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GLOBALIZATION, REGIME CHANGES, AND POLITICAL RISK

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GLOBALIZING THE WORLD

The objective of this article¹ is to analyze the positive and negative impact of the on-going globalization process on the regime changes and the resultant political risks for the conduct of the interstate diplomacy and protean transborder business operations. Between 1980 and 1999, the world economy expanded from \$10.8 trillion to \$30.2 trillion.² The world economic output expanded 280 percent. During the two periods, Argentina grew 366 percent, or from \$77 billion in 1980 to \$281.9 billion. Brazil showed an impressive growth rate of 312 percent, while Mexico turned in a 244 percent expansion. (Table 1) In East Asia, Korea grew from \$63.7 billion in 1980 to \$407 billion, or 639 percent growth. Malaysia grew half as much as Korea with the economic output of \$24.5 billion in 1980 to \$74.6 billion in 1999, or 328 percent. Indonesia expanded its economic output from \$76.9 billion to \$141 billion, or 183 percent.

Table 1: Comparing the Economic Growth Rates in Latin America and East Asia, 1980 & 1999

	1980 GDP	1999 GDP	Expansion Rates
Argentina	\$76.961 billion	\$281.942 billion	366%
Brazil	\$236.995 billion	\$760.345 billion	321%
Mexico	\$194.900 billion	\$474.951 billion	244%
Indonesia	\$76.913 billion	\$140.964 billion	183%
Korea	\$63.661 billion	\$406.940 billion	639%
Malaysia	\$24.448 billion	\$74.634 billion	328%
Total	\$673.878 billion	\$2,139.776 billion	315%

Sources:

World Bank, World Development Report 1996 (New York: Oxford University Press, 1996) and World Development Report 2000/2001 (New York: Oxford University Press, 2000).

This extraordinary global economic expansion for the past two decades has yielded a host of transborder commercial and financial opportunities, and the sheer quantitative expansion of the six countries attests to the growing importance of global finance and trade in the daily lives of all countries. The world trade expanded from \$5.7 trillion in 1988 to \$10.6 trillion in 1998, or a 198 percent increase in a single decade.³ In the foreign direct investment (FDI) activities, the world has witnessed more than three-fold expansion of international capital crossing borders from \$193.4 billion in 1990 to \$619.3 billion in 1998 in less than a decade.⁴ In 1999, the global FDI reached \$586 billion and surpassed \$1.3 trillion in 2000. In 1994, 41.1 percent of the world's FDI total went to developing countries, while in 2000, the amount shrank to 18.9 percent.⁵ During the last two decades, the trade expansion and crossborder financial activities were particularly strong in Asia Pacific and Latin America and have changed how we live, how we conduct our inter-state diplomacy, and how we trade and invest.

Table 2: FDI vs. FPI in Latin America & Asia, 1991-2000
(US\$ billion)

	1991	1995	1997	1998	2000
FDI/LatAm	\$11.3bn	\$26.1bn	\$50.7bn	\$54bn	\$43.7bn
FPI/LatAm	\$14.7bn	\$1.7bn	\$39.4bn	\$33bn	\$23.3bn
FDI/Asia	\$6.1bn	\$8.7bn	\$12.1bn	\$4.9bn	\$8.3bn
FPI/Asia	\$3.4bn	\$17bn	\$12.6bn	-\$6.5bn	\$5.9bn

Source:

IMF, World Economic Outlook May 1999 (Washington, DC: IMF, 1999).

REGIME CHANGES

As countries began to trade more and import more foreign capital, technology, and managerial skills, the power to make autonomous policy decisions proportionately eroded. Some have argued that globalization has weakened the nation-state system as we came to know it, as well as others have predicted the end of the nation-states.⁶ The state has been the prime developer and regulator of the national economy, and often in East Asia and Latin America, the state held the “commanding heights” in all decision making. This financial lever of the state has been eroding for the past two decades, as globalization has accelerated its pace of, first, the trade and foreign direct investment (FDI) and foreign portfolio investment (FPI), and, now, the slow but apparent spread of democratic values across the cultural, religious, and political borders. Some countries have reacted positively and others negatively. Globalization has promoted both expansion and contraction of a country’s external ties at once. The political risk once perceived as “national” has become “inter-state” at least and even “global” at most.

DEFINING THE CONCEPTS

The economic dimension of globalization, spurred by finance and trade, has led to the adoption of such new policies as deregulation, liberalization, and privatization in Asia and Latin America, which have in turn resulted in dramatic changes in regime types and regime structures. In all six countries mentioned in this paper, regime *transition* or regime *transformation* has taken place. Going beyond dictionary definitions, the concepts and

theories of regime *transition* and *transformation* need to be reformulated. Fundamentally, it is argued that *transition* entails the *voluntary* transfer of power (normally held by the government in democratic states and by parties or special interest groups in authoritarian regimes) from one group to another. This passage of power is determined by elections, or consensus that all members of society subscribe. Haggard and Kaufman use this concept of "transition."⁷ The locus of power remains the same-government or party, but the new wielders of power and their clientele, beneficiaries, and constituencies become the recipients of state largesse. State patronage is redirected to the followers and supporters of the government at home and state diplomacy is aimed to consolidate old allies in security and cultivate new partners in trade and investment. Governments change, but the state remains constant. The instances of the political changes caused by external pressures increase. The regime changes in Argentina in 1989 from Raul Alfonsin to Carlos Menem were prompted by the mismanaged external debt burden. Internal pressures ranging from electoral fraud to corruption effected the regime change in Indonesia in 1998 (from Suharto to Habibie to Wahid) and Mexico in 2000 (from the Partido Revolucionario Institucional-PRI, the Revolutionary Institutional Party which ruled the country for 71 years-to the Partido Accion Nacional, PAN or the National Action Party of Vicente Fox). Korea and Thailand, severely impacted by the financial crisis of 1997-98, also experienced regime transitions.⁸

Regime *transformation* is an *involuntary* process and consequence of restructuring the bastion of state power. All revolutionary changes are social transformations. The old locus and fount of power give way to the new set of power system. New constituencies, clientele, and beneficiaries replace the old, as the new political arrangements bring in new state elites and new government. Fundamentally, the transition does not result in the change of the locus of power, only the wielder, or circulation of elites. But in transformation, the locus and wielder change. Barrington Moore, Jr. has argued that the inability of the state and its bureaucracy to control the peasant discontent brought about revolutions in France, Russia, and China. The principal forces of transformation came from *within*.⁹ Skocpol, a Moore student at Harvard, goes a step farther: social *transformation* (read revolution) occurs because of the ancient regime's loss of power to contain discontent, growing external pressures on the state, and the bureaucracy's insidious abandonment and betrayal of the wielder of power, as the state becomes autonomous.¹⁰ Whether in the France of the 18th century or the Thailand of the 1990s, the state became a player in the capitalist world-system and external pressures and forces that grew out of the trade, investment, and other political economy relations precipitated regime transitions and transformations. France was unable to absorb the pressures, internal and external, and successfully respond to them, while Korea and Thailand are able to attenuate the severity of the crisis and escaped the fate of transformation. France did not have global and multilateral organizations to turn to for help. Korea and Thailand had. Indonesia experienced regime transition but its continuing socio-political crises can

lead to regime transformation, or Skoepol's social revolution. In August 2001, the regime transition did take place when the national legislature fired Abdurrahman Wahid and replaced him with Megawati Sukarnoputri as new president. A fundamental regime transformation, however, is yet to come.

In recent history, policy modifications and regime changes are often provoked by external political economy changes. The abandonment of import-substituting industrialization (ISI) in East Asia was a response to the dwindling U.S. aid, in the case of Korea and Taiwan.¹¹ Although the end of the aid theory is a bit simplistic, it acknowledges the importance of external ties, or global linkages, to economic and political development. Historically, Latin America has oscillated between elitism and populism.¹² These are also regime types, as a country transforms from the elite-dominated state system ("caricature capitalist" in Barrington Moore's words) to a populist ISI state, a new regime emerges and the state's foreign policy changes to reflect the new political economy reality.¹³ This in turn increased or decreased the country's external relations, security alliances, trade and FDI. East Asia adopted an export-promoting industrialization (EPI) strategy, in which the state continued to loom large in the economy, but this time both externally and internally. The ISI regime was *internally driven*. The EPI regime required both mobilizing the domestic resources and tapping external technology and capital. Argentina, Brazil, and Mexico remained with the ISI policy until the early 1990s, while much of East Asia switched to the EPI since the 1970s. The Latin American regimes were more autonomous and closed, but less subject to external pressures, while the Asian regimes were more open but susceptible to global volatility. Access to international market in Latin America was not a chief concern in its trade policy, social policy, labor policy, and foreign policy. In East Asia, regimes had to take into account the export potential and market access beyond its national borders, when domestic and foreign policies were made. One reason is that the domestic markets were small and quickly saturated to the point that exporting was the only way to sustain the growth. This has exposed East Asian to embrace globalization more readily, but has made more vulnerable to outside economic oscillations. In turn, globalization has reduced the state's autonomy and has imposed a new set of political economy rules, which the EPI regimes either accepted or accommodated. This results in a host of new political risks, heterodox and secular. These risks cannot be addressed and mitigated by the state alone. They are global political risks.

STRONG STATE, WEAK SOCIETY VS. WEAK STATE, STRONG SOCIETY

This dichotomy has not been fully explored in the emerging field of regime transition and regime transformation. Strong state is a political creation, which dominates, molds, and remolds society. Its "capabilities"

to penetrate society, regulate its social relations, extract taxes and other resources, and use the collected resources in the ways the state elites choose.¹⁴ Japan has been the exemplary case of strong state and weak society. Chalmers Johnson argues that this process has taken centuries. In strongly tribal and clan-borne societies, national and superimposed political systems have proven inherently weak. Africa, Southeast Asia, South Asia, and much of Latin America, multiethnic societies have proven stronger than the state which have failed to dominate. The most advanced and developed Latin states like Mexico, Brazil, and Argentina have forged a strong state system, but party patronage in Mexico and powerful local political elites in Brazil and Argentina have effectively resisted the penetration and consolidation of the federal government. These political clans, families, and tribes have represented the national government through appointments, patronage, and public works projects. In the age of globalization, strong states can be buttressed by external linkages, which have fueled the rise of culture-based nationalism and fragmentation of formerly integrated society, such as the former Soviet Union, India, Indonesia, and even Canada. Backlash to globalization is just as strenuous in developed societies as in developing countries. Thus, the assessment of political risk must take into account this dimension of the dynamic process of the making and unmaking of strong state, weak state in the globalization context.

ASIA AND LATIN AMERICA IN 1997 AND 1998

The Suharto legacy of 32 years ended abruptly in May 1998, as the financial crisis deepened and ravaged throughout Southeast and Northeast Asia. Korea was already in transition from the military to the civilian governance when the crisis hit. Mexico's 71-year rule by the Revolutionary Institutional Party (PRI in Spanish acronym) was broken by the opposition presidential winner in late 2000 without violence, while in Argentina, a coalition of opposition parties defeated the official candidate of the Menem government. Only in Brazil and Malaysia, the incumbent governments continued in power, but in by-elections, opposition parties have gained power in municipalities and state legislature. One significant impact of financial globalization has been the detaching of the market from the state aegis and tutelage. Access to global financial markets by corporations from these countries since the early 1990s have become a fact of life. The consequence of this financial globalization is for corporations to assert greater independence and autonomy from the state, as they require less and less financial support from the state. Hence, the lever of the "developmental state"¹⁵ system, wherein the mantra of "the state leads, the market follows" has been seriously weakened in Latin America, and in East Asia, it has come to an end during the 1997-98 crisis.¹⁶

Thus, assessing political risk in time of sea changes in the global economy and polity requires a new theoretical framework. Traditionally,

the political risk assessment involved a nation-state mind set: regime stability, economic activities and financial ebb and flow were often the works of the government. In the EPI-driven Southeast Asia, the role of good government was often defined as the one which built an elite of export economy, sustained economic growth, created jobs, guaranteed social order, clothed, fed, gave roof over head, and offered sound public health and educational services to the citizens.¹⁷ In the populist-smitten Latin America, a good government was often understood to mean the one that created public sector sinecure, provided free health care and educational systems (the quality mattered little), kept foreign competition out of national borders and protected domestic business cartels, and promoted the monopoly, and in some cases, monopsony, of state-owned enterprises in key sectors of the economy. The age of this "macroeconomics of populism" has ended.¹⁸ In the 1990s, both developing and developed worlds have gone through fundamental transformations, as the result of the global economic, financial, technology, and social changes.

The name of the new game has become how to attract foreign capital, promote exports, and experiment with neoliberalism to replace the populism in the case of Latin America and the *dirigiste* neomercantilism in East Asia.¹⁹ Many countries have adopted, somewhat indiscriminately, the *tripé* of liberalization of foreign trade, deregulation of the domestic market, and privatization of state-owned enterprises.²⁰ The portion of official development assistance in the 1970s represented 60 percent of the total capital flows, but in the first half of the 1990s, it shrank to 11 percent of the total.²¹ The preeminence of private capital or foreign direct investment and foreign portfolio investment by the mid-1990s has diminished the role of the state as the lever of finance and strengthened key domestic and inter-state players in the global financial market. In some cases, the state was forced to reduce its role in the domestic and global economies, and in others, the state sought to rearrange its role in relation to domestic and global players.²² The jury is still out, but in Latin America, there is growing disenchantment with the neoliberal model, while in East Asia, high unemployment, slow pace of corporate reforms, and state inability to provide a social safety net for all has stymied a fuller structural reform of the state and the market, thus never getting to embrace neoliberalism in full.

OLD AND NEW POLITICAL RISKS

Political risk²³ is best defined as conditions that can affect current business operations or future investment projects in a country due to either sudden or anticipated changes in policy or contagion effects of policy changes from one country or a region-market to other countries and region-markets, such as the European Union (EU), the North American Free

Trade Area (NAFTA), the Southern Cone Common Market of Latin America (MERCOSUR), and the similar. An insurance and financial risk is defined in the context of potential, possibility, probability, chance, and even uncertainty of loss. Where these conditions prevail, there is a risk.²⁴ The old risks came by and large from internal sources—old unimplementable policies, irrational policies, and even xenophobic nationalism.

Hence political risk is a policy consequence or a possibility that decisions made by government and nongovernmental actors in a country can affect your business bottom line or a foreign policy objective of a neighboring country. In this context, a policy is defined as what the government does or does not do. When a new policy comes into being, the previous void of a concrete policy is filled, and it can change the dynamics of your business. Also, the existing policy that favors your business now can become detrimental, as your business grows or shrinks. Farmers in Japan and Korea lobby the government to keep foreign product out. In a similar fashion, banks and insurance companies can keep foreign competition out by supporting stringent capital controls, transfer rules, and a restrictive exchange policy. Risk is also a reflection of time. It changes over time as the world changes. But political risk is not “commercial uncertainties, fire, earthquake, floods, and unexpected accidents or thefts.”²⁵

Political risk, unlike credit risk or financial risk, comes from several internal segments of a country as well as external sources. Political risk is managed in two ways: first, *assessing* the risk and then *mitigating* it. Assessment entails identifying, categorizing, and grouping variables that serve as risk generators—forces that threaten profitability in the short term and survivability in the long term. Risk generators can be persons such as political actors; institutions such as banks, cartels, and multilateral enterprises, or even powerful states like the United States, China, Japan, and the European Union, acting either alone or in some combination. In fact, the Mexican and Asian crises add a caveat: you don't have to be a world-class economy to set off a world-class contagion. Neither Mexico nor Thailand is a world-class economic power, yet each has been the epicenter of financial shock waves that shook the world in 1994-95 and 1997-98, respectively.

Because of global interconnectivity in trade, finance, politics, and social aspirations across the borders, a risk found in one sector can be best offset in another. For example, improving the performance of political and judicial institutions can repair the economic-financial sector crisis. Or conversely, a high social risk can be moderated by improving a country's relations with its key trading partners, or neighbors, such that a solution is found in global linkages. Because of this internal and external nature, political risk encompasses both business (the market) and government (the state) in its mitigation and management. Foreign policy can run amok as easily as investment policy. Bad corporate policy can undermine the diplomacy

of inter-state alliance and cordiality, as unsound and nationalistic diplomacy can close overseas markets or can drive interest rates up for your country's firms.

There are new sets of international, crossborder risks that have emerged in the last twenty years that which did not exist before. Risk in emerging markets is one; risk in the integrated global financial markets is another; and risk in globalized environmental policy is still another. There are many risks that recent globalization has produced. Being an ex-head of state with a valid diplomatic passport no longer guarantees immunity from international prosecution, as the world witnessed the arrest and trial of General Augusto Pinochet of Chile in the United Kingdom in October 1999. In the summer of 2001, Slobodan Milosevic was turned over to the Hague tribunal for the crimes against humanity in the Balkan war of the 1990s. National sovereignty has a new meaning. New global rules are at work in every aspect of life. New risk goes beyond what has been thought of as traditional risk-what a government does and does not do generate *a new business environment, hence a new risk.*

New global risks are often the results of what a government of one country does that impacts the financial market of another country, which in turn responds by raising or lowering its interest rates to be more competitive than the first country. The high interest rate of the second country attracts capital away from countries with higher rates. At least, this is the case in theory. There are other non-economic and financial factors that go into the formulation of a country's political risks. Money knows no borders. Ultrafast computers, telephone modems, and trade and financial liberalization have created a global financial system that operates 24 hours a day, 365 days a year. This globalization at work creates a series of new risks and transmits risks from country to country, from region to region.

LOCAL ILLS GO GLOBAL

With globalization processes unfolding at an ever-accelerating pace, Russia's internal policy decision not to honor its debt and to devalue the *ruble* in August 1998 became a crossborder and global risk within days, primarily because a third of all the investors who put their money in Russian government bonds were foreigners. The World Bank and the International Monetary Fund are also heavy lenders to Russia. To cover losses in the Russian debacle, the investors had to sell their assets elsewhere. Often investors and investment banks pulled money out of portfolios that were performing well, thus adversely and inadvertently creating new financial market instability, hence introducing new risks into Brazil, Mexico, Malaysia, Indonesia, Korea, Argentina, and far away South Africa. The financial interconnectivity among these seven countries was through the Russian

government bonds, investment houses in New York, London, Frankfurt, Tokyo and St. Petersburg, and the World Bank and the IMF. What each of these actors chose to do in August 1998 and soon after created a host of risks that never existed before and a single country's risks became regional and soon global.

Contagion effects are global in scope, fast spreading across borders, and devastating in consequences. This is beyond the comprehension of the average person on the street and beyond the capability of a single government to cope with. What does Russia's failure have to do with Brazil, or Mexico, or Malaysia? These countries are in no geographic proximity to each other, have scant trade and investment relations, but are tightly grouped into a single portfolio of emerging markets managed by a 25-year old Harvard MBA in New York, Tokyo, Hong Kong, Singapore, or London. His or her daily loss in Russia must be recovered, if not covered. Pull the plug on those countries whose economic and financial situation looks similar to Russia's; no time to do an in-depth comparison! A superficial similarity is sufficient to satisfy the supervisors. So before the situation in Latin America and East Asia begins to deteriorate and go Russian, get the money out and run.

WHEN FPI IS GREATER THAN FDI

The financial havoc spreads inside of the heads of hedge fund managers and currency traders first, then to computers and friends in New York, London, Zurich, and Tokyo. Soon it becomes a global reality. Billions left Brazil in November-December 1998, draining a third of country's foreign reserves. In Thailand, the central bank sold billions in forward contracts—as much as \$23 billion from a total reserve of \$25 billion in February 1997, five months before the baht collapsed.²⁶ The Thai and Brazilian governments responded to this capital flight by raising interest rates. But as in Thailand, the same money men and women knew that Brazil could not sustain its high interest rates for long before it would have to sell dollars to prop up the value of the oversubscribed *real* or devalue it. Otherwise the national economy would collapse. Indonesia, Malaysia, Korea, and Mexico all devalued their currencies in 1997 and 1998. Argentina stuck to its currency board parity of one dollar to one *peso*. Its exports fell; unemployment increased; external debt soared; possibility of default invited an IMF intervention; the country accepted the IMF conditionality; the government lost the presidential election to the opposition candidate.

By August 2001, the Fernando de la Rúa government in Argentina was on the brink of defaulting its \$128 billion external debt. To contain the risk from spreading farther, the Bush administration, the IMF, and several developed countries moved quickly to rescue Argentina.²⁶ In September 1998, Malaysia closed off all access to the *ringgit* speculation as well as prohibited capital exit, but in 2000 and 2001; the government eased its policy, short of completely removing the restrictions. In the summer of

2001, the “capital controls” in Malaysia is a misnomer. In reality, there is no control on FDI but the stock market is closely watched by the government and its intervention to bail out a few selected ailing firms constitutes the major capital control by artificially propping up the price of the shares.²⁸ In early June 2002, Malaysia was restored to the investment grade of the Morgan Stanley Capital International’s Emerging Market Index, but no major stampede to invest in Malaysia has taken place.²⁹ Latin America’s experiences showed that over time, such interventions could backfire.³⁰

Market globalization has increased political risk and has made it more devastating, crossborder, and even transcultural. Countries in Latin America and East Asia that have been severely affected by the Asian financial crisis since 1997 all had two things in common. First, they all imported more FPI than FDI, except Indonesia. And second, all have had regime changes. In Table 3, those countries affected by the Asian financial crisis and its contagion imported more FPI than FDI. Indonesia’s social instability during the last years of the Suharto rule had discouraged the inflow of FPI as early as 1995, but especially after the well-orchestrated gold mine fraud of Bre-X.³¹

Table 3: FDI & FPI in Latin American & Asia: Annual Average of 1992-97

	FDI	FPI
Argentina	4.3%	10%
Brazil	6.3%	11.9%
Chile	2.4%	0.9%
China	29.8%	2.4%
Indonesia	3.6%	2.9%
Korea	1.4%	11.9%
Mexico	8.2%	10.7%
Singapore	6.6%	1.1%
Thailand	1.9%	3.3%

Source:

UNCTAD, World Investment Report 1999 (New York: UN, 1999).

