

**Contrasting Russian and Chinese Perspectives
on the Future of Asia**

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Abstract

The initial hypothesis of this research was that divergent regional perspectives on Asia- issues of security, political alignment and economic models- were a primary cause of the thirty-year Sino-Soviet Cold War. This implied that future stable relations between Russia and China would continue to be strongly influenced by the compatibility of their regional perspectives. Sustaining such compatibility would become increasingly complex, however, due to change within Asia itself, particularly with regard to Asia's emergence as one of the centres of the new global economy. Asian modernisation is significant for Russia and China not only in terms of domestic development as they abandon the command economy, but politically since the creation of a regional economy is being promoted as a means of neutralising the tensions in the region which arise from Asia's heterodox nature in terms of culture, ethnicity and social system.

The central chapters of the thesis are, therefore, concerned with comparing Russian and Chinese assessments of the Asian economy on several levels: Asia's place in their foreign economic relations in the reform era; Asia's role in their domestic development; and their assessment of the significance of the Asian economy as an economic model and as an emerging regional economy. These assessments are then set against Russian and Chinese perspectives on their role as Asian powers and their security and diplomatic relations in Asia.

The conclusion of the paper is that Asia is rising in importance for both states, though not equally. Russia remains economically isolated from the most important processes of the Asian economy, though political and economic de-centralisation in Asiatic Russia raises the prospect of these region's re-orientation towards the Pacific. The success of economic reform in China, conversely, owes a considerable amount to the degree to which China has participated in regional trade and investment flows, although this has also promoted domestic dislocation due to rapid changes in the patterns of distribution of economic output and population.

The proposition that the imperative of economic modernisation has neutralised the potential for regional conflict is found to be unproven. Economics can be as much a source of conflict between nations as politics or culture, and there remain many interests to be balanced if Asia is to emerge as an integrated economy of common purpose. Rather economic development has had its greatest impact on Asian regional relations by effecting a re-distribution of power between states. This is evident not only in the rise of China and Japan as powers capable of challenging and balancing the interests of the former superpowers but in the much broader distribution amongst other states. Russia and China do have complementary economic interests within Asia, but it is by promoting this greater equilibrium of power that economic development has contributed most to regional stability, including the Sino-Russian relationship.

Abbreviations

AFTA	ASEAN Free Trade Area.
APEC	Asia Pacific Economic Cooperation conference.
APR	Asia Pacific Region.
ASEAN	Association of Southeast Asian Nations.
BAM	Baikal Amur Mainline.
CASS	Chinese Academy of Social Sciences.
CMEA	Council for Mutual Economic Assistance.
CPC	Comunist Party of China.
CPSU	Communist Party of the Soviet Union.
DPRK	Democratic Peoples Republic of Korea.
EAEG (C)	East Asian Economic Group (Caucus).
ESCAP	(UN) Economic and Social Commission on Asia and the Pacific.
FDI	Foreign Direct Investment.
FE	Far East.
FER	Foreign Economic Relations.
FEZ	Free Economic Zone.
FTC	Foreign Trade Corporation.
FTO	Foreign Trade Organisation.
FYP	Five Year Plan.
GLF	Great Leap Forward.
GVIAO	Gross Value of Industrial and Agricultural Output.
IMEMO	Institute of World Economy and International Relations.
LTSP	Long Term State Programme (for the Complex Development of the Far East).
MFT	Ministry of Foreign Trade.
MID	Ministry of Foreign Affairs.
MOFERT	Minsitry of Foreign Economic Relations and Trade.
MNC	Multinational Corporation.
NAFTA	North American Free Trade Area.
NI	National Income.
NIC (E)	Newly Industrialised Countries (Economies).
PDRY	Peoples Democratic Republic of Yemen.
PECC	Pacific Economic Cooperation Conference.
ROK	Republic of Korea.
SEATO	Southeast Asian Treaty Organisation.
SEZ	Special Economic Zone.
TFR	Total Fertility Rate.
TPC	Territorial Production Complex.

I Introduction: Issues and Definitions

According to the joint communique issued at the Beijing summit of May 1989 between the Soviet Union and China "both sides expressed the unanimous opinion that the Soviet-Chinese summit signifies the normalisation of interstate relations between the Soviet Union and China." Future relations between the two states would be guided by the five principles of peaceful coexistence- non-aggression, non-interference in internal affairs, mutual respect for sovereignty, equality and peaceful co-existence. Despite the fact that important differences still existed between the two sides at both state and party level, these pronouncements indicated how far the circumstances which sustained the 30 year Sino-Soviet Cold war had changed by the end of the 1980's.

One way of analysing the causes of both Sino-Soviet hostility, and the subsequent rapprochement, is to compare their relationship with the other pivotal one of the Cold War, that between the Soviet Union and the United States. In his essay 'The Long Peace',¹ John L. Gaddis has argued that, in the absence of a supra-national force capable of imposing authority on the international arena, stability in the post-war era arose from Soviet and US agreement to abide by a set of unofficial rules, which were the product of custom, precedent and mutual interest. These were five-fold: respect for spheres of influence- no encroachment on

territory that the opponent considered essential to its economic or military security; avoidance of direct confrontation- despite the unprecedented level of military action since 1945, great care was taken to ensure that Soviet and US forces did not come into direct conflict; recognition of the qualitative difference that nuclear weapons imposed upon relations between states; recognition of the legitimacy of the opposing leadership, while retaining the right to question that of the opposing system; a preference for predictability over rationality- the acceptance of many anomalies and irrationalities in the international order.

The absence both individually and collectively of comparable rules in the Sino-Soviet relationship can be used to explain much of the instability in relations between the two states. Firstly, in the collective sense, the Soviet Union's willingness from the fifties on to abide by a set of rules which allowed so much to the advanced capitalist states, provided they did not challenge the national interests of the Soviet state itself, was unacceptable to the Chinese. This led to a shift in their perception of the aims of Soviet foreign policy from being engaged in support and expansion of the socialist world, to being primarily concerned with pursuing partial interests, including sustaining stability in the existing international order at the expense of change, particularly in the Third World. The rejection of the collective rules emerging in the

international system led to the isolation of the PRC during the sixties, a process linked to the domestic turmoil of the period.

Equally important was the inability to work out comparable individual rules. Such rules should not be seen as being of equal importance, particularly at varying points in the history of the Sino-Soviet conflict. Thus both the denial of the legitimacy of the opposing political leadership and China's refusal to accept the changes that nuclear weapons had brought about in international relations were more significant in the initial stage of the conflict. This is also true of China's attempt to end the anomaly of the separation of Taiwan from the mainland by precipitate action.

However, the two other factors behind the dispute--the inability to avoid direct confrontation and the unwillingness to afford each other legitimate spheres of influence-- did not abate but rather increased in intensity. Direct confrontation was unavoidable given the proximity of the two states, the vulnerability of their mutual border and the dispute as to its proper demarcation. The desire to deny each other support in Asia grew from competition for influence among the non-aligned in the fifties to the creation of outright political and military alliances aimed against the other. China's perception of its vulnerability on these issues at the beginning of the seventies was the primary motivating factor in bringing about the pivotal change in

the course of the Sino-Soviet conflict: the development of its strategic understanding with the US and Japan.

It is not possible to characterise the Sino-Soviet conflict as being primarily a bi-lateral dispute before 1972 and a multilateral conflict thereafter. What is true is that the balance of factors sustaining the dispute changed from the former to the latter: China's perception of its vulnerability moved from the direct threat to that posed by what it deemed the Soviet Union's pursuit of hegemonism in Asia. From the Soviet perspective, the emergence of the tripartite group opposing it in the East necessitated an expansion of its military and political presence in Asia: the Far East military build-up, the further expansion of the military relationship with India and Vietnam, and ultimately the intervention in Afghanistan.

China's decision to pursue collective security with the US was made possible by the convergence of their interests in Asia with regard to the Soviet Union despite the fact that it had few points of agreement with the US, or of conflict with the Soviet Union, elsewhere, as this assessment by a Hong Kong analyst at the time of Sino-Soviet normalisation suggests:

As a regional rather than as a global power, China's basic strategic interests are confined to the Asia-Pacific region. Outside this region, conflicts of interest between China and the Soviet Union are not serious.. China's national security is related directly to security issues limited to the Asian-Pacific region. Sino-US relations are exactly the opposite of Sino-Soviet relations in this regard. Outside the Asian-Pacific region, China and the United States have deeply divergent views regarding

some issues (such as Central America, the Middle East and South Africa), but these conflicts do not directly affect China's national security.²

The emergence of Sino-Soviet rapprochement in the 1980's, it can be argued, therefore, owed a considerable amount to the reversal of previous factors and joint acceptance of individual and collective rules of behaviour. While the five principles were posited as the collective basis of relations, more significant were the development of individual rules. China had long-since abandoned its obscurantist stance on nuclear deterrence and embarked, as one element in the four modernisations, on a long-term effort to match the military structure and capacity of the major industrial powers. Both the Soviet Union and China embarked upon a reform process which, while markedly different in terms of content and success, was premised on criticism of their respective Maoist and Brezhnevite pasts, establishing the possibility of mutual political legitimation. China showed itself prepared to pursue resolution of outstanding issues- whether the border dispute with the Soviet Union or the status of Hong Kong and Macao- through predictable channels, and where anomalies persisted, as over Taiwan, showed recognition of the need to resolve these through long-term diplomacy.

In strategic terms, China's avowal of an 'independent' foreign policy since 1982 indicated its desire for balanced relations during the reform era and the Soviet leadership's espousal of the 'New Political Thinking', whose essence was the inadequacy of military

power to solve complex political and security issues, established a framework for readjustment, including in Asia. The declaration of May 1989 stated:

Both sides declare that neither of them- neither the Soviet Union nor China- lays claim to hegemony in any form in the Asian-Pacific region or other parts of the world.

However, strategic opposition arose from, and was sustained by, regional confrontation. Continued strategic reconciliation, equally, must be dependent on compatible regional policies. Normalisation was achieved by Soviet compliance with the Chinese position on the two 'obstacles' (the third being the border dispute) relating to its regional role- withdrawal from Afghanistan and the end of support for the Vietnamese role in Cambodia. Yet neither the Afghan nor the Cambodian civil war arose directly from the behaviour of either power; rather they sought advantage, and to avoid disadvantage, through involvement in the conflicts. Future compatibility as regional powers is, therefore, not solely dependent on the extension of the bi-lateral relationship to regional issues but on the much more complex interplay of that relationship with the economic, political and security reality of the region.

This complexity arises not least because Asia itself is in the midst of considerable transformation, in terms of internal political and economic structures and the position it occupies in the international order. The demise of the Soviet Union has accentuated both the importance of multilateral factors in the Sino-Russian

relationship, since the loss of superpower status has increased the Russian government's need for collective economic and security arrangements in Asia, and the changes to the international order as a whole. Internal change in the former Soviet Union, as in China, has become yet another important variable in the changing pattern of Asian relations, and of Asia's place in the world.

The purpose of this paper, therefore, is to examine Soviet/Russian and Chinese regional perspectives on the future of Asia, to ascertain the degree to which they are compatible, offering the prospect for continued stability, and the degree to which they diverge, with the potential for the resumption of conflict. This will involve assessment of their own role in Asia and of the importance of Asia in both their domestic and foreign policies.

Before a structure can be given to such an analysis, however, a number of questions must be answered. If the changing nature of Asia is itself a determining factor in future of Sino-Russian relations we must first define Asia and identify the forces that will shape those relationship

The reluctance to discuss Asia as anything other than a geographical expression imposed largely from without is a response to the diversity of the Asian past. Unlike Europe whose differing cultures are seen as being variants on a common origin, the differences between the

cultures, peoples and societies of Asia are held to be of root as well as of kind. Between the Confucian and Hindu civilizations as well as the Islamic and Buddhist traditions there is no perceived commonality. In order to find a common trend which cuts across Asia's diversity and gives some solidity to its boundaries it is necessary to examine the Asian present. What this shows, according to Lucian Pye,

is not that they [the Asian states] are variations on a common past, as with the countries of Europe, but rather that they share similar hopes for the future. The common element in Asia is that it is a continent in pursuit of economic growth, national power, and all that can be lumped together under the general label of modernisation. The unity of Europe lies in its history; the unity of Asia is in the more subtle, but no less real, shared consciousness of the desirability of change and of making a future different from the past.³

This is especially the case since whereas in the past Asian states faced enforced modernisation from foreign cultures, modernisation is increasingly an internal Asian phenomenon, with specific Asian characteristics. Asian states have found their commonality- they are variants upon a particular form of economic development.

This process has proved so powerful that even the most significant division between Asian economic cultures in the post-war era- between those who looked to market-based development and those who favoured a planned economy- has become increasingly blurred. The planned economy was pursued by the Asian socialist states out of a belief in the success of the Soviet model and a desire to combine modernisation with social restructuring. The

market conversely was viewed as antithetical both to the plan and to the political and social structures of socialist society.

The limitations of planning became increasingly evident, however, not least because they included not only the distortions known within the Soviet system- the imbalance between heavy industry and the consumer and service sectors, the decline in growth and efficiency as the industrial base expanded, isolation from the international economy- but also specific distortions arising from the inapplicability of the Soviet model to the economic cultures of Asia. This was felt most forcefully in agriculture, where Soviet-style collectivisation as a means of accumulation had at best a debilitating effect, and at worst, as during the Great Leap Forward in China, resulted in the breakdown of food supplies and widespread famine.

While some Asian socialist states were compensated for their continued adherence to the Soviet economic model by subsidy through trade with Moscow, this option was not open to China. It was, moreover, faced with enormous problems of economic logistics arising from the increasing tension between population and resources, the only remedy for which was change of the economic mechanism. The process of economic reform begun at the 3rd Plenum of the Chinese Communist Party in 1978 has moved through several stages but the essential transformation has been the abolition of the thesis that

the market and the plan are incompatible. While retaining a socialist political model the CPC are attempting economic transition through three modes of production- from pre-capitalist to capitalist to socialist by means of a hybrid system. A key component, as will be discussed more fully below, has been the Open Door policy by which important parts of the domestic economy have been made compatible with the international market economy.

The shift towards the market on the part of Asian socialist states has a mirror image in the continued role of state planning in the Asian market economies, leading some commentators to argue that there is an increasing degree of convergence in the developmental models of Asian states. Gordon White and Robert Wade have argued that successful late development- socialist or capitalist- should be understood in terms of 'Listian political economy' in which

states have played a strategic role in taming domestic and international market forces and harnessing them to a national economic interest.⁴

Thus the economies of Taiwan and South Korea are guided market economies in which the initiative and the profit lies with the enterprise and in which the state achieves national ends by manipulation of the market, rather than by direct regulation or nationalised production. During industrialisation the government intervenes in certain sectors to bring about particular allocative effects, as well as to protect those parts deemed to be self-regulating. In particular while economic rationalism

might argue against the creation of core industries such as chemicals, iron and steel, and electronics, a programme of national development requires that these be developed.

It can also be argued that the political processes in the capitalist and socialist states have certain similarities. Cooptation and control within an authoritarian structure have been the norm, in which the emergence of social groups or classes capable of putting their priorities before that of national development has been most strongly resisted. Thus White and Wade conclude that the East Asian socialist and capitalist countries,

share certain common features which cut across the political divide. They share a common Confucian heritage, a historical legacy of strong and economically active states, traditions of social and political hierarchy and strong nationalist sentiments underpinned by cultural homogeneity and reinforced by external threats. These factors have conditioned both the degree and forms of state intervention and the demonstrated developmental success of East Asian states.⁵

Thus the central division that has been held to exist between Asian states, their supposed relationship to competing forms of Western modernisation models- capitalist or socialist- may be becoming less significant as a specifically Asian model of development appears.

As the above discussion suggests the area which may have proceeded furthest in producing such a distinctive Asian political and economic model is that lying within the boundaries of the Confucian heritage of East Asia. However the pattern of state-regulated economic development combined with distinctive political cultures

extends beyond this region to include the nations of Southeast Asia and South Asia. Within these states common processes and common concerns can be discerned which set them off from other societies, including the states of what was once Asia minor, and is now more usually designated the Middle East. The degree to which Russian and Chinese commentators accept the influence of traditional cultures behind the developmental imperative will be examined further in this paper.

The foregoing discussion makes it possible to set limits both to the boundaries of Asia and to the forces shaping its future. While much of the discussion will be centred around the fast-developing economies of East Asia, the processes of development are held to extend beyond the Pacific rim to South and Western Asia. The Middle East is seen as distinctive both culturally and economically. The term Asia-Pacific region (APR) is used in the paper but reluctantly. For reasons which will be discussed further this remains a rather amorphous construct which is concerned with binding the countries of Asia, Australasia and the Americas together regardless of the cultural, economic and political differences between them. It is nevertheless the chosen term for much of the discussion considered in the paper.

As to the factors shaping Asia's future it is hoped that enough has already been said to indicate that economic development and integration has become a most significant factor shaping future regional relations. In

economic development many Asian states see the means not only to secure domestic stability and well-being but also the process by which to impose a system of common interests upon the divisive and potentially unstable political relations of the region. This must apply also to Russia and China. Thus the central consideration of the paper will be given to contrasting Russian and Chinese perspectives on the economic future of Asia with a subsequent section attempting to place these in the context of their perspectives on Asia's political future.

A problem which arises here is how far it is possible to define a perspective on Asia with which the Chinese or Soviet/Russian states can be identified: what are the components which make up Russian and Chinese perspectives on Asia? In the era of the Cold War this would have led to tortuous discussion of the role of ideology in the foreign policy of communist states. Certainly more consideration would have been given to the semantics of what constituted 'ideology' than to the actual discussion conducted by Soviet and Chinese analysts. This was a mistake; for however susceptible ideological formulations were to change under pressure of domestic and external circumstance, they provided a source by which Soviet and Chinese perceptions of the world could in part be charted. Moreover, they were, and in the Chinese case are, rarely expressions of simple doctrine. As Seweryn Bialer has argued Marxism-Leninism

was but one element in the 'practical' ideology of Soviet leaders- the ideas, values and preferences that provided the dominant conceptual framework of the elite.⁶

One further element in that framework which could not be erased was the component of political culture: Russian communists were still Russian and the product of the society they sought to overthrow. Ideology was to prove a weak cement for relations between socialist states when faced with differences of political culture and interests of state. Because of the continued importance of the inheritance of the past, two short introductory sections using mainly secondary sources will outline comparative Russian and Chinese perspectives on Asia in the imperial and communist eras, before an attempt is made to present Chinese and Russian perspectives on contemporary Asia in the main sections of the paper.

As to the material used in those sections, this comes from a variety of sources: the media, academic discussion, as well as government statements of policy. It is accepted that there is no uniformity of opinion on the issues raised and where differences exist attempts will be made to indicate institutional positions and whether any trend can be said to predominate.

1. John Lewis Gaddis, *The Long Peace: Inquiries into the History of the Cold War*, New York. 1987.
2. Huan Kuo-Ts'ang, "Motivations for and Limitations on Improvement of Sino-Soviet Relations", *Chiushih Nientai*, Hong Kong, in JPRS-CAR-89-099. p.4.
3. Lucian W. Pye, *Asian Power and Politics. The Cultural Dimensions of Authority*, Belknap Press, London. 1985. p.2.
4. Gordon White ed. *Developmental States in East Asia*, MacMillan, London. 1988. p.1.
5. *ibid.* p.24.
6. Seweryn Bialer, *The Domestic Context of Soviet Foreign Policy*, Boulder, London. 1981.

II Comparative Historical Perspectives on Asia

i) Russia

Given the multi-faceted nature of Asia itself and the variety of influences that have moulded Russian historical perspectives of Asia, it is undoubtedly a simplification to talk of one 'Asia' and one perception of it. Yet there are long-standing elements of continuity to Russian perceptions of Asia and it is possible to outline the most predominant of these.

A major factor behind this continuity is geography. Russian perceptions have been shaped by the proximity of Asian societies, from which many migrations threatening to the most Eastern of the Slavic peoples originated. For much of Russian history this openness to the East sustained a feeling of vulnerability and the Russian advance into Asia from the 16th century onwards was motivated in part by a desire to create secure and fixed boundaries for the rising Russian state. While this diminished the threat from Asia it created new problems of identity since it became unclear how far the boundaries of Asia had been pushed outward and how far part of Asia had been absorbed into Russia. This ambiguity persisted to modern times, as John Stephan has pointed out:

Russia and Asia are not contiguous, as the term Sino-Soviet frontier implies, but overlap spatially and ethnically. Three-quarters of the Soviet Union lies within Asia. One-third of Asia lies within the USSR. Eighty million people (approximately 30% of the Soviet population) live in Asiatic regions of

the USSR. Fifty million Soviet citizens (about 20% of the population) are of Asian nationalities.¹

Thus while geographically and ethnically, Russia, and then the Soviet Union, became Eurasian powers, with enormous consequences for their history, it was less obvious that a fusion of perceptions had taken place. It will be argued that the predominant Russian and Soviet perceptions of Asia remained rooted in European culture and that Europe shaped Russia's perception of the East much more than the incorporation of Asian territory into a European state changed those perceptions. This said, consciousness of Russia's unique dual identity has never been far from the surface and has arisen particularly at times of upheaval and change.

For the inhabitants of the first Russian state, that of Kiev, there was no consciousness of 'Asia' as a geographic or cultural entity. Rather there were the different nomadic tribes of the steppe who threatened the agricultural communities of the Dnieper valley. This conflict of economics and culture was reinforced by that of religion following the conversion to Christianity of the Slavs of European Russia in the 10th century while the pagan nomads were later converted to Islam. The wars between the peoples of Kiev Rus and the different tribes of the steppes- Khazars, Pechenegs, Polovtsy- were fought on a massive scale with considerable losses. It was in the aftermath of such a war with the Polovtsy that the weakened Kiev state fell to the Mongol invasion of 1237-

41. This is the only time that all of Russia has suffered invasion but the devastation incurred and the subsequent 250 years of Mongol domination left abiding scars. Unlike in China and Persia, however, the Mongols never succeeded in establishing themselves as dynastic rulers and their control weakened after after the 14th century as Muscovy arose as the new Russian centre.

According to N.V. Riasanovsky,² Imperial Russian involvement in Asia before the nineteenth century falls into two distinct periods in which the reforms of Peter the Great mark the pivotal point. The earlier period is marked by the steady progress eastward of Russian colonists and traders, in the wake of successive defeats of indigenous Asian peoples. Following the subjugation of the Khanates of Kazan and Astrakhan in the mid 16th century, the last major barrier to expansion eastward was removed with the defeat of the forces headed by Kuchum Khan in 1598. Using the Siberian rivers and a system of forts Russian settlers pushed east linking European Russia with the Pacific by 1651, but leaving the southern lands of the Kazakhs, Kirghiz and Dzungar Mongols untouched. Beyond the need to secure the eastern approaches to the state the greatest impetus to this colonisation was economic. The settlers sought the mineral and natural wealth of the region and trade with other states, most importantly with Imperial China. The first codification of Sino-Russian relations took place under the Treaty of Nerchinsk in 1689, but the

instability of Inner Asia in this period prevented rapid expansion of relations between the two great Eurasian powers. In particular, the Qing were suspicious of the role played by Russia in the challenge of the Dzungar Mongols to their rule in Mongolia, Central Asia, and Tibet. According to Mark Mancall, a formula for stability was eventually found under which,

If Russia were prepared to pay the price of noninterference in Central Asia for commerce with Peking, Peking was prepared to pay the price of commerce for Russian noninterference in Central Asia.³

This was embodied in the Treaty of Kiakhta of 1728 which allowed increased Russian access to Peking but more importantly permitted trade with the interior through Kiakhta and other border towns. The Kiakhta system successfully regulated Russian and Chinese relations for over a hundred years and created a stable structure for Russian relations with Asia as a whole.

While the economic benefits that Eastward expansion brought were essential to the success of the reforms of Peter the Great and the growth of Russian power in the 18th century, one of the major consequences of the changes of the Petrine age was the opening of Russia to the West and the establishment of European thought as the primary intellectual influence in the country. Thus while the amount of contact Russia had with Asian peoples increased in the period after the death of Peter in 1725, Asia played a diminished role in the Russian mind as the fear of invasion from the East receded and consciousness

of the advance of European society increased. Thus Riasanovsky notes:

The superiority and even the unique validity of the European development appeared to be the common explicit and especially implicit assumption in Russia as in other European countries. What is more, the empire of the Romanovs, where Europe and Asia met, seemed to educated Russians to provide ideal support for this view. Europeans could, and perhaps were destined to, benefit mankind by carrying their enlightenment to backward continents. Russian intellectuals readily joined in the general European ideology of imperialism.⁴

The rise of Europe became a double-edged sword for Russia, however. As far as it was able to participate in it, Russia was strengthened, not only securing the eastern frontier but even defeating the last major obstacle to southern expansion, Turkey, in the reign of Catherine. However, Russia's failure to match the pace and scale of change in the maritime states- to build upon the legacy of Peter- left it with the ideology of a European empire but lacking the means commensurate to its ambitions. Thus the western states were able to place limits on Russian power in Europe, particularly after the Crimean war, while they increasingly penetrated into Asia from the sea, dislocating the traditional societies there and eroding Russia's unique position as a Eurasian power. Consciousness of this led to a resurgence of interest in the east which reached its apogee in the views of the Slavophiles, who rejected Westernisation in part out of a belief in Russia's special mission in the East, as suggested most famously by Dostoyevsky's remarks:

This [the conquest of Asia] is necessary because Russia is not only in Europe, but also in Asia;

because a Russian is not only a European, but also an Asiatic. Not only that: in our coming destiny, perhaps it is precisely Asia that represents our way out.⁵

Thus the interlinked phenomena of the ideology of imperialism in its unique Russian form and the need to stake Russia's special claim in Asia in the face of the increased activity of the other European states propelled Russia into further Asian expansion.

This was conducted on two separate fronts: Central Asia and the Far East. In Central Asia Russia successfully subdued the Islamic peoples, founding the new state of Turkestan centred on Tashkent in 1865. The Khanates of Bukhara based around Samarkand, and Khiva to the south of the Aral Sea, capitulated to Russian forces in 1868 and 1875 respectively. This served the traditional dual purpose of imperialism: economic control and denial of the territory to another power, in this case the British extending their influence northward from India. An attempt to detach Xinjiang from Qing Empire following a rebellion by the indigenous people failed, as the Chinese re-established control in 1877, but this was less than significant given the shift in attention to Far East. Hauner points out that because,

of its inadequate communications and the enormous distances involved, the Russian state could not allocate the same resources to both places simultaneously. Until the 1880's the government could not decide which zone should be given overriding priority: the Far East or Central Asia.⁶

While Russia's geographical position guaranteed it the predominant trading position in Central Asia the same could not be said of the Far East. The Kiakhta system had

successfully limited Russian penetration into Manchuria, but the arrival of the west had revolutionised the conduct of trade with the east, as Rossabi points out:

The Kiakhta trade had been extremely valuable in the early 19th century, the Russians principally providing textiles and some furs and receiving chiefly tea and some silk from the Qing. China's new arrangements with the maritime powers, which could transport bulkier goods more cheaply than those states dependant on the land routes through Eurasia, undermined Russia's favourable economic relations with the Qing.⁷

After the Crimean war any restraint exercised upon Russia from fear of alienating the French and British was removed, and Russia pressed her claim to exclusive rights to the right bank of the Amur river. 185,000 miles of territory were conceded by the Qing under the Treaty of Aigun of 1858, and a further 100,000 by the Treaty of Peking of 1860. The policy of 'using barbarians to regulate barbarians' under which concessions were made to the Russians, who were long known and deemed to be most interested in trade, in order to better resist the demands of the other powers, had failed. Though this allowed the Russians to found Vladivostok and expand into the Far East, they were unable to make any significant impact upon the important Chinese coastal trade since the French and British had also won significant concessions.

Checked by the expanding influence of the Western European states, overland trade did not substantially increase in the latter decades of the century and while the level of settlement in the Russian Far East tripled, the population of 7 million in 1900 was insignificant by

the standards of East Asia. Following the pattern employed in Central Asia of opening the region to population and facilitating extraction of goods by rail transport, the Tsar authorised the construction of the Trans-Siberian Railway in 1891. This was accompanied by the growth of the Russian military presence on the Pacific with an increase between 1892 and 1903 from 23 to 89 battalions, 13 to 35 squadrons, and from 8 to 25 batteries.⁸ A central cause of this military expansion was the rise of a new threat to Russian ambitions in the Far East in the form of imperial Japan.

Russo-Japanese relations had been established by the Treaty of Edo of 1858 which authorised trade between the two states, and the Treaty of Shimoda which began the delineation of the frontier between the two states in 1855. The Kuriles had been divided but no agreement was made on Sakhalin which remained a joint possession. This position was resolved by the 'final' agreement of 1875 which gave Japan sovereignty over the Kuriles in exchange for Russian control of Sakhalin. Relations for the next 20 years were good, both states being primarily concerned with domestic modernisation. Russia did not perceive Japanese industrialisation as threatening and pursued a largely passive policy in the Far East, at least partly because of her continuing economic and military weakness in the region. Moreover, China continued to be regarded as the major regional power and Japan was encouraged as a

counter-weight to the Qing empire, even in regard to its ambitions in Korea.

Equally important may have been the affinity of values and institutions between the two states. Lensen points out:

The Russians and the Japanese were both imbued with respect for autocracy and government regulation, for rank and protocol, and were equally disdainful of merchants and money-makers. Both were troubled by a pull in opposite cultural directions; both dreamed of being the bridge between East and West, the catalyst of a new and universal civilisation.⁹

It was the defeat of China in the war of 1894-95 which disrupted this relationship by revealing the extent of Japan's success in modernisation and of her ambitions in mainland Asia. Russia succeeded, in consort with Germany and France, in forcing Japan to renounce it's war gains in Manchuria and thereafter greatly expanded her own position along the whole of the northern frontier of the Qing Empire and in Korea, particularly in the wake of the Boxer Rebellion.

The opportunity for expansion that the disintegration of the Qing empire presented, and Russian confidence in their ability to beat an Asian people, accounted in large part for the ascendancy in the Russian court of those who refused to make any concessions to Japan on mainland Asia. The Japanese, having secured a diplomatic alliance with Britain in 1902 which would ensure that military victory was not followed by political defeat as in 1895, struck in 1904. The Russian forces were defeated, weakened by poor planning,

political corruption and the revolutionary upheaval of 1905 to which the military debacle itself contributed.

The consequences of the defeat varied. Diplomatically they were limited: Korea and South Manchuria were recognised as being a Japanese sphere of influence but no territory was gained except for southern Sakhalin and no indemnity was paid. The Russian military vulnerability in the east the war exposed and the limited nature of Japan's war gains led to the ascendancy in both states of those who had argued for Russo-Japanese co-operation. The years after 1907 saw increasing Japanese-Russian convergence culminating in the alliance of 1916. The basis of this alliance was economic as well as military with Japan placing a considerable stake in Imperial Russia, from government bonds to trade and commerce in Manchuria and Eastern Siberia.

The political and strategic consequences of the defeat were far more significant. Russian imperial prestige was damaged precisely because the defeat came from a non-European people, as Seton Watson suggests:

The impact of the first victory of an Asian over a European power in modern times was felt far beyond the theatre of war.¹⁰

But it was perhaps the strategic consequences that were to reverberate longest, as Milan Hauner argues:

Following the disaster of 1905, one can observe that the trauma of the two-war front, to be fought simultaneously at both of the Empire's extremes, some 15,000 km apart and connected for most of the distance by the then inefficient and vulnerable Trans-Siberian Railway, was to become the principal geopolitical factor that the Soviet Eurasian strategy inherited. Without bearing in mind this

fundamental strategic factor, one cannot, for instance, understand Stalin's balancing act between East and West, right up to Hitler's attack, or the underlying motives that led to the enormous Soviet military and naval build-up in the Far East since the 1960's.¹¹

Thus Russian perceptions of Asia had in one sense come full circle. Having successfully eliminated any serious threat to its security from Asia by the 17th century, Russia had enjoyed two centuries in which its economic relations with the region, most notably with China, had predominated. By the late 19th century, however, the changing pattern of economic and social development had re-established Asia as a region from which a threat to the state might arise- either from indigenous or extra-territorial powers, resurrecting dormant historical concerns about the threat from the East.

What did not change, however, was the dominant intellectual locus for perceptions of Asia. Despite the diversity of Russian political thought, including the division between those who rejected, and those who sought to emulate, the West, the two centuries since the Petrine reforms had established the dominant Russian perceptions of Asia as variants upon the European tradition rather than forging an alternative vision derived exclusively from Russia's unique position- Riasanovsky is,

unable to cite a single Russian intellectual before the 20th century who was consistently willing to identify himself or his country with Asia.¹²

Even those who challenged the Tsarist state, and were eventually to overthrow it, did so under the influence of rationalist Western political theory and of political and

economic developments in the West, rather than of ideas and events emanating from the East. Their commitment to Marxism did not clash with the establishment of the Soviet state on geographic lines as close to those of imperial Russia as events- the peace treaty with Germany and the allied intervention- would allow, and they thus inherited many of the geopolitical concerns of the Tsarist state: security on two continents and problems arising from the unevenness of national development in a vast multi-national state. Thus the Soviet state developed its view of Asia almost as a mirror image to that of Imperial Russia: from within the context of European ideologies, though from one concerned with the class, rather than state, divisions of Europe, but with a continuing commitment to the uniqueness of the Russian experience, in its revolutionary, as opposed to imperial, guise.

ii) China

Even less than the early Russians, the Chinese had no historical view of 'Asia' as a geographic or cultural entity. This stemmed from the pre-eminent position Chinese culture held within East Asia and the lack of knowledge or interest in societies outwith the Sinic zone. The two themes which dominate the history of this zone are southern expansion and northern defence. C.P. Fitzgerald has argued that,

Chinese influence, Chinese culture and Chinese power have always moved southward.¹³

From the original confederacy of states based upon the Yellow River, Chinese influence spread south incorporating the peoples of the Yangtse valley by the end of the first millennium BC. By the end of the Han dynasty in 221 A.D. south China, what is now Guangdong and Fujian, and northern Vietnam were within a Chinese state, though modern south-western China was not. The process of contact, followed by settlement, and eventual incorporation continued, drawing in the upper Yangtse by the fourth to sixth centuries AD and with the Canton region fully settled by the Tang period (seventh to tenth centuries AD). From this area of political control Chinese influence extended southward, to Vietnam which was directly affected, and to Laos, Cambodia, Burma and Thailand, which to varying degrees were influenced by China. Beyond these states lay Malaya, Java, Sumatra and Borneo which were less directly affected until the

arrival in modern times of Chinese settlers created a more tangible link with the mainland state.

The exclusion of the societies of West and South Asia from this order and the predominance played by China in it gave rise to a Sinocentrism in which the Chinese emperor was not merely the Lord of the Middle Kingdom but of all the known world. John King Fairbank argues,

The relations of the Chinese with surrounding areas, and with non-Chinese peoples generally, were coloured by this concept of Sinocentrism and an assumption of Chinese superiority. The Chinese tended to think of their foreign relations as giving expression externally to the same principles of social and political order that were manifested internally within Chinese state and society. China's foreign relations were accordingly hierarchical and non-egalitarian, like Chinese society itself.¹⁴

The hierarchy broadly followed the pattern of Chinese expansion: firstly, the core region dominated by the Han and those areas most directly influenced by them: Korea and Vietnam which were at one time within the Empire, the islands of the Ryukyus, and, at times, Japan; secondly, the Inner Asian zone consisting of tributary peoples who were not ethnically Chinese and lay outside the Chinese cultural sphere; finally the Outer Asian Zone, consisting of the barbarian peoples of South and Southeast Asia, and, in later times, the Japanese.

