement, it would have no other alternative but to accept the existing rules in the future. From the perspective of *realpolitik*, it is understandable that China tries to preempt the right to participate in rule-making by taking the initiative. Thus, the vision of *realpolitik* implied the strategy of China and also its regional competitors is not based on blood and iron but on strategic diplomacy, in which economics acts as the current key bargain element.

In order to summarize what the previous analysis has exposed, a table has been constructed to illustrate the possible motivations in China’s Economic Integration Strategy within the Asia-Pacific Rim. The table includes the most important economic integration processes that the PRC is taking part in the region. The three columns represent different categories of motivations that have possibly influenced the Chinese decision-making process regarding each specific agreement, whereas this has been completed, it is in discussion or it remains as a prospect for further economic integration in the Asia-Pacific. These three columns have been defined as “Economic Motivations”, closely related to the capacity of influencing China’s economic growth, “Security Motivations,” understanding them as comprehensive security and not in the mere military sense; and finally “Leverage Motivations” which are related to the building of negotiation capacity as a means to exert influence in the regional processes.

It is worth noting once more that these three categories of motivations do not mutually

exclude each other and if one of them has a “Low” level of influence that does not necessarily mean it has not influenced the decision making process at all, but its relevance is minor compared to that of the other categories which may have a “High” level of influence.

Figure: China’s Motivations on Regional Economic Integration in Asia-Pacific.

Association or Agreement	Economic Motivations	Security Motivations	Leverage Motivations
China - WTO	High	Low	High
APEC	Low	Low	High
FTA China - ASEAN (Completed)	High	High	High
FTA China - Chile (Completed)	High	Low	High
FTA China - New Zealand (Completed)	High	Low	High
FTA China - Australia (Negotiation)	High	Low	High
FTA China - South Korea (Prospect)	High	High	High
FTA China - Japan (Prospect)	High	High	High
North East Asia FTA (Prospect)	High	High	High
ASEAN Plus Three (Prospect)	High	High	High

Conclusions

As this study has made clear, Asia-Pacific is gradually moving towards regional economic integration and market forces are leading the process. Indeed, until recently these economic integration schemes were not driven by any top-down, overarching political decision to unify the region. In this context, China has come to play a central role, since it moved quickly after its accession to the WTO to begin developing FTAs. A key point for China's regional strategy based on these kinds of agreements seems to be related to the fact that the benefits of trade liberalization are mainly perceived in the promotion of economic growth. Secure economic growth for the PRC's leadership is a crucial issue in order to retain legitimacy for the CCP over the government, when the ideological perceptions no longer empower the party.

This analysis was intrinsically bound to the issue of how the evolution of economic integration in this part of the world will affect the role of China and vice versa. Will economic integration foster a set of increasingly close and extensive political-security relationships, thereby altering the regional political environment? The hypothesis of this study was outlined in these same terms too, under the assumption that China is using its economic might as a means to enhance and expand its traditional sphere of influence in the Asia-Pacific region, particularly by achieving different kinds of trade arrangements as its new regional strategy. It can be said that this hypothesis has been confirmed.

In the same fashion, the answer to the question whether China is taking a leading role in regionalism just because of its growing need to coordinate and cooperate with other economies in order to keep its growth rate; or if it is also doing so because of its desire to enhance and further its traditional sphere of influence as a regional power, contemplates elements of both scenarios.

China needs to integrate itself with the region because its economy is highly interdependent and regional or international economic fluctuations affect directly China's growth rate. At the moment, to try to keep its growth rate in the high one digit rates, as it has been during the last decade, is what gives legitimacy to the CCP government. However, to join different kinds of economic integration agreements, as exposed in this study, also helps the PRC to exercise a new leading regional role, and therefore influence these processes from within. This is a power driven strategy and at the same time a growth-rate driven strategy.

Indeed, China's calculation to enhance its image as a responsible power making a peaceful rise has brought the country great benefits. Future developments might encounter further Asia-Pacific integration to promote economic cooperation and trade, but also an institutionalized mechanism that reflects the common interest and priorities of the countries in the area, as well as one organization that increases their voice in the global arena. Political issues will have to be invariably considered, and

anyone leading this process will acquire great influence and a privileged position not only within the region, but at a global level.

China knows this, and it is actually what raises the fear of the so called “China Threat” among the countries in the region, which remains as an obstacle for further economic and especially political cooperation. As many have argued, if China becomes a liberal democratic society, neighboring countries would be more comfortable with its regional leadership. But the fact is that as long as the PRC remains under an authoritarian regime, other liberal democracies in Asia-Pacific, led by the US, will always feel uneasy about a regional integration being dominated by China. Economic and political concerns for the CCP’s leadership are in fact strictly connected.

The non-economic benefits from all these arrangements are also relevant for China’s new strategy. Better regional economic cooperation and integration can help to solve historical problems, and China’s desire to emerge as a responsible regional power and to integrate itself with the wary neighborhood reflects the intentions driving its regional strategy. The truth is that so far Beijing has accepted the usefulness of the US presence in Asia-Pacific as means to promote the stability needed for its economic growth, but China’s stated goal for the near-term is a multipolar world.

Economic integration can be therefore considered as a new method of territorial and ideological expansion in the 21st Century. No conquest by force, but union by enticement. A race that now is being run by regional blocs, each of them trying to become more competitive and trying to attract new aligned partners. The PRC itself and its stated pacific intentions might not pose a threat for individuals around the world, but its rise as an economic giant with an active regional integration strategy certainly implies counter-hegemonistic aspects.