When FPI exceeded tenfold as in the case of Korea, the inflows and outflows of dollars varied too extreme, daily and weekly, thus first devaluing the won and then increasing the external debt loads of the *chaebols* that had borrowed and owed in dollars. As the value of the won slid, dollars for debt service soared. The chaebols were unable to increase the exports in a short run, and the Korean state refused to bail them out, in view of its impending membership in the Organization of Economic Cooperation and Development (OECD), which frowns upon undue subsidies and bailouts. Pinched by the depreciated won and declining foreign reserves, the Korean government was unwilling to guarantee the safety of the funds borrowed by the chaebols in the early 1990s, when the liberalization of the banking system allowed the entry of short-term loans and FPI in dollars. A measure of neoliberalism transferred the moral hazard from the state to the lenders. No national policy can correct this risk. The Asian crisis occurred during the interregnum of the transformation from neomercantilism to neoliberalism. And there was no regional or international financial mechanism that could deal with the crisis, whose etiology was truly global. Eichengreen has proposed a global financial framework, while Fred Bergsten at the Institute for International Economics has predicted that if no global architecture is forged soon, Europe (EU) and East Asia will find ways to build their own regional structures, such as an Asian Monetary Fund,³² thus changing the dynamics of the current risks. Recently, a group of researchers from the U.S. and Japan concluded that the decline and the evaporation of the competitiveness of Japan's global companies was attributed to the sea changes in the global economy and the outdated state interventionism in the market.³³ Since the early 1990s, the succession of Japan's government has failed to overcome the resistance from the powerful domestic lobbies and party tribes to implement serious reforms. External pressures have not yielded any result yet.

ALL POLITICS ARE STILL LOCAL BUT ALL ECONOMIES ARE GLOBAL

The first trick of accurately assessing new political risk is to recognize that the economy has become global but politics remains national. The disjointed *global-national* nexus can cause higher risk than a well coordinated policy, such as Vietnam and Myanmar's; both have limited exposure to the global economy; thus fewer exposures to external pressure, and little FDI and FPI have entered these two countries. This voluntary (Vietnam's) and involuntary (Myanmar's) isolation from the global market protected them from the Asian crisis. There was no interconnectivity that could transmit risk. Korea, Indonesia, and Thailand retained considerable neomercantilist policies, while seeking to liberalize, deregulate, and even privatize their economies, thus creating a series of policy measures which

became dysfunctional when their currencies collapsed first and then financial markets plummeted.³⁴ In part, this explains why the now infamous moral hazards failed to trigger.³⁵ The developmental state did not work as expected, because it is a mismatch in the age of globalization. Globalization is not a choice.³⁶ Either a country is on board or get off. There is no middle way. This increases risk. When a country is ill prepared to enter and compete in the global market and polity, the risk for its own government and its business firms increases. The cost of money to companies from Singapore is lower than that from Brazil, according to the World Bank.³⁷ Global investors see the economic and financial policy of Singapore as sounder and hence safer for their money than those of Brazil do. The World Economic Forum also ranks Singapore's competitiveness higher than Brazil's. So does the Lausanne-based Institute of Management Development's *The World Competitiveness Yearbook*. And Transparency International ranks Singapore ahead of Brazil.³⁸ Regardless of the validity of research methodology that went into these studies, global investors read these reports, manage their investment strategies, and mitigate their risks in the emerging markets. Table 4 shows that Thailand, Malaysia, Mexico, and China have tapped external capital to expand domestic investment. In that sense, all four are the beneficiaries of globalization, not the victims.

Table 4: Capital Addition in Asia and Latin America as % of FDI in Domestic Investment, 1980 & 1998

	1980	1998
China	0%	11.9%
Mexico	3.6%	10.7%
Malaysia	12.5%	25.8%
Thailand	2%	24.7%
USA	3.1%	7.5%
Indonesia	-2.7%	1%
Korea	0%	8.1%

Source:

UNCTAD, *World Investment Report 1999* (New York: UN, 1999).

HOW TO MANAGE NEW POLITICAL RISKS

A good balanced political risk assessment must be broad in scope yet at the same time detailed enough to reflect the unique nuances of a country and those of its neighbors. No two countries have the same political risk even though their economic and financial indicators may look similar. No single risk assessment model can claim a monopoly on analytical superiority or greater forecasting dexterity. However, to be as comprehensive political risk assessment must be moored in the following five areas: (1) political regime and actor analysis; (2) macroeconomic, microeconomic, and financial analysis; (3) social, cultural, and human development analysis; (4) global linkage risk; and (5) business environment study. These five components or shells constitute a whole of political economy—the state, the market, and the society at large, whose interaction and intersection daily, weekly, monthly, and yearly create new risks, remove old risks, and offer opportunities to moderate or mitigate both.

Due to the space limitations, the detailed presentation of the five “shells” will have to be deferred on another occasion. They are not self-contained, but interconnected among themselves. One can affect the other four, while four can reshape the one. First, how to manage a *political regime “shell”* may require the overhauling of the social, cultural and human development components, as well as improving the macroeconomic and financial risk. Both democracy and dictatorship have regime foundations and political systems, in which key actors, elected or self-appointed, and players command supporters and followers. They use power to reward followers and punish opponents. The state commands enormous financial resources at its disposal, especially in Asia, the huge domestic savings and in Latin America, the state-backed guarantees to externally borrowed capital from global banks gives the state the lever of control. Political risk varies from democratic to authoritarian regimes. Checks and balances play a critical role. Transparency is another player in risk. Corruption is still another. Institutional foundations, rules of law, legal protection for individual properties, and judicial impartiality also play a role in increasing or decreasing a political risk.

Second, the *economic-financial* shell analyzes the strengths and weaknesses of a country’s fitness as a productive machine, a good trading partner and a responsible borrower, going beyond a mere account. Data for the three categories of macroeconomic, microeconomic, and financial indicators are collected for evaluation, although the first is the most important in terms of giving away what has been going wrong in the general economy than the latter two, which have more impact on the internal social and political arenas. Imbalances in current account, budgetary deficits, out-of-shape ratios between liabilities to banks and international reserves, and extraordinary ratios between domestic debt and GDP as well as external debt and GDP can give away risk clues to trained eyes.

Third, the social, *cultural and human development shell* seeks to determine if the country under analysis has current and potential risks provoked by imbalances, or better yet, inequities, in social, cultural, and human development. A country with a high birth rate will need to increase its social spending, create more jobs, and establish equitable access to political power. Therefore, a high birth rate can change risk levels in the political, economic, and business environment components. Income concentration in the hands of few, the inappropriate distribution of a country's educational budget between primary/secondary schools and universities, the distorted state of women in national labor market, chronic ethnic violence, are only a few examples of risk generators. Table 5 shows that Brazil has the worst income concentration, while Japan has the most equitable income distribution. On the basis of this variable alone, Brazil's risk is considerably higher than Japan's. Crime rates are higher in Brazil than in Japan, thus reducing the safety and security for FDI and its personnel, including Brazilian employees. That makes Brazil a higher risk than Japan. The government of Brazil needs to address the issue, if it were to become more competitive and attract more FDI and FPI. The state of the social, cultural and human development indices can be important clues to explaining current as well as potential risks.

Table 5: Income Distribution in Latin America & Asia in the 1990s: Shares of Each Group in % of the Total National Income

	Top 20% Richest	Bottom 20% Poorest
China	46.6%	5.9%
Malaysia	53.8%	4.5%
Indonesia	44.9%	8%
Japan	35.7%	10.6%
Thailand	48.4%	6.4%
Korea	39.3%	7.5%
Canada	39.3%	7.5%
Brazil	63.8%	2.5%
Mexico	58.5%	3.6%

Source:

World Bank, *World Development Indicators 2000* (Washington, DC: World Bank, 2000).

Fourth, the *global linkage shell* is concerned with how well a country is tied and linked to international and global political, social, economic, and cultural entities that are able to influence the domestic risk environment of the country. It plays an important part in reinforcing or weakening a virtuous or vicious cycle of development for the country. Strong ties with the international banking and financial sectors can bring FDI and FPI, expand exports, transfer technology and human capital, and even import precious raw materials that the country does produce but needs. This infusion of factors of production can create jobs for the country, which in turn reinforces social stability for people, and which strengthens regime stability, whether democratic or authoritarian. This virtuous cycle emerges and thrives, by and large, thanks to solid global linkages.

Fifth, the *business environment analysis* provides vital intelligence on the market conditions, such as competition, tax rates, hiring and firing rules, the status of intellectual property rights, capital entry and exit rules, property acquisition and asset transfers, venues for conflict resolutions, and the like can make or break your business. You need to determine the kinds of information, data, and intelligence that are *specific* to your business in order to evaluate the possibilities for success or failure, or a loss of investment. This is important because the environment in which a Canadian mining firm can succeed may not guarantee the same for a Japanese firm. The risk is that the host country is like water and the investor is like a fish. A salt-water fish cannot survive in fresh water too long, and a salt-water environment is wrong for other forms of aquatic life.

CONCLUSION

Globalization has created new risks. Emerging markets have become more vulnerable and volatile than developed countries because they rely more on outside financial resources for growth and on outside markets for their products. Furthermore, their political system is not fully developed to ward off vagaries of electoral contests, civil strife, and the protection of individual assets and civil rights. The global capital moves in real time, a crisis can spread quickly, contagion becomes transborder, and reaction time is short or nonexistent. Instantaneous transfers of money across borders make central bank authorization redundant and bank drafts outdated. Banks as we know them will have to alter their *modus operandi*. Foreign ministry and ministry of trade will have to design new growth strategies or will become anachronistic. Korea and Brazil pulled themselves out of underdevelopment during the decades of the 1960s and the 1990s. Both had military governments for close to three decades, during which time they experienced their fastest growth in history. Yet both countries developed different and even contrasting state and market structures. Korea distributed its wealth more equitably than Brazil.³⁹ (See Table 3) Korea offers fewer social safety nets than Brazil, but it has stronger traditional family bonds that substitute for public doles and welfare. When the national economy

collapses, these traditional networks become overtaxed and even dysfunctional, as seen in Thailand and Indonesia during the Asian crisis.

The political risk that emerging markets have faced can be traced to the depth of their integration and linkages to the global economy. This linkage has shaped and reshaped the domestic social, cultural, and therefore political structures. Korea's recovery has been faster than Brazil's and Thailand's, because the former is far more integrated into the global economy and therefore can take advantage of opportunities and resources that the global economy has to offer. Brazil and Thailand, due to the internal reasons unique to each of them—the former emerging from the populist legacy, while the latter seeking to reduce the military corporatist domination, have been slower in opening their markets to outsiders and hence more susceptible to the volatile forces of globalization.

In a similar fashion, Thailand will recover from the crisis faster than Indonesia. Thailand's ties to the global economy are deeper than those of Indonesia. From 1970 to 1995, the per capita export of a Thai expanded from \$80 to \$850.⁴⁰ No other country in Asia could match Thailand's performance, except for Korea. Also, Asia's strategy to export out of its crisis will work so long as the USA, EU, and Japan choose to cooperate, and the current political stability in Thailand is firmer than Indonesia's. This forecasting is one example of how international political risk assessment is done. The mitigation of new political risk will require a country's ability to marshal not only domestic resources, but to maximize its global linkages as well.

ENDNOTES

- ¹ Eul-Soo Pang's part in this article draws from his earlier article, published in the *CSM Quarterly Review* in 1999. The part authored by Halim Saad draws from his IDFR lecture notes and is written in 2001.
- ² World Bank, *World Development Report 1996: From Plan to Market* (New York: Oxford University Press, 1996), Table 12 and *World Development Report 2000/2001: Attacking Poverty* (New York: Oxford University Press, 2000), Table 12.
- ³ World Bank, *World Development Report 1990: Poverty* (New York: Oxford University Press, 1990), Table 14 and *World Development Report 2000/2001*, Table 20.
- ⁴ World Bank, *World Development Indicators 2000* (Washington: World Bank, 2000), Tables 6 & 7.
- ⁵ A UNCTAD report cited in *The SunBiz* (4 August 2001): 32. For the 1999 figure, UNCTAD, *World Investment Report 2000: Cross-border Mergers and Acquisitions and Development* (New York: UN, 2000), xiv, xx.
- ⁶ Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (New York: Cambridge University Press, 1996) expounds the weakening of the state. Jean-Marie Guéhenno, *The End of the Nation-State*, trans. Victoria Elliott (Minneapolis: University of Minnesota Press, 1995) and Kenichi Ohmae, *The End of the Nation*

State: The Rise of Regional Economies: How New Engines of Prosperity Are Reshaping Global Markets (New York: The Free Press, 1995) are the extreme view that the nation-states are dead. Peter Dicken, *Global Shift: The Transformation of the World Economy*, 3d ed (New York: The Guilford Press, 1998), Chapter 3: 'The State is dead....long live the state.' highlights the changing dimensions of the nation-state in the globalized world economy.

- ⁷ Stephan Haggard and Robert R. Kaufman, *The Political Economy of Democratic Transitions* (Princeton: Princeton University Press, 1995).
- ⁸ Deunden Nikomboriak and Somkiat Tangkitvanich, "Corporate Governance in Thailand: From Crisis to Recovery," in *Restoring East Asia's Dynamism*, eds. Seiji Masuyama, Donna Vandenbrink and Chia Siow Yue (Tokyo: Nomura Research Institute and Singapore: Institute of Southeast Asian Studies, 2000), 69-92. Dongchul Cho, "Coping with Capital Flows and Monetary Policy Framework: The Case of Korea," in *Coping with Capital Flows in East Asia*, eds. C.H. Kwan, Donna Vandenbrink, and Chia Siow Yue (Tokyo: Nomura Research Institute and Singapore: Institute of Southeast Asian Studies, 1998), 79-110.
- ⁹ *Social Origins of Dictatorship and Democracy: Lords and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966), 480-83.
- ¹⁰ Theda Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russia, and China* (New York: Cambridge University Press, 1979), 3-33.
- ¹¹ Garry Gereffi, "Global Production System and Third World Development," in *Global Change, Regional Response: The New International Context of Development*, eds. Barbara Stallings (New York: Cambridge University Press, 1995), 101.
- ¹² Inter-American Development Bank, *Economic and Social Progress in Latin America 2000 Report: Development Beyond Economics* (Baltimore: The Johns Hopkins University Press, 2000), 163-64.
- ¹³ Unlike Europe and Africa, it should be pointed out that in Latin America, populist regimes harbored both leftist and rightwing ideologies, but both types were fundamentally statist, dirigiste.
- ¹⁴ Joel S. Migdal, *Strong Societies and Weak States: State-Society Relations and State Capabilities in the Third World* (Princeton: Princeton University Press, 1988), 4 & 15.
- ¹⁵ Chalmers Johnson holds the paternity of the concept of developmental state: *Japan: Who Governs? The Rise of Developmental State* (New York: W. W. Norton, 1995). A brilliant review of the concept is found in: Meredith Woo-Cumings, ed., *The Developmental State* (Ithaca: Cornell University Press, 1999). It should be pointed out that the Woo-Cumings book argues that the Asian developmental state is well and will continue to thrive. The crisis of 1997-98 posed a temporary setback and the developmental state will be "roaring back".
- ¹⁶ Eul-Soo Pang "The Financial Crisis of 1997-98 and the End of the Asian Developmental State," *Contemporary Southeast Asia* (December 2000): 570-93.
- ¹⁷ Kishore Mahbubani "The West and the Rest," *The National Interest* (Summer, 1992): 3-12.
- ¹⁸ Rudiger Dornbusch and Sebastian Edwards, eds., *The Macroeconomics of Populism in Latin America* (Chicago: University of Chicago Press, 1991).

- ¹⁹ Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle Between Government and the Marketplace That Is Remaking the Modern World* (New York: Simon Schuster, 1998).
- ²⁰ Yergin & Stanislaw, *The Commanding Heights*, p. 374.
- ²¹ Miles Kahler, "Introduction: Capital Flows and Financial Crises in the 1990s," in *Capital Flows and Financial Crises*, ed. Miles Kahler (Ithaca: Cornell University Press, 1998), 3.
- ²² Barry Eichengreen, *Toward a New International Financial Architecture: A Practical Post-Asia Agenda* (Washington: Institute for International Economics, 1999), 55-58. According to Eichengreen, capital controls are not a bad thing. He cites the Chilean case, which imposes taxes on all incoming foreign direct investment, while Malaysia since 1998 imposed taxes on capital leaving the country.
- ²³ Eul-Soo Pang, "Part 2: The Interconnectivity of International Political Economy Forces in Assessing Risk," *CSM Quarterly Review* (1998): 19-32.
- ²⁴ Emmett J. Vaughan, *Fundamentals of Risk and Insurance*, 5th ed (New York: John Wiley & Sons, 1989), 13-19.
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- ²⁶ World Bank, *East Asia: The Road to Recovery* (Washington: The World Bank, 1998), 10.
- ²⁷ Genevieve Wilkinson, "Argentina seen on razor's edge," *The Sun* (28 July 2001): 22 and "Argentina closer to getting world aid," *The SunBiz* (4 August 2001): 32.
- ²⁸ "Mahathir: Khazanah not bailing out Time dotCom," *The SunBiz* (17 May 2000): 1. "Government offers to take over debt-ridden UEM for RM 3.8b," *The Sun* (24 July 2001): 1, 27. "Dr. M: Our duty to help ailing firms," *The Sun* (4 August 2001): 2.
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- ³⁰ "Sob os holofotes," *Exame* (10 Feb. 1999): 29-30. George Soros, *The Crisis of Global Capitalism: An Open Society Endangered* (New York: BBS, 1999).
- ³¹ Victor Mallet, *The Trouble with Tigers: The Rise and Fall of South-East Asia* (London: Harper-Collins Business, 2000), 137-40.
- ³² C. Fred Bergsten, "America's Two-Front Economic Conflict," *Foreign Affairs* (March/April 2001): 16-27. Eichengreen, *Toward a New International Financial Architecture*, 97-121.
- ³³ Michael E. Porter, Hirotaka Takeuchi and Mariko Sakakibara, *Can Japan Complete?* (London: The Macmillan Co., 2000), 2-22.
- ³⁴ Francois Godement, *The Downsizing of Asia* (London: Routledge, 1999), 20-60. T. J. Pempel, ed., *Politics of the Asian Economic Crisis* (Ithaca: Cornell University Press, 1999); and Wing Thyee Woo, Jeffrey D. Sachs, and Klaus Schwab, eds, *The Asian Financial Crisis: Lessons from a Resilient Asia* (Cambridge: MIT Press, 2000).
- ³⁵ For an interesting view on why the "old" capitalism fails to work in a globalized environment, see: Philip Augar, *The Death of Gentlemanly Capitalism* (London: Penguin Books, 2001).

- ³⁶ Thomas E. Friedman, *The Lexus and the Olive Tree* (New York: Farrar Straus Giroux, 1999), 93.
- ³⁷ World Bank, *World Development Indicators 2000*,
- ³⁸ [Http://www.transparency.de](http://www.transparency.de)
- ³⁹ Eul-Soo Pang, Occasional Paper UKM
- ⁴⁰ World Bank, *East Asia*, 20.

THE IDEATIONAL SOURCES OF CHINESE FOREIGN POLICY: A FRAMEWORK FOR ANALYSIS ¹

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INTRODUCTION

For the past few decades, the study of Chinese foreign policy has primarily been dominated by approaches that largely over emphasize *material* factors. These works mainly look into how the *rational* calculations of China's leaders over the relative growth of the state's aggregate material capability - inclusive of military might, economic gains and natural resources, as well as institutional capacity and technological advancement - have an impact on the country's foreign policy posture.

To a large extent, this state of affairs reflects the dominant position of "rationalism" or the "rationalist models"- notably neorealism and neoliberalism - in the field of international relations in general.³ As cogently pointed out by John Gerard Ruggie, the "neo" variants of realism and liberalism view the world of international relations as "an atomistic universe of self-regarding units whose identity is assumed *given and fixed*, and who are responsive largely if not solely to *material* interests that are stipulated by assumption [emphasis added]."⁴ In other words, the rationalist school

regards ideational factors as secondary, or even irrelevant in studying state behaviour. Instead, it tends to focus on the forces of material interests and power as the main drivers of state behaviour, by assuming that all states seek to preserve and improve its relative capabilities by maximizing their material base as the rational means to achieve national ends, i.e. defending national interests. Driven by the basic principles of "instrumental rationality"⁵, a rationalist view of the People's Republic of China (PRC)'s foreign policy thus asserts that China's foreign policy perceptions and behaviour can be explained largely by the effects of material incentives and constraints.

This kind of materialist explanation, notwithstanding its importance in understanding the logical calculations and rationale behind China's acts in international arena, is not always adequate and useful in explaining the country's foreign policy behaviour and aspirations. Its theoretical limitations can be seen from at least three aspects.

First, it does not elucidate much about the degree of significance or the priority of each material incentive over China's national aspirations and objectives. Material incentive and constraint apparently do not by themselves explain the meanings, significance or the cause-effect relations that they have between each other. It is the *ideational superstructure* that determines the meaning and order of material entities within the context of national strategic goal. In fact, rationalist theories are sometimes at odds in explaining as to how and why China's leaders act the way they do when they have to choose between two contradicting or competing material interests. An example in point of this is Beijing's moves to swing between providing missile delivery system technology and components to Islamabad and running the risks of inviting economic sanction and diplomatic bashing from Washington.

The above example indicates that states' preferences are, in fact, hardly as fully and clearly ordered as the notion of instrumental rationality assumes. Moreover, the rationalist theory is also weak in expounding why the same material interest carries different degrees of importance and meanings to the goals of China, compared to those of the other states. For instance, Wang Gungwu's analysis on China's distinctive view on "world order" and "war" - as opposed to the West's.⁶ Therefore, the significance of all material interests is subject to the intersubjective meanings constructed under a particular social context at a particular time.

Second, materialist theory often fail to explain why China's statesmen are at times ready to sacrifice vital material interests for the pursuit of some ideational or political ends, as vividly illustrated by China's "punitive war" against Vietnam in 1979 and Beijing's missile-firing exercise against Taiwan in 1995-6. Both manoeuvres were driven by the ideational reasons of protecting national sovereignty and pride, though at the expense of risking material outcomes. In the case of 1995-96 Taiwan Strait Crisis,

Beijing's coercive action apparently was "an attempt to compel Taiwan to curtail its independence activities and to accept China's position that Taiwan is under Chinese sovereignty."⁷ The move, however, risked Beijing's material foundations on two fronts: first, it potentially affect the cross-strait economic and trade relations; and second, it potentially damage China-US relationship that is clearly crucial in determining China's march towards economic construction and national development. Those acts were widely perceived by many Western analysts as "non-rational or unthinkable"-an observation that China's decision makers themselves would certainly disagree and refute.

China's leaders' preferences on this respect actually concern the issue of ends-means process - the setting of national ends and selection of national means or strategies. These preferences are strongly shaped by China's distinctive apprehension of the historical span that often goes beyond the immediate and present concerns. As observed by Shu Guang Zhang, China's numerous moves to use force as a final resort to solve international conflict reflect Chinese traditional thinking that "short-term belligerency would serve long-term security (emphasis added)."⁸ He states:

Mao insisted on armed intervention in Korea because he could not tolerate waiting 'year after year unsure of when the enemy will attack us'. Beijing bombarded the offshore islands not as a prelude to an invasion of Taiwan but to demonstrate that China would never concede US dominance of the Taiwan Strait. Chinese troops actively engaged the Soviet forces at Zhenbaodao in 1969 to send out a message that Beijing would not be bullied by Soviet clamour of nuclear 'pre-emptive attack'. The 1979 Chinese 'counter-offensive' against the Vietnamese was aimed at 'teaching the little hegemon a lesson'. Beijing's sabre-rattling against the more confident Taiwanese regime in the mid-1990s was an expression of the same tradition.⁹

This raises the question of China's ends-means tendencies, i.e. its preferences in choosing a particular means to achieve a particular goal. These include the patterns of China's use of force, Beijing's growing levels of comfort and confidence when participating in numerous multilateral institutions, Beijing's negotiating behaviour in territorial disputes, and perhaps more importantly, the apparent recurrence of face-saving approach along the country's diplomatic practice and discourse.