The weakness of this structure was that its concentricism did not operate equally in all directions. In particular, Inner Asia remained for long periods without Chinese cultural or political influence. Mark Mancall suggests this was primarily a consequence of economics:

the regions to the east, southeast and south of China were sharply different from the northwestern crescent. Like China they were dominated, or were presumed to be dominated, by sedentary grain-growing economies; they had adopted or were supposed to have adopted Confucian principles for the organisation of government... All the organised states in this 'southeastern crescent' that extended from Japan and Korea through Southeast Asia to Burma shared with China similarities in environment, grain-producing technology, and intensive land use and settlement.. China proper, East Asia, and Southeast Asia appeared to belong to one ecological system, and the only region in East Asia that exhibited different environmental characteristics was the northwestern crescent of societies.¹⁵

The ability to regulate relations with these societies was all the more important for the Chinese because they were highly conscious of the connection between external and internal disorder. Most Chinese dynasties had collapsed because of the twin pressures of rebellion and invasion, and failure to submit to the Chinese foreign order was seen as a challenge to domestic stability.

Morris Rossabi argues that China's unique view of international relations stems from its experience of treating with the Inner Asian peoples.¹⁶ The fear of attack from the steppelands of the North and West preoccupied the early Chinese dynasties, the building of the Great Wall being only the most enduring symbol of this. Expeditions to subdue the periphery even by powerful dynasties such as the Han and Tang failed: the imperial cavalry was no match for that of the Mongols or the Central Asian peoples and there were logistical problems of supply from the Chinese core. Colonisation of Mongolia, Manchuria and Central Asia proved fruitless in the face of the problems of order, control from the

centre and the difficulty in developing agriculture as the economic basis of the region.

It was in response to these difficulties that the Chinese developed their methodology for dealing with barbarian peoples. This included the use of gifts and intermarriage, and the policy of 'using barbarians to fight barbarians', but the most common element, from the time of the Han to the end of the Ming, was the tribute system.

Under the tribute system those Inner Asian peoples who wished to maintain relations with the Chinese court were expected to adopt Chinese customs and use Chinese diplomatic methods. In return for this the Emperor conferred prestige on rulers and proffered aid in time of trouble. In this way the tribute system allowed China to conduct foreign relations on its own terms: gaining peace in return for trade but limiting the contact between Chinese and the external world at the same time. According to Rossabi the official Chinese historians claim- echoing the imperial systems disparagement of commerce and assertions of Chinese self-sufficiency- that the tribute system was exclusively concerned with defence is over-stated.¹⁷ China required the import of certain products and the tribute system, which was a prelude to trade, can equally be seen as a mechanism for securing economic, as well as strategic, advantage. At crucial points, however, this system failed and China fell to Inner Asian tribes- the Mongols from 1279-1368 and the

Manchu in 1644. Such crises also demonstrate the strength of the Sinocentric order, however, since the new dynasties invariably found it worthwhile to adopt the terminology and structure of China's traditional foreign relations, just as they retained its social and state order.

The Qing system of relations in Inner Asia was particularly successful lasting more than 200 years, all the more so because the threat to the security of its boundaries shifted from the disparate tribes of the region to the expansion of a large and ambitious power-Russia. While Russian and Chinese behaviour in Inner Asia differed considerably- Russia favoured direct colonisation and subordination to the centre while the Qing sought not to overwhelm the region but control it through their complex system of tribute and hierarchical relations, there were also similarities. Both states held themselves superior to the indigenous populations and operated a bureaucratic system of control that was equally open to corruption and incompetence. Both were motivated by a mixture of defensive and economic aims and sought to direct the process of relations in ways that benefitted the state, most notably by limiting the ability of merchants to trade in ways that bypassed the state. Moreover, both sides had similar interests in Inner Asia. Neither wished to see the nomadic peoples disrupt the economic advantages of trade or a continuous challenge to the frontiers they were trying to establish.

Thus if spheres of influence in Inner Asia could be established and the challenge of the indigenous populations, particularly the Dzungars, contained, an entente was possible. The reaching of this entente- the Kiakhta system- demonstrates the flexibility of Qing foreign relations since the early treaties accorded equal status to the Russians and recognised the existence of another power outwith the celestial empire. The gains derived from the entente were considerable: with the decline of Inner Asia and the divisions between its indigenous peoples, the Qing were able to achieve what previous dynasties had failed to do, subduing and colonising much of Inner Asia by 1760, most significantly defeating the Dzungar Empire, to gain control of Tibet and much of Central Asia.

The combination of southern expansion and northern defence described above had profound consequences for the Chinese perspective on the world order. First and foremost it developed an extreme form of continentalism based exclusively on land-power and the evaluation of threat based upon proximity to the centre. Thus as Mancall suggests:

China's Inner Asian frontier markets and seacoast ports were functionally equivalent, because both were at the outer edge of imperial power. But riverine China's failure to follow logically down the rivers and early become a seagoing power and thus secure better communication even with South China than overland routes can be explained only by an almost mesmerising continental orientation born of constant danger from the nomads of Inner Asia. The sea bore comparatively little danger and therefore was not equally an object of bureaucratic concern. Extraterritoriality developed on the coast

at an early date, at least as early as the Arab trade during the Tang, but with minor exceptions it never really developed in Inner Asia. Dynastic unconcern with the coast transformed it into a frontier region under weak control in contrast to the strong coastal control among the Western maritime powers.¹⁸

This lack of regard for the sea meant that Chinese expansion until modern times was overwhelmingly by land. It was only with the penetration of the European powers and the impact this had upon the cultures and economies of Southeast Asia, that the Chinese population and culture were transferred by sea to create the great communities of the Nanyang. By the fifteenth century China had seen an upsurge in technological and economic progress that spilled over into maritime exploration. Between 1402 and 1430 seven missions visited over 20 countries from Kamchatka to Zanzibar but thereafter the Ming consciously shifted economic concentration back to agrarianism and away from incipient industrialisation, and, by corollary, back from the sea.

The reasons for this turn to an inward-looking, self-stabilising society which saw sea trade banned were both immediate and more longterm. The immediate ones were the wish to deprive the pirates who had grown up with the coastal trade their source of supply and to contain the power of the Court eunuchs, who were responsible for the organisation of overseas journeys. In terms of security, the early Ming voyages confirmed that there was little military threat from the sea at the time when that from Inner Asia was rising once more, threatening the new northern-based and northern-orientated dynasty.

The long-term impulses for rejecting the maritime development that would have brought China into closer contact with the rest of Asia were ideological and economic. The Confucian world view saw little merit in contact with the barbarian societies outside the celestial Empire and viewed trade as "an evil to be tolerated rather than an activity to be encouraged".¹⁹ Such views were part of a broader ideological structure which sustained the economic relations of Chinese society. These functioned on the delicate balance between regional agrarian elites and bureaucratic central rule, a structure which did not allow for the emergence of independant power bases which might challenge economically or politically the existing relations. The only threats to this stability lay in external challenges or an internal imbalance in the growth of population and the means of sustenance. The Chinese system was in the main able to put off the latter by the growth of state-sustained rice cultivation southward and of grain production in the north- internal expansion and colonisation by demographic pressure took the place of imperial conquest. Thus,

the empire survived and its absolute area and absolute population continued to grow. Internal tensions that might have fractured the loosely knit reality of a tightly worded centralism were avoided, until the Taiping rebellion of the mid-nineteenth century.. which has been called probably the greatest Malthusian crisis in history.²⁰

What the Chinese order was not prepared to withstand was an external challenge from the sea. The naval forces

which the European powers employed against the Qing gave them an advantage they could never have achieved by ground forces alone. Even after the experience of the first Opium war the Qing did not recognise the importance of naval power and continued to view control of the sea as being far inferior to control of the land. The belated recognition of its importance came too late for China to develop a navy capable of opposing, either the European powers, as in the Franco-Chinese war of 1883-5, or indeed the Japanese in the Sino-Japanese war of 1895.

China's ability to withstand the assaults of the European powers was further hampered by her continuing attempt to retain control of Inner Asia. Qing domination of Xinjiang and Western Mongolia- Khalka- required enormous administrative and military extension and the aims of isolating these regions from the expansionist Russians to the north and from the Chinese core, at the same time as exploiting them to provide the means to sustain the expanded empire proved increasingly difficult to sustain. Opposition to Qing rule grew from the early 19th century on, due to the excessive exploitation of the territories by Chinese merchants and a decline in the standard of imperial administration, but the Qing still held to a policy of retaining Sinkiang as a essential defensive barrier- it protected Mongolia which in turn protected the core. The advisability of expending enormous effort and resources to sustain imperial control of the periphery- such as those involved in regaining the

Western provinces in the 1870's following the rebellion among the Muslim peoples and the encroachment of Russia, at a time of internal rebellion- most obviously the Taipings- and foreign intervention, has been questioned by historians.

John King Fairbank suggests that prior to the 1880's the Qing were under little pressure to make radical changes in their traditional thinking.²¹ In hindsight the first Opium War may appear to be the watershed between the old imperial order and modernisation, nationalism and revolution but for the Chinese of the time, coming as it did after a tradition of 2,000 years, the penetration of the West seemed to advance only gradually up to the 1880's.

Yet this fails to explain why China held to her traditional foreign relations, thereafter, despite its marked failure to limit the assaults of the Europeans and the Japanese. In particular the attempt to 'use barbarians to regulate barbarians' by making concessions to the one power that might oppose complete dismemberment of the country- Russia- failed. In 1860 under the Treaty of Peking and again in 1894 following the defeat by Japan, China made territorial and economic concessions to Russia which only served to encourage the ambition of the other powers. The maritime powers forced acceptance of the Treaty system along the Chinese coast and excluded China from Southeast Asia, a process confirmed by French victory in the Sino-French war of 1884-85. Japan

reasserted its claim to the Ryukyus and extended its influence in Korea from 1860 onward. Chinese defeat at the hands of Japan in 1894 led to Japanese control of Korea and of Taiwan shortly thereafter. The increasing Russian economic penetration and military influence in the north-east, particularly in the wake of the Boxer rebellion, precipitated the Russo-Japanese war of 1904-05 and the division of north-east into spheres of control between the two states. In Mongolia, China was unable to sustain the isolation that was so favourable to the court or prevent the exploitation of the local population by Chinese merchants, and Russian influence increased, again most notably after the defeat by Japan. By 1911 Russian penetration and native hostility to the Qing had reached a level where Mongol independence could be achieved for the first time since 1691. This along with the tension in Sinkiang, the Russo-Japanese consortium in Manchuria, Japanese control of Korea and Taiwan, French dominance of Indo-China and de facto British control of Tibet after 1903, meant that China had relinquished control of most of her periphery prior to the fall of the Qing. After the fall of the dynasty this dissolution did not halt but rather accelerated as control of the core of China was contested by different warring parties, indigenous and foreign. Despite the World War which distracted and weakened the Western powers, China was unable to reassert control on the periphery or check Japanese ambitions.

The historical experience of China thus bequeathed a varied tradition to the 20th century governments of the country. On the Confucian tradition of hierarchy and stability within East Asia, the demise of the imperial system imposed a conflictory international order based upon equality of sovereign states competing on the basis of unequal economic and military power. The result was a prolonged and painful readjustment of ideological values with the new reality. China's consciousness of her cultural superiority to the younger civilisations of Europe, America and Japan persisted and as far as she was prepared to accept the existence of equal sovereign states, it was these newly developed powers rather than the societies of Asia, other than Japan. The impact of the west was to make China's relationship with them and their culture the paramount political issue rather than China's relationship with the rest of Asia.

That said foreign intervention had a number of long-term consequences for China's Asian relations. It played a part in triggering a last surge of demographic expansionism into East Asia and henceforth Chinese governments would have a living, practical link with other Asian countries along with cultural and historical associations, a connection that Asian states with sizeable Chinese populations have not always welcomed. The encroachment on the Sinic zone by the imperialist powers heightened the age-old concerns with the security of the boundaries of the state which were defined at the

maximum extent of Qing control- while demographic colonisation may have accounted for the inclusion of Inner Mongolia and Manchuria into a modern Chinese state, both Nationalist and Communist governments have assumed Han control of the western and southern peripheries where the Central Asian and Tibetan peoples remained the majority.

The methods used to sustain the integrity of this state varied as they had in the past. Despite the emphasis that historiography has placed upon the Confucian-based tribute system, Chinese foreign relations were considerably more pragmatic than has been assumed. The Qing accord with Russia in Inner Asia and the willingness to trade (under certain controls) were but examples of Chinese flexibility in external relations. Thus in the 20th century political co-optation and economic ties continued to be used while the resort to military force was never neglected if this seemed the most effective course. Chinese willingness to project its authority beyond its borders has led some commentators to draw parallels between contemporary policy and the Sinocentric imperial order:

This policy towards the periphery, imperial in its genesis, is also clearly imperial in its fundamental impulse toward exercising control over neighbouring peoples consonant with available Chinese power. Like all imperial policies, it thus has had its risks as well as its reasons. It has bred resentment and revolt, opened opportunities for meddling by outside powers, and even led to serious international confrontations. The clash of arms with the United States in Korea, maintenance of an occupation army in Tibet and Xinjiang, the border war with India, and the headache of a Soviet-aligned Vietnam must be

counted as but some of the costly by-products of contemporary China's inherited strategic policy.²²

A further area where the Confucian order seems to have had a decisive effect upon Chinese foreign relations is in regard to the development of maritime power. Expansion into the sea might have established China as the paramount Asian power in terms of the economic and military capability she needed to withstand the depredations of the Europeans and, perhaps more importantly, maintain her traditional ascendancy over Japan, but despite such considerations until the recent past China has remained overwhelmingly a land power. That dependence on security in geographic size and population numbers is now being abandoned in favour of force projection, including naval power, must be accounted a break with a very lengthy tradition, occasioned by significant changes in risk perception.

As suggested above, however, the central issue in the modernisation debate was how far China should cleave to a recognisably Sinic tradition and how far she should be influenced by external ideas and culture, most obviously those of the west. This was not an unknown issue, there being a long intellectual tradition in China of interest in the external world. Although in imperial times this had been invariably suppressed in favour of Confucian orthodoxy, it still existed in sufficient force at the time of Western penetration to motivate intellectuals such as Xu Jiyu and, at the turn of the century, Liang Qichao. This group understood the Western

conception of inter-state relations and compared it to other periods in China's own past, such as the Warring States period (403-221 B.C.). In the political independence and economic strength of other states they saw the means by which China might overcome the Western powers. What was difficult for such intellectuals was to ascribe blame to groups within Chinese society for the predicament in which it found itself. Political change only became inevitable with the emergence of those who were prepared to link foreign dominance with the existing institutions- for Sun Yat-sen independence would be achieved by creating a modern political and economic order upon Western lines. For the Chinese Communists, however, the collaboration of sections of Chinese society with the imperialists meant that the struggle for independence was also the struggle for a popular revolution. It was left to Mao Zedong to synthesize foreign ideas on the nature of imperialism and class society with Chinese populist culture derived from movements such as the Taiping and Boxer rebellions, and create a viable ideological structure to supplant the old Confucian order.

iii) Comparative historical perspectives

Russian and Chinese historical perspectives on Asia shared a number of common features which formed the basis of a stable relationship between them until the

penetration of the Western maritime states and Japan's overtaking of China as the major indigenous power. Both states sought to eliminate the threat to their security in Inner Asia and at the same time valued the economic benefits to be gained by trade through this region. Moreover, the difference in their approach to controlling Inner Asia narrowed as the Qing sought to incorporate Central Asia and Tibet within the Empire from the 18th century onward- in essence they were both imperial powers. Where they differed was in the place accorded to Asian societies within their broader world view. That both countries felt superior to other Asian peoples should not disguise the fact that the roots of that superiority were profoundly different. Chinese Sinocentrism did not allow the existence of any other states, indeed their world-view can hardly be counted an international perspective since it recognised no political structures other than their own: there was only order within the sphere of imperial authority, and chaos beyond. The incorporation of Russia within the mainstream of European intellectual thought from the 17th century on meant that it accepted the ideology of competitive nationalism on which the European states system was founded. Russian uniqueness did not stem from its view of the Asian states but from its unique position as a Eurasian power. However, the assumption of a special relationship with the east was to be broken by the

penetration of the maritime states and the rise of modern Japan.

In this respect, the Qing were probably right to think that Russia was their best hope in offsetting the assaults on the empire by other powers- Russia was the only other state that stood to lose from the division of Asia into spheres of control since this would inhibit its own economic expansion and create security threats on its eastern frontier. Japan especially, after it had secured itself from western penetration, stood to benefit from the dismemberment of the Sinocentric East Asian order. Unfortunately for the Qing, the Russians saw in their participation in the spread of modern imperialism to the east the means by which they might make up the gap in economic and social development that had opened between themselves and the other European powers, and which threatened to open between themselves and Japan. They were mistaken in this. The east did not present Russia with 'a way out' as Dostoyevsky had hoped and the same pressures arising from uneven development which ended the Qing dynasty in 1911 brought down the Russian imperial order six years later. Thereafter, it was the Bolshevik revolution which was to be presented as the basis of a new special relationship with Asia- not with the states or rulers but with those who sought in the culture of the west the means by which the west itself could be resisted.

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III Comparative Ideological Perspectives on Asia

i) The Soviet Union

The Soviet ideological attitude to Asia was developed within wider arguments about the non-capitalist world derived from Marx and Lenin. Marx's view of undeveloped societies had to be frequently re-interpreted by Soviet ideologists since his theory of progressive social and economic development led him to denigrate lower levels of development and support the impact of capitalism and imperialism as developmental forces. Thus in his essay on 'the Consequences of British Rule in India', Marx commented:

English interference having placed the spinner in Lancashire and the weaver in Bengal, or sweeping away both Hindu spinner and weaver, dissolved these small semi-barbarian, semi-civilised communities, by blowing up their economical basis, and thus produced the greatest, and, to speak the truth, the only social revolution ever heard of in Asia.¹

Marx believed that human societies passed through five broad stages of social development- primitive-communal, slaveholding, feudal, capitalist and communist- with each emerging from the previous stage. Thus the societies outside the capitalist world were at a lower level of historical development. Similarly their class structures were also less developed, though Marx did allow the classes of the undeveloped world a progressive national role if this led to the undermining of the colonial powers.

It was left to Lenin and Trotsky, by means of their theory of uneven development, to rescue Marxism from this Euro-centricism where it might have languished without applicability to the Third World. Lenin held that imperialism exported the social relations of capitalism as well as capital itself. These relations could coexist with those of earlier stages until they reached a level of development that would allow revolutionary change to occur, thus avoiding a prolonged and dominant capitalist stage. Lenin's primary concern was with the revolution to come in Russia but this theory was clearly applicable to the colonially dominated states, and when combined with a commitment to national self-determination, provided a potent ideological structure.

This dual element of social and national liberation was to present persistent problems in policy terms, however, since it became a matter of interpretation, and not infrequently expediency on the part of the Soviet state, as to which revolution should be pursued: the national democratic or the revolutionary socialist.² This was evident from the earliest days of international communism. At the 2nd Congress of the Third International in 1920 Lenin's Thesis on the anti-imperialist struggle, which argued for the cooperation of socialists with national revolutionary movements and the self-determination of all nations, prevailed over another put forward by the Indian Marxist N.M.Roy, which argued that the effect of imperialism was to forge a bond between the

nationalist bourgeoisie and the West, and that socialists must therefore unite the peasantry and the proletariat to fight imperialism. Such differences of interpretation were to become a persistent source of friction within the communist movement, including between the CPSU and the CPC at the time of the Sino-Soviet schism.

A contributory factor was the belief of the CPSU that its position within the communist movement gave it the right to interpret and guide the political struggle in the colonial world. This was particularly the case under Stalin, when Soviet attitudes to change in the developing world were increasingly subordinated to its state relations with the capitalist powers. At the same time as an orthodoxy was imposed on Soviet study, based upon the universality of Marx's characterisation of the five stages of history, policy needs increasingly dictated ideological position. Thus the disastrous failure in 1927 of the United Front policy in China between the Guomindang and the CPC, with which Stalin had been directly associated, led to the rejection of collaboration with reformist parties at the 6th Comintern Congress of 1928. Thereafter, however, the Comintern returned to a policy of united front as the threat from fascism in Europe increased: it was possible to call for revolutionary front in China where the imperialist enemy was also the Soviet enemy, Japan, but elsewhere the imperialists were the very states with which the Soviet Union was trying to form an alliance against Germany. The

overwhelming need for collective security in Europe outweighed considerations of the anti-imperialist struggle in Asia and the rest of the colonial world, reaching its logical culmination in the abolition of the Comintern in 1943.

In the immediate postwar period, events in the developing world were largely disregarded as being outside the struggle with the West to establish spheres of influence. The United Front policy continued until 1947 when the deterioration of relations with the capitalist powers prompted the outbreak of ultraleftism under the Zhdanovshchina. The call to break with bourgeois nationalist parties and launch insurrectionary campaigns could only lead to isolation and failure, but had the merit of distracting attention from the Soviet Union's primary aim of securing its immediate periphery.

One Communist Party in the developing world did, however, stand on the brink of victory though it had achieved this position largely by developing an ideological and organisational structure derived from its own revolutionary experience. The Soviet Union paid little notice to events in post-war China until the middle of 1946 and even then because of the changed relationship between the 'Two Camps' rather than the possibility of achieving Lenin's vision of revolution in the East. In this regard the attempt to unify the Korean peninsula under a Soviet client regime, in response to the United State's success in reviving and re-integrating

Japan into the capitalist economy, is more instructive as to the aims and means of Stalin's Asian policy than the cautious recognition and support accorded to the Chinese revolution.

The revolutionary theory developed by the Chinese- the Chinese Way- differed from the Soviet position in two ways: the Chinese insisted that armed struggle was the only way to defeat the forces of imperialism; however, because of the weakness of the proletariat in the colonies it had to unite with whatever other forces were prepared to challenge the imperialist powers, including the national bourgeoisie. This not only contradicted the current Soviet position as to the usefulness of united fronts but proposed a revolutionary force- a peasant army- which had played no part in official Soviet history. The CPSU thus questioned the value of the Chinese restructuring of Marxism to suit Asian conditions, and continued to view its own experience as universally applicable.

This said, of the three central tenets of the Zhdanovshchina- that the successes of the national liberation movements were a result of the changed correlation of forces between the Two Camps; condemnation of reformism and nationalism in the developing world; and the belief that the communist parties in the developing world should aim directly at the creation of socialism- only the first was to survive into the post-Stalin era. The Soviet Union was to continue to claim that the

socialist world played a vital role in the colonial struggle by acting as a restraining force upon imperialism but the two other propositions became untenable as the Soviet Union sought good relations with nationalist movements in the developing world and revised the role of communist parties accordingly.

To an extent this was due to the development of the fraternal relationship with the CPC. The post-Stalin Soviet leadership was considerably more supportive and approving of the Chinese revolution and, in view of the close economic and political co-operation of this period, it is not surprising that regional perspectives also drew closer. Thus, the Soviet Union revised its view of the role for the national bourgeoisie in the wake of the Sino-Indian elaboration of the five principles of the peaceful coexistence in 1954. This indicates the central stimulus to the abandonment of the hostility towards reformist parties: the emergence of the post-colonial nationalist regimes in the Third World in the nineteen-fifties.

The tilt of these countries towards the West, as exemplified by the creation of regional military pacts such as SEATO and the Baghdad Pact and the suppression of their indigenous communist parties, was inevitable given the revolutionary activism of the Zhdanovshchina. The success of the Chinese at Bandung only served to dramatise the gap that had been allowed to develop between Soviet theory and the international situation. At

the 20th Party Congress significant revisions of the Soviet position were announced by Khrushchev, notably the recognition of an intermediate zone of nationalist regimes which were progressive in that they challenged the power of monopoly capitalism and the imperialist states:

Unlike the situation in the pre-war period, the great majority of the countries of Asia now take their place on the world stage as sovereign states tenaciously defending their right to an independent foreign policy... In order to create an independent national economy and to raise the living standards of their peoples, these countries, though not part of the world socialist system, can benefit by its achievements.³

The national bourgeoisie was also recognised as being capable of playing a progressive role within a united front led by the proletariat. Thus by the mid-fifties the Soviet Union had moved on the tactical level to a position not dissimilar to that of the Chinese. It was on the strategic level that differences were to remain and deepen: the CPC support of the alliance with the bourgeoisie was based upon the weakness of the revolutionary classes in the developing world, but changes in the strength of the socialist camp, and their own success in building socialism in the fifties, led them to conclude that the prospects for revolutionary armed struggle were increasing, at the same time as the CPSU was establishing peaceful coexistence with the imperialist states as the corner stone of its strategic outlook.

Schram and Carrere D'Encausse attribute the basis of this strategic disagreement between the Soviet Union and China to their "different historical, geographic and cultural worlds":

For Moscow, imperialism would ultimately be defeated primarily by the socialist camp. Despite the victories of the national movements in the underdeveloped countries, in the final analysis the destinies of these countries continued to depend, in the Soviet view, on changes in the world scene, and above all on the proletariat of the advanced countries of the socialist camp, and on the proletariat of Western Europe and North America. Such a conception, it soon became clear, was not acceptable to China either as a former victim of Western domination, or as a great Asian power.⁴

Thus strategic divergence on the nature of change in the developing world, and particularly in Asia where the two states met, became a central issue in the Sino-Soviet schism. Ideological constructs and strategic alignments became impossible to separate.

With the end of Stalinst ideological orthodoxy and the re-orientation of Soviet policy, Soviet theorists had to come to terms with the diversity of the developing world and the difficulty of transferring to it ideological constructs developed from European society and culture. Marx's view of the five distinct stages of human society was abandoned in favour of a multi-structural (*mnogoukladnyi*) view. Thus, in 1961, B.N. Ponomarev could assert:

The class structures of society in the underdeveloped countries of Asia, Africa and Latin America are extraordinarily complex, for they bear the imprint of different epochs... Many of these countries did not have a developed slave-owning system or a developed feudal system, let alone a high degree of development of capitalist

relationships.. As a result, socioeconomic relationships that are different in their historical significance and essence formed layer upon layer on each other, 'coexisting' together for centuries and only slowly subjected to change.⁵

Linked to this recognition of the complexity of Third World societies was a move away from simplistic economic determinism in social relations and toward the importance of cultural and historical factors. In an attempt to explain such events as the overthrow of radical regimes in Ghana and Mali or the rise of fundamentalist Islam, increasing reliance was put on the persistence of traditional culture and behaviour.

But the major difficulty for Soviet ideologists given the necessity of balancing strategic alignments with ideological precepts was in the transferral of class characterisations based upon developed European societies to those of the developing world. In the absence of a class-conscious proletariat, political leadership of the primarily peasant societies passed to the nationalist bourgeoisie, who since the time of Khrushchev's opening to the Third World were viewed as a positive force for change. But this class was an inconstant ally:

The policy of the national bourgeoisie is contradictory. It participates in the struggle against colonialism and tries to weaken the control of foreign monopolies over the national economy but at the same time it supports relations with the imperialist powers and makes possible the further inflow of its capital.... Exhorting the people to cooperate in fulfilling the tasks of economic development, at the same time it strengthens the bureaucratic apparatus, refuses to extend democracy or to take measures to improve the condition of the people.⁶

Attempts to identify revolutionary potential in other groups such as the 'revolutionary democrats' who opposed capitalism and imperialism but whose class composition and economic role differed greatly from country to country, and could include military regimes, fared little better, with countries such as Egypt and Somalia returning to the capitalist path.

Apart from the instability of political alliances, the developing world's capacity to make the transition to socialism in economic conditions so different from those envisaged by Marx raised the most doubts. A variety of terms were employed to suggest the policy embarked upon by radical Third World regimes- national democracy, non-capitalist development, socialist-orientation- but the view increasingly taken was that economic and social transformation was a long-term aim and that these states would remain dependent on the capitalist economic order in the immediate future. This was all the more the case given the inefficacy of aid from the socialist world in breaking the cycle of underdevelopment. Soviet financial aid, after a period of largesse in the Khrushchev era, became more limited and directed towards specific targets, with financial returns as well as political support for the Soviet Union a consideration. The Soviet economy conspicuously failed to meet the needs of emerging nations either as a successful model, or a trading partner, except in the export of military hardware.

The outcome was that the Soviet Union had adjusted the balance between ideological characterisation and strategic alignment to the point where the political orientation of developing states determined the former rather than ideology providing the criteria for Soviet support:

The dominant school, throughout the 1970's and early 80's, endorsed eventually by Brezhnev and subsequently by Andropov and Gorbachev was the pragmatic school. Offering a more realistic view of the ideological nature of Third World movements (and societies), this school eschewed the demand for ideological purity. Thus, the dominant view might be summed up by Ul'ianovskii's [Deputy Director of the International Department of the CPSU] comment that Marxism-Leninism 'did not reject out of hand 'any other ideological trends and social theories'.⁷

In Asian terms this implied Soviet willingness to enter into both bi-lateral and multi-lateral relationships with states of different social systems provided they shared common strategic goals.

While the Soviet Union continued to offer considerable financial and military support to communist regimes in Asia- Mongolia, North Korea, Vietnam, and Laos- its relations with the non-aligned assumed increasing importance in the struggle to achieve its aim of 'collective peace and security in Asia'. This attempt to introduce the values and structures of the European post-war settlement to the conditions of Asia was regarded with suspicion by most Asian states regardless of whether they shared Soviet concerns about the United States or China. Thus India with which the Soviet Union enjoyed its most successful non-communist bi-lateral

relations due to India's championship of non-alignment, their economic complementarity, and shared strategic concerns about Sino-Pakistani alignment, was never more than lukewarm about collective security. This stemmed from doubts about allowing extra-territorial powers to adjudicate between Asian states- and set limits upon their military strengths. Thus, in this regard as in its revolutionary aspirations, the Soviet Union's conception fell short of the Asian reality,

The broad movement for the consolidation of peace and security in Asia by collective effort unites millions of people belonging to diverse political parties and organisations and professing different political views and religions.⁸

Ironically, it was the Soviet Union itself which was to finally undermine the search for multi-lateral security in the region. The Soviet invasion of Afghanistan, coming as it did in the wake of Vietnam's intervention in Kampuchea and the Sino-Vietnamese war of 1979, ended any prospect of a breakthrough for Soviet regional aims. There were regional causes for the invasion- the possible defeat of a client government; regional instability following the fall of Shah of Iran and the overthrow of the Z.A Bhutto in Pakistan; the threat of the spread of Islamic fundamentalism to the Soviet Central Asian republics- but ultimately the motive was defence of the Soviet strategic position, as John Erickson suggested in 1981:

To allow Afghanistan to slip from their grasp would mean accepting total encirclement running from Japan to Norway- the ring would snap shut. Rather than embarking on a new expansionist process, the Soviet

Union has 'drawn the line' over Afghanistan and in terms of Asian politics the Chinese application of force against Vietnam- another Soviet ally- had to be matched by a show of Soviet resolution.⁹

In Asian terms the invasion of Afghanistan represented the final abandonment of Soviet attempts to construct a political basis for its external relations outside the dependent communist states. It was in this sense both the ultimate expression of the Brezhnevite policy of security through military strength and the final abandonment of a belief in the capacity of Soviet ideology to affect change in Asia.

ii) China

As with the Soviet Union, China's thinking on Asia has for much of its post-revolutionary period been tied to ideological interpretations of the position of the developing world as a whole. Differences with the Soviet view arose from China's consciousness of colonial domination and her low level of economic and technological development which led her to identify with the developing world. This has been mixed, however, with a countervailing belief in her own position as a great Asian power and a revolutionary state which encouraged China to regard herself as the equal of the major powers. China's shifting view of her position in the world has reflected this gap between developmental reality and political aspiration. In the past, the gap was closed by overcoming,

the handicap of weakness based on tangible capabilities (population, military forces, technological level, and so forth) by mobilising the intangible capabilities (such as will, diplomacy, strategy, political strength) so as to break out of the box of bi-polarity.¹⁰

Ideology played an important role, therefore, not only interpreting, but seeking to change, international reality to meet the twin imperatives of independence and development. For most of China's post-liberation history the chief responsibility for the elaboration of that ideology lay with one man, Mao Zedong. However, the factionalism which dominated China's politics and the

changing international environment resulted in near-constant shifts in ideological interpretation.

According to Samuel S. Kim,¹¹ the central idea in the thought of Mao Zedong is that of contradiction, which is inherent in life, society and the world. Contradictions differ, however, in nature and category, particularly between non-antagonistic and antagonistic, and also contain dualistic elements. Thus within each contradiction there are co-operative (interdependent) and conflictive elements; universal and particular elements; and principal and secondary elements. The relative status of these elements are ever-changing and the key to understanding them lies through experience in the process of struggle and therefore practice must continually be re-interpreted to match shifts in the environment. This can be held to explain many of the major changes in Chinese foreign policy. The major shift of the post-war period- the split with Moscow and alignment with the US- arose due changes in the nature of the contradiction with the Soviet Union from non-antagonistic- temporary and conditional- to antagonistic- absolute and permanent- due to perceived changes in the nature and behaviour of the Soviet Union itself. This then became the principal contradiction of the contemporary world rather than the secondary one with the capitalist states.

This belief in the dialectical struggle of contradictory forces was the major theoretical

contribution that Mao made to the Chinese image of the world order:

Mao made a fundamental break from the traditional Chinese world order by substituting the value of struggle for the Confucian value of harmony. Indeed for him struggle was sine qua non, because without it no contradiction could be resolved. Struggle is not only desirable because it accelerates progress (social change), but also inevitable because the world, in the vision of Mao, is characterised by disequilibrium- that is, uneven development and distribution of contradiction.¹²

The prevalence of contradiction and the inevitability of change in the international environment was the basis of Mao's essential optimism about China's prospects since even though it was weak, its enemies were divided and change in the international order would be in its favour. However, Mao's interpretation encouraged a Manichaeian view of the world, dominated by the major powers with little attention paid to the lesser states and no place for the non-aligned. This did not sit easily with the CPC's claims for the applicability of the 'Chinese way' to the rest of the developing world.

There was to remain a fundamental contradiction in the CPC's claim that they had 'Sinicised' Marxism and yet at the same time the 'Chinese way' was also the route to be taken by other countries in the developing world, as Li Shaoqi suggested:

The way of taken by the Chinese people in defeating imperialism and its lackeys and in founding the People's Republic of China is the way that should be taken by the peoples of many colonial and semi-colonial countries in their fight for national independence and people's democracy.¹³

This assumption that the states of Asia and the rest of the developing world would follow the course of the Chinese revolution was only partially met. With the exception of the divided states of Korea and Vietnam, the emerging post-colonial regimes were largely nationalist. It was not until the emergence of these states that any serious recognition was made of those lying between the socialist and imperialist camps. This evolved through the enunciation of the five principles of peaceful coexistence in 1954, which delineated the correct relations between socialist and non-socialist states, and China's success in the Bandung process the following year.

Following on the favourable perception of the PRC created by Zhou Enlai at Bandung, China had been able to expand its influence in Asia and Africa. In 1956-57 Zhou visited no less than eight Asian states promoting the five principles of peaceful coexistence as the basis of China's relations with her neighbours. By this means China began to rebuild her position as an Asian power which had been lost during the period of revolution and war. However, domestic upheaval was to limit China's ability to play a regional role. Perceiving a decisive shift in favour of the socialist camp in the late fifties, the Chinese became more assertive as to the legitimacy of their form of revolutionary struggle. Under the banner of the Great Leap Forward a 'theory of permanent revolution' was advanced under which the masses

would continue to transform society after the political revolution, by technical and cultural revolutions. The basis of the GLF was that the masses of China, and by implication the rest of the Third World, were at the central point of revolutionary change. This became a key element in the disagreement with the Soviet Union.