The Chinese are hoping for the emergence of an Asian economic bloc that might negotiate more effectively with America and the EU. However, as regionalism evolves in the world into more inclusive arrangements, where things leave the entirely economic ground and move progressively to the political field, will China continue to perform this active role as an integration promoter within the region? Try to answer this question constitutes an interesting option for furthering this research. Perhaps, the CCP’s leadership have already thought about this possibility, and the current attempt to deepen integration can be considered as a phase on their long-term strategy for enhancing its sphere of influence through these kinds of economic agreements, so when the shift to political issues comes, the Chinese discursive capacity to affect the decision-making in regional and even global affairs, as the paramount voice of the Asia-Pacific region, will be tremendously efficient.

Bibliography

1. **Antikiewicz A., and Whalley, J.,** (2004). "China's New Regional Trade Agreements", *CATPRN Working Paper*, 2004-1. Available at: <http://www.catrade.org>
2. **Breslin, S.,** (2004). "Greater China and the Political Economy of Regionalization," *East Asia*, 21(1).
3. **Cai, K.,** (2005). "The China-ASEAN Free Trade Agreement and Taiwan," *Journal of Contemporary China*, 14(45).
4. **Cox, R.,** (1987). "Production, Power and World Order", *New York: Columbia University Press*.
5. **Christoffersen, G.,** (1996). "China and the Asia-Pacific: Need for a Grand Strategy" *Asian Survey*, 36(11).
6. **Deng, Y.,** (1998). "The Chinese Conception of National Interests in International Relations," *The China Quarterly*, 154.
7. **Garrison, J.,** (2005). "China's Prudent Cultivation of 'Soft' Power and implications for US Policy in East Asia," *Asian Affairs*, 32(1).
8. **Gramsci, A.,** (1971). "Selections from the Prison Notebook", London: Lawrence and Wishart.
9. **Hoadley S. and Yang, J.,** (2007). "China's Cross-Regional FTA Initiatives: Towards a Comprehensive National Power", *East Asian Cross-Regionalism, Pacific Affairs*; 80(2).
10. **Johnston, A.,** (2003). "Is China a Status Quo Power?" *International Security*, 27(4).
11. **Kasahara, S.,** (2004). "The Flying Geese Paradigm: A Critical Study of its Application to East Asian Regional Development," *United Nations Conference on Trade and Development*.
12. **Kugler, J.,** (1999) "Extensions of Power Transitions: Application to Political Economy," *Pease Economics, Peace Science and Public Policy*, 5(3).
13. **Krumm K., and Kharas, H., eds.,** (2003). "East Asia Integrates: A Trade Policy Agenda for Shared Growth," Washington, DC: The World Bank.
14. **Levine, S.,** (1984). "China in Asia: The PRC as a Regional Power," in *China's Foreign Relations in the 1980s*, Hany Harding, ed., New Haven: Yale University Press.
15. **Munakata, N.,** (2002). "Whither East Asian Economic Integration?" *CNAPS Working Paper*; Brookings Institute. Available at: www.brookings.edu/fp/cnaps/2001_munakata.htm
16. **Nye, S.,** (1997-98). "China's Re-emergence and the Future of the Asia-Pacific," *Survival*, 39(4).
17. **Oxley, A.,** (2006). "Turning Tides of Influence," *APEC Currents*, Opinion Section. Available at: <http://www.apec.org.au/docs/currents0906/currents0906.html>
18. **Peng, D.,** (2004). "Invisible Linkages: A Regional Perspective of East Asian Political Economy," *International Studies Quarterly* 46.
19. **Qiu, D.,** (2005). "China-ASEAN Free Trade Area: Geo-economic Consideration of China's Peaceful Rise", *Contemporary Asia-Pacific*, 1.

20. **Roy, D.**, (1996). "The China threat issue," *Asian Survey*, 36(8).
21. **Roy, D.**, (2003). "China's Reaction to American Predominance," *Survival*, 45(3).
22. **Shambaugh, D.**, (2004/05). "China Engages Asia: Reshaping the Regional Order," *International Security*, 29(3).
23. **Sheng, L.**, (2003). "China-ASEAN Free Trade Area: Origins, Developments and Strategic Motivations," *Singapore ISEAS working paper*, 1. Available at: www.iseas.edu.sg/vr32002/pdf
24. **Urata, S.**, (2004). "The Shift from 'Market-led' to 'Institution-led' Regional Economic Integration in East Asia in the late 1990s," *Waseda University 7 RIET*.
25. **Wang, V.**, (2005). "The logic of China-ASEAN FTA: Economic Statecraft of Peaceful Ascendancy." *China and Southeast Asia*; Singapore: Institute of Southeast Asian Studies.
26. **Zhao, Q.**, (1996). "Interpreting Chinese Foreign Policy," *New York: Oxford University Press*.
27. **Zweig D. and Bi, J.**, (2005). "China's Global Hunt for Energy," *Foreign Affairs*, 84(5).

Annexes

Signed	Negotiating	Under Study
China-Hong Kong-Macau (CEPAs)	Australia	China-Japan-Korea
Bangkok Agreement (ASEAN)	Mexico	ASEAN Plus Three
Chile	Peru	(RTAs)
New Zealand	(FTAs)	
(FTAs)	Taiwan	
	(ECFA)	