Finally, and perhaps most importantly, the materialist theory is found to be rather irrelevant in explaining the sharp distinctive patterns of Chinese foreign policy behaviours at different historical junctures. This is certainly true if one compares China's foreign policy behaviour during the early years of the PRC establishment throughout 1950s and 1960s, and its later foreign policy orientation in the early 1990s till now.

The former period was clearly characterised by a posture of suspicions, conflict, and the Hobessian sense of "all against all". This can be seen

from China's high level of readiness to use force in settling international disputes, as seen to manifest in the Korean War (1951-53), the Sino-Indian border war (1962), the Sino-Soviet border conflict (1969), as well as the Sino-Vietnamese Conflict (1979).¹⁰ On the other hand, the latter period has clearly demonstrated a relatively co-operative, open and non-confrontational posture. This can be seen from China's growing level of participation - both quantitative and qualitative - in international institutions ranging from "low-politics" (trade and investment Cupertino, environmental protection, educational as well as socio-cultural exchange) to "high-politics" (arms control and regional security).¹¹

If one looks for the answer from the material ground -, as the rationalist model would suggest - none would be forthcoming. In fact the exercise would raise even more questions. Throughout the past five decades, China's material status has no doubt significantly been enhanced, either in absolute or relative terms. The conventional rationalist view is that states would tend to pursue a more assertive and aggressive foreign posture, when it grows stronger militarily and economically. However, empirical evidence indicates that the answer is not as straight forward as that. Obviously, there are factors other than material ones driving China's foreign policy behaviour throughout those periods.

OBJECTIVE AND ASSUMPTIONS

In view of these limitations, it seems clear that the rationalist theory that focuses on material incentives and constraints are far from adequate and useful in studying China's foreign policy (or for that matter, any state's foreign policy behaviour). When attempting to make such connection, one should be made aware of the judgements and inclinations of a state (as a socio-political entity, i.e. China in this case) primarily rest on the construction and sustenance of its *ideational superstructure*. These ideational sources serve as a roadmap that shape the state's orientation as to the meaning and importance of a particular material element,¹² both in terms of cognitive (what the national interests are), normative (appropriate vs. inappropriate, right vs. wrong, just vs. unjust), evaluative (useful vs. useless, instrumental vs. insignificance, comforting vs. devastating, good vs. bad), and affective (like vs. dislike, sensitive vs. insensitive) rudiments.

The primary aim of this study is to demonstrate the impact of ideational sources on China's foreign policy behaviour. Here, the term "ideational sources"¹³ is conceived of as a collective and integrated entity of two inter-related and mutually composed elements, namely norms and identities, of a particular state.¹⁴ The basic assumption of this study is that these ideational factors shape - in causative and constitutive manners¹⁵ - Chinese

policymakers' tendencies and preferences in defining what their national interests are at different points of time, that in turn affect China's foreign policy behaviour. The conception of "causative manner" implies that China's foreign policy behaviour is shaped by exogenous effects that are associated with the state's calculation over incentives (or benefits) and constraints (or costs). On the other hand, the conception of "constitutive manner" implies that China's behaviour is transformed from within - essentially endogenous effects - in which the state's property (its identity and preferences) evolves gradually through a socialization process.¹⁶

Moving on from this assumption, this study maintains that China's *sui generis* ideational factors are the underlying foundation of her foreign policy behaviour within the international society. The evolution of these ideational sources fundamentally shape the way the state thinks of "self" and "others". This in turn affect the state's inclination in approaching questions such as "what the country is"; "its position and status in relations to other states within the international society"; "its preferences on particular state, strategies, processes, and outcomes" along normative, evaluative and affective lines, as well as the issue of world order - "how the world should be organised".

It is important to note that the assumption adopted in this paper does not assert that material forces - most notably military strength and economic gain - as being unimportant. Rather, it maintains that the latter must be premised on, organised, and intermingled with the construction of those of ideational ones. As will be demonstrated, the vicissitudes of material status (growing or declining) certainly has an impact on the evolution of a state's ideational property. More importantly, this paper will further show that it is the changes within the state's ideational structure that give meaning and priority to the material properties; that in turn shape its foreign policy behaviour.

It is equally important to note that these ideational factors are by no means static. Instead, the formation and evolution of any state's ideational forces are dynamic and constantly evolving. To be sure, a state's identity, values and norms are constantly subject to the processes of construction and reconstruction, which would inevitably alter the content and approaches of how national interests of a particular state are defined and defended. This process will, in turn lead to a significant change in the state's foreign actions, even if such change is not immediately noticeable.

The main argument of this paper is that any explanation on China's changing postures toward the outside world needs to be made on ideational ground, which looks into the impacts of identity and norms on China's property and behaviour. To this end, the remainder of the paper will be

divided into three sections. The first section attempts to look into the different theoretical approaches in studying China's foreign policy. It aims to explain why constructivism is the most useful approach to be utilized, by elaborating two theoretical features of constructivism, i.e. the importance of ideational factors and the notion that agents and structure are mutually constructed. The second section focuses on the roles of norms and identities in shaping China's changing foreign policy orientations. It aims to examine how these ideational sources originate and evolve over different historical spans, and how they manifest themselves in China's foreign policy. Finally, the third section will conclude the major findings of the study, discuss its limitations, as well as briefly explain the implication of the discussion on IR theory.

CONSTRUCTIVISM AS A THEORETICAL APPROACH TO STUDY CHINA'S FOREIGN POLICY

The inclination of analysing state behaviour from ideational grounds, rather than from the material base, stems from the theoretical root of constructivism in the study of international relations.¹⁷ The relevance of constructivism in studying China's foreign policy can be seen from two aspects: first, its emphasis on ideational density of state behaviour, as explained in the previous section; and second, its theoretical fertility in examining the problem of "agent-structure relations".¹⁸ By focusing on this important sociological question, constructivism maintains that the construction and evolution of China's foreign policy is actually a mutual product of *both* agent and structure. In his article "The Agent-Structure Problem in International Relations Theory," Alexander Wendt writes,

The agent-structure problem has its origins in two truisms about social life which underlie most social scientific inquiry: 1) human beings and their organizations are purposeful actors whose actions help reproduce or transform the society in which they live; and 2) society is made up social relationship, which structure the interactions between these purposeful actors. Taken together these truisms suggest that human agents and social structures are, in one way or another, theoretically interdependent or mutually implicating entities.¹⁹

This conception implies that China, just like other states or agents, is not free or independent of the constraint or influence of structure (hereby defined as "social forms that pre-exist action"). By regarding agents and structure are mutually constituted, constructivism thus perceives China's interactions with the outside world as forming a part of social structure, which in turn constrain its behaviour. It rejects the view that China's foreign policy behaviour is a product of net calculation over benefits and risks, by a largely monolithic political entity whose national preferences are constant, free from social constraint, and immune from change.

Contrary to that, constructivism believes that the formation, sustenance and evolution of states' identities are subject to an ongoing *socialization* process and an aggregation of learning experience, which in turn shape the way the state thinks and behaves in the international society. Here, "learning" does not only refer to "drawing lessons from historical analogies", but also "probability updating, learning new skills or procedures, or the incremental change of beliefs over time as a result of the gradual accumulation of experience."²⁰

This theoretical stance helps to remedy the shortcomings of many earlier scholarly writings that attempt to analyse the foreign policy behaviour of the PRC from various "cultural or ideational variables", such as the legacies of China's distinct traditional culture and history, the PRC's communist ideology, the idiosyncratic element of Chinese leaders, as well as the perceptions shared by China's top leaders, bureaucrats and scholars.²¹ These approaches, despite their virtues in supplementing the dominant rationalist approach that emphasizes material factors, contain ontological weaknesses in both theoretical and empirical frontiers. They tend to overlook the cumulative effects and endogenous impact of China's interactions with the outside world on China's foreign policy-making process over the decades. More importantly, they obscure the significance of the socialization process in changing what China *is*, and what China *does*.

An observation made by Samuel Kim has precisely revealed how China's deepening and widening interaction with the external world has brought about increasing complications in her foreign policy decision-making process: "As China's interactions with the outside world increase in number and complexity, it becomes more and more difficult for Beijing to co-ordinate all the domestic and foreign policy decisions and actions."²² Viewed from this light, it can be said that any assertions that regard China's national preference as static and its decision-making process as monolithic, is merely an unsubstantiated assumption.

Figure 1 below provides a dichotomous map for positioning the different approaches on the study of China's foreign policy along two conceptual lines. The first is the ideational density of China's foreign policy, that is, the degree of the importance of ideational factors - as opposed to the material ones - in the construction of the state's foreign policy. This is illustrated by x-axis. The second is the agent-structure relationship that refers to the degree of construction of China's foreign policy by structure. This is illustrated by y-axis.

Figure 1:

Four-fold Division of the Approaches to the Study of Chinese Foreign Policy²³

Agent/Structure Relations <i>(degree of construction of Chinese foreign policy by structure)</i>	<i>high</i>	<ul style="list-style-type: none">• Marxism• Neo-realism	<ul style="list-style-type: none">• Constructivism
	<i>low</i>	<ul style="list-style-type: none">• Classical Realism• Idiosyncratic / leadership• Bureaucratic Politics <i>Low</i>	<ul style="list-style-type: none">• Traditional culture• Historical legacy• Communist ideology• Elite Perception <i>High</i>

Ideational Density of Chinese Foreign Policy

(degree of the importance of ideational factors - as opposed to the material ones - in the construction of Chinese foreign policy)

At the lower end of the x-axis lie the approaches that regard ideational factors as less important in the shaping of China's foreign policy, and that China's foreign policy behaviour is somewhat independent from the constraints of structure. These approaches include not only Classical Realism, but also schools of thought that stress on the roles of leaders and bureaucratic politics. For instance, Doak A. Barnett's study of Chinese foreign policy decision making structure and process; Kenneth Lieberthal and Michel

Oksenberg's "fragmented bureaucratic structure" approach that combines the rationality and factional power model; as well as David Lampton's analysis on "professionalization, corporate pluralization, decentralization, and globalization."²⁴ These works share the theoretical features of focusing on the roles of leaders and bureaucratic structure in the formulation process of China's foreign policy.

The high end of this continuum are the Marxist and neo-realist theories that emphasize structural determinism, but dismiss the importance of ideational factors. Examples from these schools of thought are writings by Michael Ng-Quinn, Gerald Segal, Kenneth Waltz, and Richard Betts, whereby they highlighted how the formulation of China's foreign policy has been shaped by "the shift in the distribution of material capabilities across units within the international system."²⁵

At the low end of the y-axis, lie the approaches that take seriously the significance of ideational factors in shaping China's foreign policy, but share the Classical Realism's view regarding the constraining force of social structure as being less important, thus omitting the question of agent-structure relations. Examples in these include scholarly writings by Lucian Pye, John Fairbank, Chih-yu Shih, Michael Yahuda, and Joseph Camilleri. These works look into the importance of China's traditional culture, historical legacy, communist ideology, as well as elite perceptions.²⁶

At the high end of this continuum is the constructivist approach that stresses the significance of ideational factors, and adopts the view that agent and social structure are mutually constituted. Works by Alastair Iain Johnston and Paul Evans take on this theoretical approach, in which they demonstrate how China's foreign policy has been a product of social construction.²⁷

NORMS, IDENTITIES, AND CHINA'S FOREIGN POLICY

The ideational sources of Chinese foreign policy can be analysed from two core facets, namely norms and identities. The ways, in which the state's norms have evolved, identities formed, constitute the ideational structure of the state's foreign policy-making orientation. As shall be discussed, the construction and sustenance of this ideational superstructure are actually intertwined and ever evolving in nature. In combination and in a cumulative manner, they affect the way China formulates its strategic thinking and foreign policy behaviour.

Norms can be defined as "collective expectations for the proper behaviour of actors with a given identity."²⁸ As noted by Peter J. Katzenstein, norms

may operate like *rules* or a *standard*, or both. In the case of the former, it defines the identity of an actor, which thus have “constitutive effects” that specify what actions will cause relevant others to recognize a particular identity. In the case of the latter, it specifies the proper enactment of an already defined identity; thus it has “regulative effects” that specify standards of proper behaviour.²⁹

Here, identity is defined as “a shorthand label for varying constructions of nation- and statehood”.³⁰ Identity of a particular state is often associated with two other elements, namely memory formation and rhetorical frames. According to Consuelo Cruz, these elements are so closely entwined that identity has both the appearance of naturalness, as emphasized by primordialists, and the constructed properties, as stressed by constructivists.³¹ In Cruz’s own words:

Collective memory, by its very nature, impels actors to define themselves intersubjectively. Shaped by past struggles and shared historical accidents, collective memory is both a common discriminating experience (this was right, that was wrong) and a “factual” recollection - a seemingly veridical narrative - of the group’s past “as it really was”.³²

These themes will be further elaborated in a later discussion on the evolution of China’s numerous identities throughout its long historical span. Before we turn our discussion to how different norm shape China’s foreign policy behaviours at different historical junctures, two things about the evolution of norms, should be clarified.

First, the component of all norms has a *dual* nature, in which both traditional and new norms coexist, though in ever-changing proportions. Before an old norm is fully replaced by an emerging new norm, there is a transitional process in which old and new norms are intermingled with each other, with the old norm showing a decrease in strength and effect.

Second, state behaviour often exhibits the influence of more than one norm at any single time. In some circumstances, these norms are competing and contradictory in nature. For instance, Chinese foreign policy behaviours since the 1990s have exhibited the influence of two competing norms, namely “state sovereignty” and “co-operative security”. The evolution and the impact of these two norms on China’s foreign policy behaviour will be explained in a later part.

China’s aspirations and behaviour towards outside world since the Imperial Period until the present day have exhibited at least three sets of norms, in line with its changing identity following these three periods: (i) the Imperial Period; (ii) the Maoist Era (the first three decades after the establishment of the PRC); and (iii) the Reform Era since the end of 1970s.

CHINA'S NORMS AND IDENTITY DURING THE IMPERIAL PERIOD

Throughout the thousands-year long imperial period, China as a political entity did not appear as a "nation-state" or "sovereign state" as we understand them today. At that time, China - in the eyes of itself and others - enjoyed a far superior status than other political entities surrounding it. China's identity was a "Middle Kingdom" ("*Zhongguo*" or "*Zhongyang zhi Guo*"), in which it perceived itself as standing high at the center of the universe, and viewed other political entities as lower in terms of political hierarchy and less civilized in terms of cultural sophistication. Those states were regarded as vassal states who sought a connection with the Emperors - the "Son of Heaven", and were thus obliged to give tributes and to "kowtow" to the Emperor. In the eyes of Middle Kingdom, the international system was no more than a tributary system centered at Chinese civilization.³³ Such an identity had been endured and sustained for centuries until the arrival of the Western powers.

This identity was associated with two major norms. The first norm affects China's internal behaviour. It involved the expectation for the Emperors, their administrators at all levels, and the ordinary people, to behave according to Confucius teaching and thinking. The second norm shaped the pattern of China's external behaviours. It involved the expectation of receiving tributes from the vassal states, and in return, providing security protection and political recognition (however unequal) to those political entities. Throughout the Imperial Period, China's practice in conformity of these norms had brought about both constitutive and regulative effects in enacting and reinforcing its identity as the Middle Kingdom.

Following China's defeat at the hands of the Western powers and Japan in the 19th Century, this identity had been on the wane. Since then, the gradual waning process of the identity had also been accompanied by the slow disappearance of the affiliated norm from China's external practice. The following century further witnessed the old and fragile civilization suffering from internal unrest's, external threats, and more importantly, an acute identity crisis, swinging between its own familiar but fragile civilization and the Western's strange but vigorous value.

CHINA'S NORMS AND IDENTITIES DURING THE MAOIST ERA

A new set of identity and norm slowly emerged after the establishment of the PRC in 1949, under Mao Zedong's leadership. Throughout the first three decades of the Chinese Communist Party (CCP)'s rule, three major

identities of China can be observed: first, as a new modern state that had just been liberalized from the century-long humiliation and internal turmoil; second, as a communist state; and third, as the leader of the developing countries.

These three identities, in turn contribute to, and are reinforced by three major norms that influenced China's foreign policy aspiration and action. The first norm, in line with the identity of a new state established out of humiliation and security menace, involved expectations of behaviours that are consistent with *realpolitik* calculations to ensure state survival in a world that was perceived by Chinese leaders as full of potential aggressors and enemies. The second norm, in line with the identity of a communist state, involved expectations of providing material and moral support to communist revolutionary cause and movements in the region. The third norm, in line with the identity of a leader in the third world countries, involved expectations for policies aimed at defending and promoting the common interests of the developing countries.

The first norm explains the high readiness of Chinese leaders to use force to defend its territorial integrity and national security. The second norm explains why Beijing supported and helped communist movements in countries like Malay(sia) and Indonesia. The third norm explains why Chinese leaders have actively been involved in activities aimed at promoting the Third World voice, such as the Bandung Conference in 1955.

CHINA'S NORMS AND IDENTITIES IN THE REFORM ERA

The implementation of the "Open and Reform Policy" through the "Four Modernizations" program since 1978, marked the transformation of Chinese ideational sources. Given the fact that all identities and norms are socially constructed, the evolution and sustenance of these ideational sources are also subject to the interaction between China and other actors in the society of states, as well as China's internal development.

Following the political development inside and outside China in the 1970s, the above-mentioned identities and norms have undergone dramatic changes. Part of them quietly waned, whereas part of them simply evolved into new forms of identities and norms. For instance, the *realpolitik* norm has been transformed into the norm of safeguarding "state sovereignty"; and the norm of advancing third world interest has been intertwined with and evolved into a wider norm of embracing "co-operative security". The norm of supporting communist revolutionary movement was largely abandoned, partly due to Beijing's own realization that the policy contradict its interest in keeping friendly ties with its neighbouring countries and

maintaining a stable peripheral environment; and partly due to the effects of socialization process, in which Chinese leaders were made realized by the regional leaders about the negative implications of the policy.³⁴

The norm of “state sovereignty” involves the collective expectation of the PRC to preserve its territorial integrity and safeguard its overall capacity by exercising control over its own territory in an exclusive, supreme, and absolute manner possible. Major issues at stake include the Taiwan and Spratly (Nansha) issue, Tibet and Xinjiang problem, as well as numerous domestic issues considered by the PRC as “purely internal affairs”. The collective memory of century-long history of humiliation among China’s leaders and people has been the major source of this expectation.

This norm drove China to use its entire available strategic and diplomatic means to safeguard its sovereignty and territorial integrity, as illustrated in Beijing’s stance over the Taiwan issue and other territorial problems. On the one hand, China’s foreign policy as such reflects “constitutive effects”, in which its behaviour forms and reinforces its identity as a sovereign state in the eyes of itself and others. On the other hand, China’s foreign policy behaviour also reflects “regulative effects”, in which the sovereignty norm plays the role as “standard” in ensuring China behaves in appropriate way, consistent with the expectation.

The fact that the identity of being a sovereign state in the Westphalian sense has been gradually imprinted on the mind of Chinese leaders and people reveals that China’s traditional consciousness of being the Middle Kingdom of the universe had practically waned from history. This ideational transformation is largely due to the myriad of interaction between China and the outside world since the mid-19 century. It should be noted that China’s present identity of being a sovereign-centric national state, and its previous identity of being a new nation-state established out of past humiliation and external aggression, are differed in at least two aspect: first, the leaders’ cognitive base about the nature of international system; and second, the leaders’ ultimate national objective.

In the earlier case, the PRC leaders, with their long memory concerning their foreign humiliation, perceived the international system as a predominantly dangerous and zero-sum environment. Their ultimate national objective thus, had more to do with ensuring survival, rather than pursuing the goal of being a great power. In the latter case, the PRC leaders, with their priority in promoting economic development that requires stable environment, as well as their experience in socializing with the outside world, slowly alter their cognitive base about international system. They began to realize that the world does not necessarily need to be zero-sum all the time. In fact, there are rooms for win-win or lose-lose situations.

At the same time, China's growing economic might and military strength, as well as the country's deep-embedded desire to seek "a proper position in the world", began to emerge on its national objective agenda as a quest for a great power status.³⁵

It should be noted that China's identity formation as a sovereign state that seeks great power status has been shaped by the revival of Chinese nationalism since the 1990s. Among other things, this phenomenon has been attributed to the decline in Marxist or Maoist faith, to the resurgence of Chinese power in the nation-state system, or to the potent combination of both.³⁶ In general, the rise of patriotism and nationalism is believed to have deepened and reinforced the PRC's identity as a sovereign state seeking great power status, and the affiliated norm of safeguarding the sovereign interests.

Nonetheless, the sovereign-centric identity and norm are by no means the only ideational source that shape China's foreign policy in the era of reform. As pointed out by Alastair Iain Johnston and Paul Evans, over the 1980s and 1990s China's traditional autonomous major power identity "has been uneasily linked to a newer identity as a responsible major power, whose status is measured in part by participation in institutions that increasingly regulate interstate behaviour."³⁷ This newer identity has led to the evolution of a newer norm, hereby termed as "co-operative security" (*hezuo anquan*). It involves collective expectations of the PRC to behave in a co-operative, responsible and self-restraining manner within the international system. Recent writings by Chinese scholars over the past few years on the subject matter reflect that this newer norm is increasingly accepted - even if it is not yet significantly internalized - by Chinese policymakers and epistemic community.³⁸

It is important to note that the norm of co-operative security is generally linked to what Chinese leaders have called as the "New Security Concept". According to the Beijing China Radio International, this concept stresses that:

"... security should be comprehensive, all round, and mutually equal. On the question of seeking ways to security, the new security concept plays down military means while stressing the need for economic interdependence and giving prominence to safeguarding security by co-operative, consultative, and peaceful means and establishing a sound international system."³⁹

The manifestation of co-operative security as a norm in Chinese foreign policy can be seen from the widening and deepening process of China's participation in various international institutions over the past two decades. Take China's involvement in the ASEAN Regional Forum (ARF) as an

example. A study on China's participation in the forum since 1994 suggests that China's foreign policy behaviour within the ARF is not only a product of rational calculation over ends and means, but it is also a natural outcome of a socialization process which indicates signs of norm internalisation (in this case, co-operative security).⁴⁰ This process is reflected by at least three instances: first, China's involvement in co-chairing an intersessional support group (ISG) meeting of the ARF on Confidence Building Measures (CBMs); second, the publications of Defence White Papers in 1998 and 2000, as well as the publications of Annual Security Outlook (ASO) in 2000 and 2001 on a voluntary basis; and third, a minor but significant shift in China's stance on the issue of preventive diplomacy (PD) within the ARF context, which will be further elaborated on below.

