



UNIVERSITY OF SARAJEVO
FACULTY OF POLITICAL SCIENCE
DEPARTMENT OF POLITICAL SCIENCE

CHINA'S RISE – CHALLENGING THE U.S. SUPREMACY IN SOUTHEAST ASIA AND THE INDIAN SUBCONTINENT

-Master's Thesis-

Candidate
Muamer Hirkić

Mentor
Assistant professor Hamza Karčić

Sarajevo, November 2019



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Table of Contents

ABSTRACT	1
INTRODUCTION	2
CHAPTER 1: THE CENTURY OF HUMILIATION	4
1.1. Sources of Animosity Towards the Western Imperialism	4
1.2. Opium Wars	5
1.3. Consequences of Wars and the U.S. Interests in the Region	6
1.4. First Sino-Japanese War	7
1.5. The Boxer Rebellion	7
1.6. The End of the Empire	8
1.7. The Chinese Communist Party (CCP) Beginnings	9
1.8. Sino-Japanese confrontation	10
1.9. The defeat of the Kuomintang	11
1.10. Consequences of the “Century of Humiliation”	11
CHAPTER 2 – SINO-AMERICAN RELATIONS IN THE CENTURY OF PROMISE ...	12
2.1. Continuous Revolution, Korean War and Sino-Indian War	12
2.2. The Great Leap Forward	13
2.3. Sino-Soviet Split and Mao's Cultural Revolution	14
2.4. Vietnam War	14
2.5. Rapprochement	16
2.6. Deng Xiaoping's Four Modernizations	17
2.7. Tiananmen Square Protests	18
2.8. Jiang Zemin's Socialist Market Economy	19
2.9. The Bombing of the Chinese Embassy in Belgrade and Hainan Island Incident	19
2.10. Beijing Olympic Games	20
CHAPTER 3: CHINA'S POSITION IN THE GLOBAL ORDER	21
3.1. Control Through Western Institutions	21
3.2. Global or Regional Actor?	21
3.3. Post-American World	22
3.4. Thucydides Trap	24
3.5. South China Sea	25
CHAPTER 4: BELT AND ROAD INITIATIVE – A CATALYST OF REGIONAL DEVELOPMENT OR RESPONSE TO THE U.S. PIVOT?	30

4.1. Regional Cooperation	30
4.2. Belt and Road Initiative	31
4.3. Criticisms Leveled at BRI.....	33
4.4. BRI as a Response to the U.S. Pivot.....	35
CHAPTER 5: WHO IS WELCOMING BELT AND ROAD INITIATIVE IN INDO-PACIFIC?	37
5.1. Welcoming China's Presence – Cases of Laos, Myanmar and Cambodia.....	37
5.2. A Lease of Sri Lanka's Hambantota Port.....	41
5.3. Window of Opportunity for Bangladesh.....	42
CHAPTER 6: ASEAN COUNTRIES' PERCEPTION OF CHINA'S RISE AND THE U.S. PERCEPTION OF ASEAN.....	44
6.1. Southeast Asia's Importance and ASEAN's Centrality.....	44
6.2. ASEAN and China Forging Closer Ties	45
6.3. The Mekong River or South China Sea 2.0?	46
6.4. Thailand at a Crossroads	47
6.5. Vietnam's Vulnerability	47
6.6. Indonesia, Brunei and Singapore	48
6.7. The Philippines' Strategic Pivot and Rodrigo Duterte's Banana Diplomacy	50
6.8. Malaysia's Geopolitical Positioning.....	51
6.9. U.S. Perception of ASEAN Countries	52
CHAPTER 7: INDIA AND PAKISTAN IN THE U.S.-CHINA NEXUS.....	53
7.1. String of Pearls.....	53
7.2. China's "Iron Brother" – Pakistan.....	54
7.3. India's Role in the Nexus.....	55
CHAPTER 8: CHINA'S MILITARY DIPLOMACY AND SOFT POWER STRATEGY	59
8.1. People Liberation Army's (PLA) Role in Diplomacy	59
8.2. Building Coalitions in Indo-Pacific	59
8.3. Transformation of the Military Force	60
8.4. China's "Charm Offensive"	61
CONCLUSION	64
REFERENCES	66

ABSTRACT

China has become one of the major topics in the field of international relations due to the rapid growth of its influence around the globe. Recent studies have suggested that the rise of China could undermine the U.S. supremacy, particularly in Southeast Asia and the Indian subcontinent. This study, which is descriptive in its nature, examines China's use of conventional and soft power instruments in its immediate neighborhood, and the consequences these actions might have on the neighboring countries and the U.S. predominance in the region. The analysis has proven that currently, China is not striving for global hegemony, but rather for a strong regional presence in order to produce a buffer zone and ensure the safe flow of goods and energy. For this reason, Chinese leadership manages to undermine the U.S. supremacy in the region, but due to the South China Sea dispute, its influence is still not fully exerted. On the other hand, the countries of Indo-Pacific are mostly balancing between the USA and China, which leads to the reconsideration of traditional partnerships in the region.

Key words: China, United States, Southeast Asia, Indian subcontinent, supremacy, undermine

INTRODUCTION

Importance of the Topic and Background

As is well-known, China's rise is currently a major topic in the field of international relations. Furthermore, China's growth is also central to the very concept of multipolarity in the 21st century, especially in regions where either regional dominant power or global hegemon is present. After the “Century of Humiliation,” China entered the new millennium as one of the world's greatest powers. The main reason for this is the enormous economic development that resulted in the establishment of projects such as the Belt and Road Initiative (BRI). In this sense, Chinese government adopted a traditional American idea of “going westward for prosperity”, while President Xi Jinping said that “Chinese Dream” could revitalize the nation. This kind of the “wordplay” and ambitious goals such as “2049 Plan” show Chinese aspirations to become a fully developed nation and leave room for many scientists to argue that China hopes not only to be side by side with the USA, but to actually surpass it.

Research Objective

The paper will attempt to analyze the rise of China and the consequences this growth has on the position of the USA in Southeast Asia and the Indian subcontinent. This study is expected to provide information as to whether and to what extent China undermines the position of the USA in Indo-Pacific. Secondly, the study is expected to reveal whether Chinese investments and foreign policy actions in its immediate neighborhood are aimed at re-affirming the idea that China is a regional hegemon. Maintaining partnerships in this part of the world has become largely a matter of balancing between China and the USA. Therefore, the paper will also present different spheres of influence and the positions that states occupy in the U.S.-China nexus. The paper will also analyze China’s influence through the use of conventional and soft power, especially focusing on how the latter is achieved through various mechanisms such as culture, economic investment and diplomacy. Furthermore, the author will touch upon the importance of language as a soft power instrument, as well as the importance of the Confucius Institute in promoting China in Southeast Asia and the Indian subcontinent. The findings of this thesis are expected to contribute to the existing body of research in the field of international relations and to shed the light on the most recent developments.

Methodology

The study will be guided by the central research question:

RQ: Can China's rise undermine American position in Southeast Asia and the Indian subcontinent?

Taking into account the above-mentioned research question, the following supporting hypotheses were proposed:

H1: Chinese investments and foreign policy actions in its immediate neighborhood are aimed at re-affirming the idea that China is a regional hegemon.

H2: China's conventional methods of projecting its power in Southeast Asia and Indian subcontinent have a goal of isolating this region from the U.S. sphere of influence.

CHAPTER 1: THE CENTURY OF HUMILIATION

1.1. Sources of Animosity Towards the Western Imperialism

Napoleon Bonaparte said: “Let China sleep, for when she awakes, she will shake the world.” In the contemporary debates about the rise of China, it is often omitted that prior to the Industrial Revolution, China was both richer and more productive than European states. But what may have best set its growth in the 21st century, its policies and ideology are events in a period that is known in history as “The Century of Humiliation.”

For the last century, the narrative of national humiliation has been an enduring framework through which scholars and common people alike have interpreted China’s recent history (Kilpatrick 2011). Kaufman argues that it labels the period of 110 years, between the beginning of the First Opium War in 1839 and the end of the Chinese civil war in 1949, and it represents the intrusion of an outside world that had long played a minimal role in China’s outlook (Kaufman 2009, 1). For the most part of its history, China just wanted to be left alone. In this sense, there is a noticeable pursuit of the principle of state sovereignty, meaning - they don't want to interfere in other people's business and want others to stay out of their sphere of influence. In contrast to the USA that strived for spreading its values all over the world, China was always looking inwards. As Kissinger points out, its primary goal was to “control the barbarians immediately at its doorstep” (Kissinger 2011, 29).

China’s contemporary strategic culture also recalls elements of the Sinocentric world view held by the leaders of the “Middle Kingdom” until the early 20th century (French 2012). This belief also shaped the Chinese vision of foreign powers as outsiders or “barbarians”, and unequivocally fed the thoughts of them being a superior civilization. China was indeed the center of the world, especially in the time of Song and Tang dynasties, but after the mid-19th century (especially the Industrial Revolution), it became endangered to the extent that its further existence was in doubt. Likewise, many authors emphasize the narrative of victimization, which is used to amplify the sense of national pride. Although there is no single official framework for the duration of the century of humiliation, it is usually considered to last until 1949 and Mao's takeover. However, through the narratives of Chinese officials, events that took place in the 1990s were also included in the period. Most of the prominent figures of the Chinese political scene, among them Chiang Kai-shek, Mao Zedong and Jiang Zemin, claimed that the century of humiliation ends with their arrival to power. Callahan believes that this narrative serves in the contemporary diplomatic crisis explanation (Callahan

2003, 466). For that reason, some scholars might include the 1999 NATO bombing of the Chinese Embassy in Belgrade, 2001 spy plane crash off the coast of Hainan and even unsuccessful 1993 bid to host the summer Olympics in the above mentioned era. However, the period of national “humiliation” began with the Opium Wars, which represent one of the darkest periods in Chinese history.

1.2. Opium Wars

In the 17th century, the habit of mixing opium with tobacco spread from Southeast Asia. Later, in the 19th century, many Chinese developed an addiction to pure opium and the British used the opportunity to enrich themselves. British imported opium from India to China – a move that ensured major source of revenue for them and their colony that continued to be sustainable. The lucrative business also managed to cover the costs for the tea they purchased from the Chinese.

When the Macartney mission visited China in 1793–94 and attempted to present the Emperor some of the biggest technological achievements of Britain, he understood this as a tribute, rather than as the opportunity to rectify China's backwardness. Aided by the technological leap of the Industrial Revolution, the economic and social recovery after the Napoleonic Wars, and the beginnings of a disciplined nationalism, Western powers like Britain and Russia began putting heavy pressure on the Chinese to open up to trade and make other concessions (Silbey 2012, 20-21). The First Opium war began in 1840 and the fighting stopped two years later, in 1842. Eventually, the Treaty of Nanking was signed, which became known as one of the Unequal Treaties. The Chinese were forced to cede Hong Kong Island to the British, which remained in their hands until 1997. Additionally, they were required to open five ports to foreign trade – Shanghai, Xiamen, Guangzhou, Ningbo and Fuzhou. Britain also received “favored nation” status, its nationals were only answerable to British law in China and the Qing had to pay huge amounts of silver to the occupying force. For the British, this war paid off dramatically. Four years after the second war ended, Britain sold China seven-eighths of all the conquered nation's imports, more than £100,000 annually (Hanes and Sanello 2004, 293). Additionally, opium importation and textile trade skyrocketed. But this was not the end of China's problems. Due to the culmination of dissatisfaction with corrupt officials, constant bullying and horrible living conditions, the Taiping Rebellion of 1850 proved to be one of the bloodiest civil wars in the history.

The Second Opium War began in 1856, after the Western nations wanted to revisit the deal in order to establish more favorable conditions for themselves. When the Chinese rejected, the large-scale fighting broke out. Now, both the British and the French confronted the Qing. In the end, new set of rules was imposed by them and it included: granting permission to the United States, France, Britain and Russia to establish legations in Beijing, allowing all foreign travelers to travel freely in China, opening ten more ports for foreign trade, and many others. In 1860, British and French destroyed the summer palaces after they entered Beijing. The exhaustion caused by the wars led to a difficult state for ordinary Chinese people, who began to leave the country in significant numbers.

1.3. Consequences of Wars and the U.S. Interests in the Region

As a direct consequence of all these developments, a large segment of Chinese population decided to migrate to places such as Malaya, Cuba, Peru and the United States of America. The main reasons for such occurrences were the banning of the African slave trade and the fact that foreign countries were granted the right to take the workers abroad. Chinese migration to the United States picked up during the mid-19th century, when primarily male manual laborers arrived in the West Coast for agricultural, mining, railroad construction, and other low-skilled jobs (Zong and Batalova 2017). One of the most famous stories is certainly the construction of American railways, which was mostly done by the Chinese, or as they called them at the time – “coolies”. Essentially, the treatment they had did not differ from the one slaves had. Immigrants from the Far East could not become American citizens and they were often prevented from bringing wives and children with them. Chinese inhabited mainly parts of major cities such as San Francisco, which became known as “Chinatowns”. Many took low-end wage jobs that were, up until that time, mostly occupied by the Irish. However, in 1882, Congress passed the Chinese Exclusion Act which put significant limitations on free immigration in the USA. The ban lasted for more than 60 years.

The Chinese Empire and the United states began their formal diplomatic relations in 1844, after they engaged in negotiations which led to the Treaty of Wangxia. The first military clash between the two occurred during the Second Opium War at the Battle of the Barrier Forts. After the Opium Wars, the era of the Old China Trade was over and the new era of the USA as an emerging power began. Likewise, China's weakness has been exploited by Japan, which would make significant claims to the country's territory in the coming decades.

1.4. First Sino-Japanese War

Humiliation of the Chinese continued after the war broke out between them and Japan in 1894, in the Qing's most loyal tributary state – Korea. Eventually, the Chinese were forced to cede the island of Taiwan to the Japanese. Heavy defeat from the modern and increasingly industrialized nation led to a domino effect, where the Western powers started taking concessions and signing leases for more ports. Later, Japan continued to show aspirations towards China, which was best reflected through the Twenty-One Demands in 1915, when they extended their control of Manchuria.

Japan and China were essentially different in their approach towards the West as the carrier of development. While Japan managed to utilize technologies by replacing the ineffective regime with young Emperor Meiji, China was unable to do it. Their biggest defeat was the inability to learn from the West and then apply that knowledge in their own reality or against regional challengers. External influences eventually managed to penetrate into the country's interior, which led to a large division among the people. Furthermore, it led to internal turmoil and conflict.

1.5. The Boxer Rebellion

At the end of the 19th century, tensions between the domestic population and foreigners reached a peak. There was a huge anti-Christian and anti-foreigners sentiment among the so-called “Boxers” who supported the Qing Dynasty. Silbey describes them as the people's organization, with a simple set of principles, basic set of rituals and without much of a hierarchy (Silbey 2012, 29). After several incidents, international troops landed and started their way to Beijing. Chinese forces opened fire to delegations and large-scale skirmishes began. Over 50,000 troops from Japan, Britain, Russia, France, Germany, USA, Austria-Hungary and Italy fought the Chinese in the Boxer Rebellion. After the Boxer Protocol was signed, China was forced to pay 450 million taels in silver over a period of 40 years.

The struggle for supremacy in China among the world's largest forces continued. The biggest gain for them was a pole-position in trade and access to hundreds of ports. As a result, America asked Britain, France, Japan, Germany and Russia to respect the rights of others to free trade in China, which eventually became known as Open Door Policy. Eventually, the problems that China had to face only piled up. This would prove to be too heavy of a burden and the final fall of the empire was inevitable.

