National Strategies

Dreaming Together: The Economic Dimension of China’s “Smart Power” in South-East Asia¹

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Abstract

This article considers “soft” and “smart power” through the prism of current ideological concepts informing the foreign policy of the People’s Republic of China (PRC) — specifically, the “community of common destiny” and the “One Belt One Road.” The author argues that China is drawing on new theoretical approaches to strengthen its state power and its influence on strategic territories in Asia-Pacific and South East Asia. For the effective and efficient advancement of its national interests China has to overcome significant “path dependence” in the regional relations towards its policy.

Chinese authorities clearly understand that it is impossible to achieve China’s goals without a significant presence in the socio-economic dimension of target countries and regions. In pursuit of this goal, China uses existing economic mechanisms (international trade and investment) and has also established new ones, including the Asian Infrastructure Investment Bank (AIIB) and the Economic Belt of the Silk Road/One Belt One Road/Belt and Road initiative. These mechanisms supplement the value dimension of Chinese policy.

China is working to create an institutional system in which it can secure its influence and establish the conditions that will allow it to become a world leader in the future. Chinese authorities appreciate that, without a proactive strategy aimed both at the alleviation or elimination of path dependence and the establishment of a positive perception of its policies, the PRC will not succeed in strengthening its leadership. At the same time, the growing interdependence and interconnectivity between China and its foreign partners will increase the scope of opportunities for China to advance its national interests and reduce the likelihood of negative conduct towards China.

Key words: the PRC; China; ASEAN; the U.S.; South-East Asia; Asia-Pacific region; smart power; the Asian Infrastructure Investment Bank; AIIB; Economic Belt of the Silk Road; the 21st Century Maritime Silk Road; “One Belt One Road;” “Chinese dream;” economic instruments of foreign policy


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Introduction

The pursuit of national interests is the essence of foreign policy for every state. Refracted through the prism of different socio-economic activities, national interests are both objectives and challenges that guide states’ strategies in world politics. As rightly pointed out by Maxim Bratersky, the “nature of the state has not changed over time. States pursue power and wealth. But since today military methods of policy are not considered to be legal and are not generally recognized, states tend to use other [non-military] instruments and remedies” [Bratersky, 2012, p. 7]. Such instruments should be integrated into well-developed strategies, taking into account characteristics of power and the objects of the policy.

The experience of cooperation and rivalry/hostility in state relationships results in path dependence. This is reflected in sustained patterns of perception by state elites of other actors in world politics and in the tendency to have broadly accepted and repeated institutional practices regarding distinct problem fields. Especially in cases in which state relationships have been difficult or frequently troubled, state elites must do their utmost to overcome existing path dependence so that they are able to achieve their goals within an improved framework. On the other hand, “friends” can afford to provide less favourable conditions for cooperation to each other than they provide to their “rivals” in order to gain their support, because “friends” initially are in a position of advantage.

One of the problems for emerging powers is serious path dependence in their relationships with neighbours. Historical experiences of interactions with strong regional leaders usually include cases of unfriendly acts and hostilities which are reflected in the historical memory, superstitions and prejudices of the societies and elites of neighbouring states. For this reason, the attempts of a new leading state to obtain the support of its closest neighbours frequently meet serious opposition from such countries which may not easily accept that a new power centre’s intentions may have changed.

In this context, concerns about the ambiguous and assertive policy of the People’s Republic of China (PRC) were one of the key reasons for the establishment of the Association of Southeast Asian Nations (ASEAN). At the time, China was perceived as the main enfant terrible in the region. In 1967, when asked about the most serious and probable threat of intervention in the region, Philippine Minister of Foreign Affairs N. Ramos answered “there is no question. It is China” [Jorgensen-Dahl, 1978, p. 42]. A similar opinion was expressed in 1965 by Ghazali bin Shafie, the permanent secretary for external affairs of Malaysia, who noted that China was the most severe threat to peace and world order [Boyce, 1968, p. 150]. It is in fact more likely that geographically distant leading states will be able to earn the trust of regional states. Lee Kuan Yew, Singapore’s former prime minister, gave among the major reasons for U.S. leadership
in Southeast Asia (SEA) the fact that America had been the least distrusted power [Economist, 2010].