The development of PD was outlined in the ARF's Concept Paper, which was proposed in 1995 as the second stage of the multilateral forum - as a "natural follow-up to confidence building measures."⁴¹ The concept is defined by ARF participants as "an action to prevent existing disputes arising between parties, to prevent existing disputes from escalating into conflicts, and to limit the spread of the latter when they occur".⁴²

Since the very beginning, China had remained very cautious as to the meaning of PD and the problem of operationalising the concept. One conceptual ambiguity is that it remained unclear whether PD would involve the use of force. Beijing was particularly suspicious about the inclusion of "preventive deployment" as an element of PD.⁴³ In specific, China was alarmed by two major questions concerning PD: "who is to be prevented", and "what issues will be involved in PD"⁴⁴. In this regard, it is apparent that Beijing's concerns were mainly over the possibility that the Taiwan issue - and, to a certain degree, the Spratly dispute - might be included in the ARF process once the forum enters the stage of PD. China insisted that the ARF should progress gradually and on a step-by-step basis, parallel with the complexity of security issues involved and the culture of Asian Pacific countries. Beijing therefore contends that the forum should gradually deepen and widen the discussion and practice on CBMs, before proceeding to the second stage.⁴⁵ As remarked by a Chinese representative at the first Joint Conference of the Japan-China Preventive Diplomacy Research Group in early 2000, "Our position is that we should allow time for preventive diplomacy to evolve. By doing so, we will achieve a stable outcome."⁴⁶

Nonetheless, a small but significant breakthrough was achieved at the 8th ARF Meeting recently held in Hanoi, when China and other forum participants had agreed on the concept and principle of PD outlined in the *ARF Concept and Principles of Preventive Diplomacy* (the PD paper).⁴⁷ The PD Paper was adopted by the participating ministers as "a snapshot of the state on current discussion on PD in the ARF".⁴⁸ At the meeting,

Chinese foreign minister Tang Jiaxuan remarked: "This year, the ARF has made substantive progress. All sides have in the main reached consensus on the three documents [the PD Paper, Paper on the Enhanced Role of the ARF Chair, and Paper on the Terms of Reference for ARF Experts/Eminent Persons], which signifies an important achievement in the transitional process as the Forum moves from confidence-building measures to preventive diplomacy".⁴⁹ Although China still stresses that confidence building should remain the main thrust of the forum; this development is remarkable in the sense that it reflects China's readiness to adapt its view on a particular issue within the context of a social environment such as ARF. This shift can be argued as a manifestation of the norm of co-operative security, in which China's preferences have been undergone, an evolution process in a socialized and interaction environment.

China's participation in the ARF is not the only example that can be linked to norm internalisation and the socialization process. The other example is the shifting approach of the numerous research think tanks that are closely linked to the foreign policy making circle of the country. One Singapore-based academic observes that Chinese think tanks now regularly approach Southeast Asian institutes, offering to take part in regional conferences and meetings. He notes that this is a huge change if one is to compare this with their previous reticent approach less than five years ago.⁵⁰ Given the substantial weight of these institutions on the foreign policy making process in the post-Deng era, this change is significant in bridging the state with the outside world, and in engaging the state into deeper and wider socialization processes.

Nevertheless, it is important to note that the increasing prominence of the co-operative security approach in China's overall foreign posture is not entirely the direct result of norm internalisation process. It should also be seen as Beijing's natural response to the rising menaces of the non-traditional security issues, such as transnational migration, maritime piracy, illegal trafficking of small arms, and drug trafficking. The very nature of these issues - transnational, non-zero-sum, interlinked in terms of cause and effect - has made China and other states realize that solutions to these problems inevitably call for co-operation among states and regions.⁵¹ Viewing from "the logic of consequences" dimension, the co-operative security approach is imperative and essential. Viewing from "the logic of appropriateness" dimension, the approach constitutes and reinforces China's identity as a responsible and co-operative regional power.⁵²

It is important to note that the norm of sovereignty and the norm of co-operative security are in most case contradictory and competing, and in a few cases overlapping, depending on the nature of issues involved. This is well illustrated by Figure 2 below:

Figure 2:
The PRC's Evolving Dual Identities: Issue Areas

As the Defender of National Sovereignty Who Seek to Quest for Great Power Status		As A Responsible, Co-operative, and Self-Restraint Emerging Major Power	
Norm: State Sovereignty		Norm: Co-operative Security	
	Overlapping Issue Areas of both identities		
<ul style="list-style-type: none"> • Taiwan • Spratly/ Nansha • Tibet & Xinjiang • Diaoyutai/ Sensaku • Falungong • Human rights • Domestic stability 	<ul style="list-style-type: none"> • New security issues (environmental protection, drug, piracy, transnational migration, terrorism, etc) • WTO & regional economic issues (notably FTA) • Multilateral mechanisms (notably ARF) & CBMs 		<ul style="list-style-type: none"> • Arms Control and disarmament

The positioning of these issue areas is by no means static, but dynamic. The shift of their positioning may be either horizontal or vertical - in accordance to the vicissitudes in both the internal and external environment. In addition, these two identities at times overlap and at times are opposed to each other. The interactions between them - i.e. which identity will prevail at a particular time - depend on a host of internal and external factors. These include the growing sense of nationalism, the likelihood of a sweeping change in leadership, the evolving civil-military relations, as well as China's interactions with external actors, especially the major powers.

The sustenance of these identities has sometimes raised conflicting views between different governmental agencies that represent different sectors of national interests. As noted by Johnston and Evans, the uneasy link between the above-mentioned identities "has created a tension in diplomacy between China's desire to show itself as an active, involved participant in international institutions (even those that offer no obvious

costs or benefits, or that indeed require some incursion of costs), and the desire to minimize commitments and constraints that are required by this participation."⁵³

This observation is particularly true in certain foreign policy issues that involve both the Ministry of Foreign Affairs (MFA) and the PLA. One perfect example to illustrate this point is China's decision to publish the Defence White Papers, which involved conflicting views between the two agencies. In this case, the PLA was apparently concerned about the implication of revealing defence-related information to the outside world, which might weaken the military's position in defending the country's territorial integrity. On the other hand, the MFA was worried that if the PRC continued to take a secretive stance in not revealing any information on its military posture and defence policy, it would make other countries become even more suspicious about China's strategic intention, thus undermining its image in the international society. Other examples whereby the two agencies are at odds with each other include China's decisions on arms sale, its actions over the Spratly area, its move to sign international treaties, and the list goes on.

CONCLUSION

Building upon the constructivist theoretical framework, this paper has attempted to assert that China's foreign policy need to be understood and explained more on ideational, rather than material, basis. It has argued that China's foreign policy making process has been shaped by the construction, sustenance, and development of two inter-related ideational sources, i.e. norms and identities. In doing this, the study adopted two major theoretical assumptions: first, ideational sources (i.e. norms and identities in this case) serve as a roadmap by the state to approach the meaning and importance of a particular material element; and second, agents and structure are mutually constituted. Moving on from these conceptions, the paper then demonstrated that China developed its relations with, and understanding of, other states within the international society through the medium of norms and practices.

This argument is furthermore supported by the discussion of the impact of ideational sources (norms and identities) in shaping China's foreign policy at three different historical junctures: the Imperial Era, the Maoist Era, and the Reform Era. For instance, the discussion on the three identities that evolved during the early decades of the PRC establishment under Mao's rule (first, as a modern nation-state that had just been emancipated from foreign humiliation and internal unrest; second, as a communist state; and third, as the leader of the developing countries) has been linked to explain the three principal pillars of China's foreign policy behaviour during the Maoist era. The pillars involve Beijing's high readiness to use

force to defend its territorial integrity and national security; Beijing's policy to support communist movements in other countries; and Beijing's interest in promoting the Third World voice in the world stage.

In stressing the roles of ideational sources, which departs from the traditional rational perspective that over emphasizes material factors, the meaning and the degree of importance of each material incentive and constraint over China's (or any other state) national objectives is better illuminated. This ideational approach also helps to explain the sharp distinctive patterns of China's foreign policy orientations throughout its long historical spans.

This ideational framework can be further improved and strengthened, if the discussion on ideational sources can integrate the roles of culture in shaping China's foreign policy behaviour into the analysis. To be sure, many Western and Asian scholars have regarded culture as an important element in understanding and analysing China's internal and external behaviours. This is well reflected in an observation made by Sinologist Lucian Pye, who described China as "a civilisation that pretends to be a nation-state", as well as a term used by Wang Gungwu in his writing: "China as a culture-state" or "civilization-state".⁵⁴

How the evolution and sustenance of the above-mentioned norms and identities, have been intermingled and entangled with China's traditional cultural traits? In what ways, and to what extent, has China's cultural values manifested themselves in China's foreign policy thinking and practice? These are among the key questions that are worth pondering over in future research.

This study has implication for international relations (IR) theory. It has long been contended - particularly among Chinese scholars - that the so-called "Western" IR theories are less relevant and useful in understanding and explaining China's foreign policy behaviour. This contention is mainly based on the ground that the formulation of those IR theories is principally drawn upon Western experience (thus suffering the problem of ethnocentrism); and that those theories often ignore or overlook China's distinctive historical experience and cultural heritage. Nonetheless, the discussion of the present study indicates that the Western IR theories and Chinese experience are in fact not as mutually exclusive as some scholars have contended. By focusing on the origins and roles of ideational sources, the theoretical assumptions of the Western theories can actually be utilized to look into the dynamism of China's experience. In turn, China's long history together with its myriad cultural tradition, would provide more empirical data that can be observed and compared, thus contributing to the enhancement of theoretical cohesiveness and applicability in the study of IR in general, as well as the study of foreign policy analysis in specific.

NOTES

- ¹ An earlier version of this paper was presented at the Fourth FSKK Seminar, "Social Sciences and Humanities in the 21st Century: Issues and Challenges," organised by the Faculty of Social Sciences and Humanities, National University of Malaysia, Bangi, 27-28 August 2001. The author would like to thank Hari Singh and Nik Rosliza Nik Hassan for their helpful comments.
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- ³ Variants of "rationalism" such as rational choice and game theory are principally interested in looking at how the incentives and constraints in the environment affect state behaviours. See Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999), pp. 22-38. The fact that rationalist models have claimed a dominant place in the study of international relations is often associated with the move made by the pioneers of the field who adopted "the model of natural science for their research". By putting "human reason" at the centrality of the field, scholars like Harold Lasswell and Quincy Wright assumed that "human reason could illuminate international relations in the same way that it had comprehended the economy and political behaviour." See Miles Kahler, "Rationality in International Relations," *International Organization*, Vol. 52, No. 4 (Autumn 1998), pp. 919-941.
- ⁴ John Gerard Ruggie, *Constructing the World Polity: Essays on International Institutionalization*, London & New York: Routledge, 1998, p. 3
- ⁵ This notion assumes an ideal-type case where "the agent is fully rational and the rational choice fully calculable". In other words, the rational agent is assumed to have three things: fully ordered preferences, perfect information, and accurate information processing. See Martin Hollis and Steve Smith, *Explaining and Understanding International Relations*, Oxford: Clarendon Press, 1991, p. 75.
- ⁶ Wang Gungwu, *China and Southeast Asia: Myths, Threats and Culture*, EAI Occasional Paper No. 13, Singapore: World Scientific & Singapore University Press, 1999.
- ⁷ Robert S. Ross, "The 1995-96 Taiwan Strait Confrontation: Coercion, Credibility, and the Use of Force," *International Security*, Vol. 25, No. 2 (Fall 2000), p. 122. See also Suisheng Zhao, ed., *Across the Taiwan Strait: Mainland China, Taiwan, and the 1995-1996 Crisis*, New York & London: Routledge, 1999.
- ⁸ Shu Guang Zhang, "China: Traditional and Revolutionary Heritage," in *Strategic Cultures in the Asia Pacific Region*, edited by Ken Booth and Russell Trood, Hampshire & London: MacMillan Press, 1999, p. 40.
- ⁹ Ibid.
- ¹⁰ Bruce A. Elleman, *Modern Chinese Warfare, 1795-1989*, London & New York: Routledge, 2001, pp. 235-300; Alastair Iain Johnston, "China's Militarized Interstate Dispute Behaviour 1949-1992: A First Cut at the Data," *The China Quarterly*, No. 153 (March 1998), pp. 1-30.
- ¹¹ See Elizabeth Economy and Michel Oksenberg, eds., *China Joins the World: Progress and Prospect*, New York: Council on Foreign Relations Press, 1999.
- ¹² Judith Goldstein and Robert O. Keohane, *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change*, Ithaca & London: Cornell University Press, 1993.
- ¹³ The use of the term "ideational sources", rather than "belief systems", "cultural variables", "perceptual factors", or "mind or mental rudiments" requires explanation here. The rationale is to use a term that is broad enough to encompass all idea-related

aspects of psycho-superstructure, and narrow enough to focus only on the shared norms, role consciousness, and cultural traits that are relevant to state behaviours and strategies. Judging from this criterion, the term "belief systems" is inappropriate here as it connotes merely normative element, and excludes "desires" that serve to link beliefs to actions. The term "cultural variables" is rejected on the basis that it tends to lead people to confine the scope within the sphere of civilisation or tradition. Similarly, neither is the term "perception" appropriate to be used. In the realm of foreign policy making, this concept is often associated with the subjective understandings of leaders and bureaucracy. However, by focusing only on the perceptual formation of the idiosyncratic and bureaucratic structure of a particular state, it appears to be too narrow to provide a meticulous theoretical framework. Lastly, "mind or mental rudiments" is usually linked to the human brain, which is also not appropriate in this case.

¹⁴ Adapted from Peter J. Katzenstein, ed., *The Culture of National Security: Norms and Identity in World Politics*, New York: Columbia University Press, 1996.

¹⁵ Alexander Wendt, "On Constitution and Causation in International Relations," *Review of International Studies*, Vol. 24, Special Issue (December 1998), pp. 101-118.

¹⁶ Katzenstein, *The Culture of National Security*.

¹⁷ Wendt, *Social Theory of International Politics*; Martha Finnemore, *National Interests in International Society*, Ithaca: Cornell University Press, 1996; Ted Hopf, "The Promise of Constructivism in International Relations Theory," *International Security*, Vol. 23, No. 1 (Summer 1998), pp. 171-200; Dale C. Copeland, "The Constructivist Challenge to Structural Realism," *International Security*, Vol. 25, No. 2 (Fall 2000), pp. 187-212; Samuel M. Makinda, "Reading and Writing International Relations," *Australian Journal of International Affairs*, Vol. 54, No. 3 (2000), pp. 389-401. Also see articles by Robert O. Keohane, Hayward R. Alker, Steve Smith, and Alexander Wendt in "Forum on Social Theory of International Relations," *Review of International Studies*, No. 26 (2000), pp. 123-180.

¹⁸ David Dessler, "What's at stake in the agent-structure debate," *International Organization*, Vol. 43, No. 3 (Summer 1989), p. 452.

¹⁹ Alexander Wendt, "The Agent-Structure Problem in International Relations Theory," *International Organization*, Vol. 41, No. 3 (Summer 1987), pp. 337-338.

²⁰ Jack S. Levy, "Learning and Foreign Policy: Sweeping a Conceptual Minefield," *International Organization*, Vol. 48, No. 2 (Spring 1994), p. 287.

²¹ See Bin Yu, "The Study of Chinese Foreign Policy: Problems and Prospect," *World Politics*, 46 (January 1994), pp. 235-261. See also Friedrich W. Wu, "Explanatory Approaches to Chinese Foreign Policy: A Critique of the Western Literature," *Studies in Comparative Communism*, Vol. 13, No. 1 (Spring 1980), pp. 41-62.

²² Samuel S. Kim, "Chinese Foreign Policy in Theory and Practice," in Kim, ed., *China and the World: Chinese Foreign Policy Faces the New Millennium*, 4th edition, Boulder, Colorado & Oxford: Westview Press, 1998, p. 15.

²³ The creation of this dichotomous map is adapted from Alexander Wendt and Ronald L. Jepperson's work on mapping various approaches to study national security. See Katzenstein, *The Culture of National Security*, pp. 37-38.

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- ²⁸ Katzenstein, *The Culture of National Security*, p. 5.
- ²⁹ Ibid.
- ³⁰ Ibid, p. 6.
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- ³³ Muthiah Alagappa, "International Politics in Asia: The Historical Context," in *Asian Security Practice: Material and Ideational Influences*, edited by Alagappa, Stanford University Press, 1998, pp. 66-71; also Wang Gungwu, *China and Southeast Asia*.
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FROM THE WTO TO THE NMD: AMERICA'S DUAL STRATEGIES TO PERMANENT PREEMINENCE

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INTRODUCTION

In the aftermath of World War II, American's objectives were to support the capacity and sustainability of its superpower and hegemony through three global strategies: 1) *the construction of a Capitalist world system*: establishing the Bretton Woods system of trade liberalization, stable currencies, and expanding global economic interdependence; 2) *the creation of a Global/regional collective security*: forming an American-European-Asian military alliance to resist and block the expansion of communism; and 3) *the strengthening of Global trade regime*: consolidating an Eurasia-centered global trade network.

The role of the United States during this period was to assume the responsibility of hegemonic stabilizer of the international system and to create the full development of a liberal world market through "providing global public goods in the form of security, opposition to communism, aid for economic development, and the strengthening of international institutions" (Huntington, 2001:138). This unilateral globalism was later theorized as hegemonic stability theory set out by Charles Kindleberger (1973) and further developed by Robert Gilpin (1987).

Following the end of the Cold War with the demise of the Soviet Union and with the evolution of China into "a rationally authoritarian state that observed more or less normal rules of international relations", the Washington-centered alliance system lost both its compelling rationale and legitimacy (Pfaff, 2001:227). These transformations raise some fundamental questions to the United States: how to maintain the US-centered core structure in the post-Cold War world system (Schwenninger 1999)?¹ What is the supporting pillar for a continuing United States-led security network in the Triad (North America - Europe - Japan) when the former enemies are disappearing? Which is the new political force after the USSR that can be identified as the threat to the US "New World Order"? (Kagan and Kristol 2000)

The collapse of the socialist bloc paved the way to secure American economic and political domination worldwide. However, the rapid globalization of the neoliberal economic system since the 1990s along with massive worldwide social dislocations, such as rising inequalities, ethnic conflicts, collapsed states and civil and regional wars implies that the world capitalist system is unstable. Instability is seen as challenges to American leadership or to the proper functioning of globalized market capitalism (McSherry, 2000). Hence, to buttress the neoliberal global order as the key to preserve American hegemony becomes the essential national security issue in the post-Cold War era.

OBJECTIVES

The objective of this contribution is to construct a framework of analyzing and understanding the dual strategies - the WTO (the World Trade Organization) and the NMD (the National Missile Defense) - in which the United States is currently engaging in order to preserve its global permanent preeminence.

The WTO is seen as the product of an effort to restructure the global neoliberal economic order from which the United States is able to shift its post-war *unilateral globalism* to post-Cold War *global unilateralism*². It is a global rule-setting institution that is being pushed by the United States to unify global capitalism while dismantles other types of economic system. The basic ideas of the WTO along the way it is functioning make the United States the largest beneficiary who is receiving hegemonic rewards without having to unilaterally bear the cost of the public goods as it did in the post-war period. The WTO is also perceived as an effective tool to transform transition and non-free market economies and their internal political systems.

The NMD is to develop and maintain the option to deploy a cost effective, operationally effective defense system that will protect the United

States against Third World missile threats especially from those “rogue states”. It is identified as part of American strategic reassurance measures in the 21st century to maintain its “security of hegemony” (Zhou, 2000) and to prepare for and eliminate destabilizing elements and challengers, and to safeguard the tremendous privilege and power this world system of disparity of wealth brought for the United States.

The conclusion is that through the combination of these two strategies, the United State is imposing a neoliberal New World Order. These two strategies are perceived to be a mutually supportive tactic organized in the way of “expecting the best from the WTO while preparing for the worst with the NMD”. However, some inherent contradictions with such a tactic are that, on the hand, economic integration with strategically adversary countries like China will not automatically transform these countries into democracies as Washington wishes, it may, on the contrary, strengthen their political power through trading with the West. On the other hand, the globalization process is pushing countries, including allied countries with strong cultural ties, close to the common economic goals but apart to their strategic objectives.

FROM UNILATERAL GLOBALISM TO GLOBAL UNILATERALISM

What are the American's interests?

“We have 50 percent of the world's wealth but only 6.3 percent of its population. ... In this situation we cannot fail to be the object of envy and resentment,” noted George Kennan in 1949, the then-director of Policy Planning at the Department of the State, who was a leading architect of U.S. post-war foreign policy, especially the “containment” policy. “Our real task in the coming period is to devise a pattern of relationships that will allow us to maintain this position of disparity,” he continued. “We should cease to talk about the raising of the living standards, human rights, and democratization. The day is not far off when we are going to have to deal in straight power concepts. The less we are then hampered by idealistic slogans, the better.”³

Kennan's candid statement is highly instructive on two counts according to the opinion of many scholars, such as Robinson (1995): First, it specified that the strategic objective of U.S. foreign policy during the Cold War was not so much to battle a “communist threat” as to defend gross inequalities in the international world order and the tremendous privilege and power this global disparity of wealth brought for the United States. Second, it indicates that democracy abroad was not a major concern for the United States in the formative years of the post Second World War order. Even today, one of America's biggest challenges is perceived to be how to manage the resentment generated from its success (Berger, 2000:23).

The National Security Council (NSC) *Memorandum 68*, one of the key U.S. foreign policy documents of the postwar era, underlined two parallel objectives of postwar policy. One was to foster a "world environment in which the American system can survive and flourish" and to develop "a successfully functioning political the other was to "foster the seeds of destruction within the Soviet System" (NSC-68 in Robinson, 1995:643). The Memorandum put it clearly that even if there was no Soviet Union threat; the United States would face the great problem of achieving global order and security (ibid.). The central interests of Washington's strategic objectives as indicated by the Memorandum were linked to unobstructed US access to Third World economies and raw materials - goals that even predated the Cold War (McSherry, 2000:29). These economic-security linkages can be further confirmed by a secret policy document of September 1962 from the State Department entitled "United States Overseas Internal Defense Policy":

The broad U.S. interests in the underdeveloped world are as follows:

- 1) A political and ideological interest in assuring that developing nations evolve in a way that affords a congenial world environment for international cooperation and the growth of free institutions.
- 2) A military interest in assuring that strategic areas and the manpower and natural resources of developing nations do not fall under communist control...
- 3) An economic interest in assuring that the resources and markets of the less developed world remain available to us and to other Free World countries.... (see McSherry, ibid.:29)

Thus, the ultimate concern of the United States, as indicated by the State Department document and the NSC-68 was less the "communist threat", but more the American access to global raw materials, markets, labor power and the defense of the gross inequalities in the international world order and the tremendous privilege and power this global disparity of wealth brought for the United States. These are the fundamental American interests regardless of the post-Cold War global transformations taking place in international relations and political economy.