The Moscow conference of 1960 attempted to heal the rifts in the world Communist movement but the compromise statement that emerged could not disguise continuing ideological differences, as well as those on organisational and strategic questions. In organisational terms the Chinese were unwilling to accept a continued uni-polar communist bloc based upon Moscow, and the acceptance by the Soviet Union of the Chinese special role in the Asia, Africa and Latin America was not enough to offset this. In strategic terms the failure of the Soviet Union to uphold the principles of proletarian internationalism by siding with China against India or to actively support Chinese claims to Taiwan encouraged the Chinese leadership to view the Soviet leadership as revisionist. The escalation of the rift between Beijing and Moscow culminated in the famous exchange of letters of 1963 and open expression of the Chinese belief that the Soviet Union stood opposed to the central process of revolutionary change- that in the developing world:

The storm of the people's revolution in Asia, Africa, and Latin America requires every political force in the contemporary world to take a stand... An important line of demarcation between Marxist-Leninists and the modern revisionists is the attitude taken towards the issue, the sharpest of

contemporary politics.... In their words the leaders of the CPSU do not dare as yet to discard completely the slogans of support for the national liberation movement, and at times, for the sake of their own interests, they even take certain measures which create the appearance of support. But if we probe to the essence and consider their views and policies as a whole over a number of years, we see clearly that their attitude towards the liberation struggles of the oppressed nations of Asia, Africa and Latin America is a passive or scornful or negative one, and that they serve as apologists for neo-colonialism..¹⁴

As Sino-Soviet relations deteriorated a period of uncertainty began in the Chinese image of the world order. A succession of elaborations were advanced in which cross-cutting contradictions were suggested which divided the socialist world, as well as the capitalist one. In his speech to 10th Plenum of the Eighth Central Committee in 1962 Mao said the three major forces of the international system were imperialism, nationalism and revisionism and that the principal contradiction was between the peoples of the entire world and imperialism. This somewhat imprecise categorisation was to gell into a view of the world, as stated most notably in Renmin Ribao in January 1964, in which two intermediate zones- Asia, Africa and Latin America the first, Western Europe, Canada and Australasia, the second- existed between the two major powers.

The place of China in this structure was ill-defined, however, and the lack of firm perspective at this period is exemplified by the prominence of a further interpretation of the world order that stressed the division between the revolutionary developing world and the developed world. This was most forcefully expressed

in Lin Biao's essay on 'People's War' in 1965 in which the principal contradiction was identified as being that between the countryside and the towns.¹⁵ The position adopted in this essay represents the resurgence of Maoist radicalism occasioned in part by international events- the failure of two Chinese clients- Nkrumah in Ghana and the PKI in Indonesia and the escalation of US involvement in Indochina. This combination of domestic factionalism and international tension precipitated the plunge into the Cultural Revolution.

By the time of the First Plenum of the 9th Party Congress in April 1969 a major re-interpretation of the world structure had been achieved by the characterisation of the Soviet Union as social-imperialist. The major contradictions of the world were between the oppressed nations and imperialism and social imperialism; between the proletariat and the bourgeoisie in the imperialist and the revisionist countries; between the imperialist and social-imperialist countries, and among the imperialists; and between the socialist countries and the imperialist and social imperialist countries.

This perspective highlights both China's growing concern at the consequences of Soviet revisionism for the world order and recognition of the emerging multipolarity in the system. The belief that the Soviet Union presented the major threat to China and that a united front would have to be created between states of differing social systems to deter it, led to the last

definitive interpretation of the Maoist era: that of the Three Worlds. This retains the categorisation of the US and the USSR as belonging to the same superpower group but divides the intermediate zone along developmental lines rather than form of social system. The socialist zone no longer stands extant but forms part of either the Second or Third Worlds. A major elaboration of this view was presented by Deng Xiaoping while addressing the UN General Assembly on April 10 1974:

As a result of the emergence of social-imperialism, the socialist camp which for a time after World War II is no longer in existence. Owing to the law of the uneven development of capitalism, the Western imperialist bloc, too, is disintegrating. Judging from the changes in international relations, the world today actually consists of three parts, or three worlds, that are both interconnected and in contradiction to one another. The United States and the Soviet Union make up the First World. The developing countries in Asia, Africa and Latin America and other regions make up the Third World. The developed countries between the two make up the Second World.¹⁶

During the transitional period following the death of Mao, Hamrin perceives an initial attempt to sustain Maoist radicalism without Mao, receding with the return to power of Deng Xiaoping in 1977.¹⁷ Thus the reiteration of the Three Worlds theory in November 1977 in a major article entitled "Chairman Mao's Theory of the the Differentiation of the Three Worlds is a Major Contribution to Marxism-Leninism" was an attempt to marry the ideology of Mao with the pragmatism of the new leadership. Most notable in this exposition was the position accorded to the Soviet Union:

The conduct of the Soviet Union in international affairs is quintessential imperialism and hegemonism, without a trace of a socialist proletarian spirit; nor is that all. Of the two imperialist superpowers, the Soviet Union is the more ferocious, the more reckless, the more treacherous, and the most dangerous source of war.¹⁸

Chinese concerns about the strengthening of the Soviet Union following on the United State's retreat from Southeast Asia and the economic crises of the seventies, led to a strategic convergence aimed at containing Moscow not only with Washington but Tokyo as well. Thus while China continued to view itself as having close ties to the socialist world, particularly those states which had evolved economic programmes and foreign policy positions distinctive from the Soviet Union, it no longer regarded the world as being divided along systemic lines. Moreover, despite China's location of itself within the Third World, the necessity of forming a united front against the USSR meant that the position of the major powers continued to play the greatest part in its perspective of the world order.

This was all the more the case, given the scale of the developmental task that still confronted it and a continuing commitment to the restructuring of the world order in favour of the developing states, since China was no more inclined to accept that it was unequal in political terms, as opposed to economic ones, than it had been in the past. The countries of the Third World, moreover, had some difficulty in recognising China as a fellow member of the lowest echelon of the international

order given its economic, political and military resources.

With the reform era and the confidence it brought, China further re-adjusted its foreign policy. The lean towards the West was modified by a return to a neutral stance between the superpowers. An increasing stress on the importance of peaceful solution to the world's problems heralded a return of the five principles of peaceful coexistence as the centre of Chinese foreign policy, under which correct relations were seen as possible with any power irrespective of social system or developmental level. The need for long-term cooperation with the West to build China's economy led to the lessening of of the need for antihegemony policies and Third World unity. A stable international enviroment was held to take precedence over ideological concerns of the past.

iii) Comparative ideological perspectives

While Lenin's advocacy of the national bourgeoisie as the natural allies of the Communist movement in the developing world was long adhered to by the Soviet Union the basis of Soviet support changed radically over time. From a class-based conception derived from Marxist precepts on the role of the emerging bourgeoisie as a revolutionary class, Soviet concerns, particularly after

the appearance of the post-colonial regimes in the nineteen-fifties, shifted to inter-state relations. The nationalist regimes of the Third World were valued as players in the international order and not as potential members of the socialist camp. Increasing pessimism as to the capacity of underdeveloped states to make the transition to a Soviet-type system contributed to this.

What did not change between the time of Lenin and that of Brezhnev was that political and economic developments in the Third World were seen primarily in the context of the First. As the potential for revolutionary change in the capitalist states diminished, the importance of the colonial states similarly declined, accounting for their virtual neglect during the Stalin years. It was only with the emergence of the global, post-war order that they resumed their importance and then primarily within the context of bi-polarity. The Soviet Union's willingness to subordinate change in the developing world to the dictates of the bi-polar system was a central cause of the Sino-Soviet conflict.

As suggested, differences between the 'Chinese way' and Soviet policy did not derive solely from historical experience and revolutionary practice but from the cultural inheritance of the respective leaderships. In particular Mao Zedong's synthesis of Marxist-Leninist constructs of contradiction and uneven development with traditional Chinese concepts to form an ideological structure which was not only the vehicle for Chinese

nationalism, but for radical change throughout Asia and the Third World, was never going to sit easily with the Russian belief in the primacy of their experience.

The most important Chinese cultural concepts that Mao employed were the belief in the power of consciousness to change reality and the inter-relationship between internal and external political order. Thus China's attempt to shape its internal reality by force of will- during the Great Leap Forward and the Cultural Revolution- was also an attempt to influence the external order at a time of isolation from the Soviet Union and US intervention in Southeast Asia.

China's attempt to place itself in the world shifted between a systemic orientation- its relationship with the socialist camp- and a developmental one- its relationship with the Third World. But neither of these could prove permanent given its division from the Soviet Union and its self-conception as a major power. China's concentration upon the major powers since the time of imperial intervention has meant that its perception of regional affairs has been dominated by strategic concerns. This led one commentator to suggest as recently as 1976 that "to a significant degree, China has been a regional power without a regional policy."¹⁹ It was only with the balancing of China's strategic relationship under the reform leadership that it was able to bring its perspectives on Asia into proper focus. This was accompanied by a significant diminution in ideological

elaboration as the five principles were enshrined as the basis of Chinese relations with any state regardless of social system or developmental level.

Both the Soviet Union and China found their ideological characterisation of Asia, and the rest of the developing world, of limited practical value when set against the imperatives of national interest. Both states shaped their evaluation of the region on the basis of strategic alignments, and ignored ideological precepts where these clashed policy demands: thus China had hostile or ambiguous relationships with the other Asian Communist states and the Soviet Union sought friendly relations with independent Asian states regardless of their path of social development. By the end of the 80's both leaderships had come to accept that foreign relations must be de-ideologised.

Such de-ideologisation did not imply the absence of a value system by which political and economic change in Asia was evaluated, however. Rather it indicated a willingness of both states to seek to balance their foreign policy needs with the Asian reality rather than seeking to impose their perspectives on it as they had in the past. How that balance is being sought, and the new perspectives which support it, is the central subject of this paper.

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IV: Soviet and Russian Economic Relations with Asia

In discussing the foreign economic relations [FER] of the Soviet Union and the Russian Federation with the countries of Asia the following structure will be pursued:

I the nature of FER during the Soviet period, including the structure of Soviet foreign trade with Asia;

II the role of Siberia and the Far East in the national economy and FER;

III Soviet/ Russian perceptions of the economic future of Asia: economic models, regional organisation and bilateral relations.

I FER during the Soviet period

Evidently the nature of the USSR's foreign economic relations [FER] is most closely bound up with the economic model pursued for most of the 74 years of the state's existence. From the time of the first FYP in 1928, that model had at its core two assumptions that dictated the nature of FER- firstly, that it was possible to build a self-sustaining socialist economy within the Soviet Union, and secondly, that this economy was in its most fundamental features incompatible with the capitalist world economy beyond. This was sustainable initially only because of the great size of the Soviet Union and its low developmental level but even when the Soviet economy had reached a level of some maturity and

the possibility of internationalisation of the economy arose in the years after the second world war with the emergence of the socialist camp, the belief that foreign trade should be pursued only to fill those gaps that could not be met from within the great autarkic state economy, and even then with great circumspection, was retained.

The primary limitation of the Soviet economic model might be said to be that it was constructed around the meeting of quantitative output targets, and thus institutionalised an imbalance within the economy in favour of production over consumption, or in sectoral terms, of the heavy industrial sector over the consumer and light industrial sectors. The lack of goods available on the domestic market significantly curtailed the effectiveness of offering productivity incentives to the labour force and encouraged the accumulation of savings. Declining productivity in industry was matched by falling agricultural output with potentially serious human and political consequences. These problems of over-concentration on heavy industry, declining productivity and agricultural shortfall were apparent by the 1960's, but any attempt to use the international economy as a means of resolving these was restricted by the Soviet Union's exclusion from the major international economic regimes and the incompatibility of the Soviet economic system with the international economy. This

incompatibility took two major forms: institutional and financial.¹

The institutional limitation was the domination of one organisation- the Ministry of Foreign Trade- over 90% of the country's trade. Relations between this Ministry and the various industries were conducted by a series of foreign trade organisations (FTO's). This created a system in which enterprises, whether exporting or importing, had little contact with the overseas partner and this gave rise to numerous problems of supply, quality control, as well as those arising from the vast bureaucratic system. For exporters, even if their products successfully met the needs of an overseas buyer, the rewards were directed back to the central ministry for re-distribution, fundamentally discouraging production for export. Rather, export targets were set by the state planning agency, Gosplan, but primarily to meet the gaps in the economy, as Geron notes:

The most important plan was that for export, since foreign-currency receipts depended on it. This, however, should not be taken as evidence that the Soviet economy was export-led. In fact it was the country's import requirements which dictated the amount that had to be exported in a particular year.²

The other domestic limitation arose from the Soviet pricing system which necessitated separation of domestic and foreign trade prices. When dealing on international markets Soviet traders used the US dollar, rendering them vulnerable to changes in its value, notably against the currencies of the other major industrial countries. Trade

in CMEA was conducted in convertible roubles, but since the value of the rouble was artificially fixed, this amounted to barter trade. Thus, any Soviet good traded had at least three prices: a dollar, or other hard currency, price; a foreign-trade rouble price set by Moscow; and a domestic price paid to the producer of an export good or the recipient of an imported good.

Because of the problems arising from this variable pricing system it was always difficult to ascertain the exact importance of foreign trade for the Soviet economy, a problem greatly compounded by the whole question of the reliability of Soviet statistical methods. What is not in doubt is that whilst figures vary as to the ratio of foreign trade to national income depending on source, all indicate that trade became more important from the 1970's, as attempts were made to use the international economy to alleviate the increasing problems of the domestic system. Thus, Table 1 shows that trade nearly halved as a proportion of NI in the 20 years after 1952 (10.97% down to 5.82%) but trebled its share in the ten years thereafter, averaging around 18% for the first half of the 1980's, before declining somewhat in the latter half. The increase in trade turnover in absolute terms in this period was similarly marked: ten-fold, from 11.29bn roubles in 1970 to 113.4bn in 1990. This overall increase was prompted, as has been suggested, by demand in the Soviet economy, but was possible primarily because of

changes in the international economy which lay largely outwith the control of the Soviet Union itself.

The reason for this lay not only in the Soviet Union's exclusion from the international economic regimes but the level of influence it exercised in world trade as whole. Thus Table 2 shows that even during the period of considerable growth in foreign trade in the 1980's, the world's third largest industrial power accounted at its highest point for less than 3% of world trade, and contributed an average of only 2% of world exports. This gave the Soviet Union a negligible base from which to influence the international economy, and the increase in the Soviet Union's trade and terms of trade (export prices in relation to import prices) arose fortuitously due to changes in world prices of fuel and energy supplies which constituted around half of all Soviet exports, (see Table 9 for composition of trade), and the strong dollar this gave rise to. Equally, however, the fall in energy prices and the weakening of the dollar as a hard currency in the latter half of the 80's undermined the Soviet Union's trading position and was the primary cause of the deteriorating trade balance.

A supplementary cause was that the Soviet Union had failed to use the windfall from its improved trading position to significantly restructure its economy in a way that would have made its manufactures more exportable, diminished its reliance on primary products as exports, and closed the gap between its rates of

growth and those of the world economy as a whole. This is not to say the Soviet Union did not attempt to modernise its industrial base: Table 9 shows that the primary category of import was industrial goods, since despite the gearing of much of the Soviet economy to heavy industrial production, the low quality of Soviet industrial equipment forced many enterprises to seek foreign equipment. Rather it was the institutional and financial barriers which prevented significant restructuring.

As the Soviet Union used different accounting systems and currencies for the three sectors of the international economy shown in Table 7, it was not possible to use surpluses from one sector to purchase goods from another. Thus surplus from CMEA trade or with the developing world could not be used to finance trade with the western countries, and imports of foodstuffs or machinery, from the United States or Japan, were dependent on sales of gas and oil, particularly to Western Europe.

Thus, even without the decline in hard currency revenue in the second half of the 1980's, the Soviet Union's trade structure was increasingly unviable being based upon dependence on imported industrial products and foodstuffs, financed primarily by extraction and export of raw materials. FER inevitably became a central issue in the Gorbachev reform agenda, reflecting the changing pattern of politics in the six years of perestroika- from

initial thinking that all the Soviet economy needed was re-vitalising to the far reaching debates of the late 80's which called into question the viability of the economic model that the Soviet Union had pursued since the first FYP. The expectation of the wide role that FER could play in the perestroika process is expressed by I. Ivanov, Deputy Chairman of the State Foreign Economic Commission, one of the new bodies created following the abolition of the Ministry of Foreign Trade in 1988:

A component part of the reconstruction of the government of the national economy is the radical reform of the activity of the Soviet foreign economic complex. Moreover the substantial increase of its contribution to the economic and social development of the country, follows at the same time the course of reform of creating in the Soviet Union an economy of an open type, developing interrelation and competition with the world. In the contemporary interdependent world foreign economic relations also appear as a way of consolidating trust, materialising new political thinking.³

The political and economic reality proved much more intractable, however, as reform of FER became a paradigm for the limitations of the perestroika process as whole. The legislative overkill on FER in 1987/88, based on substantial de-centralisation through a shift to self-accounting, self-management and self-financing, had dual negative effects. It removed the traditional source of foreign exchange and the mechanism of distributing it- the central ministry- without adequately providing a substitute, and led to a balance of payments crisis as the new-found access to the international economy was used to purchase from abroad rather than sell. This provided ammunition for the real opposition to the reform

of FER which was not economic but political and centred on how the Soviet economy could be made compatible with the international economy without moving towards a market economy and whether this would not entail loss of economic sovereignty. A central plank of those seeking to radically reform the Soviet Union's FER was that interdependence of countries, and of economic security with other forms of security, was an inevitable consequence of current trends in the world economy. Thus Konstantin Ovchinnikov of the Department of International Economic Relations, MID could argue that:

We occasionally here talk about the need to guarantee technological independence against the capitalist countries. Is that right or possible today when it is an axiom that no country is equal to developing on its own all the costly and science-intensive lines of scientific and technological progress... The objectively existing interdependence of international and national economic security as well as its interests call for steps to develop and ensure the functioning of an interaction mechanism making interdependence controllable.⁴

Even more than fears of loss of economic independence, conservative opposition to FER reform was based on the correct assumption that the Soviet economy could not be integrated into the international economy without significant marketisation ⁵. The political struggle over market reform had the inevitable effect of discouraging the level of inward investment and linkage to international economic regimes which might have alleviated the worsening crisis in the economy. Thus as political and economic obstacles to radical reform of the economy continued to mount, FER were embraced as a

primary means by which these could be overcome. If marketisation could not be achieved from within it would come from outside, as Ivanov was to argue in 1990:

[FER] can turn the foreign market into a catalyst for the formation of the domestic one, bringing in such fundamental elements as cooperation, freeing of prices, consumer orientation, and also business experience. Finally, out of international practice can be created borrowed analogs to those entrepreneurial structures (goods and financial exchanges, mortgage and commercial credit, currency markets, etc.) which are missing from the USSR, but which must be formed in the course of market reforms.⁶

While the demise of the Soviet Union was precipitated by political pressures arising between the central authorities representing the Union and the constituent republics, economic forces, and the failure to make the domestic economy compatible with the international economy or to attract the level of inward investment necessary to revitalise the economy significant among these, played a critical role in generating those political pressures. While the collapse of Soviet communism may have cast the balance of power decisively towards those who favoured marketisation and internationalisation of the economy, this only served to expand the discussion as to what model of economic development Russia, and the other successor states, should follow and in which direction they should look for economic partnerships. This was made more complex by the end of the last vestiges of the ideology of the old regime, leaving policy-makers searching for a value-system on which to found their thinking⁷. An initial

result has been the adoption of a concept of national interest, closely allied to a geopolitical analysis of the country's position:

The growth of general interdependence in the contemporary world does not lead to the exclusion of geopolitical interests as the predominant influence on the policies of this or any country. They are significant, for contemporary Russia, in particular. Setting about the formation of inter-state relations, founded on objective reality, it must work out geopolitical orientations, conforming to its own scale, possibilities, and true interests.

This demand relates to all aspects of policy, including the foreign economic one.⁸

Wider discussion of the implications of such a geopolitical analysis will be given when considering the political relations of the new Russia. What is most significant for FER and the purpose of this paper is that despite the considerable pole of attraction represented by the European Community⁹, the alternative pole to the East has not diminished with the end of the Soviet Union but increased:

Taking into account the unfolding circumstances the process of common European integration, clearly, will not be quick or simple, especially for Russia. It is impossible not to take into account that as a result of the break-up of the USSR and CEMA, Russia has moved further away from Europe, its route to the sea to the west and south are substantially narrower, and from western Europe it is now a separated country, with which it must approach anew the resolution of problems of transit, under conditions which are significantly more onerous for it, than in the recent past.

In such conditions the geopolitical interests and position of Russia make it objectively essential for it to devote greater attention to cooperation in an easterly and south-easterly direction, particularly with the near abroad and its Asiatic neighbours. Besides the very structure of Russian exports and the location of its basic resources indicate the benefit of such an orientation, the better appreciation of the Eurasian disposition of the country, its wide exit to the Pacific Ocean, and

the role of its potentially most rich and still least settled eastern regions..¹⁰

The determination of the Eurasian state to build anew its relations with the east is constrained, as was the reforming policy of the Gorbachev regime in this direction, by the inheritance of the past. For this reason this paper will also consider first two key areas- the nature of FER with Asia in the Soviet period and the economic development of the Asiatic USSR- before examining the prospects for change.

The structure of Soviet foreign trade with Asia.

A statistical analysis of Soviet trade with Asia, as shown in Table 4, shows that trade turnover with Asia grew steadily in the first half of the 80's, from just under 13bn roubles in 1981 to 16.3bn in 1985, before falling back sharply by 10.1% in 1986, in the wake of the fall of the world oil price. After 1987, the upward trend resumed, with a sudden upsurge towards the end of the decade reaching a peak of 19.3bn roubles in 1990. This was at the expense of the trade balance, however, which registered a close to 1bn rouble deficit in that year, as imports were sucked into the ailing domestic economy. This was in contrast to the main trend of the period in which the Soviet Union showed a trade surplus in 7 out of the 10 years under consideration.

The overall growth of Asia trade between 1981 and 1990 was 36.7%, an average annual increase of 4.1%. This was considerably faster than the Soviet Union's trade

growth as a whole: 16.6%, 1.8% p.a., and while the Asian figures also show faster growth in imports than exports, the disparity between the two figures is not so great: 38.9% imports, 32.1% exports in Asia; 27.5% imports, 4.5% exports in world trade. Despite this faster growth in Asia trade, however, the share of Asia trade in total trade remained remarkably constant throughout the decade only increasing slightly towards the end of the period. This is because Soviet Asian trade comprised a relatively small proportion of total trade and thus its growth impact took place upon a limited base. Soviet Asian trade averaged 11.9% share of total trade over the ten years, with Asian imports and exports taking an equal share of total imports and exports. This represented a low proportion given the size of the region involved and its increasing economic importance. This view is only heightened when we consider the distribution of Soviet trade within Asia which shows that it was concentrated on specific groups of countries and individual states.

The first thing that should be noted is the important role of the Asian socialist states in Soviet trade. The socialist states have been defined for this exercise as being not only those with which the Soviet Union had formal or long-standing economic agreements- most notably Mongolia, Vietnam and the North Korea- but also those to which it had some degree of political affiliation- most obviously Afghanistan, but also Laos, Cambodia, and North Yemen. (China, while recognised as a

socialist state by the USSR, held an anomalous position and will be treated separately.) These states accounted for over a quarter of Soviet Asian trade turnover in 1981 but their importance increased throughout the 80's, achieving a peak of 38.8% in 1987 as Soviet trade in the hard currency sector was affected by the collapse in the world oil price. The total increase over the decade was 45.5%, an average of 5.1% p.a. Moreover, Soviet trade with the socialist states was deeply imbalanced- in no year did Soviet imports from these countries reach half the level of Soviet exports to them. Imports did in fact grow faster than exports over the decade, but the gap was effectively unbridgeable. Thus the Soviet surplus widened from 1.3bn roubles in 1981 to a peak of 2.8bn in 1988. In that year, as in the two previous years, more than 50% of Soviet exports to Asia were going to this group of states.

Moreover distribution of trade was not even within this group. Three states- Mongolia, Vietnam and the DPRK accounted for 19% of total Asian trade in 1981, and 30.7% in the peak year for socialist state trade, 1988. Soviet exports to these countries in that year comprised 44% of total Asian exports, though following the over all pattern, only 18.4% of imports. If one takes into account that a further three states, India, China and Japan which will be considered in detail below, accounted for a further 45% of trade turnover in 1988, it is possible to see that, at this point at least, only six states

accounted for three-quarters of the Soviet Asian trade turnover, while the remaining 24 accounted for the final quarter.

The two largest blocs after the socialist states were the Middle East and South Asia both of which accounted for about a quarter of trade turnover in 1981. Thereafter similarities between the two diminish. The Middle East turnover declined from 3bn roubles in 1981 to 2.5bn in 1988 before registering an increase, due to 24% and 18% p.a increases in imports, in the final two years. The overall decline was around -1% p.a. on average, accounted for by the halving of Soviet exports to the region in real terms, which resulted in a fall from 32.4% in 1981 to 11.9% in 1988 in terms of share of total Asian exports. Even the effects of the fall in the price of oil which severely curtailed the Soviet Union's ability to import from the region- imports fell 71.6% in 1986 alone- did not restore the balance of trade, and a healthy surplus in the first years of the decade was converted into a persistent deficit. While the Soviet Union's direction of trade in the Middle East was more widely spread than in general in Asia, three states contributed more than others to this decline: comparing 1981 and 1990, Iran's share of Soviet Asian exports declined by 5.3%, Iraq's by 10.7%, and Syria's by 2.6%.

The role of South Asia in Soviet Asian trade differs from the Middle East in two inter-related features: firstly, it changed much less dramatically throughout the

80's, and secondly, this was due to the predominance of one state, India, as the Soviet Union's primary trading partner in the region. Broadly the decade splits into two five-year periods with trade turnover with South Asia averaging 25.4% of the Asian total in the first half, and falling to 20.5% in the second. Again the source of the decline in turnover was a result of the oil price collapse, which led the value of exports to decline by 40.5% in 1986, with a knock-on effect of 31% decline in imports from the sub-continent in the following year. While imports from the sub-continent were to recover their share of the Soviet Asian total, exports did not. Export share to South Asia declined from 30.9% of total Asian exports in 1984, to 18.3% in 1990. This overall trend of stagnating trade with increasing pressure upon Soviet exports with the subcontinent as a whole, was effectively a reflection of problems arising in the trade relationship with India. India accounted for an average 16.7% p.a. share of total Asian trade over the decade and thus close to three quarters of the average South Asian total of 23%. The trend thus reflected India's declining ability to match the Soviet Union's willingness to trade, partly because of changes in demand for Soviet goods, partly because of problems arising from methods of payment. That said the place of Soviet trade in Indian foreign economic relations weakened rather than fell away as it had in the Middle East.

The ability to sell Soviet goods, combined with the lack of political ties, also effectively restrained Soviet trade with one of the key developing groups in Asia- the ASEAN, which constituted an average of only 3.6 p.a. share of Soviet Asian trade turnover. While Soviet exports actually grew at an average of 1.8% p.a. over the period, such was the trading deficit- ASEAN contributed an average 6% p.a. share of Asian imports while taking only a 1.2% share of exports- that this made little impact. Rather imports from this key economic region fell in all but two years during the 1980's as the Soviet Union struggled to find a degree of complementarity with their high technology, low-resource expenditure economies.

It remains to consider Soviet economic relations with the two East Asian giants- Japan and China. Such is the importance of these two powers that it is necessary to consider them both within the Asian and the world context.

Japan was the Soviet Union's most important Asian trading partner throughout the period, contributing an average 20.7% p.a. share of Asian trade turnover. That said what is most remarkable about the figures is the degree of inflexibility in real terms,- Soviet imports had a high of 2.9bn roubles in 1982 and a low of 1.6bn in 1986 but at other times stayed remarkably constant at around the 2.1- 2.2bn rouble level. This meant that in terms of share as Soviet Asian trade grew, Japan's share

of Soviet imports fell dramatically. If one accepts that the 1982 figures are somewhat out of norm, even the preceding 1981 figure would give a 60% decline in import share by 1990. Similarly, Soviet exports to Japan grew only steadily in real terms, enough to remain constant in terms of share of Asian exports, in the seven years up to 1987, before accelerating in the last three years of the decade. As a result of the export increase and the import stagnation, the Soviet Union halved its trade deficit with Japan from 1.4bn roubles in 1981 to 700m roubles in 1990, and reduced by three-quarters the gap between Japan's share of Asian imports and exports in the same period.

Explanations for the changes in Soviet-Japanese trade must, of course, include the decline in the Soviet Union's hard currency purchasing power and the declining complementarity between the two economies. That said if one examines the economic relations of the two countries in world terms, other causes are identifiable. Table 6 which covers a longer period confirms the growth of Soviet exports to Japan but at an average share of only 5.2% p.a. of Soviet world exports, hardly constitutes a high degree of interdependence with the world's strongest economy. From the Japanese side the isolation of the two states is even more pronounced. While Japan's world trade grew three-fold in the period under consideration to US\$314bn, its exports to the USSR stagnated, reducing Soviet share of exports to an insignificant 0.7% in 1991.

The US\$2.1bn worth of goods Japan exported to the Soviet Union in that year, placed the USSR below the level of importance as a trading partner for Japan, of the United Arab Emirates (US\$2.15bn), Mexico (US\$2.8bn), or Switzerland (US\$3bn). The conclusion that can be drawn is that while the trade between the states was not unimportant, particularly for the Soviet Union which gained a degree of technology transfer from it, the Soviet and Japanese economies, though adjacent, were increasingly isolated from one another.

The Soviet Union's trade with China, conversely, was one of the few areas of genuine growth in its Asian foreign economic relations. The rate of growth between 1981 and 1990- a 17-fold increase in real terms and 11-fold increase in China's share of Soviet trade turnover in Asia- owes a considerable amount, of course, to the end of the political isolation between the two states. That said, its importance for the Soviet Union lay in two features. Firstly, the trade was largely balanced and while this was a feature of the barter system used for Sino-Soviet trade in which goods of equal value in Swiss francs were exchanged, China's willingness to increase its share of Soviet exports was in considerable contrast to the Soviet Unions's foreign economic performance as a whole. Thus Table 5 shows that, in marked contrast to its Japanese relations, the Soviet Union was able to increase and hold its share of China's world imports at a time

when China's trading role internationally was greatly expanding.

The second significant feature for the Soviet Union, was the impact of China's growing importance as a trading partner within Asia. China's share of Asian trade turnover in 1990- 15.7%- placed it within 1% of India's share and 2.6% behind Japan. Moreover its share of Soviet exports already exceeded that of India by 2.1% and was within 0.6% of that of Japan. Clearly there were particular positive influences on Sino-Soviet trade such as its low starting point, or the desire to use trade as a means to improving political relations, but these can be balanced with negative influences- the dislocation of the Soviet, and subsequently CIS, economies, the proposed transfer to hard currency trade in 1991. More importantly they do not contradict the general conclusion that China appeared to be on the threshold of becoming the major Asian economic partner for the Soviet Union. Given that Asia trade as a whole was growing relative to the Soviet Union's total trade turnover, this also indicated that the economic importance of China was growing exponentially for the Soviet Union, making China a key trading partner in world terms.

Overall, however, the Soviet Union was faced with a dynamically growing regional economy to its south and east with which its economic interaction was limited and imbalanced. Moreover, even though Gorbachev was to recognise the growing importance of the region in his

key-note speeches at Vladivostok in 1986 and Krasnoyarsk two years later, these are notable for the predominance given at the official level to traditional Soviet political and military concerns and only passing recognition of the influence economic processes were having on these.

Recognition of the significance of Asian economic development and integration was growing, however, as was the nature of the obstacles to the Soviet Union's involvement in these processes. Thus Izvestiya correspondent Stanislav Kondrashov at the time of Gorbachev's Krasnoyarsk speech in September 1988:

Trade and economic ties create the strongest fabric of cooperation, although they also are not devoid of conflicts and competition. We lag far behind in this respect- and what causes this lag above all is the absence of dynamism in the development of Siberia and the Soviet Far East that is demanded by the approach of the 21st century and the advance of the Asian-Pacific region to a leading position in international economic life.¹¹

Given the repeated Soviet, and now Russian, assertion that the country's economic profile in Asia cannot be reformed without a transformation in the economic profile of the Asiatic regions, it is necessary next to consider the position of Siberia and the Far East in the economy of the country.

1. For general discussion of FER in the Soviet period see: L.Geron, *Soviet Foreign Economic Policy under Perestroika*, Pinter, London. 1990; Shmelev, N and Popov, V, *The Turning Point*, Tauris, London. 1990.
2. Geron, op.cit. p.2.
3. Ivanov, I. "Perestroika vneshneekonomicheskikh svyazey v SSSR: perviye itogi i osnoviye problemy". *MEiMO*, October 1989, p.5.
4. "What are we taking into the international economy?", International Affairs Roundtable. *International Affairs*, June 1989. p.146.
5. For discussion on the beneficial impact on the domestic economy of the international market see, for example, Kireev, A. "Litsom k mirovomu khozyaystvu." *Kommunist*, No.17. 1990; Spandaryan, V. and Shmelev, N. "'Otkrytaya Ekonomika" na slovakh i delye." *Kommunist*, No.12. 1990.
6. Ivanov, I. "Vneshneekonomicheskii kompleks v usloviyakh regyulire moy rinochnoy ekonomki". *MEiMO*, October 1990. p.16.
7. For discussion of Russia's foreign economic strategy see, among many others: Portnoy, M.A. "Konturi Vneshneekonomicheskoy strategiy Rossii", *SShA*, No.9. 1992. Spandar'yan, V. "Na puti k liberalizatsii vneshneekonomicheskikh svyazey Rossii". *SShA*. No.10. 1992.
8. Bykov, A. "Rossiya, SNG, Evraziya: Geopoliticheskiye aspekty vneshneekonomicheskikh svyazey". *Vneshnaya Torgovlia*, November 1992. p.2.
9. For Eurocentric views of Russia's foreign economic policy see, for example: Pichyugin, B. "Formirovaniye vneshneekonomicheskoy politiki Rossii". *Vneshnaya Torgovlia*. No.3. 1992; Belayev, N; Chichkanov, V, "Russia's Foreign Economic Strategy", *International Affairs*, February 1992.
10. Bykov, op.cit. p.4.
11. Kondrashov, S. "The USSR and the Asia-Pacific Region". *Izvestiya*, 24 September 1988. p.5.

II The Role of Siberia and the Far East in FER

The Asiatic USSR comprised 74% of the landmass of the country, consisting of the Kazakh and Central Asian Republics (17.7% of the USSR) and the Asiatic part of the RSFSR (56.5%), the latter divided into three main administrative regions- West Siberia, East Siberia and the Far East (see map). These regions vary greatly in their climatic, natural, spatial, and human characteristics, and from the European USSR to the west, but Soviet planners, in theory, applied principles of regional development aimed at equalising economic activity throughout the territory of the USSR. These 'laws of development' are expressed in various forms but might in general be summarised in five points:

- 1 enterprises should be located as near as possible to sources of raw materials and production;
- 2 economic activity should be distributed throughout the whole country and the economic level of the least advanced regions raised to that of the highest;
- 3 the distinction between town and country should be abolished;
- 4 there should rational distribution of labour between regions and the 'complex development' of the economy within each region;
- 5 the national security of the state, and the international division of labour within the socialist countries, should be advanced.