1.6. The End of the Empire

While huge changes took place in the West, with the Industrial Revolution as the peak of development, China was stagnating. All the advantages they previously had in science were now gone. All this has prompted activists from all parts of China to undertake the reconstruction of the entire political system. It would be a painful process, a struggle between warlords, Nationalists, Communists, idealists and opportunists but it would bring to an end China's 2,000-year-old tradition of monarchical rule (Kerr 2013, 115). The most famous revolutionary group that emerged in this period is the Tongmenghui or "Revolutionary Alliance", whose founder and leader was Sun Yatsen. The three principles on which they based their work were Nationalism, Democracy and Livelihood. The groups that merged with the Tongmenghui have advocated the establishment of a modern republic and in 1911, Sun Yatsen was proclaimed the "provincial president" of the Republic of China. However, without an army, the revolutionaries lacked the coercive means for credible power; lacking a national consensus on its ideological program, the new government could not wield effective authority (Chang 2001, 79). At that time, general Yuan Shikai commanded the most powerful army in China and Sun Yatsen believed that he is the only person that can save the unity of the people. Eventually, the first provincial president decided to step down from the position once general Yuan organized the abdication of the last Qing emperor. In the end, Yuan Shikai became the president and the Tongmenghui merged with several other political parties to form the Kuomintang (KTM). Although the changes that were happening succeeded in uniting the people, Yuan began to increasingly behave as a military dictator. Sun Yatsen was forced to flee to Japan, and the Kuomintang was dissolved by the new president.

In the wake of the First World War, Japan's pretensions to China were obvious. The culmination of their imperial assertion was the document titled "Twenty-One Demands", sent in 1915 by the Japanese Minister of Foreign Affairs and Prime Minister. Requests included the transfer of rights to railways, ports, mines and police control. In the wake of the humiliation of these forced concessions, Yuan launched a movement to revive the monarchy, with some modernized features, and to place himself on the throne (Pletcher 2011, 261). However, after this move, many provinces decided to declare independence, and only his sudden death prevented a new bloodshed. For the next 12 years, in a period that was marked in the history as "The Warlord Era," China was in a complete chaos. This period would prove to be a prolific ground for the development of nationalism and the subsequent emergence of the Communist Party of China.

1.7. The Chinese Communist Party (CCP) Beginnings

The May Fourth Movement, often called the New Culture Movement, began in 1919 and marks the peak of the rise of Chinese nationalism. In this period, the figures that will inevitably shape the future of the state, such as Mao Zedong, the founding father of the People's Republic of China, came to prominence. Large-scale protests broke out due to the Paris Peace Conference, after which Japan was granted the right to German territories in China. Protestors called for an end to foreign interventionism and a boycott of Japanese goods. The proper formation of the Communist Party of China (CCP) began around 1920. Chinese students in Japan and France had earlier studied socialist doctrines and the ideas of Karl Marx, but the Russian Revolution of 1917 stimulated a fresh interest in keeping with the enthusiasm of the period for radical ideologies (Pletcher 2011, 266). In 1923, weakened Kuomintang and CCP merged, with the common goal of unification of China and the defense against foreign influences. However, in 1925, this coalition was shaken by the news that Sun Yatsen passed away. His successor became Chiang-Kai-Shek.

After the first years, it was already noticeable that there were too many differences between the two sides. In Shanghai, Chiang organized purges of communists, which ultimately took thousands of lives. In the meantime, he proclaimed Nanjing as the capital city and received the recognition of the Western states as the head of the unified China. Namely, the Kuomintang ruled all provinces, except Tibet, Manchuria, Mongolia and Xinjiang.

In the years to come, Chiang attempted to modernize the army and society, taking models from newly emerging fascist regimes in Europe. Experts from the West have helped him to improve the roads, communications and the army, but also to continue the fight against the Communists. In 1931, the Japanese army attacked Mukden in Manchuria and conquered the entire province. The last Qing dynasty emperor Puyi was appointed as the ruler.

Chiang's rule has often been described as devastating for the Communists. Mao Zedong, together with several thousand people, hid in the mountains between Jiangxi and Hunan. This geographical location is significant in Chinese history, since the first traces of forming People's Liberation Army (PLO) can be found here. Most local villagers welcomed them with joy because they saw them as the only hope in the fight against the oppression of the landlords. Likewise, in the early thirties there was a widespread famine and many enlisted in the Red Army in order to survive.

The conflict between the Communist Party of China and the Kuomintang gave birth to one of the most controversial stories in Chinese history. Led by Mao Zedong and Zhou Enlai, the Communists marched for 370 days in the north of China, fleeing from the Nationalist forces. They had to pass many obstacles (e.g. Tate River) on this trip, and only every tenth person managed to survive. The march has always been depicted as a pillar of the Chinese Communist revolution (Lau 2016). In modern China, this story is mythologized and serves as an inspirational tool that presents hardships of establishing a new state under the leadership of Mao Zedong. The Long March was used to consolidate the forces behind a common idea and a common leader who will, in the future, leave an indelible mark on the radical transformation of Chinese society. However, before such a change was possible, it was first necessary to defend against an old enemy and a regional force.

1.8. Sino-Japanese confrontation

The Japanese government was drawn step by step into the conquest of Manchuria and the establishment of a regime known as Manchukuo (Pletcher 2011, 278). In rapid succession, the vital regions of China from the industrialized northeast to the cities of Beijing, Tianjin, and Shanghai along the coast fell before the invading Japanese armies (Chang 2001, 80). Ideology of isolated Japan greatly affected China. Development of a collective thinking that aims to present the superiority of one against the other would prove fatal in World War II. China was already burdened by a civil war between two opposing political ideologies. At the same time, Japan's pretensions would turn out to be an additional burden to China that entered the cruel expansionist conflict to protect national unity. Massacres like the one in Nanking, where it is estimated that between 40,000 and 300,000 Chinese were murdered by the Japanese imperialist army, have long been a stumbling stone in the relations between the two countries. Japanese atrocities in the war against China beginning in 1937 and Imperial Japan's subsequent alignment with Nazi Germany in 1940 hardened American public attitudes as well as those of U.S. officials against Japan (Sutter 2010, 37). The war became part of a major conflict, and the Kuomintang waited for the United States and Allies to successfully defeat Japan and thereby end their suffering. The liberation of Manchuria by the Soviet forces and the complete collapse of the Japanese empire placed the conflict between the Kuomintang and the CCP in the forefront once again, but this time, the conflict would bring the final division between the two.

1.9. The defeat of the Kuomintang

Conflict with Japan left a big mark on the Kuomintang. The support they previously had was significantly declining, primarily due to the lack of action against Japan. The CCP had strong support in rural areas, among the rural population, while KMT generally had strong support in cities. However, the corruption of elected officials, the enrichment of the privileged elite and inability to respond to Japanese occupation reduced the KMT's support to a minimum. In time, after a series of struggles and changes in power, the Communists managed to gain control in Manchuria. During the PLA's march into Beijing, 200,000 of the Nationalist forces joined. After that, a large part of the army surrendered without a fight. One by one, the cities under the control of KMT handed over power to the hands of Communists, so Chiang-Kai-Shek was forced to flee to Taiwan with his son. Around 2 million loyal supporters of the party followed Chiang, and he never again set foot on mainland China (Kerr 2013, 134-135). Thus, Mao Zedong was presented on Tiananmen Square as the head of the new, People's Republic of China. However, the turbulent first part of "The Century of Humiliation" left great consequences on the collective memory of the Chinese, which would not fully recover for a long period of time.

1.10. Consequences of the "Century of Humiliation"

As Gries argues, the "Century" is a traumatic and foundational moment because it fundamentally challenged Chinese views of the world (Gries 2004, 47). In the century of humiliation China lost almost every war it fought and had to agree on numerous concessions. Additionally, they lost the territory and opened up the ports to foreign traders. But what humiliated China the most was the fact that they had to sacrifice their sovereignty by opening doors to foreign influences. What had previously been an inward-looking territory now became a playground for foreign powers, which carved it up in accordance with their spheres of influence. The narrative of "national humiliation" also provides the Communist Party of China (CPC) with the opportunity to portray itself as the only nationalist group that was able to force the Japanese and Western imperialists out of China (French 2012). While old memories of humiliation might still be fresh in China's collective mind, its status in the world has changed drastically in the last 150 years (Rappeport 2019).

CHAPTER 2 – SINO-AMERICAN RELATIONS IN THE CENTURY OF PROMISE

2.1. Continuous Revolution, Korean War and Sino-Indian War

In 1949, the PLA triumphantly returned to Beijing. The communist victory brought to power a peasant party that had learned its techniques in the countryside but had adopted Marxist ideology and believed in class struggle and rapid industrial development (Pletcher 2011, 300). Additionally, this marked the final victory of the Communists against the Nationalists who left mainland China and moved to the island of Taiwan. One of Mao Zedong's first moves was a visit to Moscow to seek economic assistance for the war-torn China. The Sino-Soviet Treaty of Mutual Friendship between these two states was signed in 1950, where the Soviet Union guaranteed aid for China. At the same time, the U.S. financed military in Taiwan to stop the spreading of Communism, which resulted in signing Mutual Defense Treaty in 1954.

In Mao's ideology, the concept of “continuous revolution” played a major role. He believed that in addition to the revolution itself, development of China required sacrifices of society, which would ultimately lead to a prosperous and orderly state. At the same time, CCP took land from landlords, foreigners, intellectuals and gave it to peasants. As Kerr explains, the purpose of the new law was not only to end feudal exploitation by landlords, but also to stimulate rich peasant economy (Kerr 2013, 137).

Supported by the Soviet Union and China, North Korea attacked South Korea in 1950. Soviet Union was not present at the Security Council's meeting when it was declared that the action on Korean peninsula should be taken – the reason being the boycott over the question of representation of China. The U.S., under the UN flag, crossed the 38th Parallel and reached the Yalu River at the very border between North Korea and China. A secret attack by the Chinese army was launched on the Americans, and eventually forced them to withdraw to Seoul. China was afraid of attacks on its own territory, so all the propaganda within the state was directed against Americans. Kaufman believes that the U.S. occupation of Japan following the end of World War II was the main reason why the United States managed to have a major presence in the region (Kaufman 2017, 94).

In the three-year “war against imperialism”, 2,5 million Chinese troops participated, while half a million were killed. This conflict had many consequences for the country's recognition and inclusion in global affairs. After the war, the U.S. imposed sanctions on PRC and

increased cooperation with Taiwan (Republic of China/ROC), which held its place in the Security Council as a representative of the “real China”. Additionally, new challenges emerged for the assertive PRC. During the Korean War, the first internal turmoil was recorded in Tibet, where the People's Liberation Army (PLA) took control.

After Tibet officially became part of the People's Republic of China in 1951, the first large-scale conflict and rebellion between the People's Liberation Army and the Tibetan guerillas were recorded in 1956. Three years later, the Tibetan uprising took place, which was eventually an important cause for the Sino-Indian War in 1962. Namely, India gave asylum to the Dalai Lama and the dispute over the Himalayan border began, with the large-scale fighting taking place on difficult mountain terrain. Fought on two fronts, the conflict ended on November 21, 1962, when the PRC announced a unilateral ceasefire following the defeat of the Indian Army (Chaudhuri 2009, 841). Although largely preoccupied with the Korean War, Tibet and the border dispute with India in the period between 1950 and 1962, the Chinese Communist Party also sought to accelerate the process of modernization in mainland China.

2.2. The Great Leap Forward

The Great Leap Forward, launched in 1958, represents CCP's attempt to rapidly industrialize China, which eventually had disastrous consequences. In the second five-year plan Mao made, he hoped to develop labor-intensive methods of industrialization that would emphasize manpower rather than the gradual purchase of heavy machinery, thereby putting to use China's dense population and obviating the need to accumulate capital (Pletcher 2011, 313). During this time, the land was taken from people and private ownership became non-existent. Peasants were distributed into 25,000 camps or communes, not families – the kind of collectivization that reminded of Stalin's radical attempts to modernize Soviet Union over night. Essentially, rapid increase in production and productivity was achieved to a certain extent. However, the price that Chinese peasants had to pay was too high. This process led to an enormous famine and people were left with little or no food. As a direct consequence of these changes, it is believed that between 20 and 40 million people died. China's leader was so convinced that his plan will be successful, that he expected to surpass the United Kingdom in the production of steel by the end of the 1960s. It is assumed that the failure of the plan was one of the main reasons for Mao's withdrawal from the position of president in 1959.

2.3. Sino-Soviet Split and Mao's Cultural Revolution

The relationship between Mao Zedong and Nikita Khrushchev was tense, and it epitomized the power struggle for the leader of the "revolution" and communism. The disagreement between Khrushchev and Mao led to less cooperation and increased mutual hostilities between Chinese and Russians. In the Soviet Union, Khrushchev began the process of de-stalinization, which was a further blow to the Chinese leader who called for anti-revisionism. Externally, Moscow's decision to lean towards India in its border war with China exacerbated the Sino-Soviet conflict (Stuart-Fox 2003, 181). Already in 1963, Mao began to openly show dissatisfaction and denounce the Soviet Union. He was scared that Deng Xiaoping and Zhou Enlai were trying to exclude him from the general occurrences and that the same scenario as in the Soviet Union is awaiting him. For a long time, Khrushchev was afraid that China's leader could drag the Soviet Union into a war with America. In 1969, the two armies even had several skirmishes on the Manchuria border.

Mao believed that revolution was an ongoing process of unending class struggle (Kerr 2013, 142). Ninety sixty-six will be remembered as the year of Mao's "Great Cultural Revolution" aimed at eliminating traditional and capitalist elements from society. As a result of the Cultural Revolution, most intellectuals and youth were forced to move to villages and do extremely hard labor. Additionally, everything that was old or foreign, such as old temples and books, was destroyed. Therefore, this movement was largely an anti-intellectual movement. Pletcher believes that a second purpose of the Cultural Revolution would be the elimination of leading cadres whom Mao held responsible for past ideological sins and alleged errors in judgment (Pletcher 2011, 325). At the same time, this period also marked Mao's comeback, where he wanted to put his teachings and thoughts in the forefront. This led to the enormous development of Mao's personality cult that was not affected until the death of the leader, in 1976. The period of the Cultural Revolution represents one of the most violent periods in China's history. During the Cultural Revolution, the USA almost reached the PRC border due to the Second Indochina War. China was alarmed by events in its immediate neighborhood and decided to provide assistance to its allies in North Vietnam in order to counter the U.S. "colonialism".

2.4. Vietnam War

Newly elected U.S. President John F. Kennedy was warned by former President Eisenhower about the potential dangers arising from the communist regimes in Southeast Asia and

primarily in Laos. Although this state declared neutrality after the agreement of the President of the United States and the Soviet Union, that neutrality was not honored afterwards. On the other hand, the Vietnamese scenario, to a great extent, resembled the previous war in Korea. Therefore, the U.S. wanted to prevent North Vietnam at all costs to spread their influence in the South. President Kennedy believed in the so-called “Domino effect” – a theory suggesting that vulnerable nations could fall like dominos to communist aggression. The Chinese had been supplying the People’s Army of Vietnam (PAVN) since 1956 when the government of South Vietnam, with American backing, refused to hold the plebiscite on reunification (Stuart-Fox 2003, 181). Kaufman argues that Kennedy was concerned what could a loss of Vietnam mean for the rest of Southeast Asia, including Laos and Cambodia (Kaufman 2017, 101). He wanted to stop the spread of communism and the Soviet Union at all costs. Eventually, the strategic foreign policy known as “containment” led to a number of proxy wars, all due to the Cold War logic. The very beginning of this strategic foreign policy can be linked to the end of World War II and the Cold War division. Namely, the term was first used by the U.S. diplomat George F. Kennan when he submitted a “Long Telegram”, which was later turned into an X-article. Since the 1940s, all the U.S. presidents have relied on Kennan's idea of containment.

President Johnson knew that domestic support was needed for any kind of war effort. His opportunity to get it came in August 1964 when two U.S. destroyers, the Maddox and the Turner Joy, were allegedly fired on in the Gulf of Tonkin in international waters, approximately sixty miles off the coast of North Vietnam (Kaufman 2017, 103). The Tonkin Gulf Resolution gave him an open path for any action he deemed necessary. Thus, for the first time in history, the president could take matters into his own hands and launch a military action. The concurrent Vietnam quagmire drained American resources, and Moscow pumped up support for the Vietnamese communist resistance, seeking to further weaken the United States and strengthen the changing balance of power in Asian and world affairs (Sutter 2010, 66).