Public goods and hegemonic stability

Since the United States emerged from the Second World War as a dominant political, economic, and military power in the international system, it played a significant part in contributing to world economic development in the postwar era. For economic and political reasons the United States committed itself to the revival of a liberal international economy, an international division of labor, resource and market access that benefited itself and its allied states. The entire role-played by the United States since the Second World War is theorized by the realist school as "hegemonic stability" through providing the "public goods". As

benign hegemon, the American leadership during this period was *structural leadership*, i.e. "the ability to direct the overall shape of world political order" based on resources, capital, technology, military forces and economic power (Ikenberry, 1996:389)

The realist theory of hegemonic stability is premised on public goods assumptions. Perceiving states as interest maximizers, realists argue that under a normal circumstance, an individual state does not have the incentives to provide public goods because the gains from free-riding on others outweigh the rewards from cooperating, and the costs of being ridden upon are greater than the benefits from autonomy. Only a hegemonic superpower with sufficient political and economic resources assisted by its military capabilities is able to provide or to induce others to provide their share of the public goods. These public goods are identified as "free trade, peace and security, or at least a balance of powers and a sound system of international payments" (Balaam & Veseth, 1996:51). The most important role of the hegemon is to set and enforce the rules of the game for international political and economic relations with a built-in bias in favour of the hegemon.

It is commonly recognized that the United States, after the Second World War, had been the benevolent hegemon who bore most of the costs and public goods of maintaining the capitalist world system, and who also reaped most of the benefits. Understanding that its own prosperity was tightly bound to the functioning of the global system and the success of its allied countries, the United States was willing to maintain the security and prosperity of other partner nations. This can be seen from the American roles in the Bretton Woods monetary system, the Marshall Plan, the Korean War, the NATO, the Vietnam War, etc.

American post-war foreign and economic policies aimed at fostering developmentalist, authoritarian and anti-Communist states in different parts of the world. In Europe, afraid that mass poverty would eventually facilitate Communist expansion, American post-war policy "Marshall Aid" was used to revive the Western European industries within the shortest time possible. In East Asia the central theme of American post-war policy was basically the same as its policy in Europe: that is to revive the Japan-centered capitalist regional economies including South Korea and Taiwan. Under American protection, external military threats and the internal danger of communist expansion were substantially reduced in these two regions. The burden of the allied countries' military expenses was also greatly reduced by the American military presence. American military bases have been documented to have not only protected these countries but also provided them with economic benefits such as employment. Even now, the withdrawal of American military forces would be considered as a substantial economic loss.

Adjusting the world system

The United States after the Cold War is facing a world in both Kautsky's and Lenin's perception. Kautsky believed that international relations were determined by what he referred to the "inter-capitalist class", whereas Lenin perceived international relations as competition among states and the relationship between capitalism and international relations was irreconcilably contradictory. Thus, American political and economic policies in the post-Cold War era were aimed at managing global affairs based on a hybrid of Kautsky's and Lenin's analyses: On the one hand, the United States "has aimed at the unified, liberalized international capitalist community Kautsky envisioned", and on the other hand, "the global role that the United States has undertaken to sustain that community is determined by a worldview very close to Lenin's (Schwarz, 1996:100).

Now the United States faces the real possibility of two-front economic conflicts with both Europe and East Asia (Bergsten, 2001). The vanishing of the Soviet threat together with the increasing multipolarization of the world economy has reduced the vital role of the American security umbrella over Europe and Asia. As a result of these developments, "The security glue that traditionally encouraged the postwar allies to resolve their economic differences no longer exists" (Bergsten, *ibid.*:21), and their differences in bilateral or multilateral economic issues as well as global and regional security and environment concerns matter more than their traditional alliance⁴.

Within the United States, the perception of the need of renewed American leadership reflects what is called New Wilsonianism, i.e. a hegemonic spirit emerged in Washington by an implicit alliance of both international liberals and unilateralist neoconservatives who believe in aggressive US leadership for its own benefits and for the world's own good (Pfaff, 2001:221). In the view of Kagan and Kristol the hegemonic position, which the United States enjoys after the Cold War, must be maintained because

Today's international system is built not around a balance of power but around American hegemony. The international financial institutions were fashioned by Americans and serve American interests. The international security structures are chiefly a collection of American-led alliances. What Americans like to call international "norms" are really reflections of American and West European principles. Since today's relatively benevolent international circumstances are the product of our hegemonic influence, any lessening of that influence will allow others to play a larger part in shaping the world to suit their needs. States such as China and Russia, if given the chance, would configure the international system quite differently. (Kagan and Kristol, 2000:61)

Thus, American theorists and practitioners of foreign policy have been looking for a new paradigm to govern global affairs. In the view of Haass

(1997), the world today is in an era of “deregulation”, i.e. it is no longer regulated by superpower rivalry, and therefore, the United States should seek to play a role in regulating international affairs so that nations interact in compliance with the rules and standards endorsed by Washington. The goal of American foreign policy, as argued by Haass (*ibid.*) should be aimed to develop international institutions that could share the burdens (public goods) of regulating international relations.

American hegemony after the Cold War is constantly under readjustment and reconfiguration. The overlapping sovereignties and growing networks together with the increasing decentering and deterritorialization of politics, economics, culture, means of production, finance and communication are compelling the United States to establish itself a new form of hegemony termed by Agnew and Corbridge as *transnational liberalism* (1995:164-207). The ideological base of the new hegemony is *the market* (marketization and market-access) which is “embedded in the reproduced by a power constituency of liberal states, international institutions, and what might be called the ‘circuits of capital’ themselves” (*ibid.*:164). The power base of the new US hegemony has transformed from hegemonic order/stability (*balance of power* under nation-state structure in a bipolar world) to hegemonic liberalism and market economics (*imbalance of power* under transnational structure in a multipolar global economy).

Therefore, the conceptualization of the present American hegemony is quite different from that of the Cold War. The American hegemonic objective at the global level is not only to impose an order among nation-states, but also structure a global economic system with a dominant mode of production that is meant to be universal and subordinating other types of economic system, such as the East Asian “crony capitalism.” Moreover, such hegemony is based on “a complex of international social relationships which connects the social classes of the different countries” (Cox, 1993:62), such as a transnational capitalist class (Sklair, 1998, 2001)⁵. The best way to realize this objective without having to supply the same kind of public goods as it did during the Cold War is to set up new types of international institutions with laws and rules that not only preserve the existing hierarchy but also generate American interests in new ways while setting up constraints for others.

THE WTO: AMERICA'S ECONOMIC REASSURANCE

One of Washington's post-Cold War strategies of foreign policy is to play a role of institutional leadership, i.e. the construction of “the rules and practices that states agree to that set in place principles and procedures that guide their relations” (Ikenberry, 1996:391), through which its national

interests and "universal" norms are expressed. This leadership ensures that international organizations in the post-Cold War era should be based on not only the traditional principles of voluntary cooperation and consensus building but also compulsory compliance and punitive provisions.

The importance of constructing new forms of neoliberal international organizations can be understood in the way that these organizations support the process through which the institutional legitimacy of neoliberal hegemony and its ideology are developed. The main features of international organizations, which express hegemonic roles, are identified by Cox as follows:

(1) they embody the rules which facilitate the expansion of hegemonic world orders; (2) they are themselves the product of the hegemonic world order; (3) they ideologically legitimate the norms of the world order; (4) they co-opt the elites from peripheral countries and (5) they absorb counter-hegemonic ideas. International institutions embody rules which facilitate the expansion of the dominant economic and social forces The rules governing world monetary and trade relations are particularly significant. They are framed primarily to promote economic expansion. (Cox, 1993:62)

According to the views of Keohane (1998), to analyze world politics in the 1990s and forward is to discuss the role of international institutions which provide rules that govern international relations and the organizations that help to implement those rules. He argues that "Superpowers need general rules because they seek to influence events around the world. Even an unchallenged superpower such as the United States would be unable to achieve its goals through the bilateral exercise of influence: the costs of such a massive 'arm-twisting' would be too great" (Keohane, 1998:83). These rules refer to public goods.

The conception of public goods⁶ in a globalizing world needs reassessment due to the internationalization and transnationalization of key aspects of economic life as well as due to the shape of new and complex international relations and international governance structures. For the United States, public goods in such multilayered global context are becoming increasingly transnational especially with regard to four categories of public goods: regulatory, productive, distributive and redistributive (Cerny, 2000:25). Therefore, global institutional mechanism is seen to be essential in order to unify global economic and trade systems in which public goods, for example, a complex set of universal rules, can be applied to all countries including both former trading allies and new partners - the EU, Japan, the East Asian NICs, and China.

Opponents to global neoliberal economic institutions argue that international multilateralism will be harmful to American unilateralism when facing a collective resistance. Some interest groups and individuals

inside the United States are pushing Washington to adopt a new economic unilateralism and to even abolish the IMF and the WTO avoiding subjecting American unilateral interest to international resolution process (Litan, 2000:36). It is even suggested that the United States needs to return to the realist thoughts and pursue alternative options to multilateralism under WTO auspices since the WTO can become a court and a collective forum to restrict American actions and influences in the formation and execution of an international economic policy (Hawkins, 2001).

However, realizing this possibility, the United States is searching for ways to design strategies to maximize its unilateral interests without damaging the established world order. For instance, it attempts to maintain the coexistence of its unilateral trade sanction weapon - Section 301 - with the multilateral trading system under the WTO (Chang, 2000).

The WTO and American interests

Besides the establishment of the United Nations, the important international economic organizations created at the conference held at Bretton Woods were the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), later known as the World Bank (WB). The UN was designed to deal with "political" matters; the IMF was constructed to deal with international money and balance-of-payment issues and the World Bank to capital movement and investment. Under the Bretton Woods system, the US Federal Reserve became the central bank of the world, and the American economy becomes the principal engine of world economic growth.

The World Bank was established aiming at helping finance the reconstruction of war-torn Western Europe and the development of the poorer countries of the world. The IMF mandate was to regulate an international monetary system based on convertible currencies to facilitate global trade while leaving sovereign governments in charge of their own monetary, fiscal, and international investment policies. The IMF has now become the "point person" for efforts to "liberalize," or deregulate the international economic system.

The basic idea of the WTO is simple, that is to weaken all governments and agencies of both developed and developing countries that might use their own laws to defend their industry and agriculture and to protect their workers and consumers. It aims to remove any efforts to limit trade due to various labor regulations, ecology implications, social or cultural specialties, or development consequences. Today, it can be claimed that the WTO is the legal and institutional foundation of the global trading system. It establishes the basic rules and obligations for member countries

to follow and provides a mechanism for effective dispute resolution. More importantly, the WTO cannot be expected to be held hostage by the veto powers of more powerful nations, as it has always be the case in the Security Council of the United Nations (Balaam and Veseth, 1996:117).

Since the American economy is heavily dependent on the functioning of the capitalist world system, the WTO framework is perceived as an important instrument to promote American economic and political interest in the post-Cold War era. Such a perception also argues that free market economy strengthened under the WTO structure will bring about political *polyarchy* in the South, such as in China, and will eventually lead developing countries to democracy (Mandelbaum, 1997; Mullin, 1997; Clinton, 1997⁷, Berger, 2000). Through the WTO, the United States is able to not only to expand its traditional trade networks (North America and Eurasian trade alliance) to every corner of the world but also to facilitate its strategy of global unilateralism, i.e. maximizing its global political and economic interests without the need to deal with every country individually. In the view of Irwin, the WTO is useful as a political case "because it changes the political economy of trade policy in a way that tends to facilitate trade liberalization as an outcome" (2000: 353). The benefits of the WTO to the United States are evident:

1. *The reconstruction of the world trade:* The WTO liberalizes "services" through General Agreement on Trade and Services (GATS) and defines finance and service as an important part of the normal trade. By doing so, it establishes a legal base for the globalization of financial sectors the institutionalization of free movement of capital. Moreover, it makes investment into financial assets more profitable than in real assets and opens speculation opportunities in developing countries as well as in "emerging markets". As the result of the new WTO rules, the United States is able to maintain its world hegemonic status not only as the dominant power in the real economy⁸, but also as a superpower in the global "new economy."

2. *From consensus to compulsion:* The WTO is not supposed to be a consensus-oriented but a compulsion-based institutional policeman. It is becoming the third arm of the IMF and the World Bank in consort to impose an institutional policy framework on the whole world. It is given a power that can override the economic sovereignty of all but economic superpowers like the United States. The WTO encompasses the GATT structure and extends it to new disciplines. By imposing disciplines on government practices on trade, economy and intellectual property, the WTO facilitates and legitimizes the "retaliation mechanism" which the United States could utilize to discipline developing countries as well as former allied countries.

3. *An effective mechanism for dispute settlement:* The WTO has become an operative mechanism for the United States to settle trade or market access disputes with other nations without the necessity to utilize its own traditional punitive provisions, such as Section 301. The United States is using the WTO effectively to persuade other countries to scrap their trade laws that are obstacles to US exports. For example, in the first five years after the WTO was created (1995-99), the United States filed 49 requests for consultation with other WTO members who were believed to have violated their WTO commitments. The United States won 23 of the 25 cases that have been resolved so far. The most important US-instigated victories are: a) eliminating India's import bans and quotas on 2,700 categories of products; b) eliminating export barriers of American magazines to the Canadian market; c) eliminating Indonesia's local content provisions on car production; d) eliminating Korean and Japanese discriminatory taxes on US liquor export; e) greater market access of US pork and poultry export to the Philippine; f) greater excess for US rice export to the EU market; g) eliminating Turkey's tax discrimination against US movies (Lash III and Griswold, 2000:9)

4. *The supremacy of trade and commerce:* The WTO prioritizes trade and commercial interests over all other considerations and values. It subordinates noncommercial issues, which are vital domestic concerns, such as environment, health care, security, workers, consumers, etc. Historically, these concerns have always been more important than trade and commercial matters. Furthermore, the WTO enforces the access to any domestic government grant, investment, loan tax incentive or subsidy has to be open to every member state with the same rights and on the same terms. The consequence is that less money will be spent on those noncommercial areas.

The superiority of trade and commerce emphasized by the WTO provides the United States with a larger share of global income and wealth. It is estimated that when the WTO agreements from the Uruguay Round of trade talks are to be fully implemented in 2005, global income is expected to increase between \$171 billion and \$214 billion annually; and the regards to the United States alone could amount to between \$27 billion and \$37 billion a year (Griswold, 2000:5).

5. *The restrains of national sovereignty:* The WTO agreements and rules are becoming the governing principles of international economic relations. They are able to override domestic decisions about economic activities should be organized and companies regulated. They are seen not only as effective tools for the United States to liberalize global economies (a substantial fraction of world trade is "managed trade" of some kind) but also as a bargaining power of multinational companies and Third World

government elites to discipline domestic labours and push forward development policies that are favorable to corporations. The WTO has become a place where governments can collude against their citizens. Free trade is now governed by laws. This extends to legal trade regulations which each member state is obliged to write into their own laws. Removing national control over foreign investment and market access will lead to a transfer of sovereignty to transnational corporations. Local cultural traditions and national sovereign concerns will be undermined by free trade in services, particularly telecommunications, television and press. Technology transfer will be mostly on the terms and conditions determined by industrial economies. Under the WTO structure, developing countries are also losing their remaining bargaining power, i.e. domestic protectionist regulations, such as requirement of job creation, purchase of domestic goods, import-export reciprocity, and knowledge or technology transfer, etc.

6. *The opening of developing countries' market:* WTO agreements force developing countries to open their markets to American- or European-centered multinational companies, and give up efforts to protect their infant domestic industries and key sectors, such as agriculture. For the United States, two export sectors with the most to gain through the WTO are agriculture and service. In 1998, American agricultural export was \$54 billion accounting for a quarter of their cash receipts; and in the same year American service providers accounted for 29% of total US export comparing 17% in 1950 (Griswold, 2000:4). Even during the financial crises in different parts of the world in 1997 and 1998, the WTO has helped to keep the overseas export market open to American exports because "WTO commitments helped discourage countries in distress from reverting to protectionism under domestic political pressure" (Griswold, *ibid.*:4)

Under the WTO framework energy- and technology-intensive Western agriculture will out-compete small-scale and labour-intensive farms of developing countries. The WTO agreement on food import is entitled "Market Access" in which "developing countries must reduce customs and other duties on imports by 24 per cent to facilitate imports at cheaper prices. Quantitative restrictions on imports of agricultural commodities must also be removed" (Shiva, 2000:41). As a result, it is estimated that by 2000 Africa's food import bill increased from \$8.4 billion to \$14.9 billion; the value of Latin American and the Caribbean imports was \$0.9 billion; and for the Near East, the import bill increased to \$27 billion. In order to meet the WTO minimum access requirement, the Philippines, for instance, will have to import 95,000 tons of rice, which would lead to the displacement of 15,000 families annually (Shiva, *ibid.*:41)

7. *Winners vis-à-vis losers:* WTO trade negotiations are based on the principle of reciprocity or "trade-offs", i.e. one country gives a concession in an area, such as reducing tariffs for some products, in return for another

country's acceding to a certain agreement. This type of bartering gives more benefits to those big and strong economies like the United States because they are able to get more out of the agreements by exchanging more trade-offs. Very often, trade-offs take place among developed and larger developing countries. Developing countries are not able to ensure that WTO agreements and rules can accommodate their realities. Many of them have little leeway to adopt policies that deviate from those accepted by institutions like the IMF or those demanded by the financial markets; and if they do, capital flees, interest rates rise and loans are not renewed (Madrick, 2001).

Since the WTO not only regulates but also promotes and facilitates global trade at the expense of ignoring local diversities, it places tremendous constraints on the search of alternative strategies of national economic development and local initiatives that promote regional, national, local and communal self-reliance. The WTO rejects any self-claimed "national standards" of human rights, labour rights, environmental protection on goods produced in and imported from other member states. Besides, although developing countries make up three-fourth of WTO membership and by their unity can in theory affect the agenda and outcome of trade negotiations; they have never been able to use the WTO to their advantage. Most of them are in one way or another dependent on America, the EU or Japan in terms of import, exports, aid, security, etc. As Hockman and Kostecki (1995:8) notice, "Fundamentally, it is a fact of life that small economies (that is, most developing countries) have little to bring to the negotiation table."

Seen from the above points, it can be said, "America's membership in the WTO has been a double blessing for the United States. The liberalization of markets abroad has created export opportunities for U.S. companies, raising profits, employment, and wages in industries that serve expanding global markets" (Griswold, 2000:13). American influence in shaping the WTO has indicated its domination rather than leadership. The United States is only concerned with further liberalizing a corporate-driven world economy so as to expand its own markets. The global economy is currently working to American advantage with America the world's largest exporter and importer. Meanwhile American military might look to be beyond serious challenge at least in the near future. The vital concern of Washington now is how to maintain this global order.

THE NMD: AMERICA'S STRATEGIC REASSURANCE

As argued previously, the United States, after the Cold War, has been generally reluctant to unilaterally bear the cost of public goods in global

affairs. When American interventions did take place, they were extremely selective within a few key domains of vital national interests, such as the economy/market, trade and natural resources as well as within economically strategic areas, such as East Asia, Europe and Middle East. The utmost American national interest, as explained before, has been to maintain the capitalist world system which has so far secured American access to global raw materials, markets, labor power and which has defended of the gross inequalities in the international system and the tremendous privilege and power this global disparity of wealth brought for the United States.

American strategic objective and policy

Washington's principle strategic objective for the 21st century is to maintain the international neoliberal order and to serve the purpose of not waiting for "the arrival of the next great threat, but rather to shape the international environment to prevent such a threat from arising in the first place" (Kagan and Kristol, 2000:61). This objective is closely connected with the firm belief that has long dominated Washington's foreign policy: "the nation's vital interests are best served in a world that is relatively stable, openly hospitable to international capital, and generally predisposed to embrace U.S. political and strategic priorities" (Klare, 2000:9). It is clearly spelt out by the US Department of Defense, "The United States must remain engaged as a global leader and harness the unmatched capabilities of its armed forces to shape the international security environment in favorable ways [and] respond to the full spectrum of crises when it is in U.S. interests to do so" (DOD report, 2000:13).

To realize the above objective, coercive diplomacy need to come to the forefront as a low cost crisis management backed by military offence as an effective way for stopping and undoing acts of military aggressions by "rogue states" (hostile developing countries), Islamic fundamentalism, terrorists, Third World revolutionary movements and all other challenging forces that attempt to "alter or preserve a position within the world-economy which is to the advantage or disadvantage of particular groups located within a particular state" (Ross and Trachte, 1990:52). Interventions are seen as necessary only in local conflicts that can have global consequences, and armed interventions should be avoided in those conflicts where America's national interests are not at stake (Berger, 2000: 29-30).

There were many examples in the 1990s when Washington selectively employed the use of coercive diplomacy combined with military force in the Gulf War in 1990, in the Yugoslav wars between 1991 and 1994, in forcing the surrender of the military junta in Haiti between 1991 and 1994, and in NATO's armed intervention (not the UN) in Kosovo in 1999. Among the above military interventions an exception indicating American

selectiveness was its unwillingness to resort to military force on Haiti. This was partly due to the lack of the link between the conflict in Haiti and American vital strategic interests, and partly because of the absence of domestic political pressure. The key reason behind the intervention was motivated by the desire to prevent a tide of Haitian refugees from flooding to American shores, and to protect US business interests with assembly plants in Haiti (Farzi, 2001:44-45). Furthermore, even though the United State was directly involved in these conflicts. The use of force was employed on multilateral bases: in Kuwait under the UN umbrella, and in the Balkans under NATO's command. The finance of these armed interventions was also shared by countries directly and indirectly involved.

American strategic object and policy in the 21st century is explicitly expressed in the "Defense Planning Guidance for Fiscal Years 1994-1999," drafted in early 1992. According to a leaked version of the original draft of this document, American strategic policy is to "maintain the mechanisms for deterring potential competitors from even aspiring to a larger regional or global role" (as quoted in Klare, 2000:10). The willingness and determination to use force (the role of policeman) and to intervene selectively (on the basis of American interests) is another import component of this report. The original text of the Defense Planning Guidance contained such a formulation: "While the U.S. cannot become the world's 'policeman,' assuming responsibility for righting every wrong, we will retain the preeminent responsibility for addressing selectively those wrongs which threaten not only our interests, but those of our allies or friends, or which could seriously unsettle international relations." (as quoted in Klare, 2000:11)

Preparation for the worst

This Guidance document reflects Washington's fundamental strategic thinkings and perceptions ever since George Kannen's advice in the *Policy Planning Study* of the State Department 1948. It also indicates that the world in the 21st century is perceived by Washington's strategic planners as one full of challenges - grim and dreadful scenarios of international conflicts and wars. By this token, American strategy is blueprinted "to monopolize those critical elements of military power that will enable U.S. forces to prevail on any imaginable battlefield, now and in the future" (Klare, 2000:12). Military superiority is seen as an assurance against many possible dreadful scenarios caused by the conflictual nature of global politics or by the disfunctioning of the international system.