How rigidly these principles should or could be applied to the development of Siberia and the Far East remained a contentious issue for Soviet planners ¹. The

advantages of the region's natural wealth and its strategic importance had to be balanced with the fact that higher levels of capital and labour allocation were required in order to achieve anything like comparable levels of development with the European USSR. The outcome was that the commitment to Siberian development varied due to exogenous political and economic pressures. Thus strategic considerations such as the transfer of economic production beyond the Urals during the Second World War and the development of infrastructure due to the heightened militarisation of the Asian Cold War in the seventies, played as significant a role in Siberian development as economic principles. It is also unquestionably true that a key role in Siberia's basic development was played by penal labour. ²

This said, the Brezhnev era in particular saw enormous resources expended in the creation of Territorial Production Complexes (TPC's) under the principle of complex development, the development of the West Siberia oil and gas fields, and the commitment to strengthening access to the Pacific in the BAM project. Even given the harsh conditions it might be argued that the major limitation to the operation of these grand projects lay not in Siberia but in the faltering command economy in the European heartland. The inevitable pressure on resources meant that central ministries were loath to commit funds to new and expensive Siberian projects while the core industrial regions were so

critically in need of funding. From this perspective some commentators were inclined to see Gorbachev's concept of regional self-sufficiency as yet another step in the centre's declining commitment to equality of development.³

While commitment to principles of regional equality waned from the end of the seventies, the need for Siberian resources, particularly oil and gas, continued to grow. Ascertaining the precise role of Siberia in FER is difficult since Soviet statistics do not indicate contribution to foreign trade on a regional basis, quite possibly for political reasons. Thus contribution to exports has to be assumed to be the same as contribution to national production and receipt of consumer imports as equivalent to population distribution.

Bradshaw concludes from an examination of the commodity structure of Soviet exports and the geography of resource industries in the Soviet Union that Siberia and the Far East were key regions for export production⁴. While six major product groups are identified- cork and wood, coal, diamonds, non-ferrous metals, oil, and gas- it is clearly the last two which account for the dramatically increased contribution of Siberia, particularly Western Siberia, to exports. Thus Granberg and Rubenstein conclude that:

The decisive significance of the region lies in the production of oil-energy and natural resources. Close to 60% of all the country's oil is extracted here. The region supplies not only the growing demand for oil in the USSR but also compensates for the declining extraction in all other localities...

Siberia possesses considerable export potential in oil and gas, petro-chemical products, timber, coal production, and precious metals. On the world market separate types of industrial goods produced in the region recommend themselves. Besides immediate export-import operations, Siberian enterprises through a system of internal intra-regional relations play a broad role in integrated products, which are exported from other regions of the country.⁵

Granberg and Rubenstein also point out that estimating contribution to export from domestic production alone is flawed because of the price differentials:

It is possible to measure exports of Siberia by domestic wholesale prices or foreign trade prices, in different values. Depending on which of these is used provides markedly differing evaluations. Thus the share of direct exports of Siberia in foreign trade prices is more than two times greater than the corresponding indicators measured in domestic wholesale prices. This makes clear that Siberia exports products the prices of which are higher on the world market than on the domestic.⁶

If Siberia's contribution to exports is calculated in foreign trade prices the delivery of these resources from Siberia provides a fifth of all currency receipts and more than a third of hard currency. In the 80's more than a third of the growth in the currency receipts of the country was accounted for by the export of oil-energy resources on the part of Siberia.

As regards distribution of imports, consumer goods have to be assumed to follow population distribution. According to the 1989 census 11.2% of the USSR's population lived in Siberia and the Far East, with 66.1% in the European regions; 17.2% in Kazakhstan and Central Asia; and 5.5% in the Transcaucasus. While Siberia fared somewhat better in distribution of technology imports

these were aimed at the extractive industries rather than at complex development projects.

Thus it is possible to establish that under the old system, there was a long-term, and, given the centre's growing reluctance to commit itself to Siberian development, increasing transfer of resources and earnings from Siberia to the European regions of the country. Foreign currency earnings from Siberia and the FE were used to meet the European USSR's import needs, and in terms of economic development benefitted the industrial base of the latter while increasing the dependance of the Siberian and Far East economies on resource extraction.

This process also had a significant impact upon the social and spatial development of the region. One of the most marked features of Siberian economic growth in the past 30 years has been the rapidly increasing urbanisation. Thus Siberian population grew by 35% overall but with a 78% increase in urban population between 1959 and 1985 compared with 19% and 66% respective increase for European Russia on its own.⁷ These changes reflect the dual roles that the cities of Siberia have developed:

On the one hand, they evolve as growth poles for integrated regional development. On the other hand they simply become company towns for resource exploitation.⁸

The reform of the foreign trade system of the USSR did little to change this reality. The transfer of the majority of FTO's from the new Ministry of Foreign

Economic Relations (MFER) to other ministries actually involved in production took place only in the manufacturing sector. The MFER in Moscow retained control over energy and raw material products -the core of Soviet currency-earning power- and the key sectors of the Siberian and Far Eastern economies. Moreover, the important right to foreign currency retention was allowed in far greater measure to the producers of manufactures than to those of primary products, exacerbating tensions between the territorially based energy industry and the central ministries. Even in the manufacturing sector, however, there was little evidence of a significant shift towards external markets. Granberg and Rubenstein's study revealed that,

the majority of Siberian enterprises had still not felt the impact of the new mechanism of governing foreign economic activity and displayed significant passivity in the development of international economic activity. The 'getting closer' to the world market was not happening. The enterprises did not feel a specifically different market, causing, in particular, weakly orientated international economic relations with the geographically more convenient Asian market.⁹

Thus in 1987 only 28% of Siberian exports, excluding oil and gas, went to Asia, with three countries- China (26.3%), Mongolia (19.4%) and Japan (17.9%), taking more than three-fifths of all Asian exports¹⁰. If this direction of trade was to be altered and a greater diversity of FER developed significant changes would have to take place in the Siberian economy, most critically in that region closest to the Pacific economies- the Far East.

The Far East [FE] constituted about 28% of the territory of the former USSR but with a population of only 7.9m was one of the least densely populated regions. Moreover, harsh natural and climatic conditions mean that population is far from evenly distributed, and the Amur region and the Primorye which have the most favourable conditions are the most populated and provide a third of industrial production. This means that one of the most serious obstacles to development is spatial:

Development of the vast territories of the region can be actually referred to as "control of space". One must constantly cover enormous distances, first to tie up the territory with low density of population into one economic unit, and second, to connect the Far East with other parts of the USSR and with foreign countries.¹¹

The FE was thus heavily dependent on the infrastructure linking it to the rest of the country, especially the Baikal Amur Mainline (BAM) and the Arctic sea-route, since the road system is underdeveloped and often inoperable, and air transport is impractical for large-scale economic operation.

Beyond the development of this transport infrastructure, the central economic problems lie, as with Siberia, in shifting the regional economy away from extractive industries towards advanced production processes, with all this entails in terms of increased energy supplies and higher capital costs.

Stolyarov estimates the Far East accounted for 2.9% of the industrial production of the USSR, 1% of agricultural output and 2.9% of National Income in 1988.

However, the deep structural problems of economic development in the region meant that this share of industrial production had been unchanged for 15 years and rates of economic growth were lower than for comparable union sectors, as Gorbachev stressed in his Vladivostok speech:

The strategic course aimed at the acceleration of social and economic development also requires the implementation of a new regional policy. The Party has assigned a prominent place in this policy to the priority development of the eastern regions. In this connection, we must look carefully at the prospects for the Far East's economy. And this must be done quickly, in view of the region's special significance. It is also important to carry this out without delay because the economy of the Far East has started to develop more slowly than the national economy as a whole. ¹²

To rectify this, a highly ambitious development plan- the Long-Term State Programme for the Complex Development of the Far East (LTSP), was proposed in 1987. This envisaged the spending of 232 billion roubles to ensure 2.4 or 2.5-fold increase in output of marketable produce by the year 2000. The key to the development was to be both an increase in the output of extractive industries but also the re-structuring and modernisation of the processing sector in the region to boost exports.

Doubts regarding the realism of this plan were two-fold- institutional, relating to the continued predominance of the centre, and perhaps more importantly, structural- relating to the economic model pursued by the Far East Economic Region [FEER].

Despite the move to regional cost-effective management, the centre would remain the most important

economic actor in the region, which meant there could be no radical transformation of the regional economy before the settlement of the on-going debate on reform at the national level:

the regional cost-effective management does not and will not change anything in terms of production relations, since at present they are dominated by state monopoly. This situation will persist until the problem of property in our country has been solved. We should legalise various kinds of property, including private.¹³

The failure to move towards different ownership systems that met the needs of the periphery was deemed to be symptomatic of a general failure to grant genuine economic autonomy. This combined with the restriction of resources- very little of the 232 billion roubles for the LTSP was delivered- to increase the attraction of external sources of investment and trade.

In terms of trade the FE's contribution to total Soviet exports- 4.4%- was proportionately higher than its contribution to national production, suggesting that it was already more externally orientated than other regions. Of these exports over 80% went to Pacific countries constituting about 20% of total USSR exports to the region, ¹⁴ though this has to be set against the overall low level of Soviet trade with Asia. What such figures disguised, however, was,

the qualitative, structural discrepancy between the economic, scientific and technological development of the Soviet eastern regions and the principal trends contributing to the APR system of division of labour.¹⁵

According to this analysis, the economic development model of the Far East was in obvious contradiction to that of the APR itself, a process which the Long Term State Programme was not aimed at reversing. In calling for the development of energy resources and capital-intensive industries it would be inclined to make the economy of the Far East less compatible with the economies of East Asia with their emphasis on high-tech, low-energy and low-material consumption industries:

The retention of the current organisational approach to the realisation of the programme might only strengthen the orientation of the leading branches of the Far East on obtaining income from export of resources... The division in export potential with the neighbouring countries is significant not only in quantitative terms, but also especially in qualitative and organisational characteristics.¹⁶

Proposals for remodelling the economy of the FE in order that it could meet its target of developmental compatibility with the APR, had to resolve these dual problems of institutional and structural reform.

While the Soviet Union still existed, some saw institutional reform as being based around the creation of a dual system. Thus Aliev proposed full economic autonomy of the Far East from the USSR and integration with the APR- 'the opposite of the current model'- and the creation of a 'multi-structural economy' akin to the role of Guangdong and Fujian in China where market relations predominate. Such de-centralisation would not imply secession, but rather the application of Deng

Xiaoping's formula 'one country, two systems' to the Soviet Union and the FE.¹⁷

Baklanov proposed another model of local economic autonomy, placing tasks of regional significance in the hands of a FE Regional Association. This would be a voluntary structure designed to establish links within the the region, and to develop a common external policy both within the Union and overseas. Tasks it would perform included development of a general strategy, and concentration of resources, for the exploitation of the region's wealth; coordination of a common policy on pricing and the enviroment; and the creation of financial institutions for the pooling of funds for specific regional development projects. ¹⁸

In theory the failure of the August coup and the triumph of the republican forces over the centre in 1991 should have made possible a new type of relationship between centre and Siberia and the FE, with the centre of gravity in shaping social, structural, and investment policies shifted to regional and even local government level.

While regional structures for both Siberia and the FE have been created- the Siberian Agreement Association and the Far Eastern Association for Economic Cooperation- these exist to conduct the struggle against the centre as much as to coordinate regional activities. Pavlenko describes the struggle between centre and regions underway in 1993:

The August 1991 events, though obviously facilitating Russia's transition to civilised development, have not, as matter of fact, led to an expansion of real democracy. The only effect to speak of has been to redistribute the powers between the various elite groups..

The integrated position of the local elites boils down to the following:

- the centre regularly devolves fewer rights than responsibility to the regions;
- the centre discriminates against the 'Russian' regions and areas by means of a totally unjustified enlargement of the rights of the so-called republics;
- the laws being enacted do not meet the interests of Siberia but rather keep it in the position a raw materials adjunct of central Russia;
- the economic reform implemented by the central government is impairing the situation more precisely in Siberia, causing a landslide fall in the living standards of the region and faster production slump;
- the central government ignores the opinion of the local elites of the Siberian districts and regions and bars them from the process of meaningful decision-making.¹⁹

Such tensions have inevitably raised the spectre of separatism within the Russian Federation but for some commentators, such as Muradyan and Vorontsov, these processes of 'regionalisation' are natural to democratic societies and a phenomenon arising from the weakening of vertical links in domestic and international life and the growth of horizontal ones and as such were not 'synonymous with a disintegration and break-up of a nation or a state'²⁰. Political separatism was rather a product of the crisis conditions within the country and in Siberia and the FE, in particular. Such trends were unproductive for two reasons: firstly, they exacerbated rather than alleviated the crucial economic problems faced by the region, as recognised in a report by MP's from the FE cited by Muradyan and Vorontsov:

This is the logical outcome of what we have been doing throughout the last few years. We have allowed ourselves to be carried away with political battles, striving for sovereignty, dreaming about a Far Eastern Republic, building castles in the air, while forgetting about the most important thing- the economy.²¹

Secondly, separatism ran counter to the trend of 'international regionalism' which was apparent in East Asia, as elsewhere. One of the outcomes of the increased powers of the regions has been the development of a new project at regional level aimed at breaking down the structural barriers between the Siberian and FE economies and those of the APR by the beginning of the next century:

On the initiative of the administration and business quarters of Siberia and the RFE an idea is now being elaborated of setting up a qualitatively new cooperation mechanism for Russia's territories beyond the Urals and the APR nations on the basis of an international corporation, tentatively called Integrator-21 Programme, for their joint development. The implementation of such a programme requires a flexible combination of state participation, economic autonomy of the territories and active foreign participation.²²

What should not be assumed is that such institutional changes can radically alter the structure of the economies of Siberia and the Far East in the short-term. The problems of infrastructure, labour supply and energy costs are just as real for foreign investors as they were for the central ministries of the past; nor is it simply a question of opening the economy for the investment to flood in:

International economic ties in Asia and the Pacific, apart from the developed and mutually complementing economic structures of APR states, are characterised by an increasingly bitter competition for export markets and spheres of capital investment.²³

The short-term implications of this for Siberia and the FE are twofold. Firstly, those searching for export markets in the Russian Federation are most likely to be attracted to the European core, reversing the assumption that Siberia and the Far East would be the natural locus of attention of the Asia-Pacific economies:

As to Russian participation in the APR, officials and scholars tend to pay particular attention to Siberia and the Far East. They say this is the major element in our relations with the Asia-Pacific countries, and maybe the only element. I think that Siberia will play a great role in the long-run perspective but now we have no resources to develop this area... On the other hand the integration of the European part will play an important role in our penetration into the Pacific area.²⁴

Secondly, the Siberian and Far East economies will initially continue to be regarded chiefly as sources of below-world price primary materials, with foreign enterprises engaging in traditional forms of resource exploitation activities. Thus Izvestia revealed that only 0.5% of the produce of the 500 joint ventures created in the FE in 1992-93 was aimed at the domestic market- the timber and fish produce that constituted the overwhelming bulk of these enterprises output were aimed at foreign markets- particularly China and Japan.²⁵

However, such factors do not point exclusively to Asiatic Russia remaining a resource-centred hinterland. Firstly, trade between European Russia and the APR implies the development of lanes of communication, and thus Siberia's emergence as a land-bridge between the two continents. Secondly, raw material exploitation cannot remain the dominant form of economic activity, not only

because local processing makes more economic sense but because of the constraints which exist even upon the abundance of Siberian resources, as revealed most clearly by the current position of the energy sector:

For all the importance of exporting energy resources, their exports should be minimised in each given period, for our fuel industry is at a stage of development where we must reduce the load put on it to ensure effective energy supply over a longer period in the future. The idea of making the fuel and energy complex the main supplier of hard currency over the long term is therefore doubtful.
26

The economic future of Asiatic Russia is dependent on two interlocking factors, therefore. The first is internal and relates to the distribution of economic and political responsibilities between the centre and the regions. The weakness of the centre, currently, and for the foreseeable future, is encouraging both greater autonomy and the search for external sources of investment and trade. This in turn is strengthening the impact of the external factor- in particular the integrative forces of the APR beyond, raising the prospect of realising the scenario outlined by Ivanov and Minakir in 1988:

In order to make the Far East a full-weight economic partner of the leading Asian-Pacific countries, a well thought-out strategy is essential, aimed at a guarded entry into the international division of labour, determined both by sectoral and geographical priorities, and using a wide set of methods and forms of foreign economic ties. The working out of such a strategy both to the search for a model of long-term specialisation of the Far Eastern region, and the use of cooperation with foreign countries for the solution to problems of the first order, above all the social and infrastructural.²⁷

This leads directly on to the nature of the economic processes taking place in the APR, and how are they

viewed within Russia.

1. For discussion of the general problems of regional development see: J. Schiffer. *Soviet Regional Economic Policy*, MacMillan, London. 1987. Smith, G. *Planned Development in the Socialist World*, Cambridge University Press. 1989.
2. General discussion of the role of Siberia and the Far East in the domestic and international economies in: Dienes, L. *Soviet Asia: Economic Development and National Policy Choices*, Westview, USA. 1987. Rodgers, A. *The Soviet Far East: Development and Prospect*, Croom Helm, London. 1990. Chichkanov, V.P. *Dal'niy Vostok: strategiya ekonomicheskovo razvitiya*. Ekonomika, Moscow. 1988.
3. See for example, Bond, A. "Spatial dimensions of Gorbachev's economic strategy". *Soviet Geography*, UK.
4. Bradshaw, M. "Foreign Trade and Soviet Regional Development" in Bradshaw, M. J., *The Soviet Union: a New Regional Geography?*, London, 1991.
5. Granberg, A; Rubenstein, A. "Uchastiye Sibiri vo vneshnekonmicheskoy deyatel'nosti". *Vneshnaya Torgovlia*, August. 1989. p.25.
6. *ibid.* p.25.
- 7 Hausladen, G. "Recent trends in Siberian Urban Growth" *Soviet Geography*, UK. January 1987. p75-76.
8. *ibid.* p72.
9. Granberg, A; Rubenstein, A. *op.cit.* p.26.
10. *ibid.* p.27.
11. Stolyarov, Yu. S. "The Soviet Far East: the economy and foreign economic relations". *The Journal of East and West Studies*, Korea. April 1991. p.6.
12. *Izvestiya*, 29 July 1986. p.1.
13. Aliev, R. "In search of development strategy", *Far Eastern Affairs*, No.3, 1990. p.57.
14. Stolyarov, *op. cit.* p.9.
15. Diikov, S. in "The Soviet Far East and the Asia-Pacific Region". *Far Eastern Affairs*, No.4. 1989. p.12.
16. Ivanov, V. Minakir, P. "O roli vneshneekonomicheskikh svyazey v razvitii tikhookeanskikh rayonov SSSR", *MEiMO*, No.5. 1988. p.70.
17. Aliev, *op.cit.* p.13.
18. Baklanov, P. "A concept of the development of the Soviet Far East". *Far Eastern Affairs*. No.4 1991.
19. Pavlenko, S. "Centre and the Regions: A Tug of War". *International Affairs*. April 1993. pp 88-89.
20. Vorontsov, V; Muradyan, A; "Far Eastern Regionalism". *Far Eastern Affairs*. January 1992. p.36.
21. *ibid.* p39
22. Solovyev, N. "Siberia and the APR". *International Affairs*. April 1993. p28.
23. Aliev, *op.cit.* p.13.
24. Conversation with A.N. Fedorovskii, Head of Pacific economies section, IMEMO, Moscow. September 1992.
- 25 "The Pacific Ocean Era might be beginning in the Far East". *Izvestiya*, 2 August 1993.

26. Russian Foreign Policy Foundation. "Oil and gas in Russian Foreign Policy". *International Affairs*. November 1992. p.59.
27. Ivanov, V. Minakir, P. op.cit. p.70.

III Soviet/ Russian perceptions of the economic future of Asia.

There are perhaps three different aspects to Soviet/Russian perceptions of economic change in Asia. The first is consideration of the nature of the economic processes underway in Asia- to what extent these are distinctive to the region and how relevant an Asian economic model, if such a thing exists, could be to the reform of the domestic economy. Following from this, because of the evident and essential role that regional forces have played in the development of the individual economies of Asia, is consideration of the operation of transnational economic forces within Asia and the attempt to promote multi-lateral institutions which will give structure and continuity to the economic interests of different states. Related to this is the impact that Asian economic regionalism will have on the international economy as a whole.

Lastly, given the low economic profile that Russia has inherited from the Soviet Union in the region, consideration can be given to the development of bi-lateral economic relations which will be the primary form of Russian economic relations in the region until such time as it achieves a sufficient profile to warrant full participation at the multi-lateral level.

These might be summarised as:

i: the relevance of the Asian economic model;

ii: international causes and consequences of Asian economic regionalism;

iii: prospects for the development of bi-lateral economic relations in Asia.

i The Asian economic model.

The first consciousness within the Soviet Union that there might exist an Asian economic model arose, of course, with the emergence of Japan as a major economic force in the sixties and seventies, but understanding of the changes that were taking place in Asia were distorted by the control of policy analysis under the old regime. Traditionally, policy analysis of Asian affairs in the Soviet Union was country-based, even to the extent of individual institutes being assigned countries. Thus Japan was studied primarily by the Institute of Oriental Studies, and China by the Institute of the Far East. Critical roles were also played by high-ranking ideologues from within the CPSU International Department. Thus policy towards Japan and China was dominated, respectively, by figures such as I. Kovalenko and M. Kapitsa, who were responsible for elaborating policy stances adopted at the highest level. It was only with the Gorbachev era, that analysis was both diversified and rationalised- more sources of analyses studying Asian economic and political processes as an integrated discipline. Characteristic of this development was the creation of the Centre for Japanese and Pacific Studies

at the Institute of World Economy and International Relations (IMEMO), in 1985, on the initiative of Alexander Yakovlev, one of the primary architects of Gorbachev's 'new political thinking'.

However, it was not simply the structure of policy analysis in the pre-Gorbachev years that limited Soviet understanding of Asia. Soviet perceptions of the changes taking place in Japan, and other Asian countries, were constrained by a particular perspective of what constituted a major power, as suggested by S.I Verbitsky of IMEMO:

the rise of Japan as a major world power only with difficulty established itself in the consciousness of Soviet people. How do we explain this? Probably, that our understanding of 'great power' has usually been associated with states enjoying vast territory, significant population, and, primarily, military might. Hence the underestimation of the role of economic and especially technological potential as important factors of the 'strength' and 'authority' of the state in our time. But thanks to the formation of new political thinking, which made a priority out of economic and social development before all other long-term aims and problems of the state, this state of affairs began to change.¹

That this lack of attention to the pace and nature of economic development in the east was reversed, both in public information sources and the work of political analysts, was also a response, therefore, to the crisis of Soviet society. But the east was not the first choice in the search for alternative social models:

1990 for social consciousness might be called the year of the basic search for new models of social development with increasing attention to the experience of foreign countries. The fundamental attention in this thinking up to the present time has been paid to Western European social democratic models..²

In this the desire for certain provisions of social security combined with economic effectiveness was seen as the principle cause influencing the Soviet thinking away from acceptance of laissez-faire liberalism. But did social democracy offer the sole, or best, example of this combination?

Studying the much higher economic effectiveness of the Japanese system in comparison with the social-democratic model, it might with proper foundation be considered to deserve attention as a starting point for the discussion of the optimal combination of strong social policies and high economic effectiveness.³

The distinctive nature of the Japanese model for Zagorsky centres around two features: firstly, the de-personalisation of capital in which large corporations rather than individual capitalists take investment decisions; and secondly, the related question of the wider distribution of social wealth. Zagorsky holds that these two features mean that the Japanese economic model does not fit traditional Marxist sociological models, in which there is an ever greater concentration of private wealth and ever wider class divisions, but rather achieves ends- the removal of key economic decisions from the hands of private individuals and the more equal distribution of social wealth- which parallel those of social-democracy without consciously aiming at it:

The Japanese model graphically shows that effective resolution of the social problems of contemporary society are possible in no way only within the limits of the social-democratic model. Of course, historically the social organisation of Japanese society was not formed without the influence of the social-democratic element, but above all its formative leading role was played by the pattern of

development of contemporary capitalism, in essence by the natural way of outgrowing the essential limits of its own understanding of capitalist exploitation. Along with this it is important to note that to a greater or lesser degree such tendencies are taking place in all western countries. In this regard the Japanese example is of interest not in the role of the exception to a general rule, but as the most advanced model on this path, as an example demonstrating the socially positive potential of contemporary capitalism.⁴

The question of how distinctive the Japanese experience has been is clearly of great significance for Soviet and Russian analysts. One of the most enthusiastic commentators on the Japanese model, Victor Spandaryan, is aware of Japan's unique political and economic condition at the end of the last war. Defeat gave significant impetus to Japan's development by sweeping away the old economic and political order and placing the economy in hands of foreign planners in its initial years. The very dependence of Japan on trade in energy and foodstuffs necessitated a swift and efficient integration into the international division of labour. This meant that industrial development had to aim at meeting internal demand but also reaching the highest standards in every aspect for the export market. But in order to benefit from these potentialities Japan had to develop and implement a flexible and long-term economic policy, combining governmental regulation and planning with an advanced technology-led market economy:

At the various stages of Japan's post-war development these two components were combined in different doses, but it is their combination in the proportions required by the concrete development period that made it possible to conduct an optimal and effective economic policy both in remodelling individual enterprises and in restructuring the

economy along the lines most rational for the whole country, ie. on both the microlevel and the macrolevel.⁵

For other commentators, however, the distinctiveness of what has become an East Asian model as other states have followed the Japanese pattern of rapid technology-based economic growth, lies not simply in the operation of common economic strategies:

An analysis of the path the new industrialised countries of Eastern Asia have traversed should not boil down to a study of the economic development strategy they have selected. Of course, the experience of countries which have managed to successfully negotiate the stage of structural changes and economic modernisation deserves attention and study in and of itself. However, the problem should be viewed more broadly. No matter how successful the experience of a country or group of countries, attempts to travel the paths others have done are senseless. Therefore, in examining the development specifics of the East Asian NIC's it is much more important to call attention to another point. For all the diversity of methods and paths of resolving socio-economic problems the ruling regimes have exhibited an understanding of what conditionally could be defined as a 'philosophy of development', ie. a realisation of the entirety of society as an integrated organism developing according to certain laws and not subservient to wilful regulation, to dictate.⁶

Thus Russia's economic model cannot be chosen on a purely utilitarian basis, but must give due consideration to all societal factors, including the contribution that oriental culture and ethnic cohesion have made to the economic success of the East Asian model:

It is useful to get acquainted with the South Korean economic model or the Taiwanese model but we have to come through all these stages by ourselves so I do not tend to overvalue their experience- they have different 'chelovecheskii material' [human make-up].⁷

This said there remains a unifying link between Russia and one group of Asian economies- the Asian communist

states. Given the degree to which these states, particularly China, Vietnam and the DPRK, based their economies on that of the Soviet Union and also received considerable transfers of goods and equipment, there should be no surprise that they share common characteristics. But the very success of China, and to some extent Vietnam, has been achieved by the conscious rejection of the validity of the Soviet model to their circumstances in favour of integration into East Asian economic processes, and it is by no means clear that the same option is available to Russia. One of the sceptics is Alexander Fedorovsky of IMEMO:

We have tried better to understand the situation in China which has seen great success in economic development. Some specialists in my country and abroad stress that there are common features between Russia and China- the role of the communist party and the state- but I think that there are a great deal of differences- labour supply, the organisation of society, the geo-political position and even the organisation of economics is different. If we examine the reforms in China we see that they have been very successful in the agrarian sector but in the industrial sector there are serious problems. if we look at the sea-coast area we see great progress in industry but this is a Pacific area and I don't see the same opportunities to organise such areas in my country. We must examine the experience [of the APR] very carefully but we can only select some elements.⁸

Thus there will be particular features of the reform process in the Asian communist states that Russia will want to try and emulate, but there can no more be a successful full-scale replication than there was when these states sought to learn from the Soviet experience. Notable among these features will be the practice of opening the country to the international economy, in

particular the creation of special economic zones and the formation of joint ventures; the problems of increasing the effectiveness of state industry and its relation to the growing market sector; and the change from administrative to economic methods- fiscal policy, price de-regulation, state subsidy, etc.- of controlling the economy. ⁹ Scepticism on the possibility of adapting agrarian reform from Asian socialist states is if anything higher than in the industrial sector.¹⁰

The fact that there seems little prospect of rapidly reproducing the success of the Chinese reform programme from purely economic factors, as well as the continued political instability within Russia, has served to heighten the significance of a further aspect of the Asian model- the relationship between economic change and political power:

We have advocates of authoritarianism as an essential condition of fast economic reform. The type of authoritarian power might be different: military dictatorship (as in Chile) which we have obviously not passed through, and the strong Presidential power which is currently unfolding in Russia. It is interesting to analyse the experience of China in this regard, which has a mechanism of power lying in the hands of the CPC, different to those mentioned. We already understand that the ruling communist parties in the USSR and the other former socialist countries in essence were not political parties, but more a basic type and structure of power. The CPC continues to remain such a structure. And here a question arises: were the events of 1989 a tragic accident, which need not have happened, or were they the natural consequences of the collision of two interlocking principles- market reform and authoritarian power. The answer to this question might also help to decipher our weighty problems: might strong Presidential power with its own structures permeate the whole of society... really consistently leading to democratic market reform or to inevitable collision and maybe

becoming destructive. Of course, the Chinese variant is not the sole model of authoritarian reform, but it is the most interesting for our experience.¹¹

Thus, if Russia does attempt to create a hybrid model combining elements of both European and Asian systems, it seems unlikely that the influence of either will be confined to one sphere of activity- a European political system but an Asian economic model, for example. Rather there will be elements of both in each area.

For some commentators, however, such hybridism seems to fly in the face of contemporary trends, which indicate the divergence of the two models rather than their convergence:

Yet another logical construction based upon the thesis of the hidden conflict in relations between 'conservative Europe' and 'dynamic Asia', concerns the collision of two economic cultures and even civilisational models. Thus Asian countries place in first place among their priorities economic growth, actively encourage accumulation, make unceasing efforts to increase their international competitiveness, form a social climate, favourable to labour returns and labour motivation of the people. Encouraging entrepreneurship, they at the same time widely resort to measures of government support of the economy and utilise the advantages of collective economic conduct. In Europe economic growth and increasing exports does not occupy so important a place among priorities of development, innovative processes are proceeding less actively, rates of accumulation are lower, greater emphasis is placed upon consumption and state social services, and individuality openly predominates over collectivism. In conditions of growing interdependence such differences in models and priorities of development are fraught with conflict.¹²

In this scenario if Russia eschews one model exclusively in favour of the other they may be taking sides in an incipient confrontation between two economic, and ultimately social and political, models.

Thus a combination of factors are lending a note of caution to Russian analysis of the applicability of the East Asian experience to their own circumstances. This reflects both consciousness of the operation of different economic forces, and the role that cultural and ethnic factors play in these, but also the contradictory role of the Asian political model: on the one hand authoritarianism may be essential for rapid and successful economic change; on the other it may magnify once more the differences between Russian political culture and that of the West, at a time when divisions in the international arena appear to widening, due to the end of the Cold War and the acceleration of the pace of economic change.

Apart from such contentious issues, Asia's importance for Russia may well lie in its example to the currently ailing Russian economy that late economic development is still possible, as Yelena Leont'eva suggests:

As far as the unique Russian situation is concerned although "every unhappy family is unhappy in its own way", objective laws of economics and society operate everywhere and experience of 'miraculous' reform is becoming common human property.¹³

1. Verbitsky, S. "Evolyutsiya vzglyadov na Yaponiyu v period perestroiki". p.41. in *Znakom'tes'- Yaponiya*. Moscow, Nauka.1992.
2. Zagorsky, A "Kuda idyet Yaponskiy kapitalizm: sotsial uroki sotsialisticheskomy reformizmu", *MEiMO*, No.2. 1991. p.44.
3. *ibid.* p.44.
4. *ibid.* p.54.
5. Spandaryan, V. "How have the Japanese done it?" *International Affairs*. February 1990. pp. 83-84. For other analysis of Japan's economic model see: Leont'eva, L. "Vzaimodeystvie administrativnovo apparata i khozyayistvennoy sistemy v Yaponii." *MEiMO*, No.1. 1989; Tselishchev, I. "Ekonomika Yaponii: itogi 80-kh godov." *MEiMO*, No.9. 1990.
6. Drugov, A. "Leap of the Little Dragons", *International Affairs*. October 1990. p.56. For further analysis of the economies of the NIC's see: Andrianov, V. "Why the success of the NIC's?". *Far Eastern Affairs*, No.5 1989.
7. Conversation with E. Grebenshchikov, Senior Researcher, IMEMO, Moscow. September 1992.
8. Conversation with A. Fedorovsky, Head of Pacific economies section, IMEMO, Moscow. September 1992.
9. See, Korneychuk, N. "Territorial'naya otkrytnost' v KNR." *Vneshnaya Torgovlia*, No.7. 1992. Onikienko, A. "Reforma gossektora v KNR: poisk putey povisheniya effektivnosti", *MEiMO*, No.6. 1992. Balyuk, I; Balyuk, M. "Ekonomicheskaya reforma v Kitaye: do i posle Tianan'menya." *MEiMO*, No.11. 1991.
10. See "Agrarnie reformy i zyemyel'nie otnosheniya v nekotorykh Aziatskikh stranakh." *Voprosy Ekonomiki*, No.8. 1991.
11. Round Table, *Voprosy Ekonomiki*. "KNR i SSSR: Teoriya i Praktika Privatizatsii". *Voprosy Ekonomiki*, No.12. 1991. p.143.
12. Tselishchev, I. "Sotrudnichestvo v ATR: osnova, vozmozhnosti, spetsifika". *MEiMO*, No.11. 1991. p.34.
13. Leont'eva, L. "Opyt poslevoennoy Yaponii i rossiyskie ekonomicheskie reformy", in *Znakom'tes'- Yaponiya*. Moscow, Nauka.1992. p.68

ii International causes and consequences of Asian economic regionalism.

There are two interconnected facets to Russian perspectives on Asian economic regionalism- the external facet places Asian regionalism in the context of changes in the global economy as a whole; the internal facet examines the forces within the region driving integration. Both of these are seen as combining to determine the structure and pace of Asian regionalism.

(i) External pressures generating Asian integration;

Before considering Russian perspectives on the internal forces which are driving Asian economic regionalism, consideration must be given to the impact of changes in the global economy as whole. Asian regional integration is not taking place in a vacuum, but is only one form of inter-connected regionalisation which is recognised as being part of a much wider process:

A distinguishing feature of contemporary development of international economic cooperation is its global and simultaneous regionalisation. International relations are everywhere more fully filling up the world economic space...

Regional cooperation supposes ever higher degrees of economic interdependence, indissoluble ties with mutually open economic and social structures, with the formation of uniform means of activity of the economic subjects.¹

In contrast to the comments of the last paragraph, other commentators, particularly in the Soviet era, see one of the key features of economic regionalism as being its uneven, and possibly conflictory, character- most

obviously between the centre- the major economic powers- and the periphery, but also between the advanced capitalist economies themselves:

However in the capitalist economy at the current time there exist also those influences which appear in the opposing direction, counter to global-integratory processes. It is a question of regionalism, observable in the most differing corners of the earth, expressing the desire of number of states to form local groupings, the members of which to a greater or lesser degree are coordinating the government of their economic lives, jointly defending their material interests and granting each other preferential regimes.²

Central questions for the new Russian state are, therefore, which regional structure or structures with which to seek integration, at what level and what will be the consequences for their relationships with other groups. These questions have been made all the more complex by the dissolution of the USSR which has meant that the border between internal/external regionalisation has become blurred and a first priority will be the rationalisation of economic relations within the states of the former Union. But how will the newly constituted Eurasian economic space interact with the emerging regional groupings to its west and east?