New centres of power frequently face difficulties changing negative attitudes toward their policy and find that, to assure their neighbours of the constructiveness and credibility of their leadership, they have to offer more than their competitors. One of the most important ways to do so is by expanding and strengthening economic cooperation with targeted countries and regions as a crucial element of “smart power.” Another effective instrument is increased engagement through multilateral mechanisms of international cooperation.

This article outlines China’s use of economic instruments of foreign policy in the Asia-Pacific region (APR) and Southeast Asia. It considers components of China’s “smart power” and analyzes the dynamics of increased Chinese influence in SEA. The core hypothesis is based on the assumption that without the implementation of a proactive strategy targeted both at the elimination of the effects of path dependence and at the establishment of a positive perception of its policy, the new centre of power is unlikely to reach success in the international arena.

The “Chinese Dream” as an Element of China’s International “Smart Power”

The PRC’s attempts to enhance and strengthen its international position and to become, at least, one of the global centres of power are actively resisted by the United States. To limit Beijing’s aspirations Washington vigorously “muddies the water” and creates barriers to the achievement of Chinese interests around the globe and particularly in SEA. American experts and authorities frequently draw international attention to the “assertive and expansionist” plans of the PRC regarding its neighbours, as well as to China’s extraordinary economic influence and difficult history of relationships in the region. Thus, U.S. policy towards China can be described as “uncertainty governance.” This reflects the goal of reducing uncertainty (or transforming it into “certain uncertainty”) for its own policy and at the same time increasing “uncertain uncertainty” in acceptable zones for its rivals.

The relationship between the PRC and the U.S. is similar to the American showdown with the Soviet Union (USSR) during the Cold War, although there is a significant difference. The rivalry between the U.S. and the USSR was started at the global level and was later transferred to different regions. In the case of the PRC and the U.S. the scenario is reversed. The parties are rivals at the regional level. There has not yet been a full-scale spillover of their rivalry to the global arena, and whether that will hap-
pen depends on the further course of events in the Asia-Pacific region, and SEA in particular.

The remedy to negative path dependence and the basis on which to establish an ideological framework for China’s international leadership might be the concept of the “Chinese dream” [Mikhnevich, 2016, p. 103] which includes a vision for enhancing the complex potential of China and the wide use of appropriate opportunities for the development of both the homeland and China’s foreign partners. In fact, the “Chinese dream” has become the primary concept of Chinese foreign policy aimed at proactively fostering an international agenda. This contrasts with earlier theoretical developments, which had prioritized effective adaptation to the existing international environment. Thus, the “Chinese dream” marks a new phase of China’s foreign policy development. In this context, it is of great symbolic importance.

The “Chinese dream” draws on several interdependent political and economic concepts, intended to foster a positive perception of the “Chinese dream” in foreign societies. Among these concepts are the “community of common destiny” (CCD) and the “One Belt One Road”/“Belt and Road Initiative” (OBOR/BRI), both of which are meant to give real economic substance to the beautiful slogans of the “Chinese dream.”

The idea of a CCD was first proposed by Xi Jinping in March 2013 during his lecture in Moscow University MGIMO. He said that “the world has become interconnected and interdependent to an unprecedented degree... The world community should jointly push for the building of a new type of international relations with win-win cooperation at the core, and people of all nations should combine their efforts to safeguard world peace and promote common development” [Ministry of Foreign Affairs of the People’s Republic of China, 2013a]. Later, at a conference on diplomatic work with neighbouring countries held in Beijing in October 2013, he underlined that Chinese authorities “should well introduce China’s domestic and foreign policies to the outside world, clearly tell China’s story, spread China’s voice, and integrate the Chinese dream with the desire of the people of the neighboring countries for a good life, and with the prospects for regional development, letting the awareness of community of common destiny take root in the neighboring countries” [Ministry of Foreign Affairs of the People’s Republic of China, 2013b].