In Nixon's years, the United States reduced the number of soldiers on the ground and began to rely heavily on air strikes. Primarily, the goal was to reduce the number of U.S. casualties. Nixon deployed Henry Kissinger to begin secret talks with the regime in North Vietnam and during this time, the U.S. troops continued to bomb both Vietnam and Cambodia. Simultaneously, Kissinger was working on a process known as “détente”, which led to better arms control between the USA and the Soviet Union and the signing of the Strategic Arms

Limitation Treaty (SALT I). Eventually, after the Paris Peace Talks in 1973, the cease-fire agreement for the war in Vietnam was also signed. Supplied by the Soviets and the Chinese, the regime in the North managed to gain full control. In 1975, Vietnam was unified as a communist country.

Nixon and Kissinger's logic for opening to China can be seen as the direct attempt to strengthen the momentum of “détente” with the Soviet Union. In this sense, the USA used tense Sino-Soviet relations for the commencement of “triangular diplomacy”. The immediate opportunity for establishing the triangular balance of power was afforded by the 1969 Sino-Soviet border conflict, and the likelihood that Moscow might launch a broader attack on China (Goh 2005, 476). The Sino-U.S. rapprochement started as a tactical aspect of the Cold War; it evolved to where it became central to the evolution of the new global order (Kissinger 2011, 243). Furthermore, their logic is a direct reflection of the idea that the Soviet Union is a shared enemy that has to be stopped. In this way, Nixon and Kissinger played the “China card” to gain leverage over the Soviet Union and to promote greater discord between former allies.

2.5. Rapprochement

Nixon spoke openly of his opposition to China. In one statement, he stressed: “We can see that China is the basic cause of all of our troubles in Asia. If China had not gone communist, we would not have had a war in Korea. If China were not communist, there would be no war in Indochina” (Bostdorff 2002, 33). However, the worsening relations between Beijing and Moscow inspired the U.S. decision makers for talks with China. Mao was simultaneously attempting to signal a willingness to negotiate a significant thaw in relations between the two nations (Sebenius et al. 2014, 4). After the split-up in 1949, Nationalists settled in Taiwan and, due to good relations with the United States, had a permanent seat in the UN Security Council as a representative of China. However, in 1971, President Nixon sent Kissinger to Beijing to begin talks on the normalization of the relationship between the two states, known as rapprochement. An ideological break-up with the Soviet Union forced China to find a new partner who will provide a balance against Moscow. At the same time, the United States understood the tactical advantage of establishing diplomatic relations with China and the importance of successful balancing in the Cold War.

In the 1970s, the so-called “ping-pong” diplomacy and the mutual exchange of table tennis players, paved the way for further normalization of relations between the two. In 1972,

President Nixon became the first U.S. President to visit mainland China. In a document called the Shanghai Communiqué, it was emphasized that Taiwan is part of China, and that the peaceful resolution of the dispute is entirely the issue of the Chinese people on the both sides of the strait. In five points, the United States pledged to support a unified China with Taiwan, significantly reduce support for Taiwanese independence groups, gradually reduce U.S. military personnel in Taiwan, and encourage regional peace and security. Moreover, both sides agreed to open formal diplomatic ties, and to avoid the pursuit of regional hegemony at all costs (Kissinger 2011, 270-271). Due to all these actions and the concrete strategic plan, the two countries established full diplomatic relations in 1979. At the same time, this also marked by the beginning of the “one China” policy.

After it was announced that Nixon and Kissinger were negotiating with the Communist Party of China and that diplomatic ties with Taiwan would be cut, angry citizens took to the streets of Taipei to protest. An official mission headed by Deputy Secretary of State Warren Christopher was pelted with eggs, tomatoes, mud and rocks and attacked with sticks by an angry mob when arriving in Taiwan (Oberdorfer 1978). During the negotiations between China and the USA, the key role was played by the Taiwan lobby on the Capitol Hill, which was mobilized by the ROC government. The lobby was able to capitalize on human rights and religious freedom violations by China, and shared war history with the USA. Therefore, in 1979, President Jimmy Carter signed the Taiwan Relations Act (TRA), which regulated further non-diplomatic relations between Taiwan and the United States and hence terminated Sino-American Mutual Defense Treaty (Taiwan News 2009). TRA is the legislation passed by the U.S. Congress and it continues to be the mainstay of relations between the two countries. Since then, relations between the two countries have been conducted through a non-profit corporation called the American Institute in Taiwan (AIT), which serves as *de facto* embassy and there are no formal diplomatic ties, nor official government representation. Both the CPC and Taiwan were extremely dissatisfied with the move that the USA made, but China's commitment to economic development overshadowed other issues and a new leader, Deng Xiaoping, came to the fore.

2.6. Deng Xiaoping's Four Modernizations

From the very beginning, Deng Xiaoping was different from Mao. The first president of PRC was trying to get rid of him during the Cultural Revolution, but in 1973, Zhou Enlai returned Deng to the main stage. In the Chinese history, he will be remembered as the father of reforms

in the economy and society. Deng urged continued rigorous economic reform and opening to the benefits of foreign trade, investments, and technology transfer (Sutter 2010, 96). Under his leadership, China made the most important turn that launched it into the very top of global development. Essentially, the economy that was centralized and state-run turned to a more market based approach. He was also the first PRC president to visit the U.S. in 1979, when diplomatic relations between the two countries were officially established. The transformation of the city of Shenzhen, which turned from the fishing village to the Asian Silicon Valley, best illustrates the impact of his policies on China's development. The national development program consisted of the so-called “four modernizations” and four special economic zones, with the focus on agriculture, industry, science and technology. However, in addition to the huge economic leap, the Deng era will also be remembered as the time when one of the most controversial protests in China's modern history took place.

2.7. Tiananmen Square Protests

In 1989, images from the Tiananmen Square circled the world. Students – eventually joined by many others – took to the streets in dozens of cities from April to June to demand greater freedom and other changes (Pletcher 2011, 339). Eventually, over 1 million people gathered and demanded democratic reforms in the country. In response, the government sent the army. It is assumed that thousands of people were killed or injured, although the exact number is unknown. Afterwards, the Chinese government stated that its actions were justified and accused the crowd of being “counter-revolutionaries”. Similarly, Zhao Ziyang, who was to succeed Deng Xiaoping as the new president of the PRC, was ousted out of the position of the General Secretary because of his support for the student movement. One of the reasons for the Bush Administration's lukewarm response to the crackdown is the president's attempt to maintain private relations with Chinese officials, and especially with Deng. Bush also had personal connection with the country, as he spent one period of his career in China. In the autumn of 1974, though the U.S. had not yet established diplomatic relations with China, Bush was sent to Beijing to serve as the chief of the United States Liaison Office (Everington 2018). James Baker, the former U.S. Secretary of State under President George H. W. Bush, believes that Bush wanted to safeguard the underlying geopolitical relationship between the two countries, while also letting Chinese leaders know that killings could not be business as usual in the future (Baker 2018). Furthermore, Baker phrased one of the sanctions as “no high-level exchanges”, which led to different interpretations in the Congress and in the media. Specifically, Baker felt that it was necessary to cancel the announced visits rather than

terminate the contacts altogether. The Tiananmen massacre could have permanently affected the political reputations of both Bush and Baker, as well as the diplomatic relations of the two countries. In the following years when Jiang Zemin succeeded Deng Xiaoping, it was explicitly forbidden to speak about this occurrence in China and the government made great efforts to conceal the truth about it.

2.8. Jiang Zemin's Socialist Market Economy

Jiang Zemin, the president of PRC who coined the term “socialist market economy”, represented a new generation of Chinese leaders who are not part of the nomenclature that participated in the civil war. Therefore, liberalization of foreign policy and inclusion in world trends continued in the 1990s. During this period, China has put the WTO and GATT as the main foreign policy goals. At the same time, Taiwan began to rapidly democratize in 1987 – a process that was completed by 1995, resulting in two societies across the Strait that had become even more divergent and dissimilar (Chang 2001, 212). This produced the 1996 Taiwanese crisis that was successfully resolved when the United States sent its technologically superior navy that successfully blocked any attempt by the Chinese army to act against Taiwan. One of China's biggest victories, and at the same time a reason for national pride, occurred in 1997 when Hong Kong was first returned to China from the United Kingdom, and then Macau from Portugal two years later. By 1999, China was becoming a global economic power, with the military accoutrements of a “superpower”, and was increasingly influential in the UN Security Council and the global politics of the post-cold war world (Baylis 2014, 57). That same year, the major incident involving the United States and China occurred in Belgrade. Furthermore, relations between the two countries were even more strained after the second incident happened off the coast of China in 2001.

2.9. The Bombing of the Chinese Embassy in Belgrade and Hainan Island Incident

In 1999, NATO began bombing military targets in Serbia because of the conflict in Kosovo. However, during an attack, the Embassy of China in Belgrade was also bombed. Huge demonstrations against the U.S. policy have been organized across Beijing. Later, President Clinton publicly apologized to the victims of the attack and described the incident as a misunderstanding between the intelligence service and the military. In the end, the U.S. government has decided to compensate families of the victims of this attack.

Just two years later, these two countries were involved in another incident. Namely, in 2001, a US EP-3 aircraft collided with China's PRC J-8 fighter. The damaged American plane,

quickly described in the Chinese media and official communiqués as a “spy plane”, made an emergency landing in a military airfield on China’s Hainan Island where Chinese officials detained its 24 crew members (Avruch and Wang 2005, 339). In this accident a Chinese pilot lost his life and the two countries began negotiations about the incident. Eventually, the U.S. Government had to issue a statement and apologize for this accident that occurred above international waters. Particularly interesting was the fact that the two sides experienced massive linguistic and cultural differences – mostly with the words that were used to express regret for the lost life. After 11 days, the crew of an American aircraft was released to return home and the plane was returned three months later, in parts. In the years that followed, relations between the two countries were calm. While the United States was devoted to the “War on Terror”, China was preparing to organize an event that could serve as a “comeback” to the world stage.

2.10. Beijing Olympic Games

Throughout the history, many Chinese leaders wanted to be responsible for ending the century of humiliation. For Chiang Kai-shek it was the end of World War II and resistance to Japanese forces. For Mao, it was the establishment of the People's Republic of China in 1949. Likewise, unification with Hong Kong in 1997 and Macau in 1999 are considered as important events in the narrative about the end of the century of humiliation. However, for many Chinese experts, the 2008 Beijing Olympics represent the true “comeback” of China to the world stage. This event, held under the motto "One World, One Dream", marked the beginning of a new China that would, in only two years, become the second-largest economy in the world. However, before the Olympic Games and during the torch relay, many activists around the world protested and called for Tibet's independence and a better respect for human rights. Additionally, these Olympic Games were labeled as the “Genocide Olympics” because of the atrocities committed by the China-backed government of Sudan in Darfur. The issue of respect for human rights in China remained at the center of the attention in next decade as well.

CHAPTER 3: CHINA'S POSITION IN THE GLOBAL ORDER

3.1. Control Through Western Institutions

John Ikenberry, professor at Princeton University, believes that real power – and therefore the future of the balance of power – lies in the institutions established by the West, such as the World Trade Organization (WTO). Furthermore, he claims that American decline in relative power would open the doors of the Western world and Western institutions to China, which will then be able to find its interest. On the other hand, China is well-aware that modernization cannot happen without integration into the global capitalist system. Essentially, the continued growth of the Asian superpower is inevitable and its place in a system that has traditionally favored the United States has also become inevitable. In such institutional framework, China has learned how to prosper. If it wants to preserve this leadership, Washington must work to strengthen the rules and institutions that underpin that order – making it even easier to join and harder to overturn. U.S. grand strategy should be built around the motto “The road to the East runs through the West” (Ikenberry 2008, 25). In this way, the entire system would continue to revolve around the West. Additionally, the USA will be able to control other competitors through institutions and maintain their supremacy even after their relative power has declined. Integration of China into the Western institutions had to go hand in hand with comprehensive economic reforms. Primarily, this refers to Deng Xiaoping's era, where economic liberalization was reminiscent of Mikhail Gorbachev's reforms in the Soviet Union. However, one of the main differences was that in China, “perestroika” was carried out without “glasnost”. Namely, Chinese leadership kept the authoritarian style of leading the country, while Gorbachev allowed for greater political freedom and thus produced a division within the Communist Party nomenclature. Any form of liberalization, whether accompanied or unaccompanied by the political freedoms, remains a challenge for China's future and the role that the country could play in international affairs.

3.2. Global or Regional Actor?

In the beginning of the new century, the Bush Administration invited China to be a responsible player on the international stage. However, the quick response surprised them. Primarily, China has become an important player in resolving the U.S.-North Korean conflict as a mediator between the two governments. Likewise, this country has provided assistance in addressing the crisis in Sudan. However, it is questionable whether China wants to engage in global affairs in the way America does. On the one hand, Christiansen states that a tough

Chinese stand on North Korean or Iranian nuclear proliferation is now easily portrayed by nationalist elements as an accommodation to the United States (Christensen 2011, 61). On the other hand, many authors claim that Pax-Americana is a thing of the past. Taking into account the internal problems and the history of imperialist action against China, it is evident that the current goal of the regime is to achieve supremacy in its immediate backyard, primarily in the South China Sea, Southeast Asia and the Indian subcontinent. Furthermore, in order to maintain stable economic growth, it is important for China to keep safe routes for the transport of goods, but also to establish new ones. Additionally, a discovery of new markets would enable a more even development and solve an issue of wealth gap in the most populous country in the world. According to many Chinese observers, Beijing should refuse to assist the United States in pursuing what Beijing believes to be U.S. core national interests (Christensen 2011, 62). At the same time, the USA is still trying to portray the image of hegemon and protector in the regions where they established supremacy. In 2015, Barack Obama used the Asia-Pacific Economic Cooperation (APEC) forum to send a strong message to China over the South China Sea dispute. Namely, Obama pledged \$250 million in military contributions to several Asian nations to support their efforts to stand up to China (Shear 2015). Elizabeth C. Economy, Director for Asia Studies at the Council on Foreign Relations, believes that Obama played the APEC card in order to keep China in the liberal international order. Agreements on issues such as extension of visas, establishment of rules for maritime and air encounters in the western Pacific and pledging to do more on climate change could be seen as the overall win for the United States. However, at the same time, other authors argue that China's growth alone and the challenge to the dominant world order are an indication that the time of the U.S.-dominated world order passed.

3.3. Post-American World

After the collapse of the Soviet Union, America remained a dominant force and was at the height of its unipolar moment. However, accelerated development of countries such as China, India and Brazil has made global power distribution more inclined towards multipolarity. This inspired authors such as Fareed Zakaria who studied this phenomenon and came to the conclusion that “it is not the decline of America but rather the rise of the rest”. Accelerated globalization led to appearance of new actors who seek their interests. Several decades ago, America was the leader in most fields, had the most modern infrastructure, the largest companies and the largest film industry. Now that primacy is taken by other countries like China, India, Singapore and the United Arab Emirates. Although it will not surpass the United

States in per capita wealth, China's share of global gross domestic product has eclipsed that of the United States and the European Union, leading to speculation that we are entering the "Asian Century" (Blanton and Kegley 2017, 111). Parag Khanna believes that the 21st century is the Asian century and says that "China is one of the most important features of this system, but it is not the only feature" (Araya 2019). The phrase "China-led Asia" is thus no more acceptable to most Asians than the notion of a "US-led West" is to Europeans (Khanna 2019, 17). Furthermore, he believes that the era of Western hegemony passed after the 19th century belonged to Europeans and the 20th to the USA. Additionally, Khanna believes that the USA would need to remain active in the region if it wants to retain primacy, and that it could be desirable to consider forming a partnership on China-led projects such as the Belt and Road Initiative (BRI). However, for many years, the U.S. leadership was particularly skeptical of China-dominated global order.

In the first years of the 21st century, after Bush's "War on Terror" and the doctrine of the so-called "preemptive strikes" were announced, the entire focus of the American and world public switched to the Middle East. However, in Obama's second mandate in the office, there was a turning point in foreign policy known as "Pivot to Pacific". The balance of global power shifted significantly to the East, and one of the key reasons for this, in addition to China's growth, was the strategic importance of the South China Sea. Later, the Trump administration started a "war on tariffs" aimed at strengthening the American economy. China's leadership began taking advantage of Trump's rhetoric and foreign policy right from the start, announcing that it was happy to play the role of chief promoter of trade and investment around the world, cutting deals with countries from Latin America to Africa to Central Asia (Zakaria 2017).