One of such scenarios is envisioned by Samuel Huntington whose thesis of "The Clash of Civilizations" (1993) points out the multiplier and multicivilizational nature of global politics since the end of the Cold War. His arguments are those cultural values and perceptions help to shape a

nation's conceptualization of its national interests, to identify threats to those interests and to design strategies to safeguard them. The international system of the 21st century is predicted to contain about six major powers: The United States, Europe, China, Japan, Russia and India. These are the leading five different civilizations (the United States and Northern-Western Europe share the basic civilization roots). According to Huntington's plausible projection, in 2020 the five largest economies of the world will belong to five different civilizations (2001:132).

Another scenario of nightmare, in contrary to Fukuyama's "end of history" thesis (1992) is Kaplan's "the ends of the earth" prediction (1993) in which a variety of global crises can disrupt the functioning of the US-centered world system: overpopulation, ethnic conflict, environmental degradation, resource scarcity, and the collapse of failed states. Vast disparities between rich and poor will become more and more a powder keg. The consequence of these crises will spread chaos and instabilities in the South, which will have spillover effect on the North. These predictions are further darkened by the new dangers in which, following technological advances in weapon industries, the Cold War vertical proliferation with two nations piling their nuclear arsenals is being replaced by horizontal proliferation with arsenals spreading pervasively across the world.

In line with this type of forecast, another dark scenario of possible global conflict in the near future is the economic crisis of the Western world following the rapid emergence of many proto-capitalisms in the South, such as China (Li, 2000) and India with their increasing share of world wealth and resources as well as environmental problems. This eye-catching picture was drawn vividly by Sir James Goldsmith in the following way:

During the past few years 4 billion people have suddenly entered the world economy. They include the populations of China, India, Vietnam, Bangladesh and the countries that were part of the Soviet empire, among others. These populations are growing fast. In 35 years, that 4 billion is forecast to expand to more than 6.5 billion. The nations where those 4 billion live have very high levels of unemployment and those people who do find jobs offer their labor for a tiny fraction of the pay earned by workers in the developed world. That means that new entrants into the world economy are in direct competition with the work forces of developed countries. (*The Washington Times*, November 27, 1994)

Goldsmith is not alone in sounding the alarm, and many people (Robert and Deng 1998; Soros, 1998, 2000; Klare, 2001) share his concerns on not only the Western world, but also on the possible global impact of dramatic dislocations caused by the expansion of market capitalism. Blindness to the crisis of the US-centered First World is seen to cause the West to descend along the road to societal instability and collapse. Seen in this

light, it is a paradox that China's current proto-capitalism is potentially more threatening to the US-centered global neoliberal capitalism in realistic terms rather than its ideological challenges during the period of socialism. The "menace" of China's 1.3 billion people in resource consumption and wealth collection is much more real than Samuel Huntington's notion of "clash of civilisations". This actual threat is perfectly understood by Washington⁹.

Crises, whether in the First World or Third World, are closely connected with the unstable nature of the world economy that is characterized not only by free trade in goods and services but more by the free movement of capital. Global financial markets exert tremendous influence on economic conditions as exchange rates, interest rates, and stock prices are intimately interrelated across countries. The world economy is transforming to assign a decisive role to international financial capital in the fortunes of individual countries. So, international financial crises, as occurred in Mexico, East and Southeast Asia, and Russia have produced greater and more dramatic effect at the global level than capitalism's inherent crises embedded in its mode of production, such as realization crises and overproduction crises. Financial capitalists themselves, such as George Soros (1998), are also realizing that neoliberal market system of both production and finance has a built-in tendency towards creating booms and busts rather than stability and smooth growth.

CONCLUSION

This paper examines America's strategies to maintain its hegemonic position through two units of analysis: the WTO and the NMD. While reaping the economic benefits of the globalized neoliberal free-market capitalism, the United States has assumed the post-Cold War role of hegemonic stabilizer of the "new world order". It intends to, in a gradual unilateral approach, safeguard this global system at any cost including military interventions. Washington's new security paradigm is in close interaction with its global economic interest, and is designed to deter any challenge and resistance, be it popular resistance, state collapse, inter-state and inter-ethnic conflicts, regional instability, economic crisis, "rogue states" and emerging superpowers¹⁰, that would cause disfunctioning of the existing system.

However, from the critical and dialectical perspectives, there is an unsolvable contradiction between American economic multilateralism (globalization of the neoliberal economic system) and its strategic unilateralism (the individualization of American strategic objectives). For example, one of the key dilemmas facing Washington is how to handle countries like China. China has the potential of becoming world's largest market and is a key trading partner of the United States. Meanwhile it is

also identified by the Bush Administration as a strategic competitor and a potential enemy. The contradictions of Sino-US relations are that on the one hand, the United States wants to see capitalist market economy demolish Chinese state authoritarianism; but on the other hand, the ruleless profit-seeking practices as a result of a premature capitalist economy are highly harmful to the United States' business interest and they must be stopped through the intervention of the state. The United States is increasingly gaining political bargaining power through its trade relations with Beijing but at the same time it is also becoming "addicted" to the Chinese market and is subjecting to the concerns of Chinese interests.

The globalization process is pushing countries close to the common economic goals, but apart to their strategic objectives as well as interest conflicts¹¹. This can be seen from the fact the NATO countries, American closest allies, have been keeping a distance at Washington's NMD plan. Therefore, the key question that needs to be answered is: whether the neoliberal global system universalized by the United States will serve its self-perceived strategic objectives.

NOTES

- ¹ The strategic objective of American foreign policy during the Cold War was not so much to battle a communist threat as to defend gross inequalities in the core-semiperiphery-periphery structure of the capitalist world system and the tremendous privilege and power this global disparity of wealth brought for the United States (Robinson, 1995; Li, 1996). The key concern for the United States in the post-Cold War era is how to structurally maintain the key features of the existing world capitalist system.
- ² These two terms - *unilateral globalism to global unilateralism* - are borrowed by Huntington from Ambassador Hisashi Owada (see Huntington 2001:138)
- ³ Policy Planning study (PPS) 23, Department of State, 24 February 1948, in Foreign Relations of the United States (FRUS), I(2), 1948, p. 23.
- ⁴ These conflicts cover a number of regional and global issues: America-EU conflict over European import restrictions on American beef and bananas; EU's anger at US sanctions against European firms that trade with Washington's enemies such as Cuba and Iran; America's negative position on European plans for an autonomous military force; EU and Asia's irritation about Washington's antagonistic approach to North Korea and Cuba, its arrogant attitude towards Russia and China, and its unilateral proposals for a missile defense system; and their frustration over Bush Administration's irresponsibility in refusing to sign and implement the global environmental agreement.

The transitional capitalist class is composed of four main interlocking groups: 1. TNC executives and their local affiliates, 2. globalizing bureaucrats, 3. globalizing political and professionals, and 4. consumerist elites.

- ⁶ The concept of public goods in connection with American global security is basically unchanged, but perhaps modified, especially in the areas of vital interests: the oil of the Persian Gulf, stability in Europe and East Asia and the Western Hemisphere. The debate in the United States today is whether America should *continue* to provide these public goods.
- ⁷ For many years this has been the key argument that the Clinton Administration uses to extend China's MFN (Most-Favoured-Nation) trading status and to veto the Congress's bills in either rejecting or conditioning China's MFN status. Clinton made this argument very clear during various occasions of public speeches and policy-making addresses since 1993 (Clinton 1997a; 2000).
- ⁸ American power in the real economy has been relatively declining in the past several decades due to the "catching-up" of the late-comers such as Japan, Western Europe and other new industrializing countries.
- ⁹ The president of the United States Clinton revealed the exchange of conversation he had with Chinese president Jiang Zemin during a summit meeting. Clinton rejected the assumption that Washington intended to contain China. But he also frankly gave his concern to the Chinese president about China's real threat to American interest:

"The greatest threat to our security that you present is that all of your people will want to get rich in exactly the same way we got rich. And unless we try to triple the automobile mileage and to reduce greenhouse gas emissions, if you all get rich in that way we won't be breathing very well. ... There are just so many more of you than there are of us, and if you behave exactly the same way we do, you will do irrevocable damage to the global environment. And it will be partly our fault, because we got there first and we should be able to figure out how to help you solve this problem."
(*International Herald Tribune*, April 18, 1996)

- ¹⁰ There is little, if any, evidence in support of such an argument that the NMD is aimed at a nuclear-missile-armed Iran, Iraq or North Korea that might blackmail the United States in the future conflicts. In effect, this mission seeks to deny emerging missile states and especially China's nuclear deterrence against US conventional action. It is widely understood that the target of NMD is more at China, an emerging superpower, than those so-called "rogue states" (marshall 2000:3).
- ¹¹ See Note 4.

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INTERESTS OF THE MAJOR POWERS IN THE POST COLD-WAR ASIA- PACIFIC REGION

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INTRODUCTION

National interest has been an analytical tool during the Cold War. It is also an analytical tool for state behavior in the post-Cold War international system. Put differently, a national interest directs states behavior in situations of war and peace in contemporary international settings as it has provided direction to the foreign policies of the superpowers during the Cold War. However, a systemic transformation as such impels foreign policy-makers to look for new options and intentions that could best attain national goals. Academics also argue that the systemic transformation not only has forced nations to review foreign policy instruments; but it also has compelled them to redefine and reprioritize their interests. Hence, as the Asia-Pacific region has become center of economic gravity and significant to all major powers, it is necessary to identify post-Cold War interests of the major powers in the region. However, a nation's status is often measured according to its capabilities. Moreover, a nation, given its capability, can define the order of priority of its national interests. Therefore, all nations struggle to augment their capabilities that could be employed in pursuit of national interests. A nation's "capability" may determine its status as a major, medium, or small power. This paper, however, focuses on the study of the post-Cold War interests of major powers in Asia-Pacific. Nonetheless, this study is based on the assumption that the United States, Japan, China, and Russian Federations are major powers in the Asia-Pacific region without an analysis of their power status.

ASIA-PACIFIC: A POLITICAL OR GEOGRAPHICAL CONCEPT

Asia-Pacific are a political concept and not a geographical entity. It includes all the nations with "critical" or "essential" interests and considerable military capabilities or presence in the region. Geographically, Asia-Pacific means China, Japan, the four Asian economic tigers (newly industrialized economies of South Korea, Taiwan, Hong Kong, and Singapore), nations of Southeast Asia and Indochina. Politically, Asia-Pacific also includes the United States and Russian Federation. Though in literature, the United States, Canada, Australia, New Zealand among others are included in the broader term that is Pacific Basin. Therefore, the American and Russian interests and capabilities in Asia-Pacific require that they politically belong to the region.

NATIONAL INTERESTS: A CRITICAL VIEWPOINT

National interest mostly refers to a defined set of objectives if affected will adversely affect a nation's ability to maintain its political integrity and fundamental well being of its people. International relations theorists used different terms to describe national interests. However, despite the multiplicity of terms they argue that national interests provide direction or theoretical base for state behavior or foreign policy formulation. According to James Rosenau, national interests mean "essential social structures". Hans Morgenthau viewed national interests in terms of "causes" or motive forces that oblige foreign policy-maker to adopt a certain course of action. According to Morton Kaplan national interests mean "national needs". Others used terms such as "social values", true concerns", "public good" or "core values" to describe national interests.¹

The implication of multiplicity of terms used to describe national interests is of two-fold: (1) national interests could be interpreted differently², and (2) its content is composed of more than one element. However, the issue whether national interest is composed of one or more elements is more relevant to this discussion³. It also explains categorization of national interest(s) into (1) long-range interests, (2) medium-range interests, and (3) short-range interests. Scholars who subscribe to the view that the content of national interests (plural) are composed of more than one element are known as subjectivists and scholars who believe that national interest (singular) is composed of one element are known as objectivists. According to the objectivists' perspective the national power is the only permanent and unchanging objective that a nation pursues through the conduct of its foreign policy. National power according to this perspective is viewed in terms of military aggrandizement. Understanding of power as such is myopic and Morgenthau's conception of power certainly does

not fall within this category. Morgenthau's definition of national interests in terms of national power is broad enough to include all other elements of national power such as economy, diplomacy, and geographical and personal idiosyncrasies in addition to military capability of a nation⁴.

However, the subjectivists believe that national power defined in terms of military concerns may not be the only element a nation would want to augment. A nation may pursue interests other than power commensurate with its capabilities and hence aggrandizement of military hardware always may not be the supreme national objective. A given nation when a dangerous foe is abolished may shift its focus from purely military preoccupation to pursuit of other essential concerns.

The argument advanced by both, subjectivists and objectivists have two-fold implications: (1) every nation possesses certain objectives that are many in number and permanent, and (2), as these objectives are permanent, the order of priority of the formulated list of objectives is not permanent. Redefinition of national priorities becomes necessary because a change in the environment or best defined as international system leads to a change in a nation's needs. The interests a nation may pursue could be modified, defined, and redefined.

The Cold War bipolar international system has disintegrated. Moreover, the Soviet leg of the system has collapsed. Due to that a new international system is being shaped. It is not certain that emerging international order would be multipolar dominated by the United States or unipolar led by Washington. However, some writers argue that the post-Cold War international system is unipolar being transformed to a multipolar system. Samuel P. Huntington argues that the contemporary international system is neither unipolar nor bipolar or multipolar. "It is instead a strange hybrid, a *uni-multipolar* system with one superpower and several major powers"⁵. It is essential to note that systemic transformation or the nature of the emerging international system does not preempt the discussion in this paper. However, intellectual discussions on the subject point to the fact that systemic transformation as such preempted redefinition and reprioritization of national interests of the major powers in the Asia-Pacific region. Thus, it could be argued that these major powers have outlined a new set of objectives that direct their post-Cold War foreign policies. The following discussion delineates the outlined objectives.

1. Interests of the United States in the Asia-Pacific Region

Bernard K. Gordon argues that the US post-Cold War definition of its national interests has become more selective and hence, shifted from the Cold War type of interests that would include everything everywhere whether or not it affects the well-being of the America.⁶ As part of policy

of containment, Washington struggled to block its adversary's influence everywhere around the globe. However, Washington's policy as such has changed. Policy-makers have redefined Washington's interests in the post-Cold War world including the Asia-Pacific region. However, the discussion below explores the policies or strategies aimed at attainment of some other vital interests within the orbit of American post-Cold War interests in the Asia-Pacific, as analytically separate treatment of US policies and strategies seems a difficult task.

There is a growing concern in America about the Asia-Pacific region since the beginning of the past decade. The American increased concern is due to the existence of a level of economic, industrial, and military strength whose combination under a single leadership may threaten US political and economic supremacy.⁷ Therefore, US interests in the Asia-Pacific region are three-fold: (1) promotions of democracy, free market economy, access to resources and markets and peace and stability, (2) effective leadership, and (3) promotion of strategy of assertive multilateralism.

The US administrations since the end of the Cold War have sought an assertive role for the United States in the Pacific affairs, politically, economically and strategically. The United States could not accept single-nation dominance and would resist any power to become the "Top Dog" in the region. Washington also has supported movements of popular governments and democratization of the region. It also suggested the expansion of free market and market-democracy. Bush's "New World Order" and Clinton's "Enlargement and Engagement" doctrines contain this message. However, the Clinton administration has attempted to achieve all these policies and doctrines through the mechanism of "assertive multilateralism"⁸ discussed below.

"Assertive multilateralism" has three tiers: (1) political, (2) geostrategies, and (3) geoeconomics. Promotion of peace stability and democracy is the US political agenda for the region. While promoting peace, it is also America's mission to support nations in the region with good records of practice of democracy and human rights. The American policy-makers believe that improved human rights, democracy and freedom are pre-requisite for progress and development.⁹ Hence, all nations in the region need to democratize in with the Western image of democracy. Calls for "contextual democracy" or practicing democracy within the context of indigenous value and sentiments by Asian leaders such as Malaysian Prime Minister Dr. Mahathir Mohamad is not a welcomed idea in Washington.

Geostartegically, the assertive multilateralism presupposes a credible presence of the American forces in the region, maintaining Cold War-type bilateral military alliances and commitments and precluding the emergence of a multilateral security structure or institutions as proposed by Japan or Russia. The US would not tolerate more than a multilateral security forum

for dialogue among regional powers to exchange views and concerns on regional security. Interestingly, the regional powers, especially Japan, are expected to share the maintenance costs of American forces in the region.¹⁰ Aims of the US policies as such are two: (1) management of threats to the American strategic capabilities, and (2) American military presence for support of democracy as well as maintenance of peace and equilibrium in the region. US Defence secretary William B. Cohen, during his seven-nation visit to the Asia-Pacific in January 1998 reiterated America's intention to remain in the region to maintain peace and stability and deter any major threats that may arise. Although he did not reveal the sources of the danger, he believed that deterrence could be achieved through bilateralism as well as multilateral dialogue and not via a multilateral security structure.¹¹ China, Japan, and Russia are identified as centers of power that may upset American strategic and economic interests in the Pacific. Moreover, the United States would continue to check the possibility of reassertion of Russia and emergence¹² of China in the region as strategic powers. America would keep the two powers engaged in dialogue and finally make them abide by the rules of market democracy.¹³ In addition, there also exist some flashpoints of tension in the Asia-Pacific region such as arms race, territorial disputes, and nuclear proliferation, which will result in disorder if remained unchecked.¹⁴

Geoeconomically, assertive multilateralism presupposes existence and institutionalisation of a regional economic structure with America playing a leading role. Therefore, economic institutions, like the East Asia Economic Caucus (EAEC) proposed by Malaysian Premier, Dr. Mahathir Mohamad, that exclude the US from its membership, are not welcome. Washington prefers concepts such as the "New Pacific Community" in which the United States can play a preponderant role. The United States aims to integrate the Pacific Rim with North America under the blueprint of the "Asia Pacific Free Trade Area" (APFTA). This means integration of the North American Free Trade Area (NAFTA) and Asia-Pacific Economic Co-operation Forum (APEC) with the United States functioning as the brain of the "New Pacific Community".¹⁵

The main theme behind American interest in institutionalisation of an economic community as such is to develop an international economic regime, which guarantees comprehensive liberalization that can manage protectionism or economic nationalism as practiced by many nations in the region. Malaysia's selective capital policy or similar restrictions imposed by South Korea, Hong Kong, Taiwan, etc. are examples of economic nationalism that could be done away with if the Pacific Community is institutionalized.¹⁶ Through such a regime the US can exert pressures on regional economies to undertake aggressive structural reform, discipline economic behaviours of the regional economies, and ensure observance

of copyright and intellectual property rights as well as reduce the US trade deficits with Asian economies.¹⁷ In a nutshell, the international economic regime as such is one that is established on terms favorable to American interests. At the core of the notion of the Pacific Community lies the strategy to contain the economic expansionism of Japan. The US administration is strongly opposed to formation of Pax Nipponica in the region. Through formation of the Pacific Community based on an international economic regime promoted by America, the Japanese practice of amended capitalism, market penetrations, capital flows, foreign direct investment, and technology transfer would be well regulated and properly managed.¹⁸

The United States believes that the Pacific Community would be also based on the principle of "division of economic labor". Manufacture-oriented economies in the region may not venture into the services sector and high-tech industries.¹⁹ Regional economies are competitive in this area. According to policy-makers in Washington, US and Japan could focus on services sector and high-tech industry, as their economies long before other regional economies have begun to venture into these areas as well as become competitive. Therefore, the two forms of economies complement each other.

The Pacific Community, in addition to the international economic regime, will also function as an American-led loose multilateral security mechanism. The security arrangement in the Pacific Community on American terms presumably has four legs:

(1) The six military and security treaties between the US and other regional countries as the community's cornerstones; (2) the ASEAN Region Forum (ARF) as the Community's partner; (3) the members of Northeast Asian security mechanism, which is proposed by Washington and supposedly will include Japan, China, South Korea, and Russia as the community's dialogue partners; and (4) the countries participating in the South Asian security consultations i.e. the US, India, Pakistan, and China as the communities coordinating countries. Washington will implement its plans according to the above mechanisms that are to be realized step by step, and finally institutionalize the community.²⁰

Therefore, in the final analysis, the United States seeks a new role in the Pacific -a role that is compatible with its political, economic, and strategic interests. The United States will continue to exploit every single opportunity to exert its leadership in the Pacific affairs as a regional balancer and preponderant power. It aims to create an environment conducive to America's military, political, and economic well being in the region. Seeking peace and security in the region on US terms is a paramount objective. However, the US claimed that it "actively sought the establishment of a world order in which all nations...could live in peace and security [and]...people could enjoy a growing measure of well being"²¹ is debatable.

2. Japan's Interests in the Asia-Pacific Region

The end of the Cold War for Japanese foreign policy-makers means that their nation would act a "rule formulator" and "agenda setter" in world affairs. Hence, Japan cannot remain a spectacular spectator and imitator of rule formulated by others. The above assumptions imply that Japanese interests are being redefined. Japanese political elites are looking for new options and alternatives in the emerging international order. However, the post-Cold War interests of Japan are global and regional in scope as well as economic and strategic in nature. The two sets of Japanese interests are complex and closely inter-connected; hence a brief analysis of Japan's post-Cold War interests is in order.

Japan wishes to share world leadership and a leading role in Asia mostly in political and economic affairs. In strategic issues, Japan prefers to depend on the US. According to the Japanese, a "trilateral collective management coalition comprised of the United States, Europe led by Germany, and Asia led by Japan" constitutes the backbone of international leadership in the post-Cold War world. "Together, they can forge a working relationship in which Europe and Japan will basically shore up America's decreased ability to be the world's policeman and banker.... Trilateralism is, therefore, a response to the decline of two superpowers and resurgence of the two middle powers, Japan and West Germany"²²

Japan's contribution to the trilateral leadership is based on the principle of division of labour functionally and regionally. Japan would like to play an effective role both on global and regional levels. However, Tokyo wishes to enjoy exclusive leadership in regional affairs at least politically and economically. Globally, Japan would heavily depend on the United States for security, but it would assume a greater financial burden to maintain American troops in Asia as well as some non-military involvement in peacekeeping operations under UN peacekeeping missions. Japan also aims to increase its military capability in and around Japanese Islands. In addition, Japan would also increase its involvement in international organisations and financial institutions. Japan would also accelerate its economic diplomacy and provide for transfer of technology, investment opportunities, economic loans and financial aid. Regionally, Japan does not want to play a leading role in Europe and the Americas. However, Japan wants them to only assume a support role in Asia and not a leading posture.²³ Thus the primary goal of the Japanese foreign policy in the post-Cold War era is to establish a leadership role in Asia while functioning as an ally in Europe and America. It is believed that Japan is also contemplating to assume more military responsibilities in the Pacific region. Its military is being modernised. It is improving its capability, skills of army personnel, size of armed forces and military hardware as well as

expanding its surveillance jurisdiction in the South China Sea and surrounding vicinities—well beyond its traditional jurisdiction.