The CCD is an attempt by China at the official level to address the issue of complex interdependence in positive and negative ways and to demonstrate China’s leadership in developing international cooperation in a situation in which “economic globalization is the main trend of international development” [Timofeev, 2015, p. 230]. A. Larin assumes that the core goal of the BRI is “to stop or, at least, slow down growth of anxiety and unease, convince other states that China notwithstanding its superior national power offers cooperation on the basis of principles of “win-win” and “common building and use” of opportunities for development for all parties involved, and that development of China benefits mankind [Larin, 2016, p. 142].

The concept of a CCD clearly demonstrates China’s intention to “play on the field” where it concedes significantly to other actors, and to the U.S. in particular.
China seeks to create an ideological basis not only for justifying its rise and reducing the concerns of neighbours, but also for building a positive environment for its own regional and global leadership. In his keynote speech “Towards a Community of Common Destiny and A New Future for Asia” at the Boao Forum for Asia Annual Conference 2015, Xi Jinping pointed out that “over the past 70 years, Asian countries have gradually transcended their differences in ideology and social system. No longer cut off from each other, they are now open and inclusive, with suspicion and estrangement giving way to growing trust and appreciation. The interests of Asian countries have become intertwined, and a community of common destiny has increasingly taken shape” [Ministry of Foreign Affairs of the People’s Republic of China, 2015].

Whereas the CCD manifests the value intentions of Chinese “smart power,” the BRI provides the economic environment to allow these to be perceived and entrenched in target countries and regions. The strategy of jointly building the OBOR was introduced by Xi Jinping during his state visits to Central and Southeast Asian states in September and October 2013. This concept complements and clarifies the ideas of the CCD.

“The main essence of this initiative will be close contacts and linkages between different peoples, connection of infrastructure, promotion of free trade and meeting the need for financing” [China, 2015, p.18]. Within the framework of the OBOR specific spheres and projects for cooperation are defined, and international economic corridors are created with a focus on major international routes to establish an environment for regional economic integration. For the purpose of BRI implementation, China founded the $40 billion Silk Road Fund (SRF) [SRF, n.d.]. By the end of 2016, the fund had signed 15 projects, with an estimated investment value of $6 billion. The projects cover such areas as infrastructure, energy utilization, production capacity and finance cooperation in Russia, Mongolia, Central Asia, South Asia and Southeast Asia [Office of the Leading Group for the Belt and Road Initiative, 2017].

The OBOR consists of two major elements, namely the Silk Road Economic Belt (SREB) and the 21st-century Maritime Silk Road (MSR). The former is focused on development of land routes while the latter is aimed at advancement of maritime routes. The SREB envisions three main directions of cooperation: China–Central Asia–Russia–Europe (Baltic Sea), China–Central Asia–West Asia–Persian Gulf–Mediterranean Sea and China–Southeast Asia–South Asia–the Indian Ocean basin states. The MSR is aimed at development in two main directions: China–South China Sea–the Indian Ocean–Europe and China–South China Sea–south part of the Pacific Ocean.

Experts highlight a number of interrelated PRC objectives which may be accomplished by the BRI [Mikhnevich, 2017]:

1) Development of routes and favourable conditions for the safe and smooth transit of natural sources and commodities to China and Chinese goods to the main export markets.

2) Establishment of “China-centred” global and regional value chains and outsourcing of the less effective productive facilities abroad.
3) Development of the less successful regions of the PRC located in the western and central parts of the country.
4) Strengthened national security as a result of improved relationships with partner-states and expansion of political-economic instruments of foreign policy.
5) Promotion of Chinese “soft power” and the formation of a platform for China’s international leadership of BRI institutions and projects.