China's growth is presented as the new occurrence, but it is often forgotten that China was the leading economic power in 18 of the past 20 centuries. In that sense, this phenomenon can be observed more as a "comeback of China" than "the rise of China". The majority of modern culture and the perception of economic power are Euro and U.S.-centric. It's hard to imagine a world where the economic power gravity is situated in Asia. However, this has now become a reality and Asian countries are progressing more than ever. At the same time, they challenge the basic premise of democratic evolution, namely that democratic societies offer prosperity and economic development as something exclusive. Political regimes in countries such as China, Singapore and Vietnam are undemocratic, which represents a new challenge for the Western states in their process of democratization of the non-Western world.

3.4. Thucydides Trap

In the world of international relations, it is believed that the 21st century will be marked by the great competition between the United States and China. This competition primarily relates to the economic sector, but since it is inseparable from socio-political realities, the possibility of a war conflict is not excluded. China (at least until now) has acted cleverly. They based their entire foreign policy philosophy on Five Principles of Peaceful Coexistence from 1954 and over the years, they became the main contributors to the UN peacekeeping missions. All of this helped in building the image of a non-violent state, which just wants to keep its own integrity and not interfere in the affairs of other nations. However, pervasive hostilities could emerge between any pair of powers. Competition could escalate between the globe's two major contenders for supremacy, the United States and China, if the United States practices containment to try to prevent China's rise or China threatens U.S. security interests (Blanton and Kegley 2017, 113).

Harvard Professor Graham T. Allison has been exploring this phenomenon and eventually, he coined the term "Thucydides trap", which is based primarily on a historical example of the conflict between Athens and Sparta. The foundation of the theory is set by the Greek philosopher Thucydides, who spoke about impossibility of avoiding Peloponnesian War. When a rising power is threatening to displace a ruling power, standard crises that would otherwise be contained, like the assassination of an archduke in 1914, can initiate a cascade of reactions that, in turn, produce outcomes none of the parties would otherwise have chosen (Allison 2015).

Thucydides claimed that the ascent of Athens disturbed Sparta, which then led to the war between rising power and dominant power. Allison cites 16 cases when rising power has challenged the dominant power over the past 500 years, and 12 cases resulted in war. Some of the more prominent examples include the growth of the German navy before the First World War when the UK looked at this fact with distrust and massive skepticism. Even Chinese President Xi Jinping talked about the possibility of falling into Thucydides trap. He stated that if the great powers continue to repeat the same strategic mistakes, they could produce such traps for themselves (Yicai Global 2017). During his term, Barack Obama said he did not believe in the existence of this trap and that the United States must be the responsible actor on the international stage.

The key thesis in Allison's theory is that the ascent of a state can cause fear. Furthermore, fears will lead to a clash of strategic interests and strategic interests are precisely a factor that leads to open conflict. The change in balance of power between China and the United States affects their perception of national interests, and the dynamics of the growth of these interests contribute to the possibility of war escalation. Currently, it is not in China's interest to confront the USA directly, but to challenge them through soft-balancing strategies. Primarily, it is in the interest of both countries to maintain strong economic ties because of the market access. China's soft balancing strategy has been achieved by the promotion of multilateral institutions that exclude the U.S. and the strengthening of bilateral relations with countries that either currently have weak ties to the U.S. or are perceived by China to have the potential or desire to distance themselves from U.S. influence (Gill 2012, 124). Chan believes that BRI, the Silk Road Fund and the Asian Infrastructure Investment Bank (AIIB) serve as three major institutions of China's "Great Game" strategy. For instance, with the establishment of the AIIB, China has directly challenged the dominance of traditional Western and US-led institutions such as the IMF and the World Bank. The strategic logic is to maintain a stable external environment for China to concentrate on economic growth and accumulate comprehensive national power, without provoking a vigorous U.S. response (Wang 2006, 2). However, the South China Sea remains one of the most contested places in the world and represents one of the greatest future challenges for both countries.

3.5. South China Sea

South China Sea is one of the most disputed places on Earth. In China, it is known as "South Sea", in the Philippines, the government began using the name "West Philippine Sea", while Indonesia refers to northern border of its Exclusive Economic Zone (EEZ) as the "North Natuna Sea". This resource-rich corner of the world is disputed between six states – China, Taiwan, Brunei, Vietnam, Malaysia and the Philippines. Essentially, most of the above mentioned states claim one part of the South China Sea, while China claims all of it (Council on Foreign Relations 2019).

In one of the most important strategic locations in the world there are hundreds of islands, mostly uninhabited. The massive shipping passage hosts one third of all global maritime trade and lucrative fisheries are crucial for food security of millions in Southeast Asia. It is estimated that 80% of the Chinese energy imports pass through South China Sea and 11 billion barrels of oil are yet to be discovered along the margins of it (Asia Maritime

Transparency Initiative 2019). Additionally, it is believed that vast reserves of natural gas lie beneath the sea. Stuart-Fox argues that South China Sea resources can contribute significantly to China's economic development; their distance from the Chinese mainland will stimulate China's naval capability to defend its territory; and this naval power projection, plus the islands' strategic position will translate into strategic advantage vis-à-vis Southeast Asia (Stuart-Fox 2003, 221). Recently, China has emerged as an assertive regional power in the Asia-Pacific with forceful A2/AD capabilities, using advanced ballistic and cruise missiles in conjunction with air and maritime defense systems to deter U.S. military operations in the region (Missile Defense Advocacy Alliance 2019). Furthermore, with these capabilities, the PLA tries to limit the freedom of movement of the U.S. army within the disputed area.



Fig. 1 South China Sea dispute (source: forbes.com)

China has actively built sea ports, naval bases and airstrips on Spratly Islands since 2013. Spratly Islands are not only important for its abundant natural resources (primarily fisheries), but also for its geography. They lie at the heart of the South China Sea and whoever owns them can extend their EEZ. Militarization was also carried out at the Woody and the Paracel Islands, where fighter jets and missiles were delivered. In order to protect its interests, China began to use the so-called “cabbage strategy” where its warships surround the islands “in layers” and thus cut them off from the rest of the world (Ariffin 2018). This intimidation tactic has been successfully carried out around all major islands in the South China Sea. The most famous case of the construction of artificial islands is the Fiery Cross Reef, which was converted into the island in 2014. At the end of that year, around 200 PLA soldiers were stationed there. It is assumed that this number has increased significantly since then (Rapp-

Hooper 2015). The statement has been supported by the fact that this base represents the most advanced military facility in the South China Sea. In addition to the significant number of soldiers, advanced military technology (e.g. radar) and infrastructure (e.g. runway) were installed. The construction of man-made islands with military facilities is a move that was condemned by the world public in the previous years. At the same time, China gained significant leverage for establishing facts on the ground and it is highly unlikely that any claimants to the South China Sea will be able to realize any of their territorial claims.

Countries began to claim islands in 1970s and all of them use 200 miles EEZ to determine the border except China. In contrast to others, China argues that they have historical claim to South China Sea from the time of naval expeditions. For this purpose, they use the Nine-Dash Line which encompasses 90 percent of the entire space. Nine-Dash Line represents a separation line used by China and Taiwan in the 20th century to justify their claims on the South China Sea (Zhen 2018). However, Exclusive Economic Zone (EEZ) can only be claimed up to 200 nautical miles (NM) from the coast of a country. The area around which all countries have dispute includes the Spratly Islands, the Paracel Islands, the Pratas Islands, the Scarborough Shoal and the Macclesfield Bank. In January 2013, the Philippines brought the dispute with China over the South China Sea to international arbitration under United Nations Convention on the Law of the Sea (Lingjie 2015, 332). Although China refused to participate in the arbitral proceedings, the Permanent Court of Arbitration in 2016 ruled that there is no historical evidence that China has a “historical right” to this sea. The case was initiated by the Philippines and, according to Annex VII to the 1982 United Nations Convention on the Law of the Sea, the Court found that China has no right to control resources and waters within Nine-Dash Line and to invade Philippines' rightful territory in the South China Sea. However, China declined to accept the court's decision, and, shortly after, the Chinese officials invited Philippine President Rodrigo Duterte to visit and discuss a potential package of Chinese investments for the Philippines.

For years, China has been reluctant to pursue a multilateral solution to the Spratly's problem, but the ASEAN countries have also failed to resolve their own overlapping claims (Stuart-Fox 2003, 219). Likewise, Mazza believes that Southeast Asian claimants to maritime territory in the South China Sea have disputes with one another, not solely with China; competitive impulses among the ASEAN states drive military procurement; and cross-border militant activities raise tensions between governments (Mazza 2018, 13). On 4 November 2002 ASEAN signed a non-binding DOC (Declaration of Conduct of Parties in the South China

Sea) with China, which within ASEAN was regarded as a milestone (Buszynski 2003, 343-344). Furthermore, in 2011, the countries involved in the dispute over the EEZ pledged to help resolve it. Although the issue of oil and gas drilling remained unresolved, it was decided to respect marine environmental protection, scientific research, safety of navigation and communication, search and rescue and combating transnational crime (DOC 2011). This step is described as an important step forward in general relations between China and ASEAN countries. Later, the same parties engaged in a new set of talks, with the vision of producing a new Code of Conduct (COC). A single draft of the COC was first put forth in August 2018, with an agreement reached in November 2018 by China and ASEAN to finalize the COC within three years, starting from 2019 (Nguyen 2019).

The USA increased its presence in the region through freedom of navigation operations (FONOPs) in the beginning of 2018. Their ships regularly patrol the South China Sea and protect the interests of partners in Southeast Asia. Likewise, Japan sold military ships to Vietnam and the Philippines in order to counter the Chinese domination in the region. Given the humiliation of previous loss of territory to European powers and Japan, not to mention Taiwan, this is a highly sensitive issue with domestic political implications (Stuart-Fox 2003, 220). PLA and other Chinese officials registered strong determination to protect Chinese territory and territorial claims, including areas having strategic resources such as oil and gas (Sutter 2010, 280). Once Beijing controls the South China Sea, China may achieve easier access to the critical sea lanes further south and possibly put Southeast Asia under its influence (Ming-Te, Tai-Ting Liu 2011, 109). Ott believes that China expects that Southeast Asia will be progressively subordinated to Beijing's strategic interests. Perhaps the closest analogy would be the assertion, in time, of a kind of Chinese Monroe Doctrine for Southeast Asia (Ott 2006, 6). Monroe's Doctrine was essentially designed to prevent the interference of European powers in the 19th century Americas. Mearsheimer argues that we should expect China to come up with its own version of the Monroe Doctrine, as Imperial Japan did in the 1930s (Mearsheimer 2010, 389). This policy can be used in the same way in Southeast Asia's context, where China could attempt to stop the spread of Western influence, under the veil of modern colonialism and the history of the Opium Wars. By doing so, China could produce a buffer zone in its immediate neighborhood and undermine American and European influence. Additionally, the control of essential maritime routes could be in the hands of Chinese leadership. Currently, it is in the interest of Southeast Asian countries to play along, since Chinese investments represent a lifeline for many. For instance, China is facilitating Joint

Development Agreements (JDA) and research in the South China Sea, with the latest project being proposed to the Philippines. If successful, a Philippine-China JDA could pave the way for a broader set of cooperative arrangements across the South China Sea basin (Heydarian 2018).

CHAPTER 4: BELT AND ROAD INITIATIVE – A CATALYST OF REGIONAL DEVELOPMENT OR RESPONSE TO THE U.S. PIVOT?

4.1. Regional Cooperation

The Communist Party of China and its leadership have set two primary goals for the future - building a modern society by 2020 and designing a modern state by 2049. In order to establish such a state, preserving peace and stability in the immediate region needs to be the main geopolitical goal of the political elite. The idea of coexistence can be traced all the way back to the ancient Chinese culture. This ideology was later validated through the Five Principles of Peaceful Coexistence that were put forward by Zhou Enlai in 1953, and ever since, they constituted the basis for Chinese foreign policy.

Up to 2013, fundamental changes took place with respect to the relationship between China and the rest of the world: China has risen to be the second largest economy in the world, the largest exporter and the second largest importer in goods, the third largest source of outbound foreign direct investment, and the owner of the largest foreign exchange reserve (Du 2016, 33). In 2013, Xi Jinping introduced the term “Chinese Dream”, which can be seen as a counterweight to the American dream and the idea of “going Westward for prosperity.” Xi stated that this dream “with Chinese characteristics” is the path to peace-building and better cooperation between China and the world. Maintaining Chinese dominance in its neighborhood is the first step in the realization of the plan. The development of China could inevitably enhance the development of its neighbors, but it could also lead to mutual interdependence. In 1997, during the financial crisis in Southeast Asia, 10+1 (ASEAN plus China) and 10+3 (ASEAN plus China, Japan and South Korea) were established. In 2010, after the free customs zones were set up between China and the ASEAN countries, their mutual exchange of goods reached unprecedented heights. Usually the first ten years of their partnership are known as the “golden decade”, while the later era is referred to as the “diamond decade”. Overall, China is the number one trade partner in Southeast Asia.

When it signed trade agreements with Nepal, Pakistan and India in 1996, China opened the door to a new market in the countries that still felt the effects of colonial rule. In the years that followed, China established itself as an important actor in the region, with a significant impact on the countries of the Indian subcontinent. For instance, China and Pakistan today pursue essential cooperation through military diplomacy, which is the Cold War relic. Namely, Pakistan was one of the first countries to break diplomatic relations with Taiwan and

recognize the PRC. Pakistan also facilitated President Nixon's visit to China in 1972, served as China's main entrance ticket to the Islamic world and provided a counterweight to Indian dominance in the region. All this fits into the broader context of development where second-tier countries can catch up and benefit from the rise of China.

4.2. Belt and Road Initiative

In 2013, in a speech given in Kazakhstan, Xi Jinping announced his desire to initiate a new Silk Road. Shortly afterwards, while visiting Indonesia, he expressed his desire to establish Maritime Silk Road as well. The two ideas were combined into the Belt and Road Initiative (BRI), which consists of the Economic Belt and Maritime Belt, and is the largest project of this kind in history. The economic zone consists of a total of six routes, including a train network from China to London, gas pipelines from Central Asia, high-speed railways, roads and bridges. Additionally, Maritime Silk Road includes sea ports and shipping routes from Southeast China to Africa. This modern-day Silk Road will bind together 65 countries and 4,4 billion people from Xi'an in western China (the old imperial capital and the start of the original Silk Road), across Central Asia to the Middle East, Russia and Europe (Du 2016, 31). This initiative is the final departure from Deng's idea of "hide your strength, bide your time", which promoted non-interference being "out of the spotlight". With the BRI, China became a global player and launched itself as one of the leader countries.

The Belt and Road Initiative is defined as a route for win-win cooperation that promotes common development and prosperity and a path toward peace and friendship by enhancing mutual understanding and trust, and strengthening all-around exchanges (Kong 2015, 338). What enabled China to launch such an initiative was the fact that they experienced incredible economic growth at the end of the past and the beginning of the new century. Between 1980 and 2015, China's real GDP grew by an average of 9,6% a year and its GDP per capita rose from \$200 to just over \$8,000 (Yiping 2016, 5). The Communist Party of China and President Xi Jinping gave themselves the task of successfully completing the Initiative by 2049, on the 100th anniversary of the PRC. Due to its size, the amount of funds invested and the focus that is placed on infrastructure, the BRI is often compared to the Marshall Plan in the post-World War II. Both the Marshall Plan (1948) and the BRI (2013) were being put forward at times when the world system was not functioning properly – after the two World Wars and the Great Depression, and after 2008 Global Financial Crisis (Shen, Chan 2018, 9).