Therefore, it is logical to conclude that Japan envisions a new order for Asia. Japan's vision of Asia is comprehensive and composed of two legs: (1) Japan wants to create a new economic regime, and (2) security order in Asia. The creation of an economic *Pax Nipponica* or a loose Asian economic bloc is Japan's vision of a New Economic Order in Asia.²⁴ The main characteristics of this economic order are as follows.

First, Japan could act as rule formulator or agenda setter. Hatakayama Noboru, former Vice Minister of the Ministry of International Trade and Industry, believes that the days are gone when Japan would follow rules formulated by others.²⁵ Japan's economic order emphasises on adherence to a regime based on rules of World Trade Organisation (WTO), successor organisation to the Cold War GATT regime. Restricted liberalisation enshrined in WTO'S principles and rules is necessary. The removal of non-tariff barriers (also known as structural impediments) will reduce competitiveness of Japanese products. Therefore, Japan wants all trade transactions and activities in Asia to be shaped along the WTO guideline—clearly a thorny issue in Japan-US relations.²⁶ Thus, the comprehensive liberalisation, it is recalled, as advocated by the United States, is not favourable to Japanese businesses and Tokyo would resist it.

Second, closely related to the first characteristic is Japan's bid to promote amended capitalism. Under the notion of amended capitalism, the majority of the Japanese foreign policy elites support the view of a big government as opposed to a small government. The government must intervene to avert market failure. The appropriate role to be played by government must be properly defined – a view that is shared by other Asian leaders who subscribe to the notion of governmental intervention to save the economy.²⁷

Third, the new economic order envisioned by Japan will lead to the formation of an Asian Economic Bloc. In such a bloc, under Japanese tutelage, Asia would be insulated from Europe and the Americas and dependent on Japan. Regional nations would adopt Japan's model. However, Reinhard Drifte argues that Japan aim for a creation of open and not a closed regionalism. Japan does not want to create a European Union-like economic bloc, as closed regionalism does not serve Japanese interests. Japan can use Japan-led Asian open regionalism as a useful bargaining chip against temptations of closed regionalism sanctioned by Europe or the United States, which may block penetration of Japanese industries in those regions. As a result Japan could dominate Asia while retaining access to the US and European markets.²⁸

Fourth, Japan can "own" Asia if it can create dependency of regional economies on Japan and interdependency among regional economies. It is through dependence of regional economies that regional integration on Japanese terms is possible. Economic diplomacy is a *modus vivendi* for creating dependency. Economic diplomacy is a broad strategy that includes Japan's attempt to diversify its sources of raw materials as the main source of energy, control over foreign markets for Japanese exports, foreign direct investment, economic loans, technology transfer and economic aid.²⁹ It is Japan that decides the conditions and the kinds of economic assistance or technology to be transferred to the nations in the region. Economic diplomacy would help in the creation of consensus building in the Japanese led economic order.

Economic diplomacy also serves another interest, though secondary but essential. It is also aimed at creating peaceful and stable conditions favourable to Japanese interests. In this context economic diplomacy seems to function on the basic assumption that national stability forms the basis for regional stability. National stability depends on economic development and growth, which brings about the political and social stability necessary for regime formation. Thus assistance to foster successful economic reforms in unstable countries or countries considered as potential sources of conflict is essential. This underlies Tokyo's strong feelings on aid to China and Eastern Europe, North Korea and other countries hit by the 1997 currency crises. It is designed to foster domestic stability, which serves as a pre-requisite for regional as well as global stability.³⁰

Strategically, Japan envisions a multilateral security regime for Asia. In such a regime Japan's military dependency on the US could have reduced as other powers may replace certain roles currently played by the United States. Though for maintenance of peace and stability, the US-Japan security arrangement is crucial. However, the economic problems between the two nations seem to dilute security relations. It is not clear how far Japan may accommodate US demands on non-tariff barriers. If the problem persists, US policy makers may just decide to back off and withdraw its troops from Japan if not from the region.³¹ For this reason, therefore, Japan aims to create a multilateral security regime in the Pacific region in which the United States is also a member. However, Russia and China are to be excluded from membership of regional security regime advocated by Japan.³² One view maintains that Japan wants to create multilateral security regime in co-operation with the small powers in the region and would prefer to exclude major powers in the region from its membership. At bottom, this view implies Japan's intention to assume military leadership and create another *Sumsure* in the region. The need for the creation of a regional security framework is recognised at the top level in Tokyo. Creation of a multilateral security framework on the one

hand will alleviate the fears of Japanese military resurgence among its Asian neighbours. On the other hand, there exist potential sources of conflicts in the region—Russia, a rising China, and the Korean Peninsula—that are viewed in Tokyo with concern. Policy-makers allude to the view that the security environment will become more uncertain and unpredictable if US and Japan fail to resolve the thorny issue of US trade deficit with Japan, as this may ultimately lead to the withdrawal of US forces from Japan.³³

The idea of creation of a multilateral security framework existed among the foreign policy circles in Tokyo since 1980s. Though the United States may not agree to something more than a multilateral security dialogue, Japan will continue to develop consensus among countries in the region on the establishment of a security regime.

3. Chinese Interests in the Asia-Pacific Region

China's post-Cold War interests are both short-term and long-term. Experts on China affairs argue that its leaders are redefining China's short-term objectives in order to enable them to achieve their nation's long-term interests in the Asia-Pacific region. Hence, China's interests discussed in this paper could be a hybrid of Cold War options and post-Cold War intentions outlined by its foreign policy elites. However, a significant feature of China's post-Cold War interests is that its interests do not reflect strategic and political concerns only. Geoeconomic considerations have also become part of China's core concerns in its international affairs. At the bottom of China's all concerns lies the idea of reassertion of Beijing as a world class power and its influence in world politics.

Politically, creation of Greater China is Beijing's long-term objective.³⁴ The phrase "Greater China" is originally a concept with political, economic, strategic, and obviously territorial connotations. Though all the three elements are closely interrelated and they collectively could bring about the existence of "Greater China", territorial integration of a vast land over which Beijing lays claim is considered to be the first step toward creation of the "Greater China". China's leaders believe that if they manage to establish Beijing's sovereignty over the "lost territories" and succeed in developing a model of economic development based on China's present experiment, then China's political influence, economic strength, and military reassertion is beyond question.

However, the creation of "Greater China" as such requires China's leaders to achieve some short-term objectives first. China's short-term

interests are broad enough to include objectives such as: (1) preservation of China's sovereignty and territorial integrity, (2) modernisation of domestic economic structure and military establishment, (3) realisation of the Chinese economic circle, (4) creation of a new security framework, (5) creation of favourable and stable Asia-Pacific, and (6) integrating China economically into the world economic order.

Politically, China aims to re-establish sovereignty over what its leaders call "lost territory". Deng Xiaoping, the then paramount Chinese leader in 1982 stated that national interest is the highest criterion of the conduct of a country's affairs and that sovereignty and its correlates seem to be integral part of Chinese national goals among other things that must not be compromised.³⁵ China claims indivisible sovereignty over "lost territories" since Communist take-over in 1948. It includes Taiwan, Hong Kong, Macao, Tibet, the Paracels Islands, the Spratly Islands, and the Senkaku Island. China has repeatedly stated its uncompromising stand. Despite Beijing's assurance that reunification of the "lost territories" and resolution of disputed islands will be peaceful and through negotiation, specialists on Chinese affairs believe that China may risk the military option to protect its national sovereignty if certain unfavorable conditions were created.³⁶ Since the communist take-over in Beijing in 1948, Chinese leaders considered military force as the only option to establish sovereignty over these areas.

However, a strategic shift occurred when China abandoned the militant approach to reunification of Taiwan, Hong Kong, and Macao and revealed its intention that reunification will be smooth and peaceful. In 1982 Beijing officially adopted "One China, Two Systems" or "One Country, Two Systems" policy toward reunification of Taiwan, Hong Kong, and Macao. The assumption that underpins "One China, Two Systems" policy is that the reunification is to be negotiated between the leaders in Beijing and inhabitants of these islands. In fact, Hong Kong in 1997 and Macao in 1999 came under Beijing's sovereign umbrella based on the principle of "One China, Two Systems".³⁷ However, China presently has shelved its claim on the disputed islands of Paracels, Spratly, and Senkaku. Experts argue that China's shelving its territorial claims could best be described as a "strategic withdrawal" superimposed by its some other interests.

Secondly, China aims to modernize its internal structures. However, China's modernization program has forced it to adopt a policy of "strategic withdrawal" vis-à-vis the sovereignty issue. Modernization of China's internal structures are strategically and economically imperative, as it will make China's militarily and economically strong. China's immediate priority lays emphasis on the "Four Modernization" - of agriculture, industry, defence, and science and technology (AIDS). The Chinese Communist

Party in 1992 has officially approved the policy of "socialist market economy" that was launched in the 1980s.³⁸ The Chinese leaders have introduced two more policies: Open Door Policy and China's Independent Foreign Policy, as pre-requisites of China's modernization program. The Open Door Policy promotes access to foreign capital, investment, markets and opening China's markets to foreigners without discrimination. It also aims to integrate China into the Western dominated international economic system and global financial institutions such as World Bank, IMF, WTO, etc.³⁹ China fears that if it opens its doors too wide, the result will be dependency that could put its long-term objectives at risk and will be unable to create favorable environment to pursue its own agenda and vision in the region. Hence the introduction of an "Independent Foreign Policy", guided by the five principles of coexistence: (1) mutual respect for sovereignty and territorial integrity, (2) non-aggression, (3) non-interference in each other's internal affairs, (4) equality, and (5) mutual benefit and peaceful coexistence.⁴⁰

The third goal that China seeks in the post-Cold War era is the creation of "Chinese Economic Circle" that includes Mainland China, Taiwan and Hong Kong. Beijing would like to see the three economies integrated. Integration as such is possible only if these economies are interdependent. Therefore, China is striving to enhance investment, exchange of capital and technology, trade, etc. among the three economies. Once integrated, the Chinese Economic Circle is forecast to become the world's third largest economy after the United States and Germany in the next millennium.⁴¹ The Chinese leaders believe that Beijing will dominate over it and view the creation of the Chinese Economic Circle as another leap forward towards resolution of the problem of territorial sovereignty.

The fourth goal of China is strategic in nature. It intends to promote institutionalization of a multilateral security framework. Therefore, the creation of the Chinese Economic Circle may not necessarily lead to the creation of "Greater China", if China fails to create a security framework favorable to its interests in the region. Some have argued that China may prefer to promote the existing bilateral security relations. However, the mainstream opinion suggests that China in the long run wishes to establish a multilateral security regime dominated by Beijing. However, presently China prefers the status quo to prevail. Some scholars have maintained that China at present discourages creation of even a multilateral forum let alone a multilateral security structure. The reason cited is that presently China commands little influence among the powers in the region. Even when China decides to institutionalize a security regime, initially China prefers it to be informal forum for exchange of views on security issues in the region.⁴²

However, in the post-Cold War era China can no longer provide ideological justifications to its actions in pursuit of its interests, thus compelling the

leadership to develop a new philosophy for defining relations among nations. This new philosophy, also known as the "Chinese New World Order" is not an integral part of Chinese interests in Asia in the strict sense of the term. China's World Order has been introduced to provide flexibility to its behaviours and foreign policy options. The Chinese World Order is part of Beijing's pragmatic foreign policy agenda for the region. "China's foreign policy line under the reforms has been largely cautious and pragmatic, keyed to the long-term need to establish and maintain a placid external environment conducive to continued economic growth and modernisation".⁴³

Although China does no longer emphasize the promotion of a universal ideology, it seeks observance of the following principles in international relations: (1) all nations, big or small are equal in terms of rights and opportunities. Oppression of small and weak nations by rich and strong nations is condemned; (2) states are free to choose the type of political, social, and economic systems they want. Imposition of one's values on the rest is unacceptable; (3) states must observe the principle of sovereign and territorial integrity. Disputes among nations could be resolved amicably, through negotiations and diplomacy and not by use of threat or force; (4) the new economic order that the world needs should emphasize comparative advantage and mutual respect. States should not attach political conditions to aid, investment, technology transfer, etc.; (5) the members of the world community should adhere to the Charter of the United Nations. However, the world forum must not be abused for the selfish interests of any state.⁴⁴ The Chinese World Order outlined above leaves some fundamental issues such as human rights, democracy, and freedom, to individual countries to define. It also leaves it to the individual nation to choose the type of political and economic system its leaders deem fit for their nation. Hence, it limits interactions among nations to mutual respect, honour, and dignity, as all are equal and sovereign. Interference in the internal affairs of other states is a crime.⁴⁵ Thus the Chinese world order for the 21st century emphasizes Beijing's determination to defend its sovereignty and national interests using its military and other capabilities. It also, according to Michael D. Swaine, emphasizes opposing "hegemonic behavior by any major power and to preserve China's overall strategic independence".⁴⁶

4. Interests of the Russian Federation in the Asia-Pacific Region

Academics argue that Russian foreign policy interests are yet to be articulated properly.⁴⁷ However, the myriad trends in the debate on Russian foreign policy since the disintegration of the Soviet Union indicate, that foreign policy elites are set to pursue some concrete goals. Therefore, post-Soviet Russian interests are both long-term and short-term in nature. Russia's interests in the post-Cold War Asia-Pacific are part of its global

interests. Thus, first this section examines Russia's interests on global level. Then the discussion proceeds to examine Russia's interests in the Asia-Pacific region.

Foreign policy elites across the board in Russia want to reconstruct the Russian Federation in the long run into a "Super State" erected on three tiers: (1) strong economy, (2) viable military, and (3) political influence.⁴⁸ Post-Soviet elites could not help coming to terms with post-Soviet international politics in which their country is now downgraded into a major power. Hence, Russian elites accepted the disintegration of the Soviet Union as a temporary phenomenon only. A policy must be initiated to reintegrate the former states of the Communist System. However, reintegration may not be territorial or political in the sense that Russia controlled all spheres of life in the former Soviet republics. According to post-Soviet elites, reintegration can be in the form of military and economic dependency of the "Near Abroad" on mainland Russia.⁴⁹ This notion of "Super State" as such somehow required Russia to construct a viable and competitive strategy commensurate with its great-power status. The strategy should return Russia to the central position in the world political and economic structure. Thus the strategy should be capable of creating conditions in which Russia is shifted from the periphery to the centre of the international economy. Development of a competitive economy constitutes the core of the current strategy.

The formulation of a competitive strategy stimulated debate over what constituted Russia's short-term priorities. Three main perspectives shape Russia's foreign policy debate vis-à-vis Russia's interests: (1) Atlanticism, (2) Eurasianism, and (3) Atlanticism-Eurasianism Synthesis. While proceeding to examine these perspectives, we need to bear in mind that the debate between the numerous perspectives is over Russia's short-term priorities and not long-term goals.

Atlanticists insist that a West-centric policy would help Russia attain its long-term interests. Eurasianists doubted the Atlanticists' assumption. They advocate a policy that emphasizes friendly relations with the "Near Abroad" in the former Soviet republics. The concept "Near Abroad" in the original Eurasian perspective does not include the Asia-Pacific region. The debate between Atlanticists and Eurasianists produced a third perspective that could be called the Atlanticist-Eurasianist Synthesis. The synthetic perspective combined essential components of Atlanticism and Eurasianism. According to the synthetic perspective, Russia's Eurasian character has been broadened to also include the Asia-Pacific Region. Therefore, relations with the (1) West (Western Europe, the United States, and all industrialized nations), (2) "Near Aboard", and (3) the Asia-Pacific region are outlined as Russia's short-term priorities. The synthetic perspective has dominated

foreign policy debates since the mid-1990s. The synthetic perspective is equated with what is now called a "foreign policy concept". President Boris Yeltsin instructed the Foreign Ministry to draft a new concept. The Foreign Ministry's Official Policy Draft's final version has been approved by Yeltsin and remains classified.⁵⁰

The Atlanticist approach, which emphasized Western economic aid and co-operation to modernize its infrastructure, dominated Russia's foreign policy formulation in the first few months of post-Soviet Russia. They advocated friendly relations and eventually allied relations with the civilized world, including NATO, the UN, and other structures. Russian policy should avoid antagonizing the West. Russia should join IMF, World Bank, and the Group of Seven as its eighth member. The pendulum turned to swing and the Eurasian approach tended to dominate the foreign policy debate. Perhaps the main reason behind the shift as such was Western policy of enlargement of NATO to include Soviet Union's East European states and absence of political will in the West to come forward and put Russia's economic house in order.

The Eurasian perspective emphasized Russia's European and Asian identity. But it advocates that Russian elites should focus on Moscow's relations with the "Near Abroad" or former Soviet republics. Eurasianists maintain that Russia needs to adopt a "Eurasian Monroe Doctrine". The immediate preoccupation of Russian foreign policy should be to exert leadership and influence in the "Near Abroad" even at the risk of deterioration of relations with the West.⁵¹ The debate between Atlanticists and Eurasianists within official foreign policy circles in Moscow persuaded the foreign policy elites to formulate an official Russian foreign policy concept. The Foreign Ministry and the Council for Foreign and Defence Policy published separate drafts outlining Russia's foreign policy directions and priorities. Though the final version of the Foreign Ministry's Drafts was confirmed by President Boris Yeltsin and remains classified, both drafts incorporated views of Atlanticists and Eurasianists.⁵²

The synthetic perspective proposed the creation of a strong economic bloc and an effective system of collective security in the "Near Abroad". All members of the Commonwealth of Independent States (CIS) should become members of the proposed economic bloc and collective security system. The economic and the collective security system should operate under the auspices of mainland Russia. These economic and security institutions could provide a platform for co-operation and integration of the "Near Abroad".⁵³ Russian leaders have called on the international community to acknowledge Moscow's special role in preserving law and order in the "Near Abroad". When it comes to security issues over the space of the Soviet Union, Russia's state borders not necessarily to be

confined within the borders of the present Russian Federation. The Russian forces should have free right of mobility over the territory of "Near Abroad". In addition, the synthetic perspective also stressed on close co-operation with the West in trade-offs-for economic aid needed at home. Russia could co-operate with NATO under the Partnership for Peace enterprise, with the United Nations, or other institutions. However, co-operation can be terminated anytime unilaterally in circumstances where Russia's vital interests are in danger.⁵⁴

What is unique about the synthetic perspective is that it re-evaluated Russia's policies towards the Asia-Pacific region. Initially a subordinate priority, the Asia-Pacific region was also recognised as an area of potential interest along the United States, Western Europe, and "Near Abroad". In this way the definition of "Eurasia" has been extended to include Asia-Pacific and Russia's role therein. The remaining discussion in this section focuses on the Russia's vision for Asia-Pacific.

Russia's interests in Asia-Pacific are viewed as a continuation of Gorbachev's policy. Mikhail Gorbachev pursued a policy of constructive engagement in the Pacific region. Yeltsins Russia has adopted a similar approach. Yeltsin during his address to South Korea's Parliament on 14th November 1992, stressed that geopolitically, Russia is a part of the Asia-Pacific region and that its national interests dictated that it becomes a full partner of the region. In the same vein Yeltsin spoke of the Eurasian character of Russia on 25th January 1993 before a visit to India.⁵⁵ Why did the Russian foreign policy priorities shift or expand to include the Asia-Pacific region? Academics provided three main reasons.

First, Russia aims to create a balance-of-power situation in the region. Yeltsin during his visit to China on 9-10 December 1999 re-confirmed Russia's intention of promoting a multipolar world. In a joint statement after their informal summit, Yeltsin and Jiang Zemin held that the two nations would co-operate in promoting an international order in which no single power dominates.⁵⁶ However, in addition to the United States, Russia also does not want a militarily strong China or Japan in the region. Moreover, Russia also wants to strategically distance the United States from the region. In this process Russia believes that it can maintain a balance of power between major powers in the Asia-Pacific region.⁵⁷ Obviously, Russia's influence has diminished in the region. However, if Russia formed a strategic alliance with any major power in the Asia-Pacific, it certainly can affect the equilibrium in the region.

Second, Russia is still committed to the notion of "Gorbachovian Security Multilateralism". Russia aims to promote the creation of an overriding multilateral security framework for conflict prevention and conflict regulation

in the Asia-Pacific region.⁵⁸ Russian Foreign Ministry officials continue to emphasize the importance of multilateral security fora such as ASEAN Regional Forum (ARF) in their bilateral and unofficial interactions with representatives from other Asia-Pacific nations. Russia struggled hard to attain membership of ARF and will make sure that it is included in all forums and structures that are being shaped or could be shaped in the future.⁵⁹ One logical explanation for Russia's need to create a multilateral security arrangement is that an economically weak Russia would be unable to contribute much to the region. While its interests require remaining engaged in the region, Russia hopes that it can contribute to peace and order in the region by emphasizing a multilateral security arrangement.

Third, by staying engaged in the region, Russia can extract a lot of economic benefits. Asia-Pacific is economically vital to Russia's reforms. Japan and "Asian Little Tigers" such as South Korea, Taiwan, Hong Kong, etc. could positively contribute to Russia's economic recovery.⁶⁰ In addition to being a rich source of capital and aid, Asia-Pacific provides Russia with a lucrative arms market. The region constitutes the largest market for Russia's arms sales. Russia abandoned its long-term allies North Korea and Indo-Chinese states and normalized relations with China, South Korea, and ASEAN. Among the reasons cited is that Russia perceives them as potential arms market. Another reason is that Russia needs access to a high-growth economic area. The Baltic, Central Asian, and Caucasian States have blocked Moscow's access to the outside world and Black Sea in Europe. Therefore, the Far East is the remaining area that provides Russia with access to the Asia-Pacific region.

According to McDougall, "Whatever Russia's aspiration in Asia-Pacific, its political and economic circumstances have combined to limit its influence in the region. Russia appears to be a power in decline".⁶¹ Its leadership, however, is attempting to revive its strength through economic reform.

PROJECTION FOR SYSTEMIC STABILITY IN THE ASIA PACIFIC REGION

The present analysis concludes that the interests of the major powers in the post-Cold War Asia-Pacific region are being reviewed and reprioritized. Moreover, the United States, Japan, China, and Russia are contemplating a vision for the region different from that of the Cold War era. Therefore, according to this study, all the four powers under discussion pursue conflicting set of objectives. The prognosis as such suggests that largely the region may not remain stable. The powers with vested interests would fail to cooperate. Hence, systemic stability would be disturbed in the region. However, compelling arguments suggest quite the contrary.