According to Russian expert S. Uyanaev, “in terms of its goals the OBOR from the outset has been a great geostrategic project, which is aimed at securing interests of the country in the near and far abroad as well as at solving a number of systematic problems in the development of the national economy through external economic and political mechanisms” [Uyanaev, 2017, p. 10].

The BRI has been evolving rapidly and is becoming the main set of mechanisms and instruments of the PRC’s economic diplomacy, which for its part facilitates addressing the challenges of national development. Zhang Jun, director-general of the department of international economic affairs in the PRC’s ministry of foreign affairs, argues that the facilitation of development is carried out through the creation of a favourable external environment, promotion of Chinese businesses’ interests and by the growing influence of China in the global economic governance system [Zhang, 2017]. In general, “Silk Road diplomacy” is an example not only of “active thinking and new direction of the Chinese diplomacy,” but also of “proactive actions” replacing more passive reactions. Furthermore, if in the past “diplomacy served economic development,” now “economics and diplomacy go hand-in-hand” [Vinogradov, 2015, p. 80].

Economic Instruments of the PRC’s Foreign Policy in SEA

Traditionally, China actively applies economic features of “soft power” by providing significant amounts of foreign aid and investing in projects around the globe, from Africa to Latin America and Central Asia. Devex experts calculated that in 2013 foreign aid provided by China reached $7.1 billion. [Devex, 2015]. The PRC constantly increases its foreign development assistance (FDA). According to information disclosed in February 2017 in a speech by Xi Jinping, the total amount of Chinese foreign aid in 1949–2016 exceeded 600 billion yuan (USD 96.75 billion) [Radio Free Asia, 2017].

The APR countries are privileged beneficiaries of Chinese aid. Cambodia alone from 1992 to 2015 has received $2.1 billion in aid from China as well as investments worth $8.2 billion from 2006 to 2012, making the PRC the biggest investor in the country.3 Cambodia pays China back by securing Chinese interests in own foreign policy. The PRC also strives to invest in Vietnam, China’s traditional rival in the region. China’s accumulated investments in Vietnam in 2012 reached $4.8 billion [Vietnam Investment Review, 2013]. China seeks to increase its influence on Vietnam through control of the

3 In addition, in 2015 China financially supported 19 development projects in Cambodia totaling $1.1 billion [Nguyen, 2015, p. 201].
Mekong’s source, which is extremely important for the Vietnamese economy, and by fulfillment of joint development projects [Mikhnevich, 2014].

In general, the amount of Chinese outward foreign direct investment (FDI) in 2014 alone totaled $116 billion which is 43 times as high as in 2002, even without taking into consideration the volume of Hong Kong’s investment, an important channel for Chinese outward investment. According to the United Nations Conference on Trade and Development (UNCTAD), Hong Kong’s outward FDI in 2014 reached $143 billion (+$62 billion compared to 2013); the total cumulative investment flows from the PRC and Hong Kong in 2014 totaled $259 billion, which is 19.1% of the global volume of FDI in 2014 ($1,354 billion) [UNCTAD, 2015]. China is gradually becoming one of the top investors in the world.⁴

Chinese FDI growth rates (even without Hong Kong) saw their greatest increase in 2007–2008; in 2008 alone Chinese investment surged by 107% and before the world financial crisis of 2008–2009 China had jumped to “another league.” In 2009 Chinese FDI growth rates were about 1%. But given the slump in outward FDI around the globe, this growth nevertheless enabled China to increase its foreign economic influence.

Fig. 1. China’s Outward FDI ($ Billions)

Source: [Nguyen, 2015; UNCTAD, 2015].

Considering the time period from the date of the appearance of the “Chinese dream,” it is clear that Chinese FDI has increased by 31.8% or $28 billion (from $88 billion to $116 billion), which correlates with the jump of Hong Kong’s FDI from $88 billion in 2012 to $143 billion in 2014 (+62.5%).