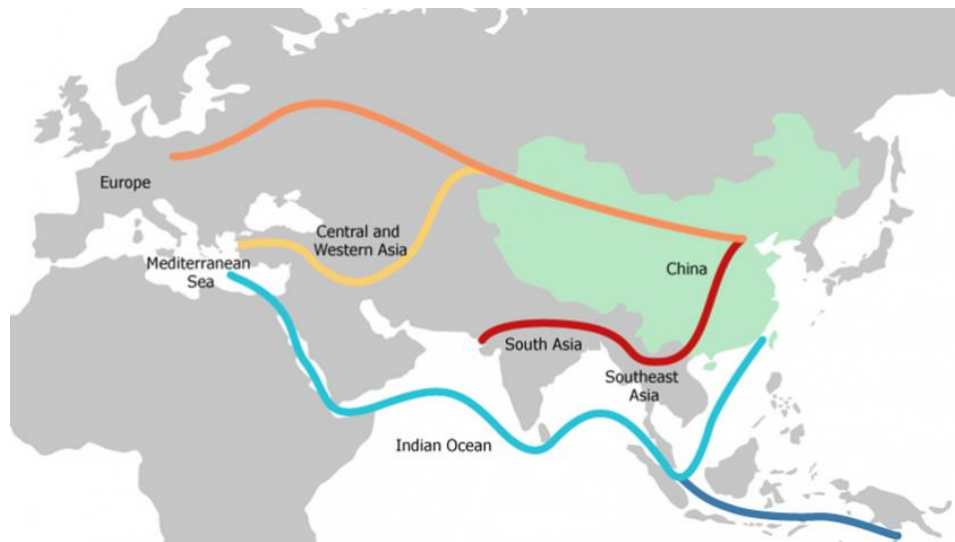


Fig. 2 Economic belts and Maritime Silk Road (source: United Nations)

The Old Silk Road represents the most glorious period of the Chinese Empire, which began with the Han Dynasty and peaked during the Tang Dynasty. Currently, China is working with over 150 countries through this project, and it is estimated that by 2027, the total amount of money invested in the BRI could reach \$1.2 trillion. Primarily, the BRI is a development strategy aimed at the mutual development of China and other countries directly involved in the project. In contrast to the old Silk Road, both South and Southeast Asia are also part of the BRI. Beside borrowers, Chinese construction companies are the ones that enjoy the greatest benefits from the BRI. When lending the money, companies use the idea of boots on the ground, where they send their workers, experts, managers, equipment and even the military to countries where projects are conducted. Most Chinese companies are now ranked in the top ten, given the unique contract clauses and the fact that projects funded by China are built exclusively by Chinese companies. In order to obtain a loan from Western institutions, states must meet strict conditions. However, China allows loans on much more flexible terms and with less bureaucratic procedures. The Asian Infrastructure Investment Bank has thus become a significant rival to the International Monetary Fund (IMF) and the World Bank, and has attracted a huge number of stakeholders with \$100 billion in start-up capital. The main focus of this, as well as other Chinese banks, is primarily put on building infrastructure in the Asia-Pacific region. Given China's own experience in economic development, infrastructure will likely play a fundamental role in fostering regional cooperation and development, especially at the early stage of the BRI (Yiping 2016, 4). Derudder believes that ASEAN has one of the more connected transport networks among the developing regions of the world, where the network has been developed over time (Derudder et al 2018). Kong writes that China will

make good use of the geographical advantage of Yunnan Province, advance the construction of an international transport corridor connecting China and neighboring countries and make the region a pivot of China's opening up to South and Southeast Asia (Kong 2015, 338).

Establishing a modern Silk Road requires technological development. Therefore, Digital Silk Road is the latest in a series of initiatives aimed at connecting China and the countries that are part of the BRI. The aim of the Chinese government is to build a global cyber-space community and to provide technological opportunities for Asia's underdeveloped economies. In 2016, the Chinese Academy of Sciences established two regional research centers in Hainan and Xinjiang as part of a "Digital Earth Under the Information Silk Road" initiative to gather space-based remote sensing data for multiple projects under the BRI, particularly in South and Southeast Asia (Chan 2019). One of the advantages that China could have after the implementation of the BRI is successful connection of the inner and the less developed regions to the foreign market, primarily in Southeast Asia and the Indian subcontinent. However, the BRI is still viewed with a great deal of skepticism primarily because the implementation of the initiative so far has shown major lapses. Also, many experts point to the fact that globally BRI does not currently look economically viable nor realistic. For instance, Boucher argues that the rail link to Europe has been a great idea, but not much has started to flow yet. He also adds that China does not dominate the global infrastructure and that some aspects provide strategic benefits that are interesting, but not game changers (Boucher 2019).

4.3. Criticisms Levelled at BRI

Many experts warn that not every aspect of China's rise and the BRI is positive. Some of the criticisms leveled at BRI include the debt diplomacy, lack of transparency, environmental disinterest and legitimization of the CPC. Critics have also called for China to institutionalize the BRI, so that the project is not seen as entirely Chinese-led (Kuo 2019). China argues that it provides a necessary infrastructure in the less developed regions of Asia and Africa, while many countries are desperate for the funding and development. This has led to the emergence of what is known as "China's debt trap" or "Trojan horse", where Western experts and organizations believe that China is using the weakness of its clients to achieve its goals. The best-known example is the loan given to Sri Lanka, which, because of its inability to repay it, had to lease the Hambantota port for 99 years. Also, the terms of some deals have not been disclosed (e.g. Pakistan and Sri Lanka) and the USA can use it against China within the IMF

to push for better transparency. Likewise, by establishing BRI, China provided itself the instrument of power that can be used for justifying CCP's practices. For instance, the economic cooperation through BRI affects non-response to China's crackdown on Uyghurs. From the beginning, there was virtually no condemnation from the Middle Eastern countries, and only countries that condemned Chinese practice in the Xinjiang province were Turkey and the USA. China's loans do not come under strict terms, so many authoritarian regimes in the Muslim world have benefited greatly from the trade. Additionally, many Arab states have poor record on human rights. Egypt, a BRI partner country, has even appeared to help China with its Uighur crackdown when it detained dozens of students in the country (Ma 2018). On the other hand, Saudi Arabia has been China's number one crude oil supplier since 2002, and China is the kingdom's top destination for oil exports (Cafiero 2019).



Fig. 3 China's Middle East oil route (source: Radio Free Asia)

Currently, China is the largest energy importer in the world. Many experts warn of the so-called “Chindia Challenge” in the next ten years, where both China and India will significantly increase their energy consumption and China will surpass the U.S. in demand. For decades, China has been importing most of its energy from the Middle East and through the Strait of Malacca. Lately, Xi Jinping has made significant steps towards diversification of China's energy sources. By investing in Pakistan and gaining access to the Gwadar port, China is now able to build a new power network via pipeline, and into Western China. A similar situation was also made by obtaining a concession to the port in Myanmar. Diversification of sources has been carried out in order not to depend on the Strait of Malacca that much. The String of Pearls policy represents a series of actions by China, strategically done to secure key geopolitical points in the Indian Ocean. These include providing access to ports, military and commercial establishments for the sake of improving communication and ensuring the smooth flow of Chinese goods, people and services. Chinese companies and

state-owned enterprises have already entered into agreements with over 30 countries all over the world in relation to particular ports or assumed ownership rights over those ports (Klein 2018). These actions alerted great powers, primarily the United States.

4.4. BRI as a Response to the U.S. Pivot

The issue of war and peace in Indo-Pacific also largely depends on the relationship of the two dominant powers in the world today - China and the USA. Throughout history, relations with the United States have varied largely depending on the question of Taiwan and the search for non-involvement in domestic affairs, arms sales and general support for the country's political system. Thus, Taiwan was constantly the red line for China. The year of 2010 witnessed incessant deterioration of the relations between China and the USA, almost over all issues sensitive to China's vital interests – the USA sold arms to Taiwan; Obama met with Dalai Lama; the USA built pressure on South China Sea; China and Japan clashed over the seizure of Chinese fishing boat captain in Diaoyu Island waters by Japanese government patrol (Wang 2016, 4). One year later, the U.S. President Barack Obama renewed his focus on Asia, after the U.S. foreign policy has been solely centered around the Middle East for years. The BRI can therefore be seen as a kind of Chinese response to this foreign policy turn, and Southeast Asia is the starting point from which China wants to build its influence. Wang states that China's Belt and Road initiative was decided when the Chinese new leadership faced the combined pressure of the economic slowing down, the U.S. pivot to Asia and the deterioration of the relations with neighboring countries after weathering the storm of the 2008 Global Financial Crisis (Wang 2016, 1). Since coming to power in 2013, President Xi Jinping has made a large adjustment about China's foreign policy, emphasizing China's proactive or "assertive" approach to handle all major relations (Wang 2016, 7). This collision of foreign policies and interests has also taken place in Southeast Asia, and one example is China's ambition to become a maritime power that would greatly encroach on the U.S. hegemonic influence in the maritime domain (Lee and Lye 2016, 45).

The Trans-Pacific Partnership (TPP), also known as the Trans-Pacific Partnership Agreement is one of the missed opportunities for the USA to influence Southeast Asian nations and reduce their dependency on China. Namely, some of the countries signatories of this trade agreement were Singapore, Malaysia, Vietnam and Brunei. However, Donald Trump promised to withdraw the U.S. signature and not ratify this deal as soon as he comes in office. In the Memorandum, Trump argued that the USA should commit to bilateral trade

negotiations rather than to similar partnerships. Additionally, he stated that TPP would push more manufacturing jobs overseas, increase the U.S. trade deficit, and fail to address currency manipulation by U.S. trade partners (Council on Foreign Relations 2019). Experts believe that the TPP was an opportunity to expand American influence in the Indo-Pacific following Obama's return to Asia, but that it was not properly used. China's main rivals in this part of the world, the United States and Japan, have also developed the Free and Open Indo-Pacific Strategy (FOIP), which aims to expand their influence in the geographical areas around the Indian Ocean and the Pacific. The complete strategy is based on the concept of “Two Continents, Two Oceans”, and the ASEAN countries are at the heart of it as a key hub. The USA joined this initiative in 2017 and used it as a general framework for cooperation with their partners in the region - Japan, Australia and India.

CHAPTER 5: WHO IS WELCOMING BELT AND ROAD INITIATIVE IN INDO-PACIFIC?

5.1. Welcoming China's Presence – Cases of Laos, Myanmar and Cambodia

For many struggling economies of Southeast Asia, Chinese investments represent the lifeline and therefore, they are welcomed with approval. On the other hand, China needs important strategic partners in the region through which it can expand its influence and stimulate development. Laos is the only country which is connected to most of the other countries in the region, which makes its geostrategic position highly important. Not only does the Mekong River run through Laos, making hydropower a potentially lucrative industry, but it is also endowed with underdeveloped resources, including minerals and rubber (Albert 2019). However, one of the big problems is the fact that the central government does not have full control over the entire country, where remote villages are controlled by militias.

Vientiane–Boten Railway, with the total length of 414 kilometers, could connect Laos' capital Vientiane to China's Yunnan province. According to contractors, it could be operational by late 2021, with the approximate cost of around \$6 billion. Lao President Bounnhang Vorachith said the Laos-China Railway construction has outstanding significance in promoting Laos' economic development, enhancing the people's livelihood and achieving Laos' strategic ambition of turning a land-locked country into a land-linked one (Xinhuanet 2019). However, this project has encountered a great deal of condemnation, primarily because of the surrounding eco-system that could be damaged. Elephants, which represent one of the historically significant symbols of the state, are particularly endangered. Also, it is assumed that the entire project is one of those designated as part of China's “debt diplomacy”, where only 12% of the project will be financed directly by Laos, while the rest will be financed by China and loans from Chinese creditors. At the same time, this project is of great importance for Laos' local communities, because it could attract more tourists and jobs for locals. Given that Laos is one of the poorest countries in Asia, this project has been greatly appreciated by the citizens. Eventually, the country could gain from it and have better connection with China and its neighbors. In this regard, Laos is similar to Cambodia because the population embraces China and is not openly against strengthening its influence in the region. On the contrary, the USA dropped a huge amount of bombs on Laos during the Vietnam War, so Lao people decide to turn to China and are very skeptical of the USA. Laos is of great importance

to China because of the possibility to make a physical link to Thailand in the future, as well as to have a secure strategic partner in the region.



Fig. 4 Railway from Vientiane to China's Yunnan province (source: chinadialogue.net)

In addition to leveraging investment to expand its influence, China is also using other tools to strengthen its partnership with this Southeast Asian country. The Chinese film industry has a strong foothold in Laos, so Chinese movies and dramas are popular with citizens. This contributes to the promotion of Chinese culture, traditions and soft power. China also funded telecommunication satellites for Laos and invested in the Internet. The launch, financed by \$259 million in loans from the Exim Bank of China, adds Laos to Nigeria, Venezuela, Pakistan and Bolivia – all of which have launched satellites that were financed, built by and launched in China (Space News 2015). As in most other countries in the region, they focused on specific development zones where a huge industrial park can be developed, together with schools, shopping malls, hospitals and everything needed for everyday life. In such zones, mutual exchange and trade take place, followed by a significant influx of Chinese migrants. The similar situation happened in Myanmar as well.

After the tariff war began between the U.S. and China, many companies and manufacturing moved to Myanmar because of cheap labor. China has also acted tactically, as several thousand Myanmar products can enter the U.S. market duty free. Likewise, China is profiting since they are able to avoid the sanctions. The second-largest city in the country, Mandalay had a massive influx of Chinese migrants who are now landowners and businessman. This makeover of Mandalay – located about 300 kilometers from China's Yunnan province and at the crossroads of trade, transport and smuggling routes – reflects a Chinese footprint across Southeast Asia (South China Morning Post 2018).

The border area (entrance to Yunnan province) with China is particularly significant because there are villages that are half-Chinese half-Myanmar, where there is no closed border. Special economic zones are established in the border areas where goods are purchased. One of them is the Ruili Border Economic Cooperation Zone (RLBECZ), which exists since 1992 and is a major transit point for trade between the two countries. For instance, 90% of jade resources come from Myanmar and most of transactions are happening at the border crossings. However, the excessive digging of the valuable mineral leads to destruction of the environment and a large number of deaths.

Myanmar is extremely important to China because it provides strategic sea access to the Indian Ocean, which could make it easier from China to accomplish its two ocean strategies. Furthermore, this means that China can diversify its oil supplies and not be dependent solely on the Strait of Malacca. With 80% of all imported hydrocarbons to China going through the Malacca sea-route, China is vulnerable to having its overseas energy supplies blockaded by the American 6th Fleet during a Sino-U.S. geopolitical crisis (Meyer 2015). China's plan is to foster development along the pipeline that goes from Kyaukphyu (Rakhine state) to Kunming, which will make it easier to transport the energy and establish a single hub. The gas pipeline can send 12 billion cubic meters of gas and oil pipeline can send 22 million barrels of oil annually to China (Poling 2018). It is also planned to build a deep-sea port, a special economic zone, and a road. After Chinese companies won contracts in 2016, the restart of the suspended rail project is also expected. The big stumbling stone is the fact that this project requires around \$10 billion, which is a huge bite for this poor country that could very easily fall into debt trap. Deep-sea port is estimated to cost \$7.3 billion and special economic zone \$2.7 billion. In addition, the project is planned in Rakhine state, a site that was the scene of a huge Rohingya refugee crisis, and major Western actors want to withdraw special trade privileges for Myanmar.



Fig. 5 Kyaukphyu (Rakhine state) to Kunming pipeline (source: businessinsider.com)

The government does not have full control over the countryside, which is best seen in the border areas where militias are located. For instance, in the border town of Muse, there are 10 armed groups working for the Myanmar army, claiming to sponsor their endeavors by jade trade. Myanmar's army uses the militias as proxies in a long-running conflict between the central state and ethnic rebel groups who operate in the area, including the Kachin Independence Army and Taaung National Liberation Army (Sargent and Htay 2019). Some reports even suggested that China sponsored several militias in the country. Support for military regimes in Southeast Asia is not foreign to China, and one of their most famous partnerships was formed in Cambodia decades ago.

Cambodia is a country that is still recovering from the violent past and times of Khmer Rouge. However, the processes of recovering from the past and reconstruction are slow. When Vietnam invaded Cambodia in 1978, Communist China was Khmer Rouge's largest ally and leadership provided both military and political assistance. Stuart-Fox states that the Khmer Rouge was forced under Chinese pressure to enter into coalition government with the hated Vietnamese-backed PRK regime, while the PRK learned that China, not Vietnam, was the real arbiter of Cambodia's destiny (Stuart-Fox 2003, 206). After the coup of 1997 and the advent of Hun Sen to power, relations between the two countries continued to develop despite the fact that he was a pro-Vietnamese leader in the past. Cambodian residents are now skeptical about partnership with China because of their support for a regime that has killed around 1.7 million Cambodians. The difficult past means that they are now the poorest country in the region and thus heavily dependent on economic aid. China's economic power means a lifeline for a country that can hardly maintain any form of stability. In addition, the political regimes of both countries support one another and Hun Sen gives huge concessions to China.