The attraction of the European Community is clearly very strong but there are significant obstacles to Russia's integration with it. Firstly, there were over-optimistic appraisals of Russia's economic status. Thus an assessment of Russia's foreign economic potential in early 1992 could propose a strategy that was to prove contentious for the existing members of the EC:

To begin with we plan to establish close ties with the European Community in order to join its single monetary system and participate in the free movement of goods, capital and people across frontiers.³

Secondly, as suggested earlier, Russia's geo-political and economic interests argue against an exclusively Atlantic orientated foreign policy:

Russia enjoys favourable preconditions for inclusion in the processes of regionalisation of international cooperation. These follow from its geo-political position. The Russian Federation occupies a vast part of the Eurasian landmass, having an exit to three oceans, great land and sea borders with a wide number of immediate neighbours. It is especially important that it is located between the major centres of the contemporary world economy: the USA, Japan, Europe and Western Europe, lengthily bordering China which several prognoses agree will be a major world economic power in the 21st Century.⁴

The difficulty with this perspective is that it underestimates the extent to which integratory processes in one area of the world are a response to those taking place in another- an attempt to control, and for some, to resist, the movement toward global interdependence. This is not lost on some Russian analysts, for whom Russia's very value to the rest of Europe will be the advantage it provides in the coming economic competition between regional groups:

Attached to all this complexity arises the common denominator of the meaning of 'greater Europe' namely that configuration of future economic unity which would be the greatest result from the introduction of Russia into the common European integratory processes, immeasurably widening the resource and market capacity of the continent by using the connection to its huge natural, labour and scientific and technical potentials, realising its possibilities. This would provide Europe with a much stronger position for long-term competition with the USA and Japan, particularly if we take account of the desire of the latter also to widen their economic space (respectively, by using the North

American Common Market and cooperation with SE Asia).⁵

However, the contradiction here with the thesis of Russia as a bridge between East and West is obvious- Russia cannot simultaneously seek full integration into the European Community and become a central player in the regional economic processes in Asia. There are significant internal economic factors promoting economic integration in Asia, which will be discussed below, but it is also a response to the emergence of other regional blocs:

It is no exaggeration to say that most often first place among the reasons, or at least the catalyst of interstate cooperation in the APR, remains external, relating to regional factors. Attention is above all paid to the tendency of forming economic blocs in Europe and America.... Here the threat is that the European economy will become more shut to relations with outsiders, that the dynamic growth and ever greater competitiveness of the Asian states will become the primary object of tough protectionist measures.⁶

While it might appear that the current economic position of Russia hardly qualifies it to be viewed as an economic rival by Asian countries, there is already one aspect of its relations with the West that raises concern in Asia. This is that in their desire to integrate the former European communist states into the international economy, the industrial powers will commit both commercial and governmental funds to these states to the detriment of Asian economic development. While the pattern of investment flows do not as yet show any preference for the unstable Russian economy over the vibrant Asian economies, this will remain a concern particularly

against an expected background in the 1990's of increasing competitiveness for available capital resources. It will also encourage reliance on regional sources of finance within Asia as insurance against possible vagaries in the supply of international funds.

It is clear, therefore, that Russia's current equilibrial stance between the two continents is as much a product of the weakness of its economic ties as anything else. In seeking regional partners it must be aware that its exclusive integration in one direction- say towards Europe- may well provoke protectionist measures in the other. Rather its geo-political interests demand that it develop ties to both East and West at an equal pace and level, while its size, and potential economic strength, may make its full integration in either impossible. Whether this balanced development is possible depends to a considerable degree on which form of regionalism best suits its developmental needs. A consideration of the nature of the forces shaping Asian regionalism is not merely an academic task for Russians, therefore, but an assessment of the relative value of Asian integration, as opposed to that of Europe.

(ii) Internal forces driving Asian regional integration;

Asian economic integration is a product of particular forces operating in the regional economy. These forces, most notably internal and external trade patterns, direct investment and trans-national

partnerships, are both economic, in that private corporations and financial institutions are the prime movers behind them, but also political since decisions on the pace, direction and structure of economic cooperation are being taken at the highest governmental levels. In other words, there is interaction between state and market forces at the regional level comparable to that operating in the East Asian economic model at the domestic level.

The differing levels of interaction of the various private and governmental bodies with their counterparts in other countries has created an economic structure of extraordinary diversity and mobility:

International relations in that part of the world, now called the Asia-Pacific region, have acquired in the past decade the greatest dynamism and mobility. Barriers are being liquidated, passing watersheds in bringing together former antagonists. Earlier unassailable borders are becoming permeable (it is sufficient to cast a glance at the Vietnamese-Chinese border or, for example, the South Kuriles). In different subregions of the APR re-grouping and redistribution of forces, the search for new partners and 'community members' [soobshnikov] the re-appraisal of national and regional priorities, are taking place. New regional combinations are being drawn up. In this respect, the political and economic palette is significantly richer than the European.⁷

Part of the difficulty arising from the complexity and variety of these relations is in deciding exactly where the boundaries of the region lie. The term 'Asia-Pacific' is most commonly used because it is the most inclusive, incorporating the North American economies of the USA and Canada, the Australasian group centred on Australia and New Zealand, and the dynamic economies of East Asia-

Japan, China, the ASEAN (Brunei, Thailand, Singapore, Malaysia, Indonesia and the Philippines) and what are still referred to as the Newly Industrialised Countries (NIC's)- South Korea, Taiwan, Hong Kong, as well as Singapore, which also falls into this classification.

There are two limitations to this schema, however: the first is that the extension of the region to the eastern rim of the Pacific is primarily to ensure the inclusion of one country- the USA. While the importance of the American economy as trading partner and investor in the western rim of the Pacific cannot be underestimated, it is clear that none of the countries of that area, except Japan, have a comparable level of involvement in the Americas, especially outside the USA, and thus the pattern of economic interaction is imbalanced. There is moreover the question of the USA's existing membership of a regional economic grouping, largely of it's own making, the North American Free Trade Area, which may well be extended to Latin America.

The second limitation is that while the concept of APR cooperation is based on economic foundations there is little doubt that many participants foresee that any emerging regional organisation will have political functions also. This means that some way must be found of including key Asian sub-regions such as South Asia and Central Asia, which are crucial for regional stability but which currently lie outside the economically based APR concept.

These limitations have contributed some of the pressures which have ensured that there are a number of overlapping and contending proposals for regional cooperation which reflect both the pattern of economic interaction but also the political agendas of regional governments. These models of regional cooperation operate at all different levels: there are proposals, such as for the Sea of Japan cooperation area, which amount to little more than integrated development across adjacent border areas; above these, there is discussion of sub-regional groupings, perhaps the most contentious of which is the East Asian Economic Group (or Caucus), which aim at combining the economies of particular countries in a common market; and at the highest point in the scale there are the plans for the Asia-Pacific as a whole in which multilateral bodies such as the Asia-Pacific Economic Cooperation forum, or the non-governmental Pacific Economic Cooperation Conference, may provide the institutional framework for regional integration. There are also a number of key transnational actors- such as the United Nations Economic and Social Committee on Asia and the Pacific (ESCAP) and the Asian Development Bank- who are playing important roles in building multilateral contacts.

The Russian response to the alternative levels of cooperation will be discussed in detail below, but what must be noted initially is that while the first and third forms of cooperation will be welcome, the second will

not. By this is meant that while both cross-border development, providing much desired trade and technology transfer into Asiatic Russia, and the all-inclusive concept of APR cooperation, which ensures Russia- which is still viewed as lying on the periphery of regional affairs- will be involved, are favourable to Russia's economic integration, the trend towards the concentration of economic and political interaction on an exclusively Asian level is not, and yet there exist significant pressures pushing Asian regionalism in this direction.:

The strengthening of economic cooperation and interaction above all can be seen in an inner group of transference states. These take a particular, self-supporting role, playing a kind of 'asiatic sub-system': Japan, the NIC's, ASEAN, China. This role is caused by the highest, over-taking pace of widening mutual relations, including the gradual transfer of position of future importer of goods of the Asian states from the USA to Japan. There also exists at present a clear strengthening of the attitude in favour of Asian solidarity, the search for a common Asian values, and the appearance of proposals on the formation in regional sectors of Asia (above all South and Southeast) of new interstate unity.⁸

This means that while the economy of Asia and the Pacific can be viewed as a series of overlapping and interlocking circles there is little doubt that East Asia is emerging as the fulcrum upon which the system turns.

Tselishchev's important study of regional cooperation reveals the key economic indicators in this process. An examination of trade shows both an increase within this sub-region as well as its growing importance for Japan and the USA. The highest levels of trade growth are taking place between the NIC's, and between the NIC's

and the ASEAN states. China has become the major trade partner for both Japan and the NIC's.

Another crucial factor is the dynamic growth of foreign direct investment. While Japanese capital continues to be important in this respect, a significant new feature is the role of investment from the NIC's into ASEAN and China, which is growing at a faster rate than that of Japan. This has attracted considerable attention in Japan not least because it indicates a qualitative change in the economies of these countries. They operate positive balances of trade with Japan and continue to develop technological and scientific resources. Moreover,

a changeover is taking place from orientation above all on industrial development to the accelerated growth of the 'third sphere'. In this in one form or another there is an increase in the capacity to export capital, especially in the industrial branches where NIC technological relations are already well established, and which are now receiving development in the countries of ASEAN, and following them in China.⁹

The third important factor is the intensification of different forms of relationships between corporations in the region. Tselishchev cites Ohata's figures that the share of foreign economic activity of Japanese companies directed to exports has fallen from 46% to 23% in recent years. Rather the percentage of those firms which have pursued the aim of creating international partnerships has reached 50% and will continue to grow:

In a word, the companies of the NIC's and ASEAN have become important participants in the process of forming wide sets of inner-regional inter-firm partnerships. The geographical sphere of their activity is spreading out from the boundaries of their own countries, in a tendency to expand into

all East and Southeast Asia. Their interests demand the strengthening of cooperation in the 'asiatic sub-system', and this is demonstrated in the extremely vital political and economic processes taking place in Asia and the APR, including at the inter-state level.¹⁰

If these three elements- trade, FDI and the integration of economic actors across national boundaries- are the core elements of the new Asian economic system as a whole, it remains to be considered which states and which combinations of states are best able to bring these forces into play. The contending models of Asian economic integration are essentially a reflection of this process, substantially modified by the political agendas of Asian governments.

While most commentators have noted the shared Confucian heritage of many of the successful East Asian countries, one of the possible bases for regional integration lies in the re-generation of the social system that disseminated Confucianism: the 'Chinese commonwealth':

The success and achievements of China, Taiwan, Singapore and Hong Kong has given impetus to discussion on the expediency of forming a 'Chinese common market'. The realisation of this idea would be made possible by uniting the financial resources of Taiwan (first in the world in terms of size of gold and currency reserves); the administrative capabilities and far-flung relations ties of Hong Kong; the market network and sphere of services of Singapore (financial, mediation, information; transport), with the great potential of continental China (labour force, resources, selling market, and sphere of capital application).¹¹

While Grebenshchikov points out that the underpinning for the emergence of such a system of ties is all economic, its political implications are clear- the re-emergence of

a single China. Yet it is in these political terms that the largest obstacle to 'Greater China' becoming the basis of broader regional integration lies.

While many in Hong Kong and Taiwan are confident that the outcome of closer ties with China would be the growth of their influence on the mainland- they can cite the growing autonomy of the major trading provinces of Guangdong and Fujian- rather than their incorporation into a Greater China, there are significant forces in Taiwan and Hong Kong pushing for complete independence. In the main this stems from recognition that the separate identity of the Chinese overseas has been a key element in their success, not least because of the attitude of other non-Chinese populations and countries in Asia. If this is true of Hong Kong and Taiwan, it is doubly so of the Chinese in SE Asia. Goncharenko highlights the characteristics of this group:

The Chinese community in the countries of SE Asia possesses in generally similar terms a stable particular culture, language and psychology, a consciousness of its unity; it demonstrates a high degree of political self-consciousness, desiring to place itself in an independent position in relation to China and to the local power of the new country of residence. The distinguishing particularity of the overseas Chinese community has become the movement of Chinese capital as a permanent element in the social and economic structure of the countries of SE Asia. An integral feature of their historical development has become the appearance of national (within the limits of a given country) and supra-national (outwith these limits) regional Chinese capital.¹²

For the overseas Chinese to pursue political integration it would be necessary not only for them to overcome their own doubts concerning this, but also allay the fears of

their host communities and regional partners about re-establishing a Sinocentric order in Asia- an unlikely prospect.

There are, moreover, difficulties even with the proposed economic integration- there remain doubts as to whether the mainland Chinese labour force have the skills for advanced production, the overseas communities- Hong Kong, Taiwan and Singapore- are as much in competition with one another, for markets and finance, as cooperation. Above all, there remains the central question of how Japan fits into this hypothesis, as Grebenshchikov suggests:

Sinocentrism does not easily combine with the immutable fact that the major locomotive of development of the countries of the Pacific Ocean basin is the Japanese supereconomy. Though, in principle, the economically mighty community of foreign Chinese has cooperated, and continues to cooperate, with the superpowerful Japanese corporations.¹³

The limitations of the Chinese cultural sphere to form the basis of an Asian regional economy are exemplified by Singapore. Despite its 75% Chinese-origin population and considerable economic ties with China, Singapore pursues a policy of studied independence with regard to mainland China, establishing full diplomatic relations only in 1991. If Singapore sees a future economic grouping at the sub-regional level, it is undoubtedly in the expansion of ASEAN from a purely political bloc into an economic association.

ASEAN's capacity to form the basis of regional economic integration rests upon its success in unifying

the diverse interests of its members and the dynamic growth of its domestic economies. That growth has been based upon quality low-cost labour supply, technology transfer, and FDI. While both Japan and the USA, which have viewed economic cooperation with ASEAN states as a way of easing their own fractious economic relationship, have been important, it is the interaction of the ASEAN states with the economies of the NIC's that is now most dynamic, so that some commentators have begun to talk of NIC-ASEAN as an integral unit ¹⁴. Such classifications tend to blur the uneven level of interaction between these states, however. Thus Grebenshchikov points out that while ASEAN's trade has expanded greatly the proportion of inter-ASEAN trade has remained static for the length of its existence:

the absence of weighty results in the economic convergence of the countries of ASEAN has not hindered the fast and stable economic progress of each of them separately, to the extent that they have ever closer relations with the economies of Japan, the USA, and other countries of advanced or middle-rank capitalism, than with their economic neighbours. There has neither been, nor is now, mutual complementarity between countries of ASEAN.¹⁵

Thus despite calls from ASEAN leaders- those of Singapore, Thailand and Malaysia have been most enthusiastic- for economic convergence, ASEAN's diversity continues to inhibit its full integration. Moreover, if suggestions that membership might be extended to the Indochinese states in the wake of the end of the Cold War- Vietnam or Laos, for example- are implemented then this will further weaken ASEAN's economic cohesion,

though contradictorily increasing its status as a political body.

This said ASEAN's willingness to discuss regional integration is a considerable departure from its previous stance, held up to mid-80's, which viewed Pacific cooperation as aiming at submerging, and subordinating, the Association's interests to those of the larger powers. It was the recognition that those interests demanded closer coordination within East Asian, combined with a latent distrust of non-Asian regional powers, that led Malaysia to propose the most controversial of models for regional cooperation to date- the East Asian Economic Grouping.

It would have been strange indeed, given Japan's dominance within the Asian economy, if among the competing models for regional integration, one had not proposed an exclusive Asian economic community which would have Japan as its centre. Thus in December 1990 Prime Minister Mahathir of Malaysia, in a speech at a banquet given for visiting Premier Li Peng of China, proposed the formation of an East Asian Economic Grouping comprising ASEAN, Japan, China, South Korea, Hong Kong and Taiwan.

While this proposal met with at best an ambiguous response, even from those who would constitute the EAEG, and has since been substantially modified so that Malaysia currently proposes only an East Asian Economic Caucus (EAEC) within the broader APEC, its importance lay in the

fact that it gave voice to three central concerns regarding the future of Asian economic relations. Firstly, it was the most outspoken call yet for Asian countries to respond to the emergence of regional blocs in Europe and America; secondly, it proposed economic integration should be based on common cultural or ethnic roots- thus while the USA might be excluded for reasons of geography or membership of NAFTA, the reasons for excluding Australia, New Zealand, and Russia, could only be ethnic; thirdly, it addressed the crucial question of Japan's role in the region. These can be considered in turn in more detail.

While the integration of Europe is an important element in Asian regionalisation, both as catalyst and model, the most radical aspect of the EAEG proposal- the exclusion of America from the regional economic organisation- was in the first instance a response to the changed political situation in the region itself:

The projection to Asia of the problems of the world economy led to an intensive search by the Asian countries for new models of international and, above all, regional relations. An important factor in favour of reviewing established stereotypes is the formation in Asia of a new political landscape. The favourable development of this process was promoted by the transformation of the previous bi-polar power structure of the world, the disappearance of the 'communist threat' and changing military-strategic aspects of the world policies of economic strategists....

Inevitable factors in shaping conditions are the shrinking ability of the USA to influence the situation in Asia, and the growing rivalry with Japan. It is undeniable that the USA has an important role in Asian affairs, the countries of East Asia interrelating with it both as a power in opposition to Japan, and having interests in cooperation with it. In its turn the USA is seeking

possibilities for creating new, non-political mechanisms of retaining its own influence.¹⁶

As this suggests the post-Cold War climate has exposed the relationship between the United States and Asia to the full pressures of mutual interdependence. One scenario points to the management of this process by bilateral- most obviously US-Japanese- and multilateral co-operation. According to Parkansky, the US wanted to base the emerging APR organisation on three key principles, as outlined by then Secretary of State James Baker in 1989:

i) the sphere of its activity would include a wide circle of questions- from economic relations to cultural exchange and security of Pacific Ocean natural resources; ii) the new organisation would promote the widening of trade, investment, and the interaction with such forces as GATT, the OECD, and regional groupings such as ASEAN; iii) the Pan-Pacific organisation would recognise the differences in socio-economic system and level of economic development, but at the head of the list would be put principles of private initiative and free markets.¹⁷

However, an alternative, though not mutually exclusive, scenario argues that the weakening of the US position in the region means that it must widen its own economic base in order to reduce its vulnerability to the East Asian economies. This in part was the logic behind NAFTA:

The activation of integratory processes between the USA, Canada and Mexico might prompt Japan (and the region around it) to show greater preparedness to participate in interaction with the North American integrated complex. It is doubtful that the formation of the three-sided closed group will reduce the corresponding interests of the USA, Canada and Mexico in participation in integration in the APR.¹⁸

If as seems likely the US conducts a dual strategy of forcing open the APR economy and structuring the North

American economy to resist penetration from Asia, both elements will have the same result- increased Asian co-ordination. However, the distinctiveness of the Malaysian proposal lay in that it represented a call for a reciprocal move towards the second scenario, through the development of an exclusively Asian protectionism. Most states viewed this as precipitous and premature, as well as dangerous politically, though others were less concerned about displaying their lack of political affinity with the US- China and Vietnam both stated they would participate, though would not be bound by any such organisation. What is not in question is the genuineness of the changes in the Asian states perception of themselves that the proposal sought to harness:

The background, against which the strengthening of centralising tendencies in Asia is taking place, is complex and contradictory. Its catalyst in many ways is the result of a protective reaction of the fast growing Asian economies to the sharp turn in world development. It especially is marked by politico-psychological, emotional factor as in the growth of a attitude in favour of Asian solidarity. Listening to a whole range of pronouncements by prominent experts from the Asian developing countries, politicians and representatives of the business world, the sounding of the common Asian chord can ever more distinctly be sensed.¹⁹

It is also true that such chords could be heard within the country which held the key to the success of Mahathir's proposal- Japan- though these became much less audible in the wake of the vocal US opposition to the EAEG.

While Malaysia made clear that it did not anticipate any 'Japanisation' of the region, the proposal made clear

that many Asian states would welcome Japan supplementing its economic diplomacy with a wider political role. This meant that Asian states while resisting any new attempt by Japan to establish regional hegemony, would encourage Japan to use its leverage at the international level for the benefit of all Asian states, under the thesis of the 'common fate' of these countries.

PM Kaifu's trip to the ASEAN states in spring of 1991 responded to this call by re-defining Japan's role as both a political and an economic-financial power in the region. What was equally clear however was that Japan was not prepared to face economic or political rupture with the US and that it saw its role both as chief architect of the Asian regional economy but also of guarantor of its openness to the wider international economic system. This meant that Japan did not yet see the threat of protectionism as coming equally from Europe and America and that it would continue to favour a condominium with the latter, both in bilateral terms and within the bounds of the widest regional organisation-APEC.

As for Russia's attitude to the EAEG it should be clear that it has little to gain from the proposal: it would exclude Russia from regional economic processes, including with two of its most important partners, China and Vietnam. Moreover it is unlikely that the new Central Asian states with which Russia has many common economic interests would meet the criteria for membership either.

Rather the formation of the EAEG would represent a significant shift towards regional, and thus global, economic protectionism which would leave Russia lying outwith any formal organisation, save its questionable ability to meet the membership criteria of the EC.

Russia, therefore, has a central interest in the development of the APEC concept, though it cannot aspire to full membership until it expands its economic profile in the region, and must content itself with membership of the non-governmental business and scientific body, PECC. APEC's importance derives not simply from its inclusiveness- drawing together all the major economic powers in the region- but from its distinctive character. Tselishchev believes this distinctiveness lies in three areas. Firstly, APEC is committed to a liberal trade policy both within the region and the international system as whole. This 'open regionalism' [otkrity regionalizm] is a conscious response to the European model.

Second, is the flexible and diverse nature of the regional relationships:

It is even possible to speak of a net-like [setevoy] organisation of cooperation, within the bounds of which each participant takes upon itself the supply of that part of the activity of the association, where it has the best possibilities, and coordinates the activity of the association, in this, its own, area...

Access to cooperation within the bounds of APEC, as proposed, might also be open to countries, not entering into the association. Network organisation and 'open regionalism', are, at least logically, conceptually indissoluble from one another.²⁰

The third distinctive factor is the stimulus to integration within APEC which is being provided by the private enterprise sector:

The system of intergovernmental relations will remain as if soft, intentionally relaxed. States, agreed on the given approach, will not be able to excessively interfere in the process of economic interaction and must in any case avoid the introduction of any kind of general regulation by the association, of the natural freedom of enterprises.²¹

While the advantages for Russia of inclusion in such an economic structure are evident- freer trade, diverse levels and forms of economic interaction, access to private capital, technologies and expertise- it should not be thought that the forces generating integration are entirely positive or universally welcomed by those experiencing them.

Firstly, it should be said that the differing forms and levels of economic interaction in Asia are not a desired end but rather a reflection of existing economic reality in which the distribution of economic resources and development is extremely uneven. From this perspective regional cooperation can appear to those countries at the lower levels of economic development to be an attempt to sustain by a multilateral mechanism the dependence on the more advanced countries so long resisted in bilateral terms.

Equally, the pressures driving the major powers to regional integration are as much competitive as cooperative. While in their desire to present a positive view of Pacific integration, Russian analysts have moved

away from the emphasis of the Soviet era on the divisions and antagonisms between the regional powers, these still bear consideration. The contradictory nature of economic interdependence was held to be particularly strong between Japan and the USA:

The many years of tension in economic relations with Japan, the deficit in trade with it, at times greatly exceeding the \$50 million mark, the feeling that the Asia-Pacific market is slipping from its hands under the conditions of successful competition on the part of Tokyo- all this gives a serious foundation to the belief of the leaders and business circles of the USA that an economic community is arising in the APR, the leadership of Japanese capital in which is making the American position ever more difficult.²²

According to Shevchenko, America attempted to bolster its declining economic position in the region by demanding that Japan liberalise its financial markets, support the dollar standard, and open its domestic economy to international competition. The Japanese response was two-fold. Firstly, in line with the 'conception of complex security' Japan embarked on a course to convert the country into a 'technological power', and secure independence from the USA in the spheres of science and technology. Secondly, from the mid-80's Japan consciously transferred the emphasis of its economic development from the domestic to the foreign market. This

had the objective capacity to lower Japanese dependence on the American market, and, consequently, the influence of America. This was advantageous to the formation of a system of deep economic relations between Japan and the countries located on her periphery- in the Far East and SE Asia, a major market which for Japan exceeded the significance of the American market.²³

Thus bilateral frictions had important implications for Japan and the USA's relations with other Asian states, and with regard to the proposed multilateral forum::

The attempts by the USA and Japan in the recent past to form an exclusive Pacific Ocean group at the super-national level is a manifestation of the centralising tendency in the approach to growing and deeper antagonistic contradictions in the regional capitalist division of labour. These attempts are also explicable by the natural strengthening of fears at the possibility of democratic transformation in the countries of the Pacific Ocean and the weakening of the imperialist position in this region of the world.²⁴

While most predictions for the future model of US-Japanese relations- Pax Americana II, Pax Consortium- continue to stress the interdependence of the two states, the prognoses for Pacific multilateral interaction must remain contradictory. The two powers may view regional cooperation- most likely through APEC- as a means of cementing their relationship given its declining bilateral base. Conversely, they may use the multilateral structure to seek out other economic partners, as leverage in their relationship with each other.

For Russia, this at least opens the prospect that either power may see the new state as a possible regional partner, if only as a political counterweight if not yet a major economic actor. This has been evident since the Soviet era:

For ourselves in the Soviet Union.. it is important firstly to establish some sort of corner stone on which the USA can count on leaning in the formation of the system of 'Amerippon'. Secondly, to give thought to defining the general tendency of development of foreign economic relations with Japan: its future all relates to the development of horizontal trade and technology co-operation in the

East Asian region, from which it also follows that it take into account in its calculations, that the economic and political imperatives defining the behaviour of Japan in the current period may appear completely different in the sufficiently near future.²⁵

This prognosis still holds true but since Russia's role in Asian multilateral forums will also be a reflection of its bilateral relationships, the failure to achieve the qualitative shift in relations with Japan, even after the demise of the Soviet Union, is having a particular impact on Russia's overall economic profile. Firstly, it is damaging the one form of concrete multilateral economic cooperation that Russia may be able to pursue in the current conditions- sub-regional cooperation in the Sea of Japan; secondly, it is having a distinctive impact on Russia's search for other economic partners on the bilateral level, as will be discussed below.

As was suggested, one of the most obvious forms of economic cooperation in the region is that taking place between adjacent regions:

In the countries of the APR ideas are being advanced as to the laying out of multi-sided cooperation on the separate subregional scale. Among those gaining attention are the conception of cooperation within the limits of the Yellow Sea with the participation of the PRC, South Korea, and the DPRK; the strategy of forming a 'far eastern golden ring' (South Korea, Taiwan, the southern regions of Japan, the coastal part of the PRC); the idea of integration of the South Pacific region (Australia, New Zealand, the countries of Oceania); the conception of economic cooperation in Northwest Asia (MPR, the Northwestern provinces of the PRC, Eastern Siberia and the Far East of the USSR, South Korea, Japan and the DPRK).²⁶

For Russia the most significant form of this cooperation is clearly the possibility of linking the financial and

technical resources of Japan and South Korea, the labour resources of the PRC and the DPRK, and the natural resources of the Russian Far East in a 'Sea of Japan Cooperation Zone'. However certain business, and indeed political, circles in Japan, do not believe that economic relations should be postponed until after the resolution of outstanding political problems, there has been little Japanese commitment to concrete projects. An example is the UN proposed Tyumen river delta scheme which would create a multinational port and economic zone at the point where the borders of Russia, the DPRK and China's Jilin province meet, providing access to the NE Asian interior as well as developing a processing centre for its resources. Japanese investment is critical to this project and yet the Japanese response to date has been at best non-committal. What is true, however, is that Japan cannot afford to let other Asian countries gain a predominant role in developing economic relations with Russia. This means that it will be possible for Russia to use the development of its bilateral economic relations- the primary form in the absence of commitment of Japan's financial resources to multilateral projects- to exercise leverage upon Japan. It remains to be considered where the prospects lie for other economic partners in Asia .

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16. Goncharenko, S. "K sozdaniyu vostochnoaziatskoy ekonomicheskoy gruppirovki: perspektivy i vozmozhnosti mezhdunarodnogo ekonomicheskogo sotrudnichestva." *Voprosy Ekonomiki*, No.10. 1991. p.69.
17. Parkansky, A. "SShA v mirovnikh integratsionnykh protsessakh." *SShA*, No.8. 1991. p.9.
18. ibid. p.11.
19. Tselishchev, I. (1991) op. cit. p.35.
20. Tselishchev, I. "Sotrudnichestvo v ATR: osnova, vozmozhnosti, spetsifika." *MEiMO*, No.12. 1991.p.28.
21. ibid. p.28.
22. Khlinov, V. Gaidar, V. op. cit. p.101.
23. Shevchenko, N. Yu. *Yapono-Amerikanskiye ekonomicheskiye otnosheniya na sovremennom etape*. Nauka, Moscow. 1989. p.189.
24. Bogomolev, A.O. *Tikhookeanskaya strategiya: SShA i ASEAN*. Nauka, Moscow. 1989. p.159.
25. ibid. p.196.
26. Vorontsov, D. "Vozmozhnosti ekonomicheskogo sotrudnichestva stran baseyna Yaponskogo morya." *Vneshnaya Torgovlia*, No.1/2. 1991. p.26.

iii Russia's bilateral economic relations in Asia.

Attempting to assess Russia's future economic relations in Asia from its current position is a difficult task given the low level of economic interaction with the region which the Russian Federation inherited from the Soviet era and the distortions in FER as a whole as a result of the domestic reform programme. What follows, therefore, is an attempt to chart possible lines of development in the region from the rather rudimentary economic ties that Russia currently enjoys.

Of the governmental decisions on FER the shift to trade in hard currency after 1991 has had the single most important influence, curtailing the ability of the Soviet Union's major Asian trading partners, especially the socialist states such as Vietnam and North Korea, but also states such as India- to purchase from Russia, but also placing considerable strain on Russia's obligations to foreign exporters as hard currency reserves have declined. The outcome has been constraint in trade relations with those states which are only trading in hard currency including some, such as South Korea, on which great store was set only a few years ago and the expansion of trade with those who are prepared to operate with the maximum flexibility in terms of forms of exchange and types of goods, including arms sales. The most obvious instance of the latter case, is that of

China, which is perhaps the sole Asian state with which Russia's economic relations are expanding.

Thus Russia's search for Asian economic partners has shifted emphasis even within a relatively short period of time. Initial assumptions that South Korea and Japan should be the natural locus of attention given their capital resources, technological levels, and resource limitations has had to give way to a pragmatism necessitated by the country's weak economic position.

It is important to note, however, that economics is not the sole factor influencing the development of Russia's FER in Asia. It is hoped that enough has already been said to indicate that economic relations in Asia are being pursued as part of a complex agenda in which economic interdependence is being encouraged in order to build across the cultural, ethnic and ideological divisions of the region, as well as to allow it to assume an important role in the global economy of the next century. Russia's success, or lack of it, in FER will thus also reflect the perceptions of other governments as to the role- positive or negative- that Russia can play in these processes.

Any consideration of Russian FER in Asia must begin with Japan, for obvious reasons:

Japan is very rapidly forming a Japan-centred model of economic interdependence where almost all countries are much more dependent on relations with Japan than Japan is on relations with them. It is quite evident in relations with Russia because in the past many here thought that there was a very

high degree of economic complementarity between Japan and Russia under which we could supply natural resources and receive finance and advanced technology from Japan. Now the situation has changed greatly. Japan is not so interested in importing natural resources from Russia, not in absolute terms but in growing quantities. So we cannot rely on the Japanese market as a vast market for absorbing our natural resources.¹

The decline in the complementarity between the Russian and Japanese markets is all the more marked because oil and natural gas are decreasing in production, so that if Russia is to build economic ties with Japan it must be on the basis of new forms of economic co-operation, such as joint ventures, SEZ's, and interaction with the Japanese large trade companies which have world-wide distribution networks which can be used to increase exports to third countries.

Outwith the domestic situation within Russia the most commonly cited reason for the failure of economic relations to develop rapidly is the failure of the two sides to reach a resolution of the territorial question between them.² The full implications of this will be discussed elsewhere but it should be noted here that the problem is worsening rather than improving. The failure of the August 1991 coup prompted Tokyo to change its position on aid to Moscow, announcing that US\$2.5bn could be made available if progress was made on the Kuriles issue. To date, however, only modest emergency aid packages have been produced- aimed, for example, at maintaining the safety and administration standards in Russia's nuclear facilities.

In theory the end of the Soviet Union should have made the resolution of the issue easier and expectations of a breakthrough increased as the time of Yeltsin's proposed visit to Tokyo in September 1992 approached.³ The abrupt cancellation of that visit indicated the degree to which both sides had allowed themselves to become hostage to popular opinion, particularly from their respective nationalist wings, but it also indicated the chasm in terms of mutual understanding between the two countries. The Japanese clearly thought that the weakness of the Russian domestic economy made concessions inevitable, whereas in fact it encouraged Yeltsin to stand firm in one of the limited number of areas where he could display his authority. Russia, a continental power, in turn failed to appreciate the significance of four small islands for an island state in which constraint of space is a fact of everyday life and in which Russian control of the islands is a reminder of the humiliation of the Pacific war.

Yeltsin's ability to conduct diplomacy at the national level is also being hampered by the increasing autonomy of the regions. Thus one of the most vocal opponents of the return of the islands has been the governor of Sakhalin, Valentin Fedorov, has effectively been making his own foreign economic policy around the islands- granting the Koreans fishing rights and proposing that they be made a SEZ- both of which moves provoked a sharp response from Tokyo.

While certain business circles are in favour of expanding economic ties prior to an official settlement and those who wish to see Japan reform its foreign policy in response to the recent changes in the international order have been successful in gaining power in the 1993 election, it seems clear that reversing the decline in Russo-Japanese economic relations will be a slow and difficult process. Russia's hopes of encouraging Japan to be more amenable are based on two lines of thinking—firstly, they appear to have been successful in persuading the western powers that the success of the Russian reform process is a far higher priority than the meeting of Tokyo's demand for return of the islands; secondly, they are seeking out other economic partners within Asia.

As suggested, at one time South Korea was adjudged to be the ideal counterweight to Japan. Of all the economic nationalists of East Asia, South Korea is most aware of the need to keep pace with Japan. The establishment of diplomatic relations with the USSR in September 1990 and the January 1991 agreement on US\$3bn in credits, to be paid in two roughly equal parts, allowed South Korea to steal the march on Tokyo in establishing ties with Moscow. The wisdom of President Roh's Nordpolitik, the attempt to bring pressure to bear upon the DPRK by building ties with the other socialist states, became a source of domestic contention, however. Russia, the Soviet Union's legal successor, failed to

meet its interest payments on the first tranche of the credits, leading to the second tranche being postponed.