⁴ China’s investments abroad are directed mainly to the extractive industries or infrastructure in the case of developing countries, and to the high-tech industries of developed countries.
But despite the great increase in Chinese outward FDI, the dynamic of the PRC’s investment in ASEAN is not so auspicious. From 2006 to 2013 Chinese FDI to ASEAN grew from $1.958 million to $8.644 million [ASEAN, 2015], but this growth was not steady. During this period there were two serious drops in Chinese FDI: in 2008 (2.2 times lower than in 2007) and in 2012 (1.5 times lower than in 2011). The total cumulative investment flows from China to ASEAN from 2006 to 2013 totaled only $32.9 billion, which is much lower than ASEAN-targeted FDI flows from Japan ($94.7 billion), the U.S. ($59.46 billion) or the EU ($148.47 billion). Combined, China’s and Hong Kong’s FDI flows to ASEAN in 2006–2013 were more significant at $59.13 billion. [ASEAN, 2015].

![Fig. 2. China’s Outward FDI to ASEAN ($ Millions)](image)

*Source: [ASEAN, 2015].*

Another major instrument facilitating the external investment potential of China is the Asian Infrastructure Investment Bank (AIIB), founded in 2015 and headquartered in Beijing. The registered capital of the bank is $100 billion. T. Renard believes that “the AIIB is perhaps China’s largest “soft power” success so far” [Renard, 2015]. Fifty-eight states from Asia and other regions including Great Britain, one of the closest U.S. allies, have become founding members of the bank. Among the APR countries, only Japan refused to become a member.

The main goal of the AIIB is to facilitate sustainable development and strengthen the infrastructure connectivity of the region’s economies. Priorities include financing of infrastructure projects in the energy, transport and telecommunications sectors. “The articles of agreement permit the bank to provide financing in a variety of ways, including, inter alia, making loans, investing in the equity capital of an enterprise and guaranteeing, whether as primary or secondary obligor, in whole or in part, loans for economic development. In addition, the bank may underwrite, or participate in the underwriting of, securities issued by any entity or enterprise for purposes consistent with its purpose” [AIIB, n.d.].
“Beijing has shown that it is willing to take more leadership and responsibility in the region, in co-operation with regional and global players. This is weakening, at least temporarily, the accusations that China is an ‘irresponsible stakeholder’. The controversies surrounding the launch of the AIIB strengthened China’s position on the need for a multilateral reform. China not only weakened the argument of those claiming that it disregards multilateralism, but it also shed light on the negative role played by established powers, and specifically the United States, in resisting China’s legitimate demands for a greater role in the multilateral system” [Renard, 2015]. For China it is extremely important to sustain and build upon the success of the AIIB as the first global mechanism proposed by China. China’s ability to become the moderator of global governance reform depends on it.

To finance OBOR projects and implement its external investment policy, China promotes involvement of the China Development Bank (CDB) and the Export-Import Bank of China (CEIB). From the date of launching the BRI, the CDB has signed off on more than 100 projects in the Belt and Road (B&R) countries, to a value surpassing $40 billion, with $30 billion issued in loans. The CEIB has authorized 1,100 projects valued at $100 billion in the B&R countries, issuing $80 billion in loans [Office of the Leading Group for the Belt and Road Initiative, 2017].

By the end of the first quarter of 2017 the CEIB’s outstanding loans for BRI projects had surpassed 620 billion yuan (over USD 90 billion). The funds were pumped into more than 1,200 projects along the ancient trade routes. Its lending to international cooperation on industrial capacity was at more than 700 billion yuan (USD 101.6 billion) [Belt and Road Portal, 2016].