Speaking of China's soft power in Cambodia, it is mostly implemented through state-controlled media. One such example is Fresh News, which openly promotes China and BRI. Cambodia's media landscape is starting to echo China's, according to Reporters Without Borders, which defines the model as media used to promote government aims and development (South China Morning Post 2018). Cambodia has also become a haven for Chinese casino resorts and Chinese businessmen. This has, for a long time, produced a sense of fear among the locals. In Sihanoukville alone, it is assumed that in the near future, the number of opened casinos will exceed one hundred, which is twice as high as in Macau - one

of the centers of the gambling industry. Sihanoukville is also the site of Ream Naval Base, which become a strategically important point within the BRI.

Ream Naval Base, located on the coast of the Gulf of Thailand, is a place that will, according to the Wall Street Journal report, secretly grant exclusive access to China for 30 years. This could lead to the stationing of the Chinese army and facilitate access to the Strait of Malacca. Chinese naval presence in Southeast Asia would be a strategic game-changer, potentially giving China a new southern flank advantage in its escalating contest for power vis-a-vis the U.S. and its allies in the South China Sea (Hutt 2019). Chinese presence on the coastline could form a buffer zone and a shield against potential military attack. Additionally, it could serve as a cut-off point in case Taiwan is attacked. So far, the most famous case of China's port "purchase" was done in Sri Lanka when, because of the inability to repay the loan, the government of that country gave Beijing the right to use Hambantota port for 99 years.

5.2. A Lease of Sri Lanka's Hambantota Port

After the announcement from China on the Maritime Silk Route, Sri Lanka was one of the first countries to commit to the project (Pathak 2015, 119). Sri Lanka has significant strategic importance because of its geographical position and close proximity to India. When China took over the Hambantota port on a 99-year lease after Sri Lanka could not repay the loan, many described it as a form of economic colonialism and the first real example of China's "debt diplomacy". The importance of this port is reflected in the fact that it is on an important maritime route and close to India.



Fig. 6 The location of Hambantota port (source: Sunday Times)

The business model that China presents to economically weak states relies on providing a loan, but also requiring that most of the funds be repaid through the engagement of their workers and companies. Out of all the countries in the region, the most visible political

influence after the arrival of China was achieved in Sri Lanka. By doing so, China secured another point in its “String of Pearls” plan, with a friendly regime to support its goals. Another famous and related case is the construction of Mattal Rajapaks International Airport that was funded by the Chinese government through Exim Bank of China. The airport is located near the above-mentioned port and it is assumed that China seeks to use the Sri Lankan port as a naval base (Business Insider 2017). Although the total construction cost was more than \$200 million, this international airport was named “The World's Emptiest International Airport”. Namely, due to the small number of flights, this airport turned out to be a missed investment that will hardly manage to work as planned. Construction of such unprofitable projects and irresponsible lending led to Sri Lanka's over-indebtedness. However, not every state made the same mistake. For instance, Bangladesh has been more cautious while entering into economic negotiations with China.

5.3. Window of Opportunity for Bangladesh

While India and Bangladesh share a relationship which is based not just on geography and proximity, but also on history and culture, relations between China and Bangladesh are more of an economic nature (Pathak 2015, 6). Bangladesh is the country that imports the most from China, while the USA ranks second in the country's export of goods. Bangladesh was BRI member since 2016 and 27 agreements with the Chinese have been signed so far. It is currently the second-largest recipient (Pakistan ranks first) of Chinese loans under BRI in the Indian subcontinent. What sets this country apart is the fact that Bangladesh has been a cautious borrower. Bangladesh has turned down projects that are not economically viable. This was the case with the Sonadia deep-sea port project, which the Chinese had proposed. The investments include the construction of China-Bangladesh friendship bridges, but also power plants and industrial zones. China is developing a 750-acre industrial park, which will largely be used by Chinese manufacturing firms (Quadir 2018). China's willingness to fund the development of Chittagong port is perceived by those media as a pearl of the “pearl string” and as a part of the implementation of its strategy in the Indian Ocean (He, Nie, Wang 2018). Although economic cooperation is at the heart of the two countries' relations, they also co-operate very well in the security sector, where they have a defense agreement signed and China supplies weapons to the military. Looking back, relations between the two countries were extremely tense until the mid-1970s, mainly due to good relations between Pakistan and China. The biggest challenge for Bangladesh, as well as for the entire region, is to balance India, China and the USA. At present, Bangladesh seems much more attractive for

investments. Looking at the average salary in Cambodia, Vietnam and Bangladesh, the last one has the cheapest labor force. A window of opportunity was opened by the trade war between the USA and China, where production has moved to local companies.

CHAPTER 6: ASEAN COUNTRIES' PERCEPTION OF CHINA'S RISE AND THE U.S. PERCEPTION OF ASEAN

6.1. Southeast Asia's Importance and ASEAN's Centrality

Throughout the history, Indochina was exploited by Europeans, Japanese, Soviets and Americans. Europeans were the first to arrive – more specifically the Dutch, the Portuguese, and then the French. After the Spanish-American War, the USA was given the opportunity to govern the Philippines, which enabled them to have a better strategic position in the region. During the Pax-Americana period, the U.S. remained the dominant force in Southeast Asia, where it provided stability and peace. One of the largest clashes in Indochina between the USA and China was recorded during the Vietnam War, where around 170,000 Chinese soldiers fought the U.S. military (Chen 1995, 378). At the moment, the strategic importance of this region is most reflected in the important maritime routes and the proximity of two great powers - India and China. One of the major benefits that the great powers get by partnering with these countries is the opportunity for establishment of strategically important naval and air bases. At the same time, unstable and undemocratic political regimes in the region always attracted the United States (Mazza 2018, 1). New challenge to democracy and liberal order led by the USA is the rise of the authoritarian state capitalism in states such as China.

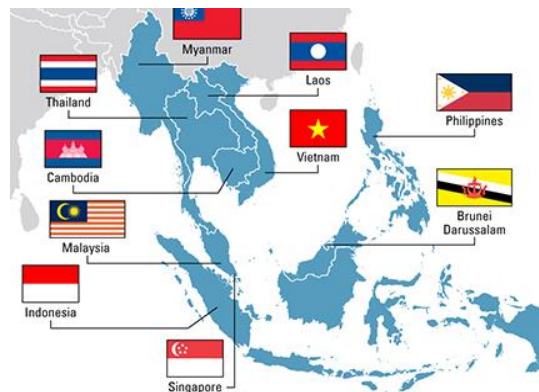


Fig. 7 ASEAN member states (source: wur.nl)

Currently, ASEAN is the largest Southeast Asian cooperation forum and intergovernmental organization. The policies of the Association reflect both the above-mentioned historical circumstances and the interests of major world power. Specifically, given the geographical location of Southeast Asia, all these interests are intersecting and there is a challenge to maintain intra-ASEAN cohesion. The main foreign policy issue is that there is no unified

position on China or the USA within the ASEAN framework, and in the end, much of economic exchange is reduced to bilateral individual negotiations. Therefore, there is a lot of talk about ASEAN's centrality and neutrality, and whether it should be the official stance in issues that directly concern ASEAN (Mazza 2018, 18). In June 2019, ASEAN decided to adopt “ASEAN Outlook on the Indo-Pacific” – a strategic document that confirmed the position of ASEAN countries vis-à-vis the USA and China and strategic role of the organization. Additionally, the document states ASEAN centrality as the underlying principle for promoting cooperation in the Indo-Pacific region (ASEAN Outlook on the Indo-Pacific 2019). This vision was adopted at a time when the U.S.-China tariff war was in full swing and when most countries were expected to take sides with one of these powers.

6.2. ASEAN and China Forging Closer Ties

China has actively sought various bilateral and multilateral initiatives with ASEAN and the establishment of bilateral free trade agreements (Tsai et al 2011, 25). ASEAN represents a massive market for Chinese companies because many places like Laos, Cambodia and Myanmar lack technological development. In the midst of war on tariffs and geopolitical turmoil, Southeast Asian countries are trying to calculate their own benefits. Because of the U.S.-China tariff war, manufacturing was in many cases moved from the mainland China to ASEAN countries. In this scenario, ASEAN countries are the ones that benefit the most. Economic development also directly affects the state's ability to project its soft power. Thus, in places like Southeast Asia, different state actors find it more difficult to have unified stances on the issues related to China. Throughout the years, a remarkable economic change, led by overseas Chinese business families, took place in many ASEAN countries. In Thailand, Malaysia, Indonesia, Singapore, Vietnam, the Philippines and the Coastal Zone of China the so-called “bamboo network” was established (Weidenbaum 1998). The term “bamboo network” represents a group name for the families who migrated mainly during Mao Zedong's proclamation of the PRC, and who managed to start their own businesses that grew into enormous conglomerates over time. Some of the largest companies and most successful businesses in Thailand, Singapore, Indonesia and other countries in the region are owned by the ethnic Chinese. In addition to the human capital, China also has an advantage in many ASEAN countries because of geography.

6.3. The Mekong River or South China Sea 2.0?

For centuries, the Mekong River proved to be the source of life for the people of Southeast Asia. From its origins in the snowfields of Tibet, the Mekong passes through Myanmar, Thailand, Laos, Cambodia and Vietnam – all five of which are members of the ASEAN – before draining into the South China Sea (Wong 2018). However, with the growth of China and the use of this river for other purposes, reshaping of the entire geopolitical reality of Southeast Asia began. As seen in Fig. 7, China and other countries began to actively build upstream dams that could have serious consequences. Environmental groups fear Beijing-backed dams straddling the river upstream will destroy fish stocks and allow China to manipulate water flows (Agence France-Presse 2019).



Fig. 8 The Mekong River system (source: South China Morning Post)

China plans to build more dams, and the U.S. Secretary of State Mike Pompeo called for caution. For instance, the water has already reached dangerously low level in Thailand. Scientists and people living along the river fear that the impact of the worst drought in years has been exacerbated by upstream dams. Panu argues that this leads to irreversible change on the river which supports one of Southeast Asia's most important rice-growing regions (Panu 2019). However, China is not the only country with such plan for the river that provides food for over 60 million people. Namely, Laos ignored warnings from Vietnam and Cambodia and negotiated bilateral agreements with China. Essentially, China has the upper hand in negotiation because of its geography, so there are indications that this river could become a new case of the South China Sea. Primarily, the logic behind this is the favorable geographical position China has. That same position allows them to directly control the river and gives them leverage for any negotiations with directly dependent countries. One of these countries is the aforementioned Thailand.

6.4. Thailand at a Crossroads

Thai government had a good relationship with the USA, which served as a counterweight during the Cold War to fight the spread of communism. However, they do not share the same perception of China's growth as the U.S. government, especially since 2014 when the coup in Thailand happened. It is noticeable that after this occurrence and America's negative response to the coup, the relationship between China and Thailand became better (Storey 2019, 1). The statement is supported by the purchase of military equipment, mutual visits, and the introduction of Mandarin into Thai schools. The most important project currently involving the two countries is the construction of a high speed railway that should link Thailand with other ASEAN states (Kunming-Singapore). Although the project started in 2014, it has been delayed due to disagreements over the design, layout and the financing of the railway. Since Thailand did not want to take the money from the Chinese creditors, it decided to finance the \$5 billion portion of the railway alone. Overall throughout the history, geography has played an important role in China-Thailand relations, due to the fact that they do not share a border and thus are less dependent on one another, which is not the case with Vietnam.

6.5. Vietnam's Vulnerability

China and Vietnam have relationship that varied throughout the history. In 1979, the brief Sino-Vietnamese War broke out and 60,000 people lost their lives. What Beijing had always wanted, according to Hanoi, was to weaken Vietnam in order to re-impose its traditional hegemony, not just over Vietnam, but over all Southeast Asia (Stuart-Fox 2003, 204). Although both countries are led by the same undemocratic political regimes and communist parties, they still have unresolved issues such as territorial dispute in the South China Sea. China's invasion of Vietnam in 1979 also strained relations between Beijing and Hanoi that continues to be expressed in random border conflicts and territorial disputes in the South China Sea (Ming-Te and Liu 2011, 110). Geopolitically, Vietnam's biggest weakness is its geography. Apart from being extremely narrow all along its length from north to south, Saigon and Hanoi, which are two most developed cities, are too distant and could easily be cut off.

On the border between Vietnam and China, trade and exchange are taking place. Border cities and provinces like Lào Cai are the current hotspots. Here locals sell vegetables in China and make twice as much money as they would in their own country. This kind of exchange happens on a daily basis and exports such as pepper, dragon fruit, mango, watermelon and

banana are facilitated for export to China. Border gates in Lào Cai Province recorded trade value of \$3 billion in 2018, according to the customs office at the Lào Cai International Border Gate (Viet Nam News 2019).

Today, Vietnam offers cheap labor and young workers, which are especially well-received by China during trade war with the USA. To avoid tariffs, many companies are moving their shipments to Vietnam, Cambodia, Malaysia and other countries. In that way, they can be shipped to the USA in a “re-branded” fashion. When it comes to the bloody war that was waged between the USA and Vietnam, it seems that the both countries focus more on the future. Recent surveys show that a large number of Vietnamese view the USA in a positive light.

Vietnam accepted to participate in the BRI, and in recent years it was Chinese who helped Vietnam develop, not the USA. Huge investments fueled the development of infrastructure that was always crucial for Vietnam and other Southeast Asian states. One of the most significant projects was the construction of an urban railway line in Hanoi, where Chinese supplied manpower and technology. However, locals are wary of Chinese investment. Primarily, this refers to the 2018 attempt to change the land lease law to 99 years, where the Vietnamese were worried that Chinese investors might use it against them. The very idea of the government to establish special economic zones and special incentives for foreign investors has met with resistance from the population, which eventually caused protests. Protesters worried that 99-year leases would “pave the way” for Chinese influence (VOA 2018). A fear of expanding Chinese influence is not exclusive to Vietnam, because it is present in many other ASEAN member states as well.

6.6. Indonesia, Brunei and Singapore

Indonesia is one of the countries that are expected to see a huge economic growth in the future. The country is already ASEAN's largest economy and is on the nexus of global trade where the Indian Ocean meets the South China Sea. Indonesia can be described as the sleeping giant, because it is projected to become the fourth largest economy in the world by 2050. It has the largest Muslim population of all countries and over 300 ethno-linguistic groups. It is most vulnerable because of its long coastline, which makes it difficult to control the territory. There is also a significant Chinese ethnic minority in Indonesia, and apart from the Natuna Islands (South China Sea) dispute, China and Indonesia have no other open disputes. Indonesia will inevitably grow and both the USA and China could look for a strong

strategic ally in the region. The Obama Administration already realized the importance of Indonesia and lifted a decade-old ban on U.S. military contact with Indonesia's Kopassus Special Forces, expressed support for Jakarta on the issue of the Papuan independence movement despite alleged human rights abuses, held joint air force exercises, and worked to strengthen bilateral trades. (Kuik et al 2012, 332). The issue of respect for human rights in Southeast Asia is not only sensitive in Indonesia, but also in Brunei, which is the subject of debate at the United Nations.

Brunei was the last ASEAN state to establish relations with Beijing (Stuart-Fox 2003, 212). This tiny nation is largely dependent on the oil exports. However, it is projected that supplies will run out in 20 years, and the country will need diversification of the economy. This is where China saw their opportunity. The Brunei-Guangxi Economic Corridor was established in 2014 and Brunei is described as an important part of the BRI. The most important port in the country, the Muara Container Terminal is jointly operated by China and Brunei. Although Brunei also had the opportunity to claim the South China Sea (admittedly the modest one), they still decided to stay quiet in exchange for joining the BRI. The Southeast Asian sultanate has opted to prioritize foreign direct investment over territorial integrity, declining to push the topic of the South China Sea in exchange for Chinese largess (Bodetti 2019). Also, in the midst of a trade war between the U.S. and China, mobile phone giant Huawei has taken its refuge in this small Southeast Asian country, where it will work on developing 5G network. Also, when many Western banks decided to withdraw from the country, the Chinese ones arrived. Accumulated U.S. foreign investment in Brunei, by contrast, was just \$116 million in 2012, the latest figures available, according to the U.S. State Department (Menon 2018).