This was all the more controversial because the political interest that South Korea hoped for, in the form of Soviet pressure on North Korea to match the reform processes of the other socialist states, became less foreseeable with the demise of the Soviet Union. With trade already in rapid decline due to the shift to hard currency, Russia's main influence on North Korea was in terms of transfer of arms and advanced, particularly nuclear, technology. At the time of Yeltsin's visit to South Korea in December 1992, Russia assured South Korea that such transfers would cease and that it would support nuclear inspection on the peninsula. In return Roh agreed to review the payment of the second tranche of credits and assess the cooperation projects, 23 in all, which Yeltsin proposed, including development of the Russian Far East's energy potential.

This said South Korea's establishment of diplomatic relations with China, at the price of the severance of its ties with Taiwan, was indicative both of China's rising importance as a regional economic power, but also that the Nordpolitik might now well be better pursued via Beijing than Moscow. Thus along with doubts as to South Korea's ability to match the financial power of Japan, the changes to the political balance in East Asia may be weakening the importance of Moscow and Seoul, for each other.

A similar mix of weak economic bonds and political constraint infect Russia's relationship with the other NIC's. Taiwan has shown itself anxious to establish a foothold in the Russian market but knows that its relationship with Moscow is overcast by the shadow of the growing economic relationship between Russia and the PRC.⁴ Economic ties with ASEAN remain so underdeveloped that the six ASEAN ambassadors in Moscow felt impelled to tell Foreign Minister Kozyrev in October 1992 that Russia must make greater efforts its economic relations with Asia.⁵ Here also the concern is not solely with economics but to ensure that the retreat from superpower status in the Pacific does not adversely affect the regional balance: hence, ASEAN's unexpected support for retaining the Russian military presence at Cam Ranh, in Vietnam.

While the shift to hard currency has had a debilitating influence on Russia's relationship with the Indochinese socialist states- most notably Vietnam- there remain those who advocate retaining a close relationship with Hanoi.⁶ This is because the break in relations with the Soviet Union forced Vietnam into an open door policy in East Asia which has led some commentators to believe that it may be the next in line for economic expansion. Thus Russia could build on its knowledge of Vietnam in developing both bilateral relations, and those with third parties. Equally, however, the shift in Sino-Russian relations has not completely eradicated the view that

Vietnam must be sustained as a buffer to Chinese influence in SE Asia.

Perhaps the economic relationship that Russians most regret losing as a result of the change in the conduct of FER is that with India, but even here economic pragmatism and strategic realities point to a looser relationship:

With regard to India, there are two schools of thought. One is that India is a close ally, we should make it our foremost partner; the other is that we must conduct our relations on a pragmatic basis.. But the importance of India has visibly lessened quite unavoidably and naturally because the very important strategic relations with India were due to the China factor.. Moreover, we always preferred Indian goods irrespective of value, maybe Pakistan can provide better and cheaper goods.⁷

In purely economic terms the shift in relations between Moscow and New Delhi preceded the demise of the Soviet Union as India marketised its economic system and diversified its trading pattern, in effect becoming a more sophisticated international economic player than the Soviet Union. The attempt to impose hard currency as the basis of trade between the two states proved extremely damaging to trade and there has been an interim agreement re-establishing the non-convertible rupee as the basis of trade.⁸ If India continues to value trade with Russia, the area of defence development may be most important, as India attempts to build a self-sustaining defence establishment. This indicates the continuing concern of India with its security environment, not least in regard to China, whose relationship with Pakistan, Iran and the new Central Asian states, and its relationship with Burma which extends far beyond simple influence, look

suspiciously like encirclement to New Delhi. While tentatively attempting to improve relations, including economic ties, with China, India really looks to those with whom it shares cultural traditions or regional objectives in Southeast Asia to balance China's regional power ambitions. It is in this connection particularly that the economically-based conceptions of Asia-Pacific cooperation centred on East Asia are inadequate as potential foundations of regional stability.

It is hoped that enough has been said in the foregoing to indicate that, despite the economic predominance of Japan in Asia, when most Asian states come to assess the balance of their economic and political interests, it is with China that they are increasingly concerned. For Russia this means that there will be an ever closer inter-relationship between its relations with China and its relations with the other countries of Asia. In particular, the prospect of the development of a close relationship between Moscow and Beijing may be the only form of bilateral leverage that will persuade Tokyo to revise its scepticism as to Russia's role in the region.

The reasons why China might become such a partner in economic terms are three-fold. Firstly, there is a good degree of economic complementarity:

China and, perhaps South Korea, are the only two countries in the region with which our economic relations are expanding and on the move and we are very much interested in developing economic relations with China because it is not only the source of supply for necessary commodities to

Russia more cheaply and of acceptable quality than other countries.. but a country which is trying to buy from Russia, including military supplies.⁹

Secondly, China meets several of the critical requirements for intervention in the Russian economy: experience of reforming a socialist economy; the ability to operate as go-between in tri-partite projects with other Asian states; cultural ties, including Russian language dating from the alliance of the 50's; abundant labour supply, including those prepared to work in hard conditions; established access to major international and bilateral sources of finance.

Thirdly, from China's standpoint expansion to the North and West is becoming a pressing political and economic necessity:

When I had a talk with my Chinese colleagues, they told me frankly that the Chinese leadership see their great problem as their relations with the southern part of the country. There is a process of de-centralisation in China which is the result of the economic development- integration with Hong Kong and Taiwan, as opposed to Soviet de-centralisation which was the result of economic stagnation. So to some extent the integration of China is not based upon economic structures but political and military ones. This problem may be the most significant one for foreign economic relations in the Asia-Pacific as a whole.¹⁰

China's common interest with Russia in stable relations with the states of Central Asia is age-old ¹¹ and re-establishing the trade patterns of Inner Asia will play an important part in this but there is little doubt that the key border area currently is that between the Northeastern Chinese provinces and the Russian Far East. Of the US\$5bn dollars of trade turnover between Russia

and China in 1992, perhaps as much as US\$2bn derived from border trade- the vast majority of it in the Northeast.¹²

Of course, it cannot be argued that Russian economic ties with China have a purely positive side. Firstly, in the circumstances outlined- economic de-centralisation in Russia and the political and economic obstacles to other states playing a major role in the region- it is not impossible to envisage Chinese economic predominance over the Russian Far East- raising the spectre of the revocation of the Treaty of Peking.

Secondly, the current balance of trade slightly in Russia's favour has only been achieved by the inclusion of US\$1.5bn in arms sales: a situation which cannot be endlessly sustained without raising questions in the region about a possible military understanding, in contravention of the declaration of both sides at the time of Yeltsin's visit in December 1992 that their relationship is not directed at third parties.¹³ To date Ministers, such as Pyotr Aven, insist that arms sales are purely commercial:

Now we must by all means support exports. This will include military supplies but only on a commercial basis- Weapons are also goods, special but goods. China is asking that supplies under the old protocol should be seen through to the logical end, and are interested in new supplies.¹⁴

Such assertions underestimate the complex and contradictory role of third parties in bilateral relations in Asia. When the Deputy Foreign Minister for Asian Affairs was asked at the time of Yeltsin's visit, if "our relations with China will become such that

temptations will arise for third countries to use them against Russia, as equally China will use the 'Russian card' in its relations with other countries", he dismissed the use of the terminology and the thinking behind it. ¹⁵ But the pace of development behind relations with China, and to some extent South Korea, cannot be construed as having bilateral significance alone, especially since the reversal in Russo-Japanese relations of September 1992- within days of the cancellation of the visit Moscow was deemed to be 'emphasizing rapprochement with Seoul and Beijing'.¹⁶

It is, given the low-level of Russian economic involvement in Asia less a question of Russia's ability to play the 'China card' but of Beijing, or Seoul, to play the 'Russia card':

If we look at the foreign trade statistics, and not only trade but different kinds of economic exchange-technology transfers, financial flows and joint ventures, then of course the level of economic relations between China and Japan is much higher than between Japan and Russia,- perhaps 5-6 times higher. So the value of maintaining normal relations with China for Japan, and with Japan for China is of course of great significance and any serious damage in these relations are mutually unacceptable.

The possibilities of Russia influencing greatly the relations between China and Japan are very limited... Of course, politically the situation is more complicated because China has its own vision of the Asia-Pacific with a very significant role played by themselves. Politically China can use the closer relations with Russia in developing their strategy in the region- the use of the Russian card by China.¹⁷

Russia will be correct to think, therefore, that while it's own level of participation in the Asian economy currently restricts its ability to use bilateral relations

to influence third parties, the high level of economic interdependence between certain other states make them particularly vulnerable to shifts towards third parties. This means that Japan will be highly conscious of the pace of development of the Sino-Russian relationship and can be influenced in its own bilateral relations with both powers by this.

1. Conversation with V. Zaitsev, Director of the Centre for Japanese and Pacific Studies, IMEMO, Moscow. September 1992.
2. See for example, from the Soviet era, Sirotkin, V; Tishetsky, I. *SSSR-Yaponia: Mezhdru proshlom i budushchim?* *Izvestiya*, 18/4/91;
3. See for example Alexander Anichkin's interview with Foreign Minister Watanabe, "Rossiya i Yaponiya mogut stat' partnerami i soyuznikami." *Izvestiya*, 7/5/92.
4. On the interaction between the PRC and Taiwan's in economic ties with Russia see, Savenkov, Yu. "Igra na operezheniye." *Izvestiya*. 18/1/92.
5. FEER, 26/11/92. p.24.
6. Vinogradov, B. "Ukhodim iz Vietnama, kuda?" *Izvestiya*. 11/11/91.
7. Conversation with E. Grebenshchikov, Senior researcher, IMEMO, Moscow. September 1992.
8. See Paklin, N. "Deli poka bez nefti, my bez chaya", *Izvestiya*. 31/3/92.
9. Zaitsev, op. cit. On the basis for Sino-Russian economic cooperation see, Savenkov, Yu. "Kitay i Rossiya sozdayut noviy mekhanizm trgovikh otnosheniy." *Izvestiya*. 7/3/92.
10. Zaitsev. op.cit.
11. On Russian policy towards its southern borders, see Vasil'yev, A. "Rossiya i musul'manskiy mir- partneri ili protivniki." *Izvestiya*, 10/3/92.
12. Financial Times, London. 23/2/93
13. Kononenko, V; Skosiryev, V. "Rossisko-Kitayskaya deklaratsiya, po sushchestvu, ravnosil'na paktu nenapadenii." *Izvestiya*, 21/12/92.
14. Cited in Savenkov, op.cit. 7/3/92.
15. See the interview with G.F. Kunadze, Russian Deputy Foreign Minister, "Interesam Rossii otvechayet stabil'niy i protsvetayushiy Kitay", *Nezavismaya Gazeta*, 10/12/92.
16. Eitert, K, "Moskva delayet stavku na sblizheniye s Seulom i Pekinom." *Izvestiya*. 15/9/92.
17. Zaitsev, op.cit.

V Chinese foreign economic relations with Asia.

In order to re-inforce the comparative element the study of Chinese foreign economic relations with Asia will follow a similar structure to the preceding section on the Soviet Union/ Russia. That is, it will consist of an analysis of the structure of FER, particularly in the reform era, including a statistical analysis of Chinese FER with Asia; a discussion of the role of FER in the domestic economy, particularly as it effects regional development; and an assessment of Chinese perspectives on the economic future of Asia: the significance of the Asian economic model, the prospect for multi-lateral cooperation, and the shape of China's bi-lateral relations in the future.

These, as previously, can be summarised as:

I FER in the reform era;

II The role of FER in China's regional development;

III Chinese perspectives on the future of the Asian economy.

I FER in the reform era.

China's FER before the beginning of the reform process were constrained by the interconnected factors of the domestic political agenda and China's relations with the outside world, most notably its changing position between the Communist and capitalist worlds.¹ Thus, the policy of self-reliance initiated at the time of the

Great Leap Forward was linked to the breach with the socialist camp at the end of the 50's; and the first promotion of the four principles of modernisation accompanied the strategic adjustment with Japan and the United States in the early seventies. These shifts indicate that however much China may have been, or felt, isolated during the first thirty years after the revolution, it was never completely detached from international circumstances. Just as the adoption of an Open Door policy since 1978 does not mean that China is 'open', merely that it is more open than it has been in the past, so China was never entirely isolated in the earlier era.

This is revealed in Table 1 which shows China's trade as a proportion of national income and can be considered a barometer of China's openness. The years of alignment with the Soviet Union and the Eastern European communist states saw trade more than double in real terms and increase as a proportion of national income. The repercussions of the GLF and the break with the Soviet Union are evident in the catastrophic fall in national income and the decline in trade. Since national income resumed an upward path in the sixties, with the exception of the two worst years of the Cultural Revolution, the stagnation of trade saw it decline as a proportion of national income, reaching its lowest point in the early seventies. The roots of this isolationism are described

by Chen Gongyen, an economist from a research centre attached to the State Council:

If the imperialist blockade in the early days of the republic closed the door to the West for us, the deterioration in Sino-Soviet relations closed the door to the East. Economic blockades by East and West closed the door from the outside, while our own self-reliant policy closed the door from the inside. In the process we moved from an externally imposed blockade to self isolation. We started with our traditional society and, through self-reliance, created an internally circulating economic system. The results were isolation and economic stagnation constrained by limits on domestic resources. Such was the economic development model that prevailed in China for almost 30 years after 1949.²

As this indicates, the growth in China's trade in the 70's did not arise from any changes in the way China conducted trade- as will be discussed below China held to the trade system adopted from the Soviet Union in the fifties- but from China's changed perceptions. Internally, this meant a desire to reconstruct after the the chaos of the Cultural Revolution, made possible by the concomitant weakening of the left within the CPC leadership; externally, it meant a preparedness to use the international environment to meet strategic needs in the domestic economy and in foreign policy. In either case, the concept of self-reliance ceased to be an absolute.

The level of growth between 1972 and 1978- trade trebling in real terms and doubling as a proportion of national income-indicated the extent to which growth in both trade and the domestic economy had been held back by the Cultural Revolution. As such this rate of growth was unsustainable but it was nevertheless important in

providing momentum to the Open Door policy which was adopted upon final defeat of the left in 1977.

Before consideration is given to China's FER in the reform era, it is important to point out that initially the Chinese reform process had no explicit target model. Discussion of the influences shaping Chinese views of economic reform, particularly the influence of change in Asia, will be given later, but it should be recognised at this point that reform, particularly in the initial period between 1978 and October 1984, was opened-ended and exploratory.

With this noted, consideration can be given to the change in the two main spheres of China's FER: foreign trade and foreign direct investment (FDI). To divide these is somewhat arbitrary since, to begin with at least, the dominant form of FDI was compensation agreements where goods were exchanged rather than capital investment transfers, and the most dramatic growth in trade in the 1980's was achieved by the sectors which were based on foreign investment or had access to foreign funds. Nevertheless they will be considered separately, beginning with trade.

Prior to the reform of the trading system in 1979, China's foreign trade structure was closely modelled on that of the Soviet Union. Almost all transactions were conducted through a central ministry, the Ministry of Foreign Trade, (MOFT) with 12 foreign trade corporations (FTC's) having responsibility for particular sectors. In

1979 a systemic reform of the foreign trade system was launched, aimed at ending the predominance of the MOFT which was criticised by the reform faction in the leadership of bureaucracy and inefficiency in meeting China's needs. A programme of large-scale decentralisation was introduced, aimed particularly at enterprises in the export sector. Enterprises could establish direct contact with foreign partners and most importantly from the viewpoint of establishing incentives were able to gain access to foreign exchange earnings. The administrative procedures for both Chinese and foreign partners in negotiating imports and exports were also significantly modified.

A new ministry was created, the Ministry of Foreign Economic Relations and Trade (MOFERT), which was to oversee all important elements of FER: supervision of the FTC's, the quality of export goods; the customs and tariffs system; the approval of all FDI in China outwith the SEZ's and access to foreign exchange earnings; control of export and import licenses for strategic and essential materials; the setting of export prices for those goods for which it was directly responsible and the issuing of a schedule of export prices to prevent undue competition between enterprises producing similar goods.

Thus MOFERT, even though it did not have a monopoly of trade, exercised considerable influence over FER, particularly over the all-important FTC's. This led to continued conflict between MOFERT and regional

authorities and calls for further de-centralisation. The result was a second round of reform beginning in September 1984 which saw greater de-centralisation of trade to lower levels: FTC's became fully independent of their administrative departments; enterprises acquired the right to handle trade, including responsibility for profits and losses; FTC's would become more like agencies handling trade between Chinese and foreign partners. As with the earlier round of reform the initial result of the centre's concession of control was a sharp expansion of imports leading to a trade deficit, especially in 1985, so that some central controls had to be re-imposed: the type of activities in which FTC's could engage were restricted; the issuing of licences became more elaborate and trade in particular products was placed under the direct control of MOFERT.

The third round of reform began in 1988 with the adoption of the plan for Restructuring the Foreign Trade System which introduced a contract responsibility system and increased regional autonomy yet again. A key element was the deepening integration of production and trade activities in which the central authorities encouraged the merging of production, trading and finance in certain sectors.

The resulting growth in trade that these institutional reforms unleashed constitutes one of the most remarkable phenomena in the current world economy. Table 2 shows that China's trade increased more than

five-fold in real terms between 1979 and 1992 with exports increasing at an even higher rate: average annual growth rates were 19.5% and 20.5% respectively. Since this was more than twice the rates of growth in the world economy as a whole, China's share of world trade increased in a short time in a way that few economies have ever achieved. Japan's emergence as a trading power between the sixties and the seventies is perhaps the only modern parallel. However, success at the international level should not be allowed to disguise the complex and sometimes contradictory relationship between the rapidly developing externally-oriented economy which supported much of this growth and the state regulated economy developed over the preceding forty years.

China's primary method of increasing the external orientation of its economy has been geographic and sectoral targeting. Geographic targeting saw the creation of special economic zones (Shenzhen, Shantou and Zhuhai SEZ's in Guangdong, Xiamen in Fujian, Hainan island) which along with an increasing number of coastal cities were given preferential status. This allowed the concentration of domestic and foreign investment activity, so that enterprises sustained each other and permitted development of infrastructure and services within a fixed scale. The importance of concentrating foreign economic activity was proven when the attempt was made to target particular sectors: the broad base of this strategy, which covered most of the industrial sectors, meant lower

and less effective use of investment and much more uneven results. Some sectors showed an increase in their share of exports- textiles and light industrial goods, for example- but this was not true of all, particularly the heavy industrial sector whose share declined.

This imbalanced development gave rise to two problems which were the direct consequence of the targeting policy: the first was the impact of the Open Door policies on regional development within China, which will be discussed in the next section; the second concerned the nature of the relationship between the new economy and the old- were China's developmental needs best met by allowing the rapid, but also apparently separate, growth of the externally oriented economy or by the continued protection and gradual development of the domestically based economy? Clearly the answer to this question would determine the nature of China's trade strategy, as was recognised by Chinese foreign trade specialists:

Trade protection clearly differs from trade policy under a system of trade liberalisation. The strategies of trade protectionism and trade liberalisation are ultimately the greatest issue in economic development and international economics. They not only relate to the level of a country's economic development, foreign economic development pattern and strategy, the level of domestic productivity development and differences between international ones, issues of the international development environment and domestic economic conditions at different time periods, but furthermore also relate to the complex nature of the antagonism and transformation between the two different trade strategies at different periods.³

During the years of self-reliance China's primary trade strategy was necessarily one of import substitution: since China lacked the exports to pay for imports from abroad, domestic demand had to be suppressed and key sectors of industry targeted for import substitution. This arrangements reproduced all the faults of that of the Soviet Union on which it was based: the outstripping of supply by demand and the lag in the life-cycle of products meant there was little scope for exporting and institutionalised import substitution. Yet imports needed for the production of substitutes had to be paid for by traditional exports, mainly primary products, and thus China exported to import, rather than imported to export.

The liberalisation of trade begun in 1978 could not change the fundamental structure of China's trade: the low level of China's development constrained the ability to export manufactures and thus the expansion of imports to meet domestic demand could only be met by increasing export of raw materials. Table 8 shows that export of primary goods increased up to 1985 to meet soaring imports of manufactures and only declined thereafter as export of manufactures took off. This indicates that China continued to operate an import substitution trade strategy after the Open Door policy was introduced, and that the initial purpose in creating the externally oriented zones was to increase the production of exports to pay for imports. It is not until the mid-80's when the impact of FDI came into play that it was possible to

argue that China was moving away from import substitution towards export orientation. The problem then became that China was pursuing a dual policy to meet the needs of both the old and new economies with little crossover between the two, as argued by Chen:

A trade structure which makes raw materials substitution and exchange as the nucleus illustrates that in the course of the expansion of our country's trade the slow structural changes are mainly caused by the restrictions imposed by the slow up-grading process of the domestic industrial structure; and that, conversely, the trade expansion in recent years has obviously played no promotional role in the changes in the domestic industrial structure. Hence the phenomenon of trade expansion and industrial structural changes promoting each other that are seen in certain newly rising industrialised countries or regions did not fully appear in the course of trade expansion in the 1980's in our country.⁴

The failure of the Open Door policy to significantly alter the structure of the pre-reform economy, and the geographic and sectoral imbalances arising from the incipient dual economy, underlay the significant changes in the 8th FYP and the 10-year programme adopted by the 8th National Peoples Congress in 1991. The shift from the theory of a 'planned commodity economy' dominant in the 80's to a socialist market economy in the 90's was aimed at further liberating the productive forces from the restrictions of the old system. The key to this was to be the introduction of market practices in the state sector and a further shift in the balance between the state sector and non-state sectors (around equal size in 1991) in favour of the latter. The other main change was the

expansion of the Open Door policy to the interior, the implication of which will be discussed below.

Key areas of growth identified were China's tertiary industry- commerce, trade, finance, transportation- and science and technology. How successful these policies will be both economically, in raising the productive capacity of the old economy, and politically, given the impact of marketisation on prices and the labour market, remains to be seen. What is not in doubt is that the Open Door policy as it operated at the end of the first decade was not considered an uncritical success. As suggested, a central criticism was whether trade, and in particular trade in high volumes of labour-intensive products, represented the primary answer to China's developmental problems.

China's major trade problem in the 80's was the declining macroeconomic benefit derived from exports. Thus while in the initial years of the open door, 1978-81, macroeconomic values derived from exports rose 114% compared to volume increase of 55%, over the following six years to 1987 economic values rose only 66% despite an increase of volume of 125%. There were several reasons for this: the de-centralisation of trade, changes in the market and currency values, but the primary one was the attempt to expand earnings by increasing volume rather than by intensifying export quality. Among the dangers inherent in this were the unproductive use of China's limited domestic resources and the fact that it fell foul

of the protectionism practised by China's export partners:

It is a special characteristic of trade protectionism, as practiced by the developed countries of the western world, that they frequently restrict the volume of import commodities, but do not restrict the unit prices of imported commodities. Export intensification will raise foreign exchange earnings of the single units of export products through improved quality and higher grades of products, and may thus be able to circumvent the trade protectionist restrictions of the Western countries.⁵

But even more than this, the attempt to increase export earnings through volume encouraged the belief that China could find a secure and permanent place in the international economy simply by harnessing its enormous labour power, yet this ran contrary to all the evidence which suggested that labour power was declining in importance. Luo Long of the International Trade Research Institute:

This objective trend tells us that the nature of the world economic environment is no longer as it was in the 1950's and 1960's when the 'four little dragons' of Asia enjoyed their success. The fact that others were successful in following a certain road yesterday does not mean that we will enjoy success by following the same road today. In particular we are such a large nation, and there is no way we could ever rely on 'exploiting advantages' to fill in market gaps like other small nations have. If we devote our future primarily to labour intensive industry, it will never support us, and it could put us in a terminal condition. Moreover, we cannot rely on even simple labour force alone, aided by cheap prices and quantity. The key lies in the quality of labour and productivity.⁶

These limitations to the Open Door policy mean that the whole issue of China's trade strategy remains contentious: in effect, the question of how reliant China should be on its international economic relations and how

much it should remain self-reliant remains very much alive. For some the fact that trade can never by itself generate sufficient growth in a country the size of China is an argument for giving precedence to the development of the domestic economy, though aided by the external economy, which can accelerate structural transformation, develop comparative advantage, and increase resource utilisation and management efficiency. Zhang Yansheng of the Central College of Finance and Monetary Studies:

In sum, the core of the matter is continued improvement of resource efficiency in China's economic system, not just higher income from trade, nor even worse, having everything serve income generation from exports. After turning China into a relatively open economy, we cannot be highly trade dependent like smaller countries. ⁷

For others, however, the converse is true: the limited impact of the Open Door policy is precisely the product of the attempt to confine FER to trade and inward investment in the export sector and in turn raises the whole question of how open China really is.

Luo, for example, is concerned unless the considerable expansion in China's foreign trade be taken for the predominant form of opening to the international economy. Thus while China's position as a world trading power improved greatly since 1979 and its degree of openness (imports and exports as a proportion of GNP) was greater than the US, the Soviet Union, and even Japan, it still lagged behind in crucial respects. China participated very little in the international division of labour, in either intra-departmental or inter-

departmental forms; China's involvement in labour trade accounted for only 4% of total trade, while it comprised 20% of India's; China's FDI was minimal- at \$700m it represented less than 0.1% of world FDI. These indicate that in terms of a comprehensive index of openness China had yet to reach the level attained by India, a country of comparable size and development level, close to 20 years ago. Thus,

Although foreign trade is one element that goes to make up openness in the whole economy and development in this area can bring about higher degrees of openness in the economy as a whole, if foreign trade is an isolated vehicle and the other areas are idle, then the overall level of openness in the national economy will suffer.⁸

For those who favour further liberalisation China's economic development demands greater internationalisation of economic activity by expanding into areas such as labour trade and technology exchange but the key factor had to be greater participation in the international division of labour, so that China ceased to be solely a buyer and seller of products and became a full participant in international production systems. This will mean ever more complex forms of international cooperation in which China must become a supplier as well as a recipient of overseas investment and develop its own international corporations. This will mean not only a change in trade strategy but in how China interacts with the international economy. This leads directly on to consideration of the second critical component in the Open Door policy- foreign capital.

The immense capital required to finance the reform programme could never have been generated by the domestic economy or from foreign aid. Thus China moved to attract international capital in two major forms: foreign investment and international loans. These were indivisibly linked since only by generating income from exports could loan repayments be met. Thus China's ability to take on international loans depended on its ability to attract foreign investors to the export-oriented sector. The slow initial growth in the use of foreign capital shown in Table 9 is evidence of the time lag in this relationship and also the caution with which both China and foreign investors and institutions initially approached one another. Thus in the first four years of the Open Door China used over \$US10bn in foreign loans but received only \$US1.7bn in FDI; in the next four years foreign loans were slightly less at \$US9.8bn but FDI grew to \$US6.5bn and this made possible the faster uptake of foreign loans -\$US25.1bn- between 1987 and 1990. However, what is most noteworthy of the years 1988-91 is that while foreign loans uptake levelled off around the US\$6-7bn p.a. level, FDI continued to rise despite the convulsions 1989-90, reaching \$US4.3bn in 1991.

This indicates that China's ability to repay its debts continued to improve. According to *Beijing Review*, in terms of the two most important indicators, rate of redemption (repayment of principal plus interest in

proportion to earnings from exports) and debt ratio (loans in proportion to GDP) China's rating of 10% and 11% respectively are well below accepted high-risk levels of 25% and 20%. China's effective management of its loans are said to be indicated by the increase in foreign currency reserves to US\$40bn in 1992.⁹

However, this may lead to a situation in the near future where China, due to growth of export earnings, GDP and reserves, fails to meet the criteria for preferential loans from international institutions. China has used the long-term and low-interest loans from the World Bank and the Asian Development Bank to develop key sectors of the national economy such as energy, transport, communications and agriculture. Loans from foreign governments and commercial credits have been used mainly to buy equipment from lender countries and to increase the technology levels of Chinese industry. As China's ability to qualify for preferential loans declines funding for structural investment will have to be found from within the domestic budget and in the form of commercial loans.

The most striking change in the structure of China's commercial loans in the latter part of the 80's has been the decline in importance of Japan, as shown in Table 9. While still the most important single source of loans in 1991 China had diversified its debt structure to avoid dependence on Japan and to take account of its trading structure: China had to repay Japanese loans in Yen- an

increasingly strong currency- despite the fact that most of its export earnings were in dollars.

As suggested, China's ability to sustain loans was increasing primarily because of the growth of the export-oriented sector which was being created with the backing of the second form of overseas capital- direct investment. The decision to allow foreign access to the domestic economy for the first time since the breach with the Soviet Union was remarkable not least because the economic zones echoed the old, and much-hated, canton system of the past, even to geographic location, being centred in areas that had been treaty ports (Shantou, Xiamen) or near enclaves that were the last remnants of the era of foreign domination (Hong Kong, Macao). While, clearly, the difference with the SEZ's is that they would remain under China's jurisdiction, retaining macroeconomic control over overseas investment has proved as difficult as controlling trade. Thus while the basic structure of the open economy still has both origin and end overseas- foreign investment driving an export oriented sector- there has been increasing pressure for access to the domestic market.

Thus, the slow initial growth in foreign investment reflected both the absence of a commercial and legal framework but also the reluctance of the Chinese to allow full access to the domestic market or the conversion of *renminbi* into foreign currency, which would allow export of profits. Conversely the rapid expansion in FDI in

recent years is not only evidence of growing investor confidence but of the belief that the opening of the Chinese economy is irreversible and will be extended to the domestic market in time.

Between 1979 and 1992 90,109 enterprises were approved with foreign investment of \$108.9bn, \$34.16bn of which was realised. Of these 58,374 (64.8% of national total) were equity JV's, in which Chinese and foreign partners share profits, losses and risks, requiring \$50.36bn (46.2% of funds pledged), of which \$17.55bn (51.4% of funds realised) was invested; 16,784 (18.6%) were Sino-foreign contractual JV's, in which the foreign investor provides technology or finance and China provides land, labour, materials, and so on, requiring \$31.3bn (28.7%) of which \$8.19bn (24%) was invested; and 14,870 (16.5%) were wholly foreign owned, requiring \$23.76bn (21.8%) of which \$5.03bn (14.7%) was invested. There have been other, lesser, forms such as cooperative developments and the compensation agreements mentioned earlier in which foreign partners provide the resources in exchange for a share of the products, but the *sanzi*- "three foreign-founded"- forms above have predominated.¹⁰ By the end of 1991 more than 40,000 foreign funded enterprises had been approved with capital of \$50bn involved. In the first half of 1992 a further \$10.4bn had been committed, close to three times the level of the same period in the previous year. An estimated 3.25 million people were employed in FDI enterprises.¹¹

As well as varying considerably in scale since the start of the Open Door policy, the location and impact of FDI have changed considerably. As of 1992, as well as the the five SEZ's, there were fifteen open cities, with 18 development zones within them; 61 prefectural level cities, 43 county-level cities and 186 counties, in the Liaodong peninsula, the Bohai Bay, the Yangtse and Zhujiang river deltas and southern Fujian, were designated open areas; eight interior cities- Harbin, Chanchun, Shenyang, Xian, Nanjing, Wuhan, Chengdu and Chongqing- were designated as having independent planning power and the same status as provinces in terms of FDI; and, of course, considerable emphasis was made of the development of the Pudong Project. But the available evidence does not suggest that all these areas are either equal recipients of FDI or contribute equally to exports and GDP.

In an important study of the relationship between foreign investment and economic change in China, Y.Y. Kueh estimated that the 11 Open coastal regions took close to an average of 80% share of FDI throughout the 80's but with this was far from equally distributed, with Guangdong in particular taking a predominant position.¹² While the pioneer areas for FDI experienced a relative decline in their share of FDI as new areas were opened up, Guangdong's 46% of national total in 1990 (1985: 60%) and of its three SEZ's- 18% (1985: 29%) still gave it a commanding position. The leading SEZ, Shenzhen, never took

a lesser share of FDI than any other province or municipality, including Beijing and Shanghai, and has been consistently twice as high as Guangzhou, only 60 miles away. The general shift in the direction of FDI location has been northwards along the coast rather than into the interior despite the desire of inland provinces to attract investment.

In sectoral terms there was a significant shift during the 80's between services and construction which were the preferred sectors for investment in the initial period towards manufacturing. This is not true of all areas, however: some of the 'late-comers' such as Shanghai and Hainan are still service oriented and it is overwhelmingly the case with Beijing which has attracted little in the way of manufacturing. The areas which have experienced the shift to manufacturing investment have been those with good access to world markets such as Guangdong and Fujian, indicating the primary purpose of FDI in pursuing export markets.

As with receipt of FDI, however, contribution to exports and to output as a whole has varied widely. According to Kueh, *sanzi's* nationally contributed 17% of total GVIO and more than half of exported GVIO by the beginning of the 1990's but with SEZ *sanzi's* contributing a much higher proportion in their areas- 55% of GVIO and 76% of exports- compared to those in the coastal cities- 9% and 37% respectively. When considered in terms of export earnings *sanzi's* share rose from 5% in 1988 to 17%

in 1991 but again with significant variation between regions: SEZ sanzi's- 46%, Fujian- 41%, Guangdong- 29%, Shanghai and Beijing- 11%. There was above all a marked bias towards Guangdong and its SEZ's, which contributed 66% of all sanzi exports, though the gap between the regions did narrow as the newer areas began to establish themselves. The same pattern was apparent in sanzi imports with the ratio of exports to imports much closer for SEZ's (1:1.15) than for the open coastal cities (1:2.68) and with Guangdong and its SEZ's having a predominant position among the open coastal provinces.

The imbalance in location of FDI and contribution to output and exports is a serious problem with political and demographic implications as well as the obvious economic ones, as will be discussed in the forthcoming section on regional development. This said, however, the success of the sanzi's has been remarkable and if the newer coastal area's can close the gap on the established areas, then sanzi exports may rise to a third of the national total by the mid-90's. However, this will be dependant not only on internal political and economic stability and China's standing in the international economy, particularly its readmission to GATT and its MFN status, but also on the availability of investment. Table 9 indicates that Hong Kong, which contributed less than half China's FDI in only one year and approached two-thirds in others, has long played the crucial role. While the flood of investment since 1992 would seem to indicate

no weakening in the desire of Hong Kong capital to establish itself in China, the possibility funds from other sources is less clear.

The most promising prospect may be Taiwan, particularly if political detente can lead to the lifting of Taipei's ban on direct commercial, navigational and postal links with the mainland. With a population three times that of Hong Kong (20m), exports over twice that of Hong Kong, and comparable per capita income, Taiwan would be well placed to emulate Hong Kong in transferring its labour intensive export production to the mainland. The significant difference arises in Taiwan's foreign exchange reserves, at US\$80bn the largest in the world.

The establishment of formal relations with South Korea opens the prospect of expanding direct investment, particularly in northern coastal provinces such as Shandong. But no other country has the resources of Japan, and yet it is Japan's role that is most ambiguous. Japan's FDI into China in the latter 80's was no greater than its investment into Indonesia and remained relatively constant while other countries expanded theirs. This may indicate that Japan considers itself suitably compensated by the purchase of its technology either by Chinese enterprises using state loans or overseas investors setting up sanzi's in China, but equally there may be less comfortable explanations. The first is that Japanese investors regard the Chinese domestic market, still protected and regulated, as being

the main prize. Yet if China is sensitive to external control of its core economy, then it must be considered doubly so when the country seeking that control is Japan. Japanese desire to penetrate the Chinese domestic economy will continue to be an argument against liberalisation rather than for it for many years to come. Secondly, the expansion of Japanese investment into the Southeast Asian states may indicate not only that Japan favours economic relationships that it controls, but also the prospect for competitive, as well as cooperative, economic relations in the Asia-Pacific region. In essence, will the Asia-Pacific economy of the future be based upon Sino-Japanese partnership or Sino-Japanese rivalry? Neither power knows the answer to this but it is likely that they are preparing for either outcome. Such considerations are also apparent if consideration is given to China's trade relations with Asia which will be considered next.