China continues to create new financial institutions. In particular, to provide financing support to Central and Eastern Europe (CEE) the Industrial and Commercial Bank of China founded China-CEE Financial Holdings Ltd. which launched the China-CEE $10 billion China-CEE Investment Cooperation Fund [Office of the Leading Group for the Belt and Road Initiative, 2017]. According to PwC experts, accumulated Chinese state OBOR financing, including AIIB and SRF, could reach $1,000 billion in 2015–2025 [Strategy&, PWC, 2015, p. 3].

Another important direction of Chinese BRI investments is the establishment of economic and trade cooperation zones. By May of 2017, Chinese businesses had invested more than $18.5 billion in 20 countries to build 56 zones. These zones have generated about $1.1 billion in tax revenue and created approximately 180,000 jobs in the host countries. Among the most successful zones according to Chinese authorities are the China-Belarus Industrial Park (the Great Stone), the Suez Economic and Trade Cooperation Zone in Egypt, the Thai-Chinese Rayong Industrial Zone and Cambodia’s Sihanoukville Special Economic Zone [China.org, 2017].

By the end of 2016, China had set up in its border provinces and autonomous regions seven pilot zones for development and opening up, 17 border economic cooperation zones, and two bilateral border economic cooperation zones. China conducted in-depth consultations with Nepal, Myanmar, Mongolia, Vietnam and other neighbours
regarding bilateral border economic cooperation zones, leading to positive progress. Chinese enterprises invested $18.5 billion in 56 economic and trade cooperation zones under construction in 20 B&R countries, which are important channels for investment cooperation and for transplanting and replicating China’s development experience. The China–Belarus Industrial Park, the Thai–Chinese Rayong Industrial Zone and the Suez Economic and Trade Cooperation Zone in Egypt have become platforms of overseas cluster investment by Chinese enterprises and symbols of friendly cooperation. Drawing on their own strengths, some local authorities in China have built B&R parks for economic and trade cooperation to serve as modern international trade platforms for European and Asian businesses and neighbouring countries as well.

Regarding the absolute figures for OBOR projects and deals in 2016, PwC experts assume that in infrastructure only they generated a combined $494 billion in value. One-third of the BRI project and deal value generated in 2016 was in China [PWC, 2017, p. 7]. To date, it is impossible to calculate the exact number of BRI projects: the complete list of such projects does not exist. Partly this is due to the absence of precise criteria for the classification and categorization of OBOR projects. Another reason might be the attempt of the PRC to use effects of “uncertainty” and “increasing returns to scale,” which give China an opportunity to show more results than really exist. In fact, almost every project carried out by Chinese companies in OBOR countries can be considered as one under the BRI framework.5

According to information published in May 2017 before the Belt and Road forum the total number of projects affiliated with BRI reached 1700 [Wu, 2017]. Experts point out the following features of the Chinese approach to BRI implementation [Mikhnevich, 2017]:

1. Project activities include investment projects aimed at developing production and transport infrastructure as well as those targeting trade facilitation.
2. The Chinese authorities sometimes include projects which had been started and even completed before the launch of the OBOR initiative, for example the Toromocho mine project which had been implemented before 2012.
3. Not all projects within the BRI are carried out with Chinese funding even while Chinese companies actively participate in them (for example, building a hospital in Colombo). Official sources do not always contain information on financing sources: the projects are treated as ones fulfilled by China.
4. In the process of project implementation Chinese companies strive to introduce and apply their own developments and standards, linking financing to procurements of Chinese production.
5. China’s interests in developing cooperation vary significantly from one OBOR country to another depending on their strategic geographic and economic importance to the PRC. So, Pakistan is a privileged partner. The pipeline in the China–Pakistan economic corridor includes projects valued at $45 billion (20% gross domestic product

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5 The author has attempted to compile a BRI project list. See Mikhnevich [2017].
of Pakistan). Projects worth $28 billion will be implemented in the short term [Prime Minister’s Office Government of Pakistan, n.d.].