Due to its size and relatively small population for the region, Singapore, just like Brunei, is forced to rely on allies. Furthermore, the proximity of large nations such as Indonesia and China, and influence of the USA and India places the foreign policy goal of balancing at the forefront. Since the end of the Cold War, Singapore has emerged as America's close stand most valuable security partner in Southeast Asia (Kuik et al 2012, 322). Singapore has traditionally strong ties to the USA, primarily through military diplomacy. Not only does the USA educate and train the local military, but it also sells the weapons to Singapore. Since 2002, the U.S. has held several large scale joint anti-terrorist military exercises titled "Cobra Gold" with Thailand and Singapore (Ming-Te and Liu 2011, 104). In 2018, due to the fact that it has established diplomatic relations with both the USA and North Korea, Singapore hosted a meeting between Donald Trump and Kim Jong-un. On the contrary side, China

exercises its soft power in Singapore through the Confucius Institute, which opened in 2005, and since then offered the opportunity to learn Chinese language and culture. Likewise, Singapore is a country that supports China's involvement in the ASEAN framework and extensive cooperation with its members. However, they are big opponents of China's actions in the South China Sea, and they showed it best during the 2016 arbitration with the Philippines.

6.7. The Philippines' Strategic Pivot and Rodrigo Duterte's Banana Diplomacy

Shortly after the arbitration tribunal decision in 2016 over the South China Sea dispute, President Duterte tried to negotiate \$24 billion in Chinese investment that was primarily intended to improve the country's infrastructure (Lema and Petty 2018). In the midst of his famous crackdown on the drug dealers, he was condemned by the USA. Later, he used this lack of support against Obama's entire foreign policy, stating that "the Philippines is not a vassal state and have long ceased to be a colony of the United States." Then, with a strategic pivot, he decided to rebuild relations with China and Russia through what was called "Build, build, build" initiative, which was intended to facilitate the accelerated development of the state. This was also the main reason why the Philippines turned to China. Looking at the economic aspects of the deal, China has so far failed to deliver on the promise (only 5% of the agreed sum was invested). This is also a positive sign, because the Philippines have not fallen into a debt trap. Furthermore, many projects have been canceled, both by China and by the Philippines. Currently, Filipino policy makers can either acknowledge China's presence or still rely on the USA. Both political leadership and the citizens have a strong historical connection to the United States because of the colonial past, but they also see salvation in China when it comes to the future and economic development. Therefore, opinions are divided. This kind of balancing also causes problems for defining foreign policy goals. The U.S. is looking for strong and secure partners in the region, but the Philippines' current internal problems and indecisive leadership are making this idea too distant. In September 2019, Duterte stated that he will ignore an international court ruling affirming his country's territorial claims in the South China Sea in order to advance oil exploration plans with Beijing (Calonzo 2019).

The Philippines is known as the country that exports the significant number of bananas. The very relationship that was either developing or deteriorating bilateral relations between this country and China can be seen through the export of this product. Namely, between 2014 and

2016, Philippine banana exports to China plunged more than two-thirds in volume, as Manila pressed ahead with a case at an international tribunal that ended with a stinging ruling last July against Beijing's claims in the South China Sea (Peel and Ramos 2017). However, once Duterte decided to make a strategic pivot and turn to China, banana sales went up significantly again. Chinese President Xi Jinping set the stage for banana diplomacy when Philippine President Rodrigo Duterte visited Beijing in October 2016 – a trip during which he announced his country's “separation” from the U.S., its main ally (Venzon 2019). Therefore, many experts see this fruit as a symbol of the relationship between the two states, and Duterte's way of changing strategic partnerships has been labeled as “banana diplomacy”. This kind of foreign policy pivot is not a new phenomenon. The latest example of such a shift comes from Malaysia, where the Prime Minister Mahatir Mohamad said that it is “only logical that Malaysia does not stick to the traditional methods of engagement and instead proactively seek to explore new approaches” (Sukumaran 2019).

6.8. Malaysia's Geopolitical Positioning

Mahathir Mohamad became the Prime Minister for the second time in 2018 and one of his first moves was to revise some of the former Prime Minister's deals with China. Immediately, he suspended \$22 billion worth Chinese projects and re-negotiated the cost of East Coast Rail Link (ECRL) from \$20 to \$11 billion (Ma 2018). Mahatir noticed that the former Prime Minister Najib Razak “sold” Malaysia to China through various infrastructure projects. Chinese investors began to build entire cities in Malaysia, but the prices at which the apartments were sold were far beyond the reach of the ordinary citizens. This would mean that only the Chinese elites are able to buy such properties, which would result in a huge influx of Chinese people into Malaysia. Additionally, according to the Chinese investment model, workers, equipment and materials are insured by China, and the local population does not benefit from such a business model. While talking with high-level government officials and President Xi Jinping, he openly warned China of “the new version of colonialism”, where poor countries cannot compete with the rich ones. It was also agreed that China needs to import more from Malaysia and in the end, Mahathir emphasized that “free trade should also be a fair trade” (Hirkić 2018).

However, in the summer of 2019, Mahatir made a U-turn and openly supported Chinese investment in Malaysia and the tech giant Huawei. One of the projects that were re-launched is the East Coast Rail Link (ECRL), but only after the re-negotiation with China reduced the

cost by almost a third. It is believed that the reason for this shift is the realization that China is the only big country that is currently able to help Malaysia with its development, given that the United States and Europeans are less present in the country. Mahathir knows he could use Chinese expertise and financial prowess to realize a developed and industrialized Malaysia (Ngeow 2019). In addition to the goals of industrialization and development, the relations between China and Malaysia are also reflected in the importance of Malacca strait, through which most of the energy imports from the Middle East and Africa pass and go to China. The Strait of Malacca is one of the most important geographical locations for the worldwide transport of energy and goods. Additionally, the Strait of Malacca is on the important route of the so-called “String of Pearls”, which aims to establish Chinese dominance in the Indian subcontinent and Africa. At the same time, the USA aims to maintain a “free and open” Indo-Pacific in which there is no single dominant nation.

6.9. U.S. Perception of ASEAN Countries

During Obama's “pivot” towards Asia, there was plenty of talk about military cooperation with the U.S. partners in Southeast Asia. Primarily, this applied to traditional ASEAN associates in the region such as Thailand, the Philippines and Singapore. However, large fluctuations in the foreign policy of these countries led to shifts in preferences. In addition to the expected actors, the news was also released about extremely unusual geostrategic points that would be used. For instance, there was a plan of potential military base in the Cocos Islands that are part of Southeast Asia, but belong to Australia. This base was supposed to have stationed surveillance drones that could prevent China's potential forcible expansion. While Australian policymakers understand the strategic importance of Cocos, especially to the United States, views are changing as Indo-Pacific maritime security dynamics evolves (Bashfield 2019). Later, after the election of Donald Trump and release of the new National Security Strategy (NSS) in 2017, it was confirmed that states such as Thailand and the Philippines remain “important allies” while others like Vietnam and Singapore are classified as “growing security and economic partners.” (Sheng 2017). Similarly, previous years' endorsements such as freedom of navigation, trade agreements and the rule of law were confirmed (National Security Strategy 2017). However, the NSS left an impression that the Trump administration would do nothing new in contrast to Obama's strategic "pivot" to Southeast Asia. Therefore, this left room for China to try to consolidate its position in the neighborhood.

CHAPTER 7: INDIA AND PAKISTAN IN THE U.S.-CHINA NEXUS

7.1. String of Pearls

The regional geopolitics of the Indian subcontinent has traditionally been a function of the Indo-Pakistan rivalry (Khaliq 2018, 2). What makes the Indian subcontinent particularly important is its geographical position, which is of utmost importance to China. The Indian Ocean is an important shipping line through which China achieves its commercial goals, and its proximity to the Middle East also makes it a key transit area for energy. For this reason, a special theory that discusses China's strategic claims to this area has been developed. String of Pearls theory includes the various facilities that China built from Sudan to the mainland in order to improve the sea lines of communication in the Indian Ocean. The phrase seems to have been in use even before, but publication of *Energy Futures in Asia: Final Report* in 2004 made it popular (Dutta 2017).



Fig. 9 String of Pearls (source: WebMaggu)

As mentioned in Chapter 4, these include providing access to ports, military and commercial establishment for the sake of improving communication and ensuring the smooth flow of Chinese goods, people and services. Important locations along this route can be found in Pakistan, Sri Lanka, Bangladesh, the Maldives and Somalia, with some of the world's most important straits, such as the Strait of Malacca, the Strait of Hormuz, the Lombok Strait and the Strait of Mandeb. Chinese leaders argue that this geostrategic move has purely economic and commercial pretensions and that there is no desire for hegemony. However, it could also be argued that China has the long-term goal of becoming the strong maritime force that can project its power in the region. Speaking of the politics of energy, China is currently the largest importer and consumer of oil. Most of their energy is imported from the Middle East

and Sudan. Therefore, it is crucial from a security point of view to protect the oil sources, because having unstable political regimes in these countries is already a sufficient risk. Nonetheless, China is trying to prevent a situation where (if a crisis erupts), the U.S. and its partners in the region could cut off the flow of energy that is vital for the Chinese economy. For this reason, China has to rely on its partners and allies in the region and Pakistan is traditionally the closest one.

7.2. China's "Iron Brother" – Pakistan

Geographically, Pakistan is located right in the middle, between two major neighbors - India and China. Therefore, it was of utmost importance for the security of this country to have China as a partner, given the long-standing dispute between them and India. Pakistan was the first Muslim country to recognize communist China, and during the Cold War, this relationship was particularly prolific, with cooperation in almost every sphere. In addition, Pakistan was pivotal to the U.S. President Nixon's visit to Beijing and the establishment of diplomatic relations with the USA in the 1970s. Although diplomatic relations had natural fluctuations, this "brotherly" relationship continued into the 21st century, and it is often heard from officials of both countries that they say that China and Pakistan are "iron brothers" (China Daily 2019).

China wants to build large-scale projects in Pakistan, which should install a huge network of roads, bridges, railways and pipelines for access to the Indian Ocean. China invests in Pakistan primarily in infrastructure and this country has proven to be a perfect example of the success of BRI that China can present in the world. Many experts warned that the country does not have enough funds to repay the loan that it is taking, so over time China could get more leverage. Furthermore, this allows China a greater projection of its own power and greater concessions that the Pakistani government must make. On the contrary side, the U.S. is a major investor within the IMF – meaning that if Pakistan seeks help, it could be seen as the USA is helping to repay its debt to China. The IMF recently approved a loan that should help Pakistan's declining economy - a move that could force them to distance themselves from China. With the IMF board's approval, the fund on July 3 released \$1 billion tranche immediately to Pakistan, saying in a statement that the program aims to "support the authorities' economic reform program" and to help "reduce economic vulnerabilities and generate sustainable and balanced growth" (Radio Free Europe 2019).

By utilizing his well-known Twitter diplomacy, Trump used the first “tweet” in 2018 to send a strong political message to Pakistan. At the time, he wrote that the USA invested “\$33 billion in aid over 15 years” and that the USA received only “lies and deceit” from the other side. It was also indicated that Pakistan is actually the epicenter of terrorist activities, not Afghanistan. Thakur states that sanctions on Pakistani officers hit hard because almost every high-ranking officer has immediate family members living in the USA, and ambitious students from elite families aspire to enroll in Harvard and Princeton, not Beijing and Tsinghua universities (Thakur 2018). Tense relationship between Islamabad and Washington stems from the direct logic that, if the USA and China are strategic competitors and their place of competition is Asia-Pacific, then stronger relations between China and Pakistan will only deepen the gap between the USA and Pakistan.

Pakistan was the first country in the region that entered into a Free Trade Agreement with China (Pathak 2015, 10). Beijing has poured billions of dollars as part of the China-Pakistan Economic Corridor (CPEC), a massive infrastructure project that seeks to connect its western province of Xinjiang with the Arabian Sea port of Gwadar in Balochistan (Samaa Digital 2019). By working on the China-Pakistan Economic Corridor, China can build a network of ports, roads, railways and pipelines that will connect them directly to the Arabian Sea and the Indian Ocean, and further on to important maritime routes. In this respect, particular importance is given to the port of Gwadar - the place that could have one of the most modern ports in this part of the world because of the Chinese investments. Creditors also want to significantly increase the capacity of cargo to make it as transportable as possible. However, there are also projects that are currently not viable. For instance, the highway between China and Pakistan was built for 10 years, but the traffic is extremely low and economic exchange does not reach the desired value. Military diplomacy is also an important segment of cooperation between the two countries. It is believed that Pakistan was able to get nuclear weapons through China, primarily to counterbalance India and the USA. Pakistan perceives China as a savior, but India, on the other hand, looks on them as the potential challenger and hegemon in the region.

7.3. India’s Role in the Nexus

India views China-Pakistan Economic Corridor with caution. Namely, since the relationship between Pakistan and India has been problematic since the independence of both countries, they believe that through the String of Pearls theory, China and Pakistan are trying to expand

and undermine the integrity of India. Therefore, India and its partners, primarily the USA, Japan and Australia, are trying to make efforts to “contain” China. This was one of the reasons why the Quadrilateral Security Dialogue was formed - an inter-governmental security forum aimed at establishing better dialogue and conducting joint military exercises between the four states (Cronin 2019).

Sino-Indian relationship is still marked by an adversarial character, with the key contention being the border dispute. The question of the borders between the two countries is the biggest stumbling stone in diplomatic relations (Khurana 2008, 5). With the withdrawal of Britain and the drawing of borders, the establishment of regions such as Jammu and Kashmir was conducted. Currently, this particular region is controlled by India, Pakistan and China, with the latter controlling around 15% of Kashmir due to the 1962 Sino-Indian War. China controls a small part of the contested region, but it is nuclear-armed India and Pakistan that have fought two of their three wars over the disputed territory (Al Jazeera 2019). There have been several border clashes since the 1962 war, with the last one in 2017 at the Doklam plateau. At present, India is making unilateral moves in Kashmir, which is condemned not only by China but by a large number of other states and international organizations. Apart from being on Pakistan's side because of friendly relations, Aksai Chin is important for China because it connects two of the most troubling autonomous regions for the CCP – Xinjiang and Tibet. On the other side, India is concerned about the China-Pakistan Economic Corridor (CPEC) that passes through Gilgit-Baltistan (a region of Kashmir) administered by Pakistan (TRT World 2019).



Fig. 10 Kashmir dispute (source: BBC)

The U.S.-India relationship went through different stages due to the Cold War logic. This primarily refers to the 1960s and 1970s, when the USA began the process of rapprochement to China, and thus had a closer relationship with Pakistan. Therefore, the United States began the process of moving closer to India's two largest regional rivals. This was best demonstrated during the 1971 India-Pakistan War, when the USA sided with Pakistan for the above-mentioned reason. This is the main reason why India signed a friendship and cooperation agreement with the Soviet Union. The relationship improved in the 1990s when the first process of liberalization of the Indian economy began.

Speaking of the complexity of the U.S.-India relations, there is a peculiar case of renaming the former United States Pacific Command (USPACOM), which became the United States Indo-Pacific Command (USINDOPACOM) in May 2018. It is assumed that this linguistic change was made to place greater emphasis on the U.S.-Indian partnership, but also the fact that the USA intends to control a region extending from the Pacific Ocean to the Indian Ocean. Kaura believes that there is greater clarity now that the arc of authoritarian resilience threatening both India and the USA is no longer localized to the Asian landmass but can potentially stretch from the Pacific Ocean to the Indian Ocean (Kaura 2019). This year, the U.S. Department of Defense produced the first Indo-Pacific Strategy Report (IPSR). This is the first document on the strategic mega-region referred to as the Indo-Pacific, which in the U.S. conception ranges from the western coast of India to the west coast of the United States (Panda 2019). The report stressed that China is a strategic competitor in Indo-Pacific and that the main focus will be placed on networking and maintaining stability through partnerships in the region. The document also states that China “seeks Indo-Pacific regional hegemony in the near-term and ultimately, global preeminence in the long-term” (IPSR 2019).