The nature of China's trade with Asia has been determined by shifting political relations with other Asian states and China's desire to harness the changes in the regional economy in order to achieve the aims of the domestic reform programme.

As shown in Table 3, by 1978 China's trade with Asia already comprised over 40% of its total trade, and had done so for a number of years. As trade expanded in the years after the Cultural Revolution, China's trade with Asia became ever more important. This is particularly

clear if China's trade with Hong Kong is excluded. Thus Asia's share of China's trade without the Hong Kong factor rose from an average of 20.7% in the 1960's to 29.3% in the 1970's. If the Middle East countries are included then China's Asia trade already comprised half its total trade by the time the Open Door policies began to take effect.

What Table 4 shows, however, is that while China's Asia trade as a whole trebled in the 1980's, from US\$23.5bn in 1981 to US\$68.7bn in 1990, reaching close to 60% of total trade in that year, Asia trade excluding Hong Kong, increased at a slower rate in real terms, and thus declined as a share of total trade. While in the first half of the 80's Asia trade less Hong Kong averaged 37% of world total, this declined to an average of 28% in the second half of the decade. Moreover, while the balance of China's Asia trade as a whole showed a surplus in 8 out of the 10 years under consideration, particularly at either end of the decade, without Hong Kong the balance shows five deficit years and five surplus, with the surpluses much less significant. The explanation for this lay in two areas- firstly and most obviously, the trade relationship with Hong Kong; secondly, the shifting nature of China's relationship with other Asian partners.

The relationship with Hong Kong is by far the most important for China's foreign trade but how it operates is far from clear from statistics alone. This is because

China, and also other powers with which China did not have official relations in the period under consideration, used Hong Kong to disguise the direction of trade. In China's case Hong Kong has also been used to disguise surpluses and circumvent restrictions, particularly with the industrial powers. From the point of China's statistical records, as shown in Table 4, Hong Kong doubled its share of China's Asia trade between 1981 and 1990 to over 60%, increasing six-fold in real terms from US\$6.9bn to US\$41.5bn. Both imports and exports rose rapidly but there was a disproportionate rise in imports which meant that China's surplus with Hong Kong shrank from an average 44.8% p.a. of total trade between 1981 and 1985, to 26.8% p.a. between 1986 and 1990, as Hong Kong became the primary conduit for goods and materials into the new sectors of the economy.

This indicates the real meaning of Hong Kong for China under the Open Door- that it increasingly ceased to be an independent factor in foreign economic relations comparable to China's other Asian trade partners and developed a symbiotic relationship with the Chinese economy. In this sense the SEZ's and coastal cities developed under the Open Door policy, predominantly in the South, were mirror images of Hong Kong- both operated as control valves between the international economy and the still predominantly state regulated Chinese economy.

The role of Hong Kong is indicated more clearly by the statistics of the Hong Kong government in Table 5.

These show that as an economic partner proper China doubled its share of Hong Kong's trade between 1979 and 1989, providing a third of Hong Kong's imports by the latter year, establishing itself as Hong Kong's main supplier ahead of Japan (17%) and Taiwan (11%). But China also established itself as a market-place for Hong Kong's goods. From what had been a very low level in 1979, China rose to second place (19.3%) behind the US, (32%). This was all the more significant because Hong Kong's trade with the rest of Asia remained proportionately constant. Thus imports from China rose to within 5% of the combined total of the rest of Asia by 1989, while exports to China superceded other Asian exports by a similar figure.

While such trade would have made China and Hong Kong important partners in any circumstance, this growth was compounded by the expansion of re-export trade- the re-export of products which have not undergone a manufacturing process which has changed permanently the shape, nature, form or utility of the basic materials. Re-exports expanded from 14.4% share of Hong Kong's total trade in 1979 to 30.5% in 1989, ensuring a surplus in trade which would have been impossible from standard trade alone. China played by far the most significant role in the expansion of this form of trade. In 1979 already 28.3% of re-exports originated in China comprising 3.5% of Hong Kong's total trade; by 1989 54.3% of re-exports originated in the PRC constituting 16.6% of total trade. As for the destination for re-exports the

expansion of China's role was even more marked: from 6.6% (or less than 1% of total trade) in 1979 to 34.5% (9.5% of total trade) in 1988, the decline in 1989 being due to the domestic crisis of that year which will be discussed below.

Since the proportion of Hong Kong's re-exports destined for Asia remained constant throughout the period, the expansion of China's role meant that it overtook the rest of Asia combined as the destination for the bulk of Hong Kong's re-exports. Three Asian countries were responsible for more than half this re-export trade into China: Japan (22.6%), Taiwan (21.9%), and South Korea (7.5%), with the US (9.8%) the most important of the western powers. China also used Hong Kong as a port for transportation to other parts of the PRC: this accounted for 11% of Hong Kong's re-export trade in 1989, for example. The flow of re-exports is reversed, however, when considering the destination of re-exports from China to other countries.

Complete figures for re-exports originating in Asia as a whole are not available, only for selected countries. The 54.3% of Hong Kong's re-export trade originating in China in 1989 significantly exceeded that of Japan (11%), Taiwan (7.7%), or the US (6.4%). In contrast to Asia's role as the the main source of re-exports into China the three major Asian states- Japan, Taiwan and South Korea- took only 14% of re-exports originating in China with western industrialised

countries- the US, the UK, Germany and Canada- accounting for 48%. By far the biggest share was taken by the US (35%), a source of considerable friction between the two powers.

Thus it is possible to delineate Hong Kong's importance for China: it is an important trading partner in its own right but equally it has allowed China to conduct trade which would have been either politically or economically sensitive if conducted directly, not least the predominance of Asia as the source of re-exports into China but the western countries as their predominant destination.

While the importance of the west both in direct and indirect trade is undeniable, China's trade relationships are not immutable, as the attempt to impose economic sanctions upon China after the events of 4 June 1989 showed. The impact of the industrialised countries' attempt to bring economic pressure to bear on China and China's response to it are shown in the figures in Table 10. Clearly China's economic rectification and in particular the devaluation of the *Renminbi* at the end of 1989 had a considerable impact on imports and the overall decline in 1990 is particularly noticeable if Hong Kong imports are excluded. However, this change was far from evenly distributed: imports from the industrialised states declined by US\$4.9bn but imports from Asian countries actually increased by US\$2.3bn- an increase of over 50% on 1989. This trend was maintained in 1991: even

though imports from the industrialised countries returned to their 1989 mark, those from Asia increased twice as fast, leaving China imports from Asia more than double what they had been in 1989.

A similar pattern appears with regard to exports. While the industrialised countries could not halt the growth of China's exports, there seems to have been a conscious attempt to seek export markets in Asia for Chinese goods after 1989: exports to the industrialised states grew 15% in 1990 and 14% in 1991 but the increases to Asia were 49.9% and 20.9% in the respective years. As a result, China's exports to Asia excluding Japan and Hong Kong increased from 15% to 22% of China's exports. Two significant implications arise from this. Firstly while Asia cannot yet provide a substitute for the industrialised countries, particularly as export markets, China sought and found economic partners in Asia when faced with pressure from the major industrial powers. This is a lesson which will not have been lost, not only on Beijing, but on other Asian governments. Secondly, with the Hong Kong factor excluded, the difference in the declining share of all Asian countries in China's trade indicated in Table 4 and the increasing share indicated in Table 10 can only be due to one country- Japan- which was designated in the first instance as an Asian country but in the second as an industrial power.

Japan has been an important trade partner for the PRC since the the time of the breach with the Soviet

Union and the crisis of the GLF but it was the normalisation of relations in the 1970's that saw trade turnover expand consistently between 1972 and 1978, from just over US\$1bn to US\$4.8bn, before doubling to US\$9.2 in the first two years of the Open Door policy. What has occurred in trade relations since, however, indicates a more tortuous relationship, as indicated in Table 6. Japan's share of China's trade continued to expand up to the mid-80's but with an ever widening gap in the balance of trade. The US\$9bn deficit with Japan in 1985 constituted close to two-thirds of China's total deficit that year and represented the high water mark in China's willingness to trade on unequal terms with Japan. After 1985 imports from Japan were curtailed and had not regained their 1985 level in real terms even by 1992. While China's exports to Japan continued to increase in real terms they did so less quickly than exports as a whole and as a result Japan's share of China's total exports also declined.

The change in Japan's importance as an economic partner for China- a halving of share of total trade in five years- is noticeable even when placed in a solely Asian context as indicated by Table 4. This shows that in 1985 Japan accounted for half of all China's Asia trade and a staggering 69% of all Asia imports. By 1990 these figures had been more than halved to 24% and 29.3% respectively, while Japan's share of China's Asia exports fell by a third. Clearly Hong Kong's re-export trade

accounts in part for this but if Hong Kong is removed as a factor and only China's direct trade with Asia is considered Japan's share of total trade still fell from 75% to 61% and Asia imports from 89% to 65%. Japan's share of this form of China's Asia exports stayed around the same at over 50%.

What these figures indicate is that while there is still an important relationship between China and Japan, it is becoming a much less unequal one and not only because Japan's trade volume was only three times greater than China's by 1992 rather seven times as it was in 1980. The balance in China's trade is shifting from the industrial powers to Asia, reflected in the Asian context by a shift from Japan to other Asian states, and it is this which accounts for the apparent decline in China's Asia trade share of total trade. It remains to be considered which are the area's of growth in China's Asia trade.

This is complicated because the figures do not indicate China's relations with a number of countries with which it did not have official relations, including two of the four NIC's, South Korea and Taiwan. These, along with the Soviet Union and its successor states, can only be considered under the section on future bi-lateral relations. If the other two NIC's are taken as indicators, however, then their increasing importance both as markets and sources of technology can be judged. Hong Kong has been considered but China's total trade

with Singapore increased four-fold in ten years with considerable surpluses in all years. This paralleled growth with ASEAN as a whole, which more than trebled in real terms over the period retaining a constant share of China's trade. Malaysia, Thailand and Indonesia all rose in prominence to just under 2% of total trade each, though China commonly ran a deficit with them. Trade with the Philippines also expanded, if more modestly.

China's success in expanding in East Asia was not matched outwith it, however, where it's trade relations were constrained by economic and political factors. The Middle East which must have seemed a promising region at the beginning of the Open Door policy remained constant in real terms and thus fell in terms of share of Asia trade with export share in particular halving to an average of less than 7% in the second half of the decade. There was no clear political factor in this with trade declining with countries as diverse as Saudia, Syria and Jordan. The one exception to the trend in the Middle East was Iran with which China sought to increase trade and political contacts.

In South Asia, China faced both political and economic constraints, the former primarily with regard to India and the latter with the other South Asian states' ability to pay for exports. Despite rising to US\$264m in 1990 as relations between the two powers improved towards the end of the 80's, trade between China and India remained low given the enormous export potential of the

two markets. China's most important South Asian trade partner was Pakistan which took half of all China's exports to the region, but as with the other South Asian countries, this was at the expense of its trade balance indicating that the major obstacle to further expansion of trade was economic.

No figures have been given for China's economic relations with the socialist states since these were negligible. Only the DPRK ranked as a significant partner and even here since trade did not increase in real terms over the period its share of China's trade fell by two-thirds to less than 1% by 1990.

It is therefore possible to conclude that while China is seeking to develop its economic relations towards Asia both to gain economic advantage and to avoid over-dependence on the industrial powers, including Japan, this process is still in an embryonic stage. The role of the Asian NIC's may be particularly significant given their potential as markets, as sources of technology transfer, and as links into Southeast Asia. Two provisos must be added to this, however. Firstly, trade is only one form of economic relations and must be considered within the wider context of economic exchange including, most importantly, direct investment; secondly, statistics reveal little about political concerns and it must be recognised that China and its economic partners see their economic relations as not separate but complementary to their political interests. How this will

influence China's ability to become a major Asian economic power remains to be considered.

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10. Lin Kun, "Recent Status of China's attraction of FDI and associated preferential policies", *Guoji Shangbao*, Beijing, 17 April 1993, in JPRS-CAR-93-053.
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II The impact of FER on China's regional development.

The balance of regional development which the CPC inherited on coming to power was extremely uneven. The coastal provinces had always been the most developed and there were significant disparities in distribution of economic activity and settlement between the eastern and western areas of the country. Changing this imbalance became one of China's major goals of post-revolutionary development. The achievement of a geographically balanced distribution of production was in accordance not only with the CPC's ideological commitments, particularly in ending the contradiction between town and country, but also with the political, economic and strategic demands of building a strong nation. Thus the First FYP (1953-56) stated:

the unbalanced concentration of our industries in the east coast is very unreasonable in terms of economic efficiency as well as national defence. The regional distribution of industrial construction should be based on long-term national interest. Industry should be located rationally, close to areas producing raw materials and fuel or the areas of highest consumption in the country, and for the benefit of the consolidation of national defence, so as gradually to improve this unreasonable situation and raise the economic level of those backward regions.¹

For thirty years after the revolution, therefore, one of the principle objectives of the planned economy was the reduction of the extreme differences in regional development. The monopoly the state enjoyed in matters of economic development gave it considerable powers to achieve this. Equally, however, the reform policy of the

80's, based as it was on de-centralisation of economic management and allowing external economic forces access to the domestic economy, was to break this monopoly. Thus the impact of the reforms on China's regional development has become a crucial issue, and once again not only in economic terms but because of its political and security implications. First, however, the conduct of China's regional policy in the preceding thirty years must be considered. According to Guo Wanqing, a specialist in China's regional development, the state employed four major instruments in regional policy:

- i) distribution of state construction and development: during the period 1953-80, 57% of state investment was made in the central and western regions. Most new large-scale iron and steel complexes, manufacturing projects, chemical plants, power stations, and coal mines were located in the central and western regions and formed the basis of new industrial centres and new cities. As a result, the central and western regions share of industrial fixed assets, labour force and GVIO all grew.
- ii) state finance: this was the most important instrument for reducing regional disparities. A unified system of revenue and expenditure targets was created under the central government but without a functional link between the two beneath this level. Thus, those areas unable to meet revenue levels were subsidised from central funds. The bulk of these lay in the central and western regions:

this in 1983 14 out of 18 were net beneficiaries to the tune of 10bn yuan.

iii) allocation of labour force: central government has been able to transfer population to meet economic and other objectives. During the period 1949-79 inter-provincial migration amounted to 25-30 million with 50%-60% of this to Heilongjiang, Qinhai, Inner Mongolia, Xinjiang and Ningxia.

iv) income distribution: from an early date China has pursued a policy aimed at equalisation of income levels. For industrial workers this involved the adoption of national income levels which guaranteed wage levels for the same work throughout the country. For peasants there was a system of tax reductions and subsidies to poorer areas. While there were fluctuations in the central governments commitment to this principle, in the main China made considerable progress toward income equalisation.

This regional policy had a number of positive results: the creation of industrial bases in the central and western regions; a reduction in the inter-regional rate of development; and the equalisation of income at the national level. However, the overall results in reducing the developmental gap between east and west were not significant: while the rate of development was equalised the levels of development as whole remained constant. Thus in 1983, seven of the nine western provinces and four of the nine central provinces remained

dependent on central funding for their budgets, indicating lack of progress towards developing self-sustaining economies.²

Moreover, this regional policy had the effect of depressing growth in the coastal regions. These contributed 90% of state revenue but average expenditure amounted to only half of the revenue collected. As a result, east coast provinces were unable to retain and commit the sort of funds needed to renew their industrial structure. It also prevented the development of the infrastructure essential to future growth, particularly in the energy and transport sectors, and in social construction. Thus Guo argues that the achievements in regional equalisation had been at the expense of the overall growth in the national economy attainable if the eastern coast had been allowed to retain and commit its revenues in industrial and social development.

Thus, it was the imperative of securing national economic growth under the reform policy which led to the modification of regional policy. The reform policy has impacted on regional development in a number of ways. Firstly, the transition from a planned economy to a socialist market economy has eroded the scope for the plan to influence economic distribution. Decentralisation of economic management has been accompanied by changes in the financial relationship between centre and provinces. While the provinces still contribute and receive funding from the central budget,

there has been considerable increase in the amount and sources of other funds available to provinces, dependent on the extent of their involvement in the externally oriented economy. As will be discussed in more detail below, the centering of the Open Door policy on the East coast, while rational given its external ties, industrial base, infrastructure, and higher scientific and technological level, has significantly contributed to expanding differential growth rates.

The changes in regional policy announced in the Seventh FYP in 1986 were only belated recognition of the changes the reform policy was bringing about in regional development. These did not mean that China has abandoned the aim of achieving full development but the abandonment of equal development as the means to do so. Moreover, the new regional policy did not mean that the plan will cease to be a factor in regional development rather that it will be complemented by spontaneous transmission of economic activity from within the expanding market sector. The principal model advanced is that of the staircase theory, in which development in the east will be naturally transmitted to the west. It is therefore assumed that there will be a point in the future at which the growth in regional disparities will cease and start to be reversed.³

To identify the prospects for closing the gap in regional development the current forms and sources of disparity in growth rates must first be studied.

Moreover, these are not solely economic factors. Consideration must be given to a crucial factor which has not yet been discussed: China's population.

The size of China's population- 1.17 billion as of 1992- and its continued growth means that all economic and social indicators must be examined in two ways: as national totals but, thereafter, in per capita terms. Thus while China's national income grew 4.8 fold between 1979 and 1991 its per capita national income grew only four-fold due to population growth. This effect has led the Chinese government to regard population growth as a break upon social and economic development and to pursue increasingly intensive methods of population control.

The fact that China seemed to achieve extremely good results in lowering its population growth rate from 2.58% in 1970 to 1.19% in 1980 (growth rates are perhaps easier understood as the length of period taken to double population ie. 1%- 69.3 year; 2%- 34.7 years; 3%- 23.1 years, etc.) encouraged the government to believe that it could restrict China's population to 1.2 billion by the year 2,000. This entailed setting a target growth rate of 0.98% and implementing a One Child policy backed by considerable incentives and disincentives.

However, far from continuing its decline the growth rate actually increased during the 1980's to an average of 1.55%, necessitating upward estimations of China's future population.⁴ Since mortality remained constant, explanations for this increase must be sought in the

birth rate. The first factor causing the rise in the growth rate has been the increase in the relative size of the female population of child-bearing age as those born in an earlier period of high births- 1962 to 1975- reach maturity. There is little that government can do about this element, other than wait for the declining growth rate of the 70's to work its way through the population structure.

More worrying has been the lack of change in the second factor: the total fertility rate (TFR). The TFR can be considered the number of births a woman would have during her reproductive life (15-49) if her fertility corresponded to the sum of birth rates in her own, and all other, age groups within that range at one specific time. As such it is a reflection of all factors contributing to births- socio-economic and cultural factors, as well as the operation of family planning systems. China's TFR has declined dramatically from over 6 births per woman in the fifties and sixties, but its average of 2.5 per woman in the 80's is still above the natural replacement rate.⁵ While this indicates that at national level the forces encouraging population growth continue to outweigh those discouraging it, including the One Child policy, the real source of the continuing rise in China's population is the disparity in the way these forces operate throughout the country. Thus China's national TFR in 1990 of 2.31 disguises variations between Shanghai of 1.42 and Tibet of 3.81.

Table 1: China's Total Fertility Rate by region, 1990.

TFR	Regions	Population (m), Percent	
≤ 2	Shanghai, Beijing, Tianjin, Zhejiang, Liaoning, Jilin, Heilongjiang.	174	15.35%
$2 < - < 2.2$	Sichuan, Shandong, Jiangsu, and Inner Mongolia.	280	24.71%
$2.2 \leq - < 3$	Gansu, Hainan, Shanxi, Hubei, Hebei, Guandong, Anhui, Fujian, Qinghai, Ningxia, Jiangxi, Yunnan, Shanxi.	623	54.93%
≥ 3	Hainan, Guizhou, Xinjiang, Tibet.	280	2.8%
	Special: Xinjiang, Tibet.	17	1.5%

It is at this point that demographic structure and regional development interact, since demography clearly indicates a connection between urbanisation and fertility decline. Socio-economic factors such as health, housing, employment and education, particularly as they effect women, should all contribute to fertility decline, whereas rural areas typically support higher birth rates. China's problem is not only that the differences in developmental level between regions make this process very uneven, so that it has fertility rates comparable to several different stages of development, but also that the pace of development in the reform era is producing contradictory results.

Thus Table 1 shows not only the scale of difference in TFR between China's provinces but the existence of several anomalies. Urbanisation clearly plays a part in the municipalities- Beijing, Tianjin and Shanghai- and in the heavy industrial areas of the north which have been less affected by the Open Door. Here the TFR is actually lower than in developed countries. Equally, the least developed areas of the country, the autonomous regions of Xinjiang and Tibet, have the highest TFR, aided by the fact that national minorities under 10m are not governed by the population regulations. But the national TFR is sustained by the 55% of the population who live in provinces with TFR between 2.2 and 3.0. These include 5 of the 11 coastal provinces while a sixth, Hainan, has a TFR of over 3. The remainder are central provinces with more traditional industrial and agricultural roles. What this indicates is that the reform process itself may be an obstacle to fertility decline. While it has generated the desired development it has also generated economic gains and practices which militate against the government's ability to further reduce fertility.⁶ In rural areas this is directly so, since basing income and production on the household has reinforced a preference for male children. In the expanding areas of the coast the fundamental contradiction may be between the success gained from encouraging self-reliance and initiative in economic matters and the state's belief that it retains the prerogative to determine the size of families.

The changes which the reform policy have brought about in population structure are further revealed in Table 2. This shows that the population of the 11 coastal areas increased by 21.2% between 1981 and 1990 compared with 11.3% and 13.5% for the 12 central and 7 border provinces and regions. As a result 40.1% of the Chinese population lived on only 13.2% of the country's territory, an increase of 2.2% in only ten years, with the bulk of the shift in population coming from the central states. As a result of this shift to the coastal areas, population density there rose by over 60 persons per sq.km., compared to 20 per sq.km in central areas and less than four per sq.km. in border areas. Since we know that birth rates were not significantly different in many coastal and central areas, it can only be assumed that a large part of the shift in population was due to economic migration. This is supported by figures cited by Yeh which reveal that China had a transient population of 70 million in 1991. It must next be considered how far these demographic changes are reflections of changes in the pattern of economic activity.

Table 3 shows the changes that have occurred in China's Gross Value of Industrial and Agricultural Output (GVIAO) between 1981 and 1990. The GVIAO of the 11 coastal areas increased an average of over 5% p.a. faster than the central provinces and over 8% p.a. faster than the border provinces and regions. As a result their share of national GVIAO rose by 3.6%, at the expense of both

Table 2

	National	Coastal	Percent	Central	Percent	Border	Percent
Area (m sqkm)	9.448	1.247	13.2%	2.721	28.8%	5.48	58.0%
Population (m)							
1981	996.22	377.86	37.9%	478.13	48.0%	140.23	14.1%
1990	1143.33	458.31	40.1%	532.39	46.6%	159.26	13.9%
Density							
1981	105.4	303.0		175.7		25.6	
1990	121.0	367.5		195.7		29.1	
Increase	14.77%	21.29%		11.35%		13.57%	

Table 3

GVIAO	National	Coastal	Percent	Central	Percent	Border	Percent
Total							
1981	749	393.9	52.6%	257.5	34.4%	97.5	13.0%
1990	3158	1773.9	56.2%	1026	32.5%	358.7	11.4%
Increase p.a.	32.2%	35.0%		29.8%		26.8%	
Agriculture							
1981	231	102.4	44.3%	104	45.0%	24.7	10.7%
1990	766	346.6	45.2%	312.9	40.8%	106.7	13.9%
Increase p.a.	23.2%	23.8%		20.1%		33.2%	
Industry							
1981	517	291.5	56.4%	153.5	29.7%	72.84	14.1%
1990	2392	1427.3	59.7%	713.1	29.8%	252	10.5%
Increase p.a.	36.3%	39.0%		36.5%		24.6%	

Notes:

Definitions of which category- coastal, central, border- each province should be in vary. For the purpose of these figures Guangxi and Liaoning which might be considered border provinces are defined as coastal, along with Hebei, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Hainan, and Tianjin and Shanghai municipalities. Border provinces are Heilongjiang, Jilin, Nei Mongol, Gansu, Xinjiang, Tibet and Yunnan.

Source: Statistical Yearbook of China, 1981-91.

interior regions. Moreover this increase was due to expansion in both agriculture and industry. Thus the coastal areas increased their share of industrial output by 3.3%, while the share of output of the central provinces remained constant and that of the border areas declined; they also succeeded in increasing their share of agricultural output by close to 1%, overtaking the central provinces as the main area of agricultural production. The border areas showed an even more marked increase in agricultural output.

Thus, the coastal provinces comprising only 13.2% of the area of the country contributed 45% of national agricultural output and close to 60% of industrial production by 1990, compared to 40.8% and 29.8% from the central provinces which make up 28.8% of the country, and 14% and 10.5% from the border areas which constitute 58% of China's territory. As with population structure, to which it was clearly linked, the difficulty with this imbalance of regional development was that it was growing rather than diminishing.

This problem, its causes and possible solutions, has clearly attracted the attention of Chinese analysts. One such analysis is provided by Ma and Zou.⁷ They estimate that the GNP of the border provinces (in which they include Guangxi but exclude Liaoning) grew at an annual average of 8.9% between 1979 and 1988, compared to the coastal zones 10.5%, both set against a national average 9.8% p.a.. Ma and Zou attribute the disparity of the

growth rates to the operation of the Open Door policy since when they re-calculated regional GNP growth rates excluding exports, this revealed that inland, coastal and national averages were all very close: 7.95%, 7.90%, 7.93%. respectively:

Excluding the part of GNP accounted for by exports, the average annual growth rate is almost the same for the coastal zone as it is for other zones... Thus, we can infer that the special open policy is the key factor in its higher growth rates.⁸

Thus Ma and Zou believe that the solution to the growing imbalance in China's regional development is the extension of the Open Door policies to the border provinces and autonomous regions and go on to consider the likely prospects for growth in FER for these areas.

In 1988 the foreign trade turnover of the eight inland provinces and autonomous regions was \$4.52bn or 6.01% of China's trade turnover. Most of this trade was carried out with Europe, USA and East Asia, with border trade [defined as trade between border provinces, trade taking place below the provincial level, and trade between border inhabiting peoples] constituting only 11.79% of their trade total. Border trade accounted for the largest proportion in Yunnan and Tibet [38%], then Inner Mongolia [24.35%], Jilin, Helongjiang and Xinjiang next [8.66%, 7.51%, 8.68%], with Guangxi and Gansu having practically no official border trade. Border trade is particularly important, however, because of the stimulus it provides to industrial development. This is reflected in the fact that whereas less than 30% of the total

exports of these regions are in manufactures, reflecting the predominance of primary products, manufactures contributed a far higher share of border exports: 62.2%. As well as providing a stimulus to development, changing the export structure of the border regions would also be beneficial to China given the decline in the prices of primary products on the international market and the increasing demand for such products in the domestic economy.

The need to further expand the Open Door policy was addressed in the Ten-Year Programme:

While consolidating and developing existing economic and technological zones, coastal open cities and open zones, it is necessary to gradually expand the opening up of inland and border areas. Provinces and cities and the Northeast, northwest and southwest China in particular should actively explore the development of economic and trade relations with neighbouring countries in order to effectively promote the socio-economic development of minority areas and backward and poverty-stricken places.⁹

Explaining the change in China's regional policy at the time Vice-Premier Zou Jiahua argued that development of regional economies is both a major international trend and an essential step in China's economic growth.¹⁰ China's economy had two parts- the national sector in which the state makes unified plans for the development of a comprehensive economic system, and the distinctive regional economies. During the 50's and 60's the government attempted to create some regional economies on geographic and administrative bases, but the old system did not allow effective co-ordination along the lines of economic geography and priority. The system implemented in

the 80's has allowed the eastern coastal areas of the country to expand rapidly, but they must now be integrated with other regional economies:

The idea of regional economy which is stressed today is to integrate the geographical superiority of the eastern coastal areas with the resource advantages and economic and technical foundations of the central and western parts of the country and, with a view to promoting economic integration and opening up to the world, to map out plans for a huge region on a much larger scope to accord with different features, thus injecting more vigour into China's economy.¹¹

Seven spheres of activity were envisaged: the Yangtse river including the Pudong project; the Pearl River Delta; the Bohai sea, (Beijing, Tianjin, Hebei, Shandong and Liaoning); Southwest and Southeast China; Northwest China, including Inner Mongolia; Central China; and Northeast China. The expansion of complementary relations between these regional economies would allow development of as yet untapped natural resources in the interior provinces and regions and expand access to the outside world.

By 1992 there was already evidence of expansion of cross-border cooperation, based on increased diversity and flexibility in terms of types of goods and forms of exchange, with the northern border experiencing the most rapid development.¹² China signed 409 labour contracts with the former Soviet Union in 1991 and as of 1992 2,300 trade organisations and enterprises were operating there. MOFERT agreed to the opening of 10 joint or sole investment ventures in Mongolia and Korea. In March 1992, four border cities, Heihe, Suifenhe, Huichun and

Manzhouli were declared open by the State Council and had preferential FER policies conferred on them. Three Northwest cities, Yining, Tacheng, and Bole, received similar status.

The picture on the southern border was more variable. Yunnan's trade with Burma, Laos and Vietnam continued to expand, showing a five-fold increase over 1985 at US\$128m. China's border trade with Pakistan and Laos was developing steadily and China signed a memorandum with India allowing border trade in 1991. Guanxi's trade with Vietnam has grown from a very low initial level and there were signs of breakthrough in other forms of FER such as JV's.

Whether the opening of the border areas can by itself reverse the imbalance in China's regional development remains open to question. In particular if FER do constitute the major factor creating regional differences then it seems likely that the rapid expansion of FDI into the coastal provinces since 1992 will provide new impetus to the imbalance. Further discussion on the possibility of expanding trade with countries bordering China will be given in the section on China's future bi-lateral economic relations.

What remains to be pointed out here is that China's regional development remains far from being simply an economic issue. While China's new regional theory assumes a point at which the growth in regional disparities will cease and be reversed there are considerable dangers

inherent now in an unbalanced development strategy. For Guo, the ultimate safeguard against disunity is the continuing role of the Chinese government:

Although theoretically the possibility exists that the polarised effects could cause serious social conflict, it is very improbable, since assisting backward regions is still an important part of Chinese regional policy. The central government still keeps a powerful hold on income distribution and economic activities. A socialist central government could never tolerate such an extension of the interregional gap that it would threaten political unity and economic integration. ¹³

Thus the necessity of retaining stability and unity during the the reform era has particular implications for Chinese politics. Moreover, there is a vital international dimension to this. China's neighbours are aware that in the past social upheaval and demographic pressure have been the primary causes of the expansion of the Chinese community abroad. Then Asian cultures were flexible and the Chinese immigrants came in waves over several generations. Now Asian political and cultural boundaries are much more fixed and yet the doubling of the Chinese population in fifty years creates the image of a single tidal wave currently being held back by the economy of the coastal provinces. Thus, there are few countries in Asia which are indifferent to China's attempt to make its domestic demographic and economic structures compatible.

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13. Guo, *op.cit.* p.14.

III Chinese perceptions of the economic future of Asia.

As with the Soviet Union/Russia, Chinese perceptions of Asia's economic future will be examined in three aspects: the relevance of the Asian economic model to domestic economic change; analysis of the operation of transnational forces in the development of an Asian regional economy and the consequences for the global economy; and lastly, the future shape of China's bi-lateral economic relations in Asia.

These can be summarised as:

- i: the Asian economic model;
- ii: international causes and consequences of Asian economic regionalism;
- iii: prospects for the development of bi-lateral economic relations.

i the Asian economic model

Discussion of the Asian economic model remains contentious in China for two inter-related reasons. Firstly, because of the perceived differences between China's economy and others in Asia; secondly, because it raises questions as to the model that China itself should be pursuing in the reform era. In effect, doubts about the validity of other countries economies as established

models are intermixed with discussion of developmental strategies.

This dual character was revealed in a debate held in the city of Weihei, Shandong in August 1988, between the Shandong Academy of Social Sciences, the Shandong trade committee, and the Weihei city government, on the external orientation of the coastal region, which continues to be the most recognised symbol of China's participation in the East Asian economy.¹ While all participants supported the concept of an externally oriented economy, this was not least because they held differing interpretations of what it meant. For some it implied only an economy which was interconnected with the world economy, while others argued it signified a country whose economy was dependent on its foreign economic relations, for example in which trade accounted for half of national output value. By the second definition, even such trading countries as Japan and America turned out to be domestically oriented and only small states such as Singapore were truly dependent on external relations.

These differing definitions meant that the externally oriented economy could be viewed as either a strategy aimed at using the international economy to develop the domestic economy or as a distinct economic model. Participants held that China could only consider it as a strategy rather than as a model for a variety of reasons. The first was the scale of the Chinese economy and the unevenness of its economic development.

Thus even pursuing the development of the externally oriented economy as a strategy carried the inherent risk of instability, though this was one regard in which the experience of other countries could be relevant:

Rapid development of the externally oriented economy is at the cost of instability of economic potential. China is a big country. Great risk and tremors in the economic development process are inadvisable. In order to develop the coastal regions's externally oriented economy with stability, we must flexibly use the externally oriented economy experience of Asia's 'four little tigers' in China's coastal region in an organic two-sided strategy of imbalanced and multifarious development.²

An imbalanced development strategy would not require that every department and industry in the national economy move forward at the same pace but rather identifies key sectors and uses their development to spur on the progress of others. It would entail the following points:

i) stress development of the coastal region to spur on the inland; ii) stress development of export industries in the coastal region to spur on the development of non-export industries and upgrade the industrial mix; iii) medium- and large-scale enterprises should constitute the network of export industries in the coastal region, with small-scale and rural enterprises as the goal; iv) technology and equipment should be the focus of the coastal region import mix, supplemented by secondary commodities and raw materials, while strictly limiting volume consumer goods imports; v) the Asia-Pacific region should be the main choice for the coastal regions's international market, along with promoting trade in all directions.³

Thus, participants agreed that a multiple development strategy was necessary given the dual structure of China's economy in regional and sectoral terms, and that this reduced and dispersed the risk of instability.

What this implied was that every country's economic strategy and its target model must be a reflection of its

own national conditions. Strategies from other countries could be adopted but models could not. This is a recurrent theme in Chinese analysis of the relationship between the reform policy and the changes taking place in the rest of the Asian economy. Thus a study group of the Institute of Economics, CASS in a paper titled 'Reflections on the Theory of Socialist Economic Structural Reform' concluded,

.. we believe that we should proceed from China's basic national conditions and explore the course of reform in order to establish an economic reform theory with Chinese characteristics, rather than simply imitating and copying the experience of others.⁴

As the title of the paper suggests, one element in understanding the specifically Chinese characteristics lay in the fact that the economy would remain socialist.

According to this thesis, Chinese reform was faced with three lines of thinking in 1979: the first favoured centralised management with the ministries playing the central role but with some expansion of the powers of the localities and enterprises; the second favoured decentralisation of management to the provinces, autonomous regions, and municipalities under the supervision of the centre; the third favoured integration of planning with the market, the enlargement of the decision-making powers of the enterprises and the division of powers between the central and local governments. It was not until the 3rd Plenary session of the 12 CPC CC in October 1984 that a programme was put in place that would develop a socialist commodity economy:

'market coordination through macro-economic control under the guidance of state planning'. This represented the most fundamental achievement of China's new economic theory: that the market and state planning are not exclusive and opposed as the traditional theory supposed:

The traditional theory of socialist noncommodity economy sets socialism against the commodity economy and confuses socialism with the natural economy; it also describes the planned economy and the law of value as mutually exclusive and equates planned economy with mandatory targets. The theory of the socialist commodity economy is at once the cornerstone of China's reform theory and the cornerstone of China's new economic theory.⁵

Thus China was deemed to be in the primary stage of socialism with underdeveloped productive forces and commodity economy. Changes in the production relations would not by themselves bring about improvements in the productive forces, as was believed in the past, and development of the productive forces became a crucial task.