On the margin of the Belt and Road forum the PRC authorities issued new plans on the development of the BRI. Noteworthy among them is increased financing for OBOR projects: additional financing is to exceed $100 billion. According to Xi Jinping, China will scale up financing support for the BRI by contributing an additional 100 billion yuan (USD 14.5 billion) to the SRF and encouraging financial institutions to conduct overseas yuan fund business with an estimated amount of about 300 billion yuan (USD 70 billion). The CDB and the CEIB are to set up special lending schemes respectively worth 250 billion yuan (USD 36.3 billion) and 130 billion yuan (USD 18.9 billion) to support cooperation on infrastructure, industrial capacity and financing under the BRI [Xinhuanet, 2017].

According to official sources, “China has also undertaken to provide assistance in 2018–2020 worth 60 billion yuan (USD 8.7 billion) to developing countries and international organizations participating in the BRI to launch more projects to improve people’s well-being. Emergency food aid worth 2 billion yuan (USD 300 million) will be provided to developing countries along the Belt and Road and an additional contribution of $1 billion will be made to the Assistance Fund for South-South Cooperation. China will launch 100 “happy home” projects, 100 poverty alleviation projects and 100 health care and rehabilitation projects in countries along the Belt and Road. China will provide relevant international organizations with $1 billion to implement cooperation projects that will benefit the countries along the Belt and Road” [Xinhuanet, 2017].

China complements the investment element of the external economic dimension of “soft power” by improving the environment for mutually beneficial trade. In recent years, China has strengthened its leadership in world trade. In ten years from 2005 to 2014 the PRC’s trade grew from $770,458 million to $2,477,271 million (more than three times). The negative dynamics were in 2009 only (−15.6% as compared to 2008) due to the eruption of the global economic crisis. A significant amount of China’s trade is connected with Hong Kong and Macao; the PRC’s trade with Hong Kong in 2014 reached $625,379 million and with Macao, $55,074 million [UNCTAD, 2015].
If the situation with China’s investments in ASEAN is ambiguous, regarding trade everything is clear and obvious. China is the biggest trading partner of SEA countries. In 2013 China–ASEAN trade was $350.5 billion. In 2006–2013 the volume of trade grew 2.5 times. There was a slight drop in 2009 only (−9.5%).

A significant positive impact on trade was caused by the establishment of the China–ASEAN free trade area (CAFTA) in 2010. Since then, China-ASEAN trade has
doubled. It was expected that in short term the CAFTA would have more positive effects for ASEAN than for China, and that in the mid and long term China’s benefits would be more significant. But as the dynamics of China-ASEAN trade clearly show, in the second year after the establishment of the CAFTA there was material change in the trade flows in favour of China. In four years under the CAFTA, China’s trade surplus with ASEAN tripled compared to 2009, from $15 billion to $45.4 billion [ASEAN, 2015].

Undoubtedly, SEA countries, irrespective of CAFTA benefits, cannot afford to be indifferent to the fact that China’s gains from trade liberalization exceed their own. And, the prospects of the establishment of, as well as possible benefits from, the regional comprehensive economic partnership (RCEP) proposed by ASEAN in 2012 and promoted by China are unclear [National Coordination Center, n.d.].

The goal of the RCEP is to “achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement establishing an open trade and investment environment in the region to facilitate the expansion of regional trade and investment and contribute to global economic growth and development” [Joint Declaration, 2012]. ASEAN, the PRC, Japan, Korea, India, Australia and New Zealand are participating in the negotiations. The parties discuss not only elimination of trade barriers, but also investment regimes, economic and technical cooperation, intellectual property protection, competition development, establishment of the mechanisms of dispute resolutions and digital trade. “The RCEP is aimed at facilitation engagement of the regional states with global and regional value chains and promotion of regional integration” [National Coordination Center, n.d.]. But the RCEP will need to prove its efficiency and effectiveness after completion of the negotiations. In case cooperation under the RCEP framework provides benefits for China to the detriment of other members, further regional integration might face great challenges and the “soft power” and complex influence of China in SEA might decrease.

![Fig. 5. China’s Trade Surplus with ASEAN ($ Millions)](image-url)
Conclusion

While many foreign experts write about China in glowing terms, others do so in a negative way calling into question the success of the country. Jakob Berger mentioned that “all foreign authors polarizing opinions on China, its policy and goals negatively affect its image” [Berger, 2015]. As a result international assertiveness and concerns might be growing. In spite of that, China has had positive results in strengthening its “soft power.” According to Gallop, “the positive attitude towards China was expressed by 50% of ASEAN’s population compared to 30% in 2002 [Safronova, 2013, p. 152].

But despite the great potential of strengthened economic linkages with the APR counties, the PRC frequently faces serious challenges eliminating the effects of path dependence and making its “smart power” effective and efficient. Chinese authorities, trying to reach tactical goals, from time to time endanger their strategic benefits and “soft power” by raising concerns among their partners, for example in Cambodia in 2012 or in Malaysia in 2015 [Economist, 2015]. The result of such “false starts” may be the growing influence of China’s competitors like the U.S. But growing trade and investment cooperation with the region’s countries will help China to further eliminate path dependence effects which is an important issue for China if it is to become the global leader of the future. If the welfare of the partners heavily depends on cooperation with China, it means that the PRC will have more opportunities to affect the policy of partner states and their elites. As the result, China’s influence will grow. The experience of China should be thoroughly examined and it is hoped that this article contributes to this analysis.

References


«Мечтаем вместе»: экономическое измерение «умной силы» КНР в Юго-Восточной Азии

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В статье через призму «мягкой» и «умной силы» анализируются актуальные идеологические концепции внешней политики КНР: «Сообщество единой судьбы» (СЕС), «Один пояс, один путь» (ОПОП). Автор отмечает, что посредством новых теоретических подходов и расширения своего присутствия на многосторонних площадках Китай стремится сформировать условия для укрепления совокупной государственной мощи в целом и влияния на стратегических территориях в странах АТР и Юго-Восточной Азии в частности. При этом для максимально эффективной реализации национальных интересов Китаю необходимо обеспечить преодоление серьезных «эффектов колеи».

Понимая, что обеспечение устойчивого долгосрочного влияния на политику целевых стран и регионов без значительного присутствия в социально-экономическом измерении целевых стран и регионов невозможно, Китай активно применяет экономические инструменты внешней политики, дополняющие ее ценностное измерение и способствующие формированию новых многосторонних институтов, в которых Китай играет ключевую роль. В этой связи особенно выделяются учреждение Фонда Шелкового пути и Азиатского банка инфраструктурных инвестиций, активное инвестирование в целевые экономики, создание возможностей для развития внешней торговли.

Китай старается сформировать систему институтов, которая позволит ему не только закрепить достигнутый уровень влияния, но и в перспективе сформировать условия для выдвижения на позиции мирового лидера. В КНР понимают, что без реализации проактивной стратегии, нацеленной на устранение негативных «эффектов колеи» и формирование положительного восприятия своей политики, новый Китай не сможет до стичь успеха в укреплении собственного лидерства. Одновременно укрепление взаимозависимости и взаимосвязанности между Китаем и его зарубежными партнерами будет способствовать расширению спектра средств реализации национальных интересов КНР и снижению вероятности реализации ими негативной политики в отношении Китая.

Ключевые слова: КНР; Китай; АСЕАН; США; Юго-Восточная Азия; Азиатско-Тихоокеанский регион; АТР; «умная сила»; Азиатский банк инфраструктурных инвестиций; АБИИ; «Экономический пояс Шелкового пути»; «Морской шелковый путь XXI века»; «Один пояс, один путь»; «Пояс и путь»; «китайская мечта»; «сообщество единой судьбы»; экономические инструменты внешней политики


Источники


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