India-Pakistan relations, as well as relations within the Indian subcontinent, are directly influenced by the policies of the great powers, most notably China and the USA. For instance, placing the leader of militant group from Pakistan named Jaish-e-Mohammed on the UN sanctions list proved to be a significant diplomatic victory for India. During the process, India received significant U.S. support. Although the partnership of the two countries is evident and some scholars label it as “natural”, Modi's government is in a situation where it has to follow certain policies of the Trump administration that do not go in favor of India. For instance, following the U.S. sanctions and banning the oil purchase from Iran and Venezuela led to an increase in the cost of oil imports for one of the largest consumers in the world.

Just like China, India is heavily dependent on foreign oil. Protection of the essential maritime routes, as well as prevention of China's hegemony represents the most important foreign policy goals in the region. By establishing trade routes in the Indian subcontinent and developing the BRI, China could increase its military presence in the Indian Ocean to protect those routes. India's rapidly expanding demand for energy imports is deepening India's economic engagement in Southeast Asia (Cook 2014, 45). This was also confirmed in India's Maritime Doctrine, where they emphasize the importance of continuing presence in the Indian Ocean and control of the important strategic points there. The tactics of building deep-water ports are familiar to India as well. In 2016, they completed the construction of the Sittwe port in Myanmar. The objective was to have a multi-modal sea, river and road transport corridor for shipment of cargo from the eastern ports of India to Myanmar through Sittwe port, as well as to north-eastern part of India via Myanmar (Chaudhury 2019).

CHAPTER 8: CHINA'S MILITARY DIPLOMACY AND SOFT POWER STRATEGY

8.1. People Liberation Army's (PLA) Role in Diplomacy

A tradition of the People's Liberation Army (PLA) being under the absolute leadership of a political party goes back to the 1920s. Over the years, the PLA became major stakeholder in the Chinese foreign policy and they undertake a wide range of activities in this field. Strategic interests of China are realized through unique bilateral relationships with certain countries such as Pakistan and Myanmar, which, over the course of years, developed dependency on China. At the same time, the Chinese realized this is an easy way of acquiring Western and Soviet technologies required for modernization of their own military. Frequent visits of foreign delegations and Chinese visits abroad help in expansion of expertise, but also to highlight the role of the PLA in the foreign policy making. The PLA's interactions with their foreign military partners enhance security dialogues, senior-level visits and non-traditional security cooperation (Allen et al 2017, 49).

Two seminal events that influenced the Chinese to promote military diplomacy in the beginning of the 21st century were September 11 attacks in the USA in 2001 and the outbreak of SARS in China in 2003 (Masuda 2010, 50). In the past, the PLA was mainly focused on dispatching their personnel to the peacekeeping operations. However, after the Hu administration came to power at the 16th National Congress of the Communist Party of China in 2002, an emphasis on "good neighbor" was added and these policies included military diplomacy conducted by the PLA. In 2002, heads of ASEAN states and China signed a Joint Declaration of ASEAN and China on Cooperation in the Field of Non-Traditional Security Issues. Coalitions between regional powers and other actors became even more notable in the years that followed.

8.2. Building Coalitions in Indo-Pacific

Throughout the years, China's regional rivals developed military cooperation and engaged in military diplomacy. Countries such as India, Japan, Indonesia, Singapore and South Korea have uneasy relations with China, but strong cooperation amongst each other. At the same time, most of these countries are aligned with the United States and receive enormous military support, together with ability to participate in joint projects. For instance, in 1998, Singapore granted the USA an access to the naval base at Changi, the air base at PayaLebar and the port of Sembawang (Global Security 2012). On the other hand, China spread its own influence by

establishing strong military cooperation with its neighbors and by arming them. One of the most effective means to establish strong military ties with other countries is through transfer of military equipment. China has also entered into a defense cooperation agreement with countries with which it has major arms transfer relationship like Pakistan, Myanmar and Bangladesh, transforming them into politico-military sales and not merely commercial ones (Sachar 2004, 291). It is predicted that by 2020, China could acquire technologies similar to the ones that the USA has.

As China continuously expands its capabilities in both economic and military spheres, the United States feels the urgent need to enhance (or maintain) its power vis-à-vis China (Machida 2010, 354). Though there has been a constant diplomatic contact at the highest level, the USA is still reluctant to the idea of doing too much business with China, because joint exercises might improve Chinese combat capabilities. On the contrary side, the Chinese who are unused to transparency, see their ties with the Americans as an opportunity to learn how to modernize their own military better without revealing their own weaknesses (Tan 2016, 597). President Xi Jinping stated that “China will place a greater emphasis on military diplomacy as a part of its overall foreign policy strategy” (Tiezzi 2015). He added that military diplomacy is an important tool for advancing overall diplomatic goals and safeguarding national security. Military diplomacy could even be used to motivate political change. For instance, Myanmar was asked by the USA to improve its human rights record and to continue with democratic reforms in 2012. As a reward, Washington suggested that Myanmar could be invited to participate in U.S.-led military exercises in Thailand. Overall, China recognized the great importance of military diplomacy and worked on modernization and improvement of military capabilities in all fields.

8.3. Transformation of the Military Force

China’s military budget is the second-largest in the world and it is only outnumbered by the USA. In the last few years, the PLA downsized its military under the military reforms initiated by President Xi Jinping (The Economic Times 2019). Last year’s cut represents the largest troop reduction in the history of the People's Liberation Army. China also organized a major military parade which was attended by CCP officials. The celebration was organized on the occasion of marking 90 years since the establishment of the PLA and it was the first such occasion on the Army Day since the founding of the People's Republic of China in 1949. In addition to that, it was the first time that the Chinese President held a speech in the uniform of

the supreme commander. Throughout the years, China also began to use more personnel in other sectors of the PLA, such as navy and air force. At the beginning of May 2018, the PLA began testing the first domestically produced aircraft carrier, which was a demonstration of the growing ambition in terms of strengthening the armed forces (China Military 2018). New satellite photos published by the Center for Strategic and International Studies in Washington show the early stages of construction of China's third aircraft carrier (Roggeveen 2019). However, China does not rely solely on hard power instruments. The foreign policy moves of the CCP show the adherence to Joseph Nye's idea of "soft power", which is becoming essential for successful global impact. Even Sun Tzu, a famous Chinese general and writer states that "the supreme art of war" is hidden in the ability to subdue enemy without using force.

8.4. China's "Charm Offensive"

In 2009, speaking on the occasion of the 11th Conference of Chinese Diplomatic Envoys Stationed Abroad, Chinese President Hu Jintao expounded on the importance of public diplomacy in Chinese foreign policy (Liu 2019, 78). A few years later, Xi Jinping also stated that it was important to "tell China's story well". In 2009, the Public Diplomacy Office was first formed and then in 2012, the China Public Diplomacy Association was opened. In the meantime, the soft power and public diplomacy also began to be taught at some of the country's universities. Chinese leadership thus emphasized the importance of peaceful rise and "good neighbor policy", once again using the traditionally American concept conceived by the U.S. President Franklin Roosevelt in the context of Latin America. At the heart of the Chinese soft power dispersion initiative is the story of the present economic strength.

China is increasingly investing resources in the so-called "charm offensive". Primarily, soft power projection is done through Confucius Institutes and media outlets with a global outreach. One of the basic fears of the U.S. political leadership is that these instruments can be used to spread the political ideology of the Communist Party of China. Confucius Institutes are integrated within universities and some of them are already shut down in the USA. The first Institute opened in 2004 in South Korea, and according to official data there were 548 Confucius Institutes around the world by the end of last year, as well as 1,193 Confucius classrooms based in primary and secondary schools (BBC 2019). These cultural centers represent the centerpiece of China's cultural soft power. The rationale for the Confucius Institute project reflects the PRC's recognition of language teaching as a means of building

relationships, enhancing socio-cultural understanding and promoting trade and foreign investment (Pan 2013, 25). In addition to free language and culture learning, through active engagement and good results in competitions organized by the institute, students also have the opportunity to visit China. Since China started the Volunteer Chinese Teacher Program in 2004, in terms of number of Confucius Institutes and “volunteer” teachers, China’s public diplomacy is most active in Thailand among the ASEAN countries (Shuto 2018, 8). Most experts warn that Confucius Institutes could be places that exclusively serve for Chinese propaganda. Additionally, they could be the threat to academic freedom, since they operate directly within universities. On the other hand, producing a media that can exert global influence is one of the long-term goals for the Communist Party of China. In previous decades, the focus was exclusively on domestic audiences, followed by heavy censorship. However, a major step towards international audience was made in 2016 when China Central Television (CCTV) was rebranded into China Global Television Network (CGTN) as the international arm of it. CGTN is the most high-profile component of China’s rapid media expansion across the world, whose goal, in the words of President Xi Jinping, is to “tell China’s story well” (The Guardian 2018). By establishing multilingual versions of the state-run media, China’s goal is to have its own CNN or Al-Jazeera (Liu 2012, 915-916).

Primarily, soft power relies on culture, history and diplomacy. Joseph Nye, a political scientist who coined the term believes that the proof of power lies not in resources but in the ability to change the behavior of states (Nye 1990, 155). Additionally, he states that much of America’s soft power is produced by civil society – everything from universities and foundations to Hollywood and pop culture – not from the government (Nye 2013). In his interview with the Center for Strategic & International Studies, Nye said that it is hard for China to generate soft power in Southeast Asia because of disputes with many countries regarding South China Sea.

Portland Communications and the University of Southern California Center for Public Diplomacy are releasing “The Soft Power 30” rankings since 2015. In the latest report, China ranked only 27th. Authors point out that the authoritarian domestic and foreign policy, the South China Sea dispute, and the lack of respect for human rights are the main causes of the country's poor ranking. In comparison to China, the USA ranks fourth on the same list. In spite of rich resources and efforts, China still lags far behind the USA, UK, and Japan in terms of cultural influence overseas (Li and Worm 2010, 76). For instance, a research titled “The State of Southeast Asia: 2019” by ASEAN Studies Center and Yusof Ishak Institute showed that the U.S. influence in Southeast Asia is still strong. The majority of respondents

selected the U.S. universities as the most desirable destination for study (31.5%). Additionally, more Southeast Asians prefer an ASEAN member state (3.5%) over China (2.7%) for their higher education (The State of SEA, 2019). Research has shown that not only the USA and ASEAN countries are ahead of China as potential tourist destination, but also the European Union, Japan and Australia. Furthermore, 91.3% of respondents believe that English is still the most useful language for Southeast Asians. Nevertheless, 44.7% of respondents consider Mandarin to be “useful and beneficial”, which is much lower than English, but not an insignificant number. This finding speaks of China’s growing economic, political and cultural influence and the increasing use of Mandarin in trade, commerce and tourism in the region (The State of SEA 2019). The establishment of English as *lingua franca* in the region might stem from colonial past and the legacy of the British Empire as a dominant force, but, more than anything, it shows what a powerful instrument English has been globally. In Southeast Asia, this is primarily seen through ASEAN’s use of English language as a working language of the Association. Even ASEAN member states without an English-based colonial past actively seek to include English in their educational curriculum (Lim 2017). However, developing better relations between China and the countries of the region, strengthening China's soft power and increasing Chinese investment, could lead to greater use of Mandarin in the future. Nevertheless, this occurrence could challenge the position of English as *lingua franca* in the region.

CONCLUSION

Although the darkest period in China's history, the “Century of Humiliation” also gave the CPC leadership an opportunity to revitalize the Sinocentric worldview and the idea that China is the “Middle Kingdom”. The Opium Wars signified the final opening of China to Western countries, which they referred to as "barbarians" for centuries. At the same time, major European powers, as well as the United States, divided China into zones of influence by using concessions. Later, a series of events such as internal political conflicts, as well as the invasion of Japan into China's territory, further weakened the position of the country in which the struggle for domination between Kuomintang and the CPC was waged. The arrival of Mao Zedong and the proclamation of the People's Republic of China marked a new beginning, but also brought new, Cold War-related challenges. China participated in the Korean War, where it openly clashed with the USA. Although China was originally on the side of the Soviet Union, its leadership had a tense relationship with Moscow, which culminated with a process of rapprochement with the USA in the 1970s. On the domestic front, China has undergone unsuccessful processes of rapid modernization and "cultural revolution" under Mao Zedong. It was only with the advent of Deng Xiaoping that the Chinese economy was liberalized and China began to open up to the world. By the end of the 20th and beginning of the 21st century, China had a few other events that are considered to be a part of the “Century of Humiliation”. It is believed that by organizing Beijing Olympic Games, a new China – now one of the largest economies in the world – was born.

In recent years, the American focus shifted from the Middle East to the South China Sea, resulting in Barack Obama's “Pivot to Asia”. The construction of the artificial islands and the growing dissatisfaction of Chinese neighbors have led to the emergence of the term “Thucydides trap”, which explains the possibility of a war conflict between the USA and China. The USA, which is still the dominant power in the world, views China's rise with skepticism. However, China has hitherto shown that it does not want to establish global domination, and that it still does not have sufficient resources for such an accomplishment. Currently, China wants to dominate only in its immediate neighborhood – a strategy which could also be described as a kind of Monroe doctrine for Southeast Asia. Some authors even suggest that we live in a post-American world, where the relative strength of the USA is in constant decline, and that assertive actors like China could take advantage of this and undermine the position of the USA. China's main “weapons” in the neighborhood are the BRI, the military diplomacy and the involvement of the PLA, as well as the use of soft power.

However, enforcing soft power is difficult primarily because China is disputing most of its neighbors in the South China Sea. The very idea of protecting its own trade routes through the expansion of the exclusive economic zone around the island and the protection of straits has led to dissatisfaction of countries in its immediate neighborhood. This issue makes it more difficult to expand Chinese influence, especially in countries that are traditional U.S. partners. However, through soft-balancing strategies, China is also trying to reach a better position than its main competitor. Neighboring countries have a high strategic significance for China, and the Chinese authorities are seeking to improve trade relations with ASEAN.

Southeast Asia and the Indian subcontinent are regions where rapid changes are happening. Primarily, the large development projects like the BRI open the window of opportunity for small countries to become involved in world affairs, and give them the possibility of industrialization that otherwise would not be possible. Likewise, these regions are prolific ground for applying "Chinese characteristics" to traditional American concepts such as the Monroe Doctrine and Marshall Plan. China's current goal is to undermine the USA and establish dominance in the immediate neighborhood, and ensure the safe flow of goods, energy and services. This action produces a buffer zone that can protect mainland China from any intervention by the USA and its partners in the region. Beijing secures its current goals through the construction of railways, roads and ports. Also, because of the over-reliance on the Strait of Malacca, attempts are being made to diversify routes through which transport can be conducted. Due to its great dependence on energy, China has imperative to design the so-called "String of Pearls", or a number of ports in the Indian Ocean that could also enable it to become a serious maritime force and project its power. The recent years have been marked by oscillations in foreign policy and rethinking of traditional partnerships such as the one between the Philippines and the USA. Also, there are foreign policy pivots, which require countries to respond swiftly and change their foreign policy goals, depending on the current situation (e.g. the case of Malaysia). Experts also warn of the so-called "debt trap", with the best example being the over-indebtedness of Sri Lanka, which was forced to lease the port of Hambantota for 99 years. Such cases lead to the question of whether this could be a new form of economic colonialism. Either way, the complexity of the region is also reflected in each country's individual relationship with China. Even though ASEAN exists as an institutional framework, because of its centrality, most of the outstanding issues are resolved bilaterally. On the other hand, goals of the United States are to maintain freedom of navigation, to protect major shipping routes and its allies, and to prevent China's hegemony in this part of the world.

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IZJAVA O PLAGIJARIZMU

Kao student magistarskog studija na Fakultetu političkih nauka Univerziteta u Sarajevu potpisujem izjavu da sam upoznat sa Zakonom o visokom obrazovanju Kantona Sarajevo i Etičkom kodeksu Univerziteta u Sarajevu.

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