Such an analysis was reinforced with the shift from the theory of a planned commodity economy to a socialist market economy in 1991. This represents a further attempt to harness the market to develop the productive forces of the economy but, according to Chinese scholars, does not mean that the economy is less socialist. Under socialist structural reform there would be no attempt to privatise the property of the people, though there would be changes in the ownership structure, and planning would continue to play a crucial role through the integration of microeconomic initiative with macro-economic control, and

of short-term measures with long-term goals. Thus some analysts claim that the relevance of other Asian countries experience is not only lessened by the differences in scale and level of development between them and China but also by China's continued adherence to a socialist model.

Clearly, however, China's use of the market as a developmental strategy and the fact that some elements of planning are present in other Asian economies mean that it is possible to argue that there is a degree of convergence between them. This is particularly evident if China's attitudes to the two Asian economies that have most influenced the reform policy are considered- Japan and Hong Kong.

In a discussion arising from a round table organised by the Japan Research Institute of the CASS, participants expressed their views on what China might learn from the developed capitalist countries.⁶ Capitalism was recognised as not being the same thing at all times and in all places and Japan's importance was that it shared some features with China which neither share with the other developed countries:

For China, the special significance of Japan's experience lies in certain features common to the economic development of both countries that only China and Japan share. China does not share them with other developed western capitalist nations. For example: China's economy today is catching up with the economically developed countries in the same way that Japan's economy did following World War II and even following the Meiji Restoration. It is in the process of transition from an economy closed to the outside world to an economy open to the outside

world, and from an economy that either rejected or disdained markets to a market economy.⁷

Given that China and Japan also possess a similar cultural tradition, the two countries were seen as being not that distant from one another in either cultural or historical terms.

As to the common features of the development of the economy, these derived from the use of both plan and market, though clearly China was moving from a planned economy to one led by the market, while Japan had introduced elements of planning into an existing market system in order to achieve certain national development goals:

The special character of Japan's post-war development experience is manifested in its greater use of 'planning' in comparison with an overwhelming majority of developed capitalist countries, even through Japan itself already had a capitalist market economy. Government planning in Japan consisted not only of framing over a period time of more than 10 successive medium and long-term plans, but also the formulation of plans for individual sectors, trades, industries, and land development.⁸

The main aim of the plans was to unify government policy with business policy. Thus, beyond the creation of enterprise blocs which encouraged coordination within economic sectors and the offer of 'administrative guidance', the primary means of enforcing plans was the system of inducements to which the market would be susceptible. It was this dovetailing of the industrial policy of government with the needs and methods of the market that might be considered to be the key to Japan's success and also the primary lesson that China may choose to study.

Not all Asian economies have used macroeconomic planning as a key in their development, however, and, ironically, the one which has used it least is the Asian economy which may have had most influence on China's reforms- Hong Kong. According to Feng Bangyan, a researcher, at the Southeast Economic Information Centre, Hong Kong's role as a trading partner and investor is much discussed but its role as an economic model is often overlooked. The development of Hong Kong-mainland relations has not only strengthened Hong Kong's international position and been significant in creating an externally orientated economy in the coastal region of the mainland but has created a model for Chinese economic development:

Following the swift development of Chinese-Hong Kong economic relations and the close exchanges between the personnel of the two sides, Hong Kong, as a successful model for economic development in the Asia-Pacific region and as a community with a highly developed modern commodity economy and a fairly complete legal system, has had an increasingly obvious role as a model and as a catalyst for China, and especially for Guangdong and the open coastal regions.⁹

Feng believes that this dual role as model and catalyst is evident in two areas in particular. Firstly, the introduction of the market mechanism so that a process of osmosis impacting on the traditional economy has begun:

the economic activities that have been produced as a result of the drawing in of foreign funds... are an extension and appendage of the modern world's commodity economy and especially Hong Kong. These require operating in accordance with market economy patterns, and this demand, correspondingly, brings with it long-formed international conventions and enterprise management systems that are in accord with the development of a modern commodity economy

as well as the pressures of the market economy. Although, in the overall Chinese economy, these actions that have been formed by the drawing in of foreign funds are insignificant, because they are relatively centralised in the open coastal regions,... they have greatly increased the market economy factors in this region. ¹⁰

The result has been the decentralisation of economic decision-making and the development of embryonic markets in labour, foreign exchange, capital, technology and information.

Secondly, Hong Kong has become a reference point for the development of the mainland economy, particularly the coastal region which increasingly has used Hong Kong as a model. Significantly, this does not relate exclusively to economic management. Feng cites the example of Hainan which referred not only to Hong Kong's tax laws, share and bond regulations, land sale rules, and so on, when structuring its SEZ status but also to its civil service and legal system. For Feng, this indicates,

that the reference made to Hong Kong in recent years has changed from individual economic development experiences to overall models. ¹¹

Thus while the differences in terms of economic scale and developmental level mean that Hong Kong's experience cannot be duplicated, the level of interaction between the two sides has meant not only changes in the economic mechanism and the degree of openness of the Chinese economy but changed perceptions of the development patterns and mechanisms of the international economy, with Hong Kong as its most obvious model.

As the above discussion suggests, a further factor which might encourage the Chinese to view their social

and economic development as convergent with other Asian societies is the cultural and historical ties between them. In the past, discussion of the contribution that traditional Chinese culture could make to social and economic development ran counter to ideological restrictions; and in particular Confucian thought was condemned as the product of a feudal class society. There has, however, been an ideological relaxation concerning this subject, largely as the product of the confidence that economic success has brought.

This was evident in a speech by Li Shenzi, Vice-President of the CASS, at a conference of East Asian scholars held in Tokyo in 1988, at which academics from China, Japan, Korea, Taiwan, Vietnam and Hong Kong aired their views on the significance of East Asian culture, particularly in regard to economic development.¹² Li said the belief that Western culture was superior to that of the East had faded with the dynamic success of a number of East Asian nations in the fields of economics and science. Moreover, the re-evaluation of East Asian culture was not only due to economic factors but because it might also contain important social lessons which were not available in Western culture:

China's current objective is modernisation. We not only must seek a point of convergence at which both Western and Eastern culture can be used to develop the economy, we must also set ourselves higher objectives. The West, which claims to have achieved modernisation first, can by no means shake off various material and spiritual crises. With respect to these, some Asian scholars have suggested that traditional East Asian culture may be able to provide solutions.¹³

The key to understanding China's reappraisal of the cultural ties between itself and other Asian countries is partially revealed by the reaction of the other participants. While there was consensus on the overall worth of East Asian culture, the question of what contribution traditional culture had made to East Asia's economic success remained contentious. The most pronounced support for Confucianism as the basis for social and economic organisation came from South Korea while contributors from Hong Kong and Taiwan opposed this. Their opposition derived mainly from doubts about the relevance of what was a spiritual doctrine derived from feudal society to the demands and practice of economics and science in modern societies.

This desire to separate the achievements of their societies from their roots in traditional Chinese society indicates the differing appraisal between China and certain other East Asian countries. When China talks of an East Asian culture it is referring to one that it largely holds itself responsible for creating. Thus the re-evaluation of the importance of Chinese culture in East Asia is not recognition that China is moving closer to other Asian societies but an attempt to reclaim China's place as the source of East Asian culture as whole, after the rejection of this role and the attempt to substitute the revolutionary ethos in its place in the Maoist years. To countries such as Korea and Japan, confident in their own identities, this may not represent

a threat. But to Hong Kong and Taiwan it represents a further element in the attempt by the Chinese core to reassert its authority over the diaspora. Whatever doubts may exist within China about the validity of traditional Chinese culture as a model for contemporary East Asian society, this will clearly not inhibit China from reclaiming its rightful place at the centre of that society.

Thus, while China will continue to express its distinctiveness from East Asia whether it be due to size or political and economic system, when an East Asian model is discussed China clearly believes that this must in part refer to its own achievements.

1. Zhao Haicheng, "A summary of Opinions from a discussion group on Externally Oriented Coastal Theory", *Economic Science*, Beijing, 20 December 1988, in JPRS-CAR-89-036.
2. *ibid*, p.34.
3. *ibid*. p.34.
4. "Reflections on the theory of socialist economic structural reform", *Economic Research*, Beijing, 20 October 1989, in JPRS-CAR-90-013, p.14.
5. *ibid*. p.15.
6. Feng Zhoukui, "Japan's experience and China's reform", *Shije Zhishi*, Beijing, August 1992, in JPRS-CAR-92-082.
7. *ibid*. p.36.
8. *ibid*. p.36.
9. Feng Bangyan "The role of Hong Kong in the course of China's modernisation", *Economic Science*, Beijing, 20 April 1989, in JPRS-CAR-89-080, p.17.
10. *ibid*. p.17.
11. *ibid*. p.18.
12. Zhang Xei, "Does Confucian thought promote modern economic development", *Liaowang Overseas*, Hong Kong, 13 February 1989 in JPRS-CAR-89-043.
13. *ibid*. p.1.

ii International causes and consequences of Asian economic regionalism.

Asian regionalism is seen as being driven by two inter-connected forces: changes in the world economy as a whole; and changes within Asia which are in part a response to global shifts. These will be viewed separately.

(i) external forces driving Asian regionalism;

Changes in the Asian economy are seen in part as being driven by, and a response to, changes in the world economy. Chinese scholars have devoted considerable attention to these changes since they suggest radical change in China's political, as well as economic, position. Wang Hexing's analysis is typical in this regard, in its characterisation of the major forces at work:

The formation of regional economic groupings is a new issue which has appeared in world economic development. The following factors are spurring the formation of regional economic groupings: The world's economic activities are being globalised; the scientific and technological revolution is causing production to become internationalised; protectionism is growing more and more virulent all the time; the international arms race is shifting toward rivalry focused on overall national power. The formation of regional economic groupings touches upon the economic policies of every country, and it affects the future of world politics and economics.¹

The fundamental cause of the changes in the world economy is seen as being changes in the forces of production:

The formation of regional economic groupings is in reality a great readjustment whereby the

international relations of production are being adapted to the forces of production. Regional economic groupings are being established in order to achieve economies of scale and division of labour within a given region, and to enable more rational allocation and utilisation of funds, technology, labour and natural resources cutting circulation expenses, lowering production costs, and raising the competitiveness of products.²

However, such developments have not altered the fundamental nature of capitalism. A key to understanding the Chinese interpretation of the changes in the world economy is that they are seen as containing complementary and contradictory elements, beneficial and detrimental aspects. These derive primarily from the unbalanced development and distribution of economic power in the international economy, as suggested by Chen Dezhaoh:

The unbalanced development between the various countries and various sectors made the inherent market contradictions of capitalism even more prominent. On the one hand, with the growth of productive forces and the ever-increasing internationalisation of production, the demand for cross border commodities and capital became greater with each passing day. On the other hand, international market competition became more and more intense, and since the seventies, trade protectionism again reared its head, manifested mainly by barriers erected by the developed capitalist countries, especially the United States, Western Europe, and Japan, against each other.³

The growth of regional economies is, therefore, an attempt to use the differences in economic development within fixed areas to restructure production and increase competitiveness in relation to other emerging blocs. It is this impetus towards cooperation and economic development at the same as increasing inter-regional rivalry that provides the complementary and contradictory elements. Thus Xu Shougan:

Western Europe, North America and the Asian-Pacific Region have already, or are about to become, trade and economic blocs. Each of the three regions is intensifying cooperation within itself in matters of trade, technology, and qualified personnel, particularly in free circulation, thereby enhancing their economic vitality and raising the efficiency of their cooperative mechanisms. This benefits the rapid economic development of these regions and contributes to the growth of the world's economy. However, this trend also entails the danger of protectionism, a move that would run counter to the further opening up of the international trade system and to imparting a multilateral character to it.⁴

It is particularly with regard to trade that the contradictions between the emerging blocs are apparent. Thus two of the four major characteristics in international trade identified by Du Qiang are clearly antagonistic: the increase in trade protectionism as the developed countries in particular have sought to gain market access at the same time as defending their domestic markets, frequently through state intervention; and the growth of monopolistic competition as cartels and multi-national corporations have come to dominate world trade, with internal trade within MNC's now accounting for a third of all trade. The other two are effectively consequences of the internationalisation of production: the growth of the service sector, which will soon reach a ratio of 1:2 with standard commodity trade; and the continuing shift away from primary products towards value-added industrial goods under the impact of changes in science and technology upon the industrial structure. Both of these sectors are dominated by the developed countries.⁵

The beneficial and detrimental elements have their effect in the way these changes in the international trade and production structure will effect the relationship between the developed and developing countries. Thus while unequal development within regions is a key factor behind the emergence of regional economies, it is not at all clear that the benefits derived from regional growth will be equally distributed. According to Shi Min:

The investment of transnational companies and transnational management have accelerated internationalisation and the improvement of labour productivity. This is conducive to the development of world economy and trade. It is also conducive to the up-grading of the industrial structure and the improvement of economic technological levels in some developing countries. However, in the new international division of labour formed through the transfer of industrial structures, developing countries will still fall in an unfavourable position. Unequal exchanges will concentrate a large amount of profits in developed countries and the overwhelming majority of the 'base camps' of the 'borderless economy' practised by transnational financial groups are still located in developed capitalist countries.⁶

Shi Min believes that the economic and technological gaps between North and South will expand further, increasing the internal divisions inside developing countries, for a number of reasons: the monopoly of S&T research in the developed countries; the debt burden of developing countries; rising protectionism will further weaken the export capability of developing countries; developing countries may encounter new obstacles or make errors in their development strategy. While the gaps between developed and developing countries will expand this too

will be an uneven process. Thus the APR has demonstrated greater developmental capability than southern Asia, and certainly more than Africa, while Latin America will remain constrained by its debt burden.

This does not mean, however, that the APR will become an economic bloc within the near future. This is because the continuing sub-regional differences in economic development make integration unlikely. Wang points out that economic integration involves both a quantitative and a qualitative change in a country's economic structure and this differentiates it from economic cooperation which is more limited in both respects. Regional economic groupings are accordingly formed through four progressive stages:

- i) free trade regions, in which particular nations lower tariff regulations between themselves while maintaining them against others;
- ii) tariff alliances, in which member nations adopt common regulations against non-members;
- iii) common markets, in which not only goods, but also capital and labour, are freely exchangeable;
- iv) an economic community is developed with unified policies, including on fiscal and banking matters, adopted by means of a supranational organisation, reflecting the high degree of economic integration.

The differences in sub-regional development which restrict the scope for integration within the APR will be discussed in the next section but it must be pointed out

that the shift to a multi-polar economy also has immediate political implications. According to Chen Dezhaoh, this has resulted, firstly, in a new definition of national power:

In order to adapt to changing international conditions, all countries, whether developed capitalist or socialist countries are carrying out economic reforms and strategic readjustment. They are abandoning military standoffs in favour of a rivalry focused on overall national power, at the core of which is high technology. The contest for overall national power not only will influence the development of the forces of production, it will bring about deep changes in every nations economy, science and technology, management, education, and labour systems and structures. ⁷

This raises the prospect that an attempt will be made to integrate not only economic systems but social systems as well. In the Chinese view this will be particularly harmful if the developed capitalist powers use the unequal economic influence they currently enjoy to seek to impose their value systems on developing countries. Xu Shougan says:

Recently, the western countries have again raised the political demand for 'structural democratisation', which in fact amounts to the proposition of forcing their own economic patterns and value concepts on Third World countries, thus interfering in the internal political affairs of other countries. The developing countries have criticised these moves and have tried at the same time to explore developmental roads that would be suited to their specific national conditions. ⁸

Therefore the Chinese view of the way the changes in the international economy will influence Asia's economic future contains several different elements. On the one hand there is confidence in Asia's ability to compete internationally but concern that the world may be heading

towards competing economic blocs. The main obstacle to that coming about- the differences in economic level within regions, including the APR- is also a source of contention since the continuing inequality in the international economic order will mean that the developing countries may benefit least from the economic growth generated by regionalisation. Lastly, there is the concern that in an era in which economic strength has become a key factor in national power that what is being constructed is not only an international economic system based upon the developed powers, but also a social system.

(ii) internal forces driving Asian economic regionalism; The growth of the Asian-Pacific economy is the source of considerable discussion and comment within China. There are, perhaps, two primary aspects to this discussion: the first concerns the nature of the forces which are driving economic integration; the second, and more contentious, aspect is what this implies for the future pattern of regional integration and cooperation. Given China's assessment that economic power will be a key element in determining national power in the coming century, the distribution of economic influence within the APR is of foremost concern.

As to the forces driving economic development and integration these are seen as arising from a qualitative shift in the economic relationships within Asia and thus

between Asian economies and others in the world. Cheng Yun describes the old system of relationships under which Japan rose to prominence:

Technology flowed from the United States to Japan, and from Japan to Asia's 'four tigers' and the ASEAN nations, while merchandise flowed to the United States from Japan, the 'four tigers', and the ASEAN nations. Under these conditions, Japan was in an especially advantageous position. For the United States, Japan was the supplier of the final goods; for Asia's 'four dragons' and the ASEAN states Japan was the supplier of intermediate products. Therefore, Japan maintained trade surpluses vis-a-vis all of these trading partners.⁹

In the ten years after 1975 this system allowed the volume of trade between Japan and the NIC's and ASEAN to increase five-fold, resulting in a qualitative change in the economic structure by the mid-80's from a vertical to a horizontal division of labour. In the 80's, with the appreciation of the Japanese Yen, a new economic cycle began in which Japan relied on its great financial strength and technological and managerial superiority to move directly into the NIC's and ASEAN. These countries greatly increased their exports to Japan with the NIC's becoming the region's supplier of intermediate and capital goods and ASEAN providing low-cost, labour-intensive products.

Yang Jiemian argues that the shift away from a trade and investment relationship with the industrialised world towards developing intra-regional relations has been the most significant trend in 80's.¹⁰ In this stage countries such as South Korea and Taiwan have followed Japan into becoming exporters of capital and goods, and thus in

driving one of the most pronounced factors behind regional integration and cooperation, the creation of a regional division of labour:

Intraregional division of labour is both necessary and feasible. Labour-intensive, technology-intensive, capital-intensive, and high-tech industrial structure and commodity exchange shift from one level to another. Competition within a single level has become one of the main factors behind the continued dynamism of the East Asian economy. Problems encountered as a result of economic development and interaction have generally transcended the scope of bilateral relations, so only multilateral consultation and cooperation can be effective.¹¹

While most attention has been given to Japan's role in the creation of the regional economy, as will be discussed below, the NIC's have also attracted attention because of their success in revolutionising their economic structures and international standing. China hopes to emulate this success although this will mean increasing competition as well as cooperation with the NIC's. Huang Xianrong identifies the crucial stages in the development of NIC's as being the shift from concentration on labour intensive export-processing industries in the 1960's, to capital and technology intensive industry, particularly sectors such as chemicals in the 1970's, culminating in an upsurge in high technology development in the 1980's.¹² Huang identifies the primary force driving the strategy of technological development as being the dangers posed by changes in the international economy:

With the steady application of results of the new technology in developed countries, their production equipment and production capabilities became

stronger for a vast increase in their productivity. At the same time, the advantage of abundant labour that developing countries enjoyed steadily weakened, and their production methods seemed even more backward. This further widened the inherent gap between the developed countries and developing countries. Thus, it was out of a profound sense of imminent danger that the four NIE's repeatedly emphasized the urgency to develop science and technology. They gave important strategic position to the development of new technology industries in an effort to use the new technological revolution as a turning point for drawing close to the advanced countries of the world. ¹³

Huang sees the key elements in the programme of technological changeover as: the creation of national plans (with the exception of Hong Kong) allowing coordination of business, science and government to achieve common goals; the foundation of organisations to develop S&T; the identification of key sectors for S&T development, microelectronics in particular; state support for research development and the crucial area of the development of human resources; and the use of foreign technology and investment.

Thus China's interpretation of the forces driving regional development and integration has stressed the emergence of an intra-regional economy based on shared production, markets and technology. However, while China is aware of the opportunities this provides for generating its own domestic development, it should not be thought that the changes in the Asian-Pacific economy are seen as being wholly beneficial. One of the most consistent themes in Chinese studies of the regional economy is how far these represent challenges as well as opportunities, with there being a noticeable division

between those who might be called pessimists, who see the changes primarily in terms of potential threats, and optimists, who are confident of China's ability to turn the changes to its advantage.

The very success of the NIC's is a prominent example of a development which is open to more than one interpretation. On the one hand it has provided an important example of the potential for rapid development within Asia, but it has also highlighted one characteristic of the Asian-Pacific economy which is of particular concern to China: the extreme disparity in levels of economic development within the region. China has repeatedly expressed the concern that regional economic development and integration is not being pursued to the equal benefit of all countries. Thus Gu Yuanyang:

We would be hard put to say that North-South relations in the region have been totally harmonious in the wake of economic growth and that a picture of 'co-prosperity' has been created. On the contrary, disparities between North and South are rife in the areas of production, marketing, and technology. Most of the economic and technological gaps between developing countries and developed countries are not narrowing but widening.¹⁴

Thus the promotion of regional cooperation as a developmental force has been a key Chinese demand. When addressing the 46th Annual Session of the UN ESCAP in June 1990, Chinese Foreign Minister, Liu Huaqiu said that the aim of Asia-Pacific economic cooperation should be to narrow the gap caused by regional imbalance and promote common prosperity and development of all countries in the region.¹⁵ The present scope of

cooperation in the region was incommensurate with its vast territories and large number of developing countries. The depth of cooperation was disproportionate with its existing economic strength and tremendous potential and the channels for cooperation fell short of the requirement of promoting the common development of the countries in the region.

Moreover, China's doubts about the current direction of regional development and cooperation are not confined solely to economics. According to some Chinese analyses, future regional cooperation would not be predominately determined by economic activity, as suggested by Zhao Wendou, Tokyo correspondent for Shanghai's *Shijie Jingji Daobao*:

Establishing some kind of economic group is by no means an expression of economic cooperation alone, it is first and foremost a political matter. The essential difference between the APR and the EEC is that in this region there are very great differences in terms of politics, social systems, nationalities, history, culture, customs and stage of economic development. Whatever group is to be established, the first issues to be encountered will be sensitive political ones.¹⁶

Thus China's support for an open, multi-lateral regional body is not only based upon the need to encompass all economic levels but the great political diversity of the region also. Clearly from China's point of view the greatest difference is between socialist and capitalist systems. A key question thus becomes how integrated a pan-Pacific regional organisation could become if based upon differing social systems. Yang Jiemian is one of the sceptics:

In fact, even though there are quite close economic relations between countries with different social systems, as with the socialist and capitalist nations of the East Asian region whose economic and trade relations have far surpassed interaction among the socialist nations, all relatively successful regional cooperative organisations so far have without exception been composed of nations of the same political category, such as the EEC, CEMA, ASEAN, etc. The fact that the influence of politics and ideology has been lessened and diluted does not mean it has been eliminated. ¹⁷

Thus both the political and economic diversity of the APR is, in the Chinese view, militating against rapid progress towards regional integration. Rather, the need to balance the levels of economic development within the region and to move towards limited multi-lateralism on political issues is encouraging sub-regional integration far more than pan-regional. Wu Lianyou of the Institute of Northeast Asian Studies:

While the effort to form a regional bloc in the Asian-Pacific region is now proceeding slowly, various sub-regional economic cooperations are booming in the region. Bilateral and multilateral regional cooperation among the countries (areas) are in an even more robust state. Consequently, while paying attention to European and American countries, we should seize all favourable opportunities in the Asian-Pacific region, and actively participate in the economic cooperation in the Asian-Pacific region, especially such sub-regional economic cooperations as those of the Northeast Asian region, the Yellow Sea rim region, and the Southeast Asian region. ¹⁸

What should be made clear at this point is that China's hesitancy about pan-regionalism is based on solid self-interest as well as its interpretation of current trends which favour sub-regionalism. This self-interest recognises that at its current level of development if China becomes involved in a broad regional organisation

it will only be one power amongst many- there will be an equalising tendency within such an organisation. At the sub-regional level China's influence will be much more effective in pursuing national ends and there will be much less likelihood of its interests being out-weighed by those of others.

This said, there is also an inherent danger in sub-regionalism. While China cannot be excluded from a pan-regional organisation, there will always be a danger that it might be from a sub-regional organisation. Indeed a sub-regional organisation might partly arise from other states desire to create a body which might balance their interests with those of China. There are four major candidates for such an organisation- an East Asian economic sphere, a Southeast Asian economic sphere, a Northeast Asian economic sphere, and a Chinese economic sphere. Discussion should begin with the East Asian economic sphere, precisely because it is seen by some Chinese analysts as embodying the type of sub-regional organisation from which China might find itself excluded.

Japan has the longest history of examining and promoting the establishment of an economic cooperative body in East Asia, mirroring its rise as the major regional economic power. What has increasingly concerned Chinese analysts is the purpose to which Japan would put such an organisation and the fact that it may no longer be merely a blueprint but actually in the process of creation given the economic forces at work in East Asia.

Thus Japan's concept of regional cooperation has changed since it was first advanced in the 60's as its economic relationship with other East Asian states has evolved:

Japan seems to be concentrating on an East Asian Economic Circle which would have Japan as leader and include Asia's 'four little tigers' as well as the ASEAN nations. Having gone from being pan-Pacific to being East Asian, the organisation has shrunk in terms of territory, but in terms of feasibility it has gained much. However, the East Asian Economic Circle would not include China.¹⁹

Chinese analysts are in little doubt that in promoting such an organisation Japan is primarily motivated by self-interest: seeking to enlarge its markets, assure its sources of supply and add to its overall national strength by peaceful means. While Japan has said that it has no intention of creating an exclusive economic circle, it is feared that the combination of external pressure from closed regionalisation in the world economy and the increasing ties within East Asia may be inexorably driving Japan in this direction.

Thus Wei Lin of the CASS argues that Asian countries, particularly the newly-industrialised, export-oriented countries, will be the first to be effected by the creation of economic blocs in Europe and North America. As part of a response to increased regionalism, the Japanese economic planning agency in 1988 considered,

establishing an open market in the region of East Asia and at the same time to cope with such regionalism as the growing integration within the EEC and the signing of the US-Canada free trade agreement.²⁰

The economic zone envisaged at that time would have had Japan at its centre in conjunction with the four NIC's

and the ASEAN. In order to expand its economic ties with these countries Japan would adopt a 'three-in-one' strategy: lower tariffs, expand investments, and increase trade settlements in Yen. Any reluctance on the part of the Japan's Asian partners would be eroded by economic pressures:

... since the middle of the 1980's, Japan shifted the key target of its Asian investments to Southeast Asia, planning to establish an international production cooperative system by means of direct investments. The newly industrialised countries and territories, for which trade is the economic lifeline, will find themselves under pressure when the United States and Europe abolish favourable customs tariffs and force the value of their currencies up to restrict imports, and they will therefore have no other way than to shift toward the Japanese market, striving to gain 'relative economic profits' from economic cooperation with Japan...

This is a division of labour in production and a cooperative scheme of benefit to Japan, even though outwardly not yet an organisation formally integrated and established by the government itself.²¹

Chinese assessments as to whether Japan would consider allowing it membership of an East Asian economic circle are based both on interpretation of their bi-lateral relationship and the position of third parties. By far the most complex aspect of this arises from the need to balance economic and political factors. As an example of this, and the division between pessimists and optimists, it is possible to cite a discussion conducted in Shanghai's *Shijie Jingji Daobao* at the beginning of 1989, which reflected an upsurge in interest in an East Asian circle within Japan itself. Peng Puzhang, a member of the pessimist wing, while noting the waning economic relationship between China and Japan, stresses primarily

political factors: China would pose an obstacle to Japan's desire to play the leading role in such a group; China's social institutions, economic system, and ideology were not compatible with those of other member nations.²² Writing in 1989, he also felt the improving Sino-Soviet relationship posed an obstacle:

Although the Japanese welcome improvement in the Sino-Soviet relationship, they are also afraid that normalisation and the restoration of party relationships between China and the Soviet Union may pose a threat to Japan. The Japanese governments purpose for providing China with loans in Japanese Yen is to keep China from turning to the Soviets. The Japanese do not rest easy at the prospect of Sino-Soviet relations.

While the triangular relationship between the three powers has obviously changed with the demise of the Soviet Union, there is no reason to believe that Japan now favours a close relationship between Russia and China. Peng thus summarises China's prospects if an East Asian economic circle is formed without it:

The circumstances under which we may import foreign capital will grow more grim, prospects for importing technology will be bleak, expanding exports to Japan will be all the more difficult, and the disparity between China and the East Asia economic circle's member nations will grow. All these facts require us to use every countermeasure at our command to meet this challenge.²³

In a response to Peng's article Chen Hongbin questions whether the creation of an East Asian economic circle need necessarily be a bad thing and whether China can be excluded.²⁴ This conclusion is again based on both economic and political arguments. Economically it is possible to argue that while there are exclusivist tendencies to the regionalisation process, the

fundamental trend is one of economic coordination which demands the opening up of domestic economies to economic partners. This has been true even of Japan which opened its economy more to the four little dragons in the second half of the 80's. This form of cooperation has a highly competitive element but there is no reason why China cannot also compete for markets and investment within the East Asian circle. Regional integration may represent China's best chance of making the economic transition undergone by the NIC's:

A characteristic of the East Asian economy is its competitive mechanism of mutual overtaking on many levels. Those concerned are both interdependent in one respect but also independent in another respect. As Japan expands exports of funds and technology to develop markets, Asia's four little dragons have also begun to invest abroad, relocate plants and import labour-intensive products. This creates advantageous conditions for China's implementation of overall opening to the outside world through multichannel introduction of foreign investment.²⁵

As to whether an East Asian circle could be created without China, Chen comes to different conclusions as to the attitude of Japan and the other Asian states. He argues that Japan's attitude to China is extremely complex in both bilateral and multilateral terms.

Although it wants to let China become a little stronger, Japan does not want to let China become too strong as to pose a threat thereby impeding it from using its great economic nation status to become a great political nation. Japan's basic policies towards China are 'steady containment' and 'constraint'...

It may be that Japan's fundamental advantage lies in using an East Asian economic circle and other regional cooperation patterns to make bilateral relations even more intimate. This is evidenced in Japanese scholars' present concentration of a huge amount of effort on studying China's coastal development strategy and rural enterprises.

They feel that these are the contact points by which the Chinese economy can enter the East Asian economic circle.²⁶

Thus while Japan may use its regional cooperation structure as part of its strategy of containment, it is also clear that this structure is still only partially formed and the advanced sectors of China's economy may yet be a crucial part of this, giving China leverage over other countries, including Japan. Moreover, this position is shared by other East Asian states who would not accept China's exclusion since this would give Japan predominance:

Whether it is Asia's 'four little dragons' or the Eastern bloc, while hoping to receive additional Japanese investment, technology and markets, each one is very much on guard against a Japanese plot to bring them on its track. South Korea actively sought relations with China in this manner. One reason was its desire to share China's status and influence in contending with Japan.²⁷

This argument is supported with regard to ASEAN by Yang Jiemian, who points out that while they desire the benefits in terms of technology, capital and markets that would come with regional cooperation, they also fear the predominance that Japan would gain over their own economies. Moreover, ASEAN itself would see its status diminish if it was subsumed within a larger organisation. For the NIC's, Singapore will follow the ASEAN line and Hong Kong will return to China in 1997. This leaves Taiwan and South Korea which are in unique political and geographical situations, while economically they both depend and compete with Japan. South Korea will depend on China to resist proposals for regional organisation that

would give Japan predominant power, while Taiwan will tend to favour an economic circle of Chinese or Confucian states. Yang does not believe that resistance to a Japan-centred economic circle is influenced more by history rather than by concerns about the future.²⁸

It is clear, therefore, that the inhibitions to formal regional integration arising from the political and economic diversity of the APR extend even to the sub-regional level. Thus, the sensitivity of the Southeast Asian countries to subsuming their economic and political sovereignty within larger organisations meant that there was little enthusiasm for even the limited regional coordination proposed by one of their own number, Malaysian PM Mahathir. In December 1990 he suggested the creation of an East Asian Economic Group, comprising ASEAN, the NIE's, Japan, China, Myanmar, and Indochina.²⁹ In order to encompass the increasingly important Australian economy, Oceania was subsequently added. This organisation would not detract from the operation of other regional organisations, most obviously APEC, but would operate as a multilateral consultative body:

.. the bloc intends to keep the East Asian region's status as a region with expanding trade and investment, and will play an important role in world trade, including contributing to expanding trading in the enlarged European market and the market of the Americas; that is, no weakening of ASEAN economic and trade relations with external markets, much less advocating protectionism on the part of the EAEG. ³⁰

However the hostility of the US and the lack of enthusiasm of the proposed members meant that this scheme

has not yet seen any concrete form. For some countries, ASEAN's integration must be the foundation stone for any Southeast Asian economic sphere. Thus Thai PM Anand Panyarachun proposed the concept of an ASEAN Free Trade Area (AFTA) in June 1991. A meeting of the economics ministers of ASEAN in October 1991 called for the creation of such an area within 15 years while calling for the creation of an East Asian Economic Conference to help coordinate regional economic activity. Subregional ASEAN cooperation is emerging, but more due to economic integration, such as that combining the financial and technical resources of Singapore with the land and natural resources of Indonesia and Malaysia, than governmental intent.

Comparable problems of political and economic sensitivity surround a further sub-region with which China is increasingly concerned: Northeast Asia. During the Cold War Northeast Asia was the region of the greatest political division and lowest economic integration in Pacific Asia. This meant there was little common outlook on proposals for regional economic cooperation. In the past, for example, Japanese proposals for a Sea of Japan cooperation zone omitted the Soviet Union, while more recent blueprints sought to avoid the problem of the division of the Korean peninsula by excluding it altogether. The countries of Northeast Asia now face the challenge of re-shaping the pattern of their internal and external development to take advantage of

the lowering of barriers, while seeking to settle the political conflicts left over from the past, most obviously the Russo-Japanese territorial dispute and the confrontation on the Korean peninsula.

Domestic development has become so important because Cold War divisions served to create shadow economies in those areas of the countries of Northeast Asia located or orientated to the Northeast. Problems of internal development have been discussed with regard to the Soviet Union and China but this is true even of Japan and South Korea- the Japanese coast facing onto the Sea of Japan is known as the 'Ura Nihon', the back of Japan, as opposed to the heavily developed face of Japan which looks south and east onto the Pacific; the western coast of South Korea facing onto the Yellow Sea is similarly underdeveloped. For those countries whose main foreign economic ties were with the Soviet Union- Mongolia and North Korea- the loss of political ties and the shift to hard currency trade has meant significant re-orientation of the entire economy.

The standard formulation for Northeastern regional cooperation is outlined by Wu Lianyou:

Chinese scholars put forward the idea of establishing a 'Northeast Asian economic sphere' mainly designed to take advantage of the significant complementarity among the parties in the region in terms of economic structures by forming a system of regional economic cooperation based on combining the enormous financial and technological capabilities of Japan and South Korea, the rich natural resources of the Far East region of the former Soviet Union and the abundant labour resources of China, North Korea and Mongolia. 31

There