The region, despite all the potential sources of conflict, would relatively remain stable and peaceful at least for the first quarter of 21st century. The region may not experience a Cold War-like scenario. All the powers would co-operate almost on all political, economic, and strategic issues. Rupture of relations would be temporary and limited to something like diplomatic warfare, protests or war of words. Two factors could readily explain this juxtaposition. First, all the four powers have adopted economic policies that are unique and which make them economically interdependent. Economic interests of each major power vis-a-vis the rest have been discussed in the foregoing pages. Second, power status of all these powers, both military and economic, is relative. Hence, measured against power capability, the four powers could belong to different power class or category. Therefore, they may not pose military challenge to the interests of the each other at least for the first quarter of the 21st century. Analyses of power status of these powers do not fall within the scope of the present study.

FOOT NOTES

- ¹ Charles O. Lenche and Abdul A. Said, *Concepts of International Politics*, (London: Princeton Hall Inc. Englewood Cliffs, 1963), pp. 4-5, 23-24. See also Attar Chand, *International Relations*, (New Delhi, Anmol, 1992), p. 4.
- ² *Ibid.*
- ³ Morton A. Kaplan, *System and Process in International Relation*, (USA: John Wiley and Sons, 1962), p. 151.
- ⁴ For more details about national interest please refer to Kaplan, *op. cit.*, pp. 151-157. See also Lenche, *op. cit.*, pp. 4, 23-24 and Roy E. Jane, *Principles of Foreign Policy*, (N. p.: Martin Bertson, 1979), pp. 35-40.
- ⁵ Samuel P. Huntington, "The Lonely Superpower", *Foreign Affairs*, Vol. 78, No. 2, April 1999, p. 36.
- ⁶ Field H. Haviland Jr., *The formulation and Administration of United States Foreign Policy*, (Washington: Greenwood Press, 1974), p. 11.
- ⁷ Bernard K. Gordon, *New Direction for American Policy in Asia*, (N.Y. and London: Routledge, 1990), pp. 8-9.
- ⁸ Martine L. Lasater, *The New Pacific Community: US Strategic Options In Asia*, (USA: Westview Press, 1996), pp. 1-88.
- ⁹ Susumer Yamakage, "Human Rights Issues In Southeast Asia" in *Japan Review of International Affairs*, Vol. 11, pp. 119-122.
- ¹⁰ Lasater, *op. cit.*, pp. 1-188.
- ¹¹ For more information please refer to "U.S. Information Agency Press Release", Compiled by Asia-Pacific Defence Forum, (Summer 1998).

- ¹² Yasushida Yamanouchi, "Nuclear Energy and Japan's Security Policy" in *Japan Review of International Affairs*, Vol. 11, No. 3, 1997.
- ¹³ Lasater, *op. cit.*, pp. 51-88.
- ¹⁴ Nordin Sopee, "The New World Order: Implication for Asia-Pacific", in Rohana Mahmood et. al. (eds.), *Confidence Building and Conflict Reduction in the Pacific*, (Malaysia: ISIS, 1993), pp. 15-18. See also Paribatra Sukhumbhand "Asia-Pacific Regional Security Issues", in Mahmood, *op. cit.*, p. 34. See also Johnson Chalmers, "White China Prepares for Commerce, Japan and US Prepares for War", 25 December 1997, Japan Research Institution View, pp. 2-3, and Wang Jisi, "The Role of the United States as a Global and Pacific Power: A view form China" in *the Pacific Review*, Vol. 10, No. 1, 1997, p. 9.
- ¹⁵ Wang Jisi, "The Role of the United States as a Global and Pacific Power: A view Form China", in *the Pacific Review*, Vol. 10, No 1. 1997, pp. 7-10.
- ¹⁶ *Ibid.*, pp. 137-139.
- ¹⁷ Gordon, *op. cit.*, pp. 19-21, 29-33, 135-145.
- ¹⁸ Sopee, *op. cit.*, pp. 15-18.
- ¹⁹ *Ibid.*
- ²⁰ Jisi, *op. cit.*, pp. 7-8.
- ²¹ Haviland, *op. cit.*, p. 11.
- ²² Dennis T. Yasutomo, "The Politicization of Japan's post-Cold War Multilateral Diplomacy", in Gerald L. Curtis, *Japan's Foreign Policy*, (USA: An East Gate Book, 1993), p. 340.
- ²³ *Ibid.*, pp. 40-42.
- ²⁴ Reinhard Drifte, *Japan's Foreign Policy in the 1990s*, (London: Macmillan Press Ltd., 1996), pp. 140-143.
- ²⁵ *Ibid.*, pp. 88-89.
- ²⁶ For more details please refer to *Ibid.*, pp. 89-91. See also Jon Woronoff, *Politics the Japanese Way* (Hong Kong: Macmillan, 1988), pp. 150-156. Jon Woronoff discusses the idea of amended capitalism as practiced by Japan.
- ²⁷ Motto Kaji, "The Japanese Economy at the Turn of Century", in *Japan Review of International Affairs*, Vol. 11, No. 3, 1997, pp. 230-233.
- ²⁸ Drifte, *op. cit.*, pp. 140-143.
- ²⁹ For concrete examples on Japan's approach in creating dependency please see, *Ibid.*, pp. 90-110. See also Sueo Sudo, *The Fukuda Doctrine and ASEAN: New Dimensions In Japanese Foreign Policy*, (Singapore: Institute of Southeast Asian Studies, 1992), p. 3.
- ³⁰ Itara Umazu, "The future of Japan in the Asia-Pacific", in Mahmood, *op. cit.*, pp. 80-83.
- ³¹ *Ibid.*

- ³² Prasert Chittiwatanapong, "Japan's Roles in the Posthegemonic World: Perspective from Southeast Asia", in Akaha, *op. cit.*, pp. 215-218.
- ³³ Tsuneco Akaha, "Japan's Security Policy in the Posthegemonic World: Opportunities and Challenges", in Akaha, Tsuneco et. al.(ed.), *Japan in the Post-Hegemonic World*, (Boulder and London: Lynne Rienner Publishers, 1993), pp. 94-96.
- ³⁴ For details about Beijing's intention of creating greater China in the post-Cold War international order see John Wong, "Myth and Reality of a Greater China", in Derek da Cunha, *The Evolving Pacific Power Structure*, (Singapore: Institute of Southeast Asian Studies, 1996), pp. 139-144. Wong discusses China's this objective in the context of its relations with other nations in the region.
- ³⁵ Cunha, *op. cit.*, pp. 5 and 80-81.
- ³⁶ David Bachman, "Domestic Sources of Chinese Foreign Policy", in Samuel S. Kim (ed.), *China and the World: New Directions in Chinese Foreign Relations*, (USA: Westview Press, 1994), pp. 57-61.
- ³⁷ John R. Faust et. al., *China in World Politics*, (USA: Lynne Rienner Publishers, 1995), pp. 40-42 and 62-63.
- ³⁸ Ikao Kayahara, "China as a Military Power in the Twenty-First Century", in *Japan Review of International Affairs*, Vol. 12, No. 1, 1998, pp. 50-51.
- ³⁸ For details on China's participation and membership in these organizations, see John R. Faust and Judith F. Kornberg, *China in World Politics*, (USA: Lynne Rienner Publishers, 1995), pp. 26-27. See also Lu Ning, *The Dynamics of Foreign-Policy Decision-Making in China*, (USA: Westview Press, 1997), p. 88.
- ⁴⁰ Faust, *op. cit.*, p. 16. See also Ning, *op. cit.*, p. 88.
- ⁴¹ James C. F. Wang, *Contemporary Chinese Politics: An Introduction*, (New Jersey: Prentice Hall, 1995), pp. 139-144.
- ⁴² *Strategic Survey* 97/98, *op. cit.*, p. 173. See also Bachman, *op. cit.*, p. 184 and Faust, *op. cit.*, pp. 166-167 and 177-178.
- ⁴³ Michael D. Swaine, *The Role of the Chinese Military in National Security Policymaking*, (US: RAND, 1996), p. 20.
- ⁴⁴ Faust, *op. cit.*, pp. 20-21.
- ⁴⁵ *Ibid.*, pp. 251-154.
- ⁴⁶ Swaine, *op. cit.*, p. 20.
- ⁴⁷ Margot Light, "Foreign Policy Thinking", in Neil Malcolm, et. la., *Internal Factors in Russian Foreign Policy*, (New York: Oxford University Press, 1996), p. 38.
- ⁴⁸ Malcolm, *op. cit.*, pp. 10-11.
- ⁴⁹ *Ibid.*, pp. 6-8.
- ⁵⁰ Light, *op. cit.*, pp. 45-51, 61-65. See also Amin Saikal and William Malcy, (eds.), *Russia In Search of Its Future*, (Britain: Cambridge University Press, 1995), pp. 105-106.
- ⁵¹ Malcolm, *op. cit.*, p. 7-8. See also Blaine Holoboff, "Security issues in the Soviet Union and the Question of Russia Resurgent", in Pal Dunary and others (eds.),

New Forms of Security: Views From Central, Eastern, and Western Europe, (England: Dartmouth, 1995), pp. 56-58.

Note: All Eurasianists did not share the opinion that Russia should risk its relations with the West. Only extreme nationalists alluded to this view. Moderate Eurasianists also wanted friendly relations with the West.

- ⁵² Light, *op. cit.*, pp. 61-63, 73-75, see also Sergey Rogov, "A National Security Policy for Russia", in James E. Goodbye et. al. (eds.), *The Limited Partnership: Building a Russian-US Security Community*, (USA: Oxford University Press, 1993), p. 76.
- ⁵³ Light, *op. cit.*, pp. 61-63, 73-75.
- ⁵⁴ *Ibid.*, pp. 64-65. See also Malcolm, *op. cit.*, pp. 10-11.
- ⁵⁵ Derek McDougall, , *The International Politics of the New Asia Pacific*, (USA: Lynne Rienner Publishers, 1997), p. 51. See also Leszek Buszynski, *Russian Foreign Policy After the Cold War*, (London: Praeger, 1996), p. 171.
- ⁵⁶ *Beijing Review*, December 20, 1999, p. 10.
- ⁵⁷ *Ibid.*, pp. 969-171.
- ⁵⁸ *Ibid.*
- ⁵⁹ *Ibid.*
- ⁶⁰ McDougall, *op. cit.*, p. 48.
- ⁶¹ *Ibid.*, p. 54.

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BOOKS IN REVIEW

THE DEBATE ON INTERNATIONAL RELATIONS THEORIES CONTINUES

Jatswan S.Sindhu

Hans Mouritzen, *Theory and Reality of International Politics*, London: Ashgate Publishing Company, 1998 .170 pp.

The search for a suitable theoretical framework for the study of International Relations has remained contentious since the 1960s such that scholars from different backgrounds have propounded divergent views. This has been mainly due to at least five major reasons. Firstly, the discipline of International Relations is fairly young compared many other disciplines, with its beginnings in the early part of the twentieth century. In fact, although the discipline began to grow during the pre-World War II years, it was not until after the war that efforts were undertaken towards theory building. Secondly, by and large, theory-building in International Relations was undertaken by social scientists from a variety of disciplines namely politics, history, sociology and even philosophy. As such, the emergence of a set of contending theories thus became a natural outcome. Thirdly, whilst undertaking theory-building, there was also the notion of making International Relations a scientific discipline that resulted in the borrowing of models from the branches of sciences. To quote a few examples: Kenneth Waltz's systemic/structural theory of international politics was explicitly inspired by micro-economic theory whilst Morton Kaplan's systems theories/structural functionalism being inspired by biology/General Systems Theory (see M. Kaplan, *System and Process in International Politics*, New York: Wiley, 1957). As a result, most theorists, if not all, paid little attention to the peculiarity of the international system. Fourthly, most theories have been 'top-bottom' in nature that only provide a bird's view of the international system. In other words, with little regard for empirical data, most theorists have tended to construct 'major' frameworks without a proper understanding of localized peculiarities thus providing a jaundiced or even a distorted view of localized realities. Finally, taking into consideration the extreme and diverse nature of human society and the fluidity of world politics, it is indeed impossible for a single theoretical framework to emerge as the leading approach for understanding the international phenomena.

Bearing the above in mind, this book by Hans Mouritzen is indeed yet another exploratory work attempting to investigate and explain International Relations not by means of constructing a 'major' theoretical framework but rather by providing an evaluation of some earlier assumptions. Primarily based on a critique of earlier approaches and namely that by the Realists, the author attempts to provide some answers and credence to the many assumptions that have been made by earlier scholars. The main problem in International Relations theories, according to the author, is the failure of most proponents of theories to test their respective assumptions by means of providing sufficient empirical data. Hence, the outcome is that, most if not all theories, have remained mere frameworks, or at best least understood and even perhaps less applicable to reality. In fact, the debate on International Relations theories has been constructed along "school lines" thus giving it a "school-feudal character" and defined in terms of realism versus some other school. Hence, it has witnessed the merger of analytical and substantially independent dimensions, resulting in school discussions being extremely aggregate and crude.

In this work, the author departs from the traditional viewpoint that explains International Relations theories from the 'top-bottom' perspective but instead takes a 'bottom-up' approach. Divided into nine chapters, the work takes 'a step-by-step' approach in attempting to project the main thesis of the work. By providing a broad yet meaningful introduction to the work, the author proceeds to chapter two to present the main argument of the work that being based on the assumption that states are the most important units in the international system. However, it is here that he departs once again from the 'great debate' in International Relations by asserting that states are non-hierarchical and non-mobile units and this non-mobility argument constitutes a fundamental property of international politics. In other words, a state's salient environment dictates how it adjusts with its neighbors or even states far away. At the same time, he also cautions that the work is not about explanation from pure unit attributes or in other words the reductionism approach. He contends that a state's salient environment or neighborhood is generally stable, consisting of a few geographically adjacent units and their mutual relationships. Non-mobility therefore entails certain spatial relations that are frozen and made into almost permanent conditions. This he aptly describes in a very simplistic manner in the preface where he states that: "International politics is like a formal dinner, whose guests are seated according to a pre-planned table arrangement. Each guest is obliged to the pleasant or unpleasant company of two of three other guests sitting next, irrespective of his or her preferences; apart from the most dominating personalities, the general noise prevents conversation from being conducted on a broader scale." He goes on to challenge the general notion that international politics is perceived as "a reception, whose guests can circle freely among each other" and argues that it is in fact a misconception that has lead to mistaken theory building.

He then goes on to survey the existing literature on International Relations theories especially that relating to explanatory levels to demonstrate the shading of the environment level that takes place. As such, he provides a meaningful critique of Waltz's systemic theory as well as the reductionists approach to 'comparative foreign policy' and small state theory on the basis of the non-mobility argument forwarded earlier. Following this, he provides a preferred explanatory logic and level to his main thesis by introducing and illustrating the notion of environment polarity instead of the usual systemic polarity. In other words, the overall system might be unipolar at the systemic level due to the presence of only one superpower. However, the salient environment of a particular state could be tripolar, because in addition to one superpower, that state would also have to confront two other local powers who might have the same ability to project power in relation to the said state. As such, the situation at the systemic level and that at the salient environment of a state provides the state with very different options and constraints in policy-making. In chapter five he formulates and tests three different theories. This is demonstrated by using three models namely: the tension between the strong and the activity of the weak; the balance-of-power between the strong and the bandwagoning of the weak and the 'twin-distance model'. This he does by providing empirical data on the relations of five Nordic countries namely Sweden, Denmark, Finland, Iceland and Norway and their respective Baltic engagements on the basis of their geographical distances from the Soviet Union/Russia and from the Baltic Sea region. Chapters six goes on to provide the nature of interplay between the salient environment of the Nordic states and domestic explanatory factors whilst chapter seven provides two major examples of the interplay. These are namely the policies of the Nordic states towards the Warsaw Pact and the European Union. Although the work highly tilts towards a state-centric conception, it nonetheless attempts to address the policies of the Nordic states towards intergovernmental organizations namely the European Union in chapter nine. It is demonstrated that these states practice a policy of allowance/tolerance towards intergovernmental organizations. He asserts that a state's instrumental use of intergovernmental organizations have indeed a Realist flavor and that states remain in ultimate control thereby denying 'actorhood' to the former.

As the title might suggest, the main aim of this work is not to provide an alternative school of thought but is rather an attempt at applying and testing various assumptions of Realism to the reality of international life. It is interesting to note that there exists a great disparity between International Relations theories and the reality of international life. Despite the fact that the author claims, from the very beginning, that this work is not aligned to any major schools of thought in International Relations theory, in the conclusion however, a different stand prevails. Using the six assumptions

of Realism by Benjamin Frankel ("Restating the Realist Case: An Introduction," *Security Studies*, Vol. 5, No. 3, 1996, pp. ix-xx), the author reassesses these assumptions with that of his own. He agrees with some of Frankel's assumptions namely that states are the primary actors in international politics; the world being anarchic; the instrumental use of inter-governmental organization by states and; that states adopt rational policies in pursuit of their respective national interests. He however, chooses to modify and qualify some of Frankel's assumptions especially that relating to the top priority of states. Unlike Frankel, Mouritzen asserts that the top priority of states is in fact 'autonomy' rather than 'security'. He also claims that whilst the use of force remains important it is however not the first option of states in defending or pursuing their respective interests. Other means or instruments of national policy are applied which he categorizes as 'positive sanctions' and 'negative sanctions', the latter being inclusive of force as well. In line with his "state's salient environment approach", he flatly rejects Frankel's point that a state's behavior is condition by the international system alone.

He further asserts that thrust of the book was in fact inspired by Kenneth Waltz's *Theory of International Politics* (New York: Random House, 1979). In fact, this book probably had its origins in the work published earlier by the author entitled "Kenneth Waltz: A Critical Rationalist between International Relations and Foreign Policy" (in Iver Nuemann and Ole Wever (eds.), *The Future of International Relations: Masters in the Making*, London: Routledge, 1997, pp. 66-90).

Despite some minor shortcomings, the work is still an important contribution to literature on International Relations theories and provides a fresh perspective of looking at International Relations from a different angle namely that relating to the internal and external sources of foreign policy. In short, although systemic factors do influence state behavior, environment polarity produces a greater impact on foreign policy making at home. More importantly Mouritzen provides sufficient empirical data towards the testing of the assumptions he made in the earlier part of the book, namely that relating to the foreign relations of the five Nordic states mentioned above. In fact, the author has published numerous works on the external relations of Nordic states prior to the publication of this work. Hence, the empirical data used in this work is in fact a result of years of work on the said area. Although it is not intended to become a text pertaining to International Relations theory, the rather polemic style of argument of this work would hopefully stimulate a fresh debate on International Relations theories, or at the very least on Realism.

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THE INTERNATIONAL SYSTEMIC TRANSITION IMPACT ON INDO-US RELATIONS

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Manoj Soni. *Understanding The Global Political Earthquake: A Study of Post-Cold War International Systemic Transition And Indo-US Relations.* Ashgate, 1998. 127 pp.

Given the scarcity of books on the international systemic transition the work of Manoj Soni on the subject is a commendable effort. Interestingly the bulk of his work focuses on the international systemic transition than on Indo-US relations. The author has done a great deal on trying to explain the international systemic transition in global politics. He has conceptualized a reasonably good theoretical framework using the works of most eminent scholars in international relations ranging from Bull, Aaron, Morgenthau, Friedman and etc.

While the author had successfully demonstrated a theoretical framework in explaining the international systemic transition, it is indeed important to scrutinize the logic of his theorization. Firstly, a major weakness in the study can be noticed when the author continues to use ideas of Cold War in trying to explain the post-Cold War systemic transition of global politics. Such assertions in fact pull the study backward to the Cold War era. As such, it has yet to successfully explain the international systemic transition phenomenon in a comprehensive way to fit the present era.

In developing the theoretical framework, the author outlined the determinants of systemic transition as patterns of resource and wealth distribution, capability of major actors and the international power configuration. A great deal has been placed on "order out of systemic conflict" as a part of systemic transition. These determinants addressing the agenda of international systemic transition are generally limited. An explanation of the international systemic transition of global politics based on the above determinants will only categorises the analysis of the author as belonging to power politics school of thoughts. Approaches to international

relations may vary but definitely it is not short of theoretical ideas in explaining the transitions in the international system.

The author's propensity to promote the realists agenda is also very clear indeed. The book has strong assertions of states being the sole actors shaping the international system. With such dramatic changes taking place in the global scene, a state-centric explanation of the international system has without doubt downgraded other players that are equally important. The role of small and middle powers shaping the international agenda today has clearly been neglected. Similarly, the role of major non-state actors.

In addition, the assertions of conflicts such as Cold War as the major factor shaping the international systemic transition is also debatable. For example, the idea behind bipolarism was only relevant in certain conflicting scenarios. Today, the factors shaping the international system may not come from that of the Cold War politics. It could be plain profits and economic agendas that are building alliances and shaping systems within the international system.

In line with this thinking, it is also important to note that it is not the "order of systemic conflict" alone that played the vital part in the international systemic transition. However, the desire for cooperation and the rise of global interdependence warrants significant attention and an important place in understanding the systemic transition of global politics. The lack of systematic discussion on interdependence within the international system made the entire study suffer in terms of contemporary theoretical relevance.

Having focused on the transition of international politics from the bipolar context, the study assumed that the Cold War has prompted the warm-up in US-Indo relations. The authors also reasserted the arguments that warm Moscow-New Delhi relations were an obstacle for US-Indo relations of the time. While these may be true to some extent the post-Cold War situation in South Asia has not really changed. India and Pakistan are still rivalries and India has yet to downgrade its relations with Moscow. This will raise a much more important question of why the US is looking at India with greater respect today hence upgrading the bilateral relations.

In answering the above, the book has failed to address some of the pertinent issues in the systemic transition of global politics. Most importantly, the rise of new actors in the post-Cold War Asia. The Clinton administration was definitely clear of these changing realities. India is slowly emerging. Its open market policies of 1990s will allow the US to have access to a sizeable market like that of China. India has some 200 million middle class populations. It is also a global information technology center. Indians are also becoming key players in American technology centers.

Aside the above, due to the ambivalent nature of US-China security relations, it is wise for the US to capitalize on the Indians. The ideas of China threats are still gaining currency in the US policy circles. So, cultivating India as a strategic partner will act as a balancer in curbing the Chinese hegemony.

On the whole, the author's work on understanding the global political earthquake from the international systemic transition can be regarded as a good theoretical suggestion. However, the lack of contemporary theoretical perspectives on the international systemic transition made the entire study into another mainstream power politics interpretation of bipolarism and Cold War. Some major paradigmatic shift in the international system has hardly been offered by the study. Nonetheless, the book can be good reference for the acquaintance and scholars of realism. It can also serve as a guide to US-Indo relations in the post-Cold War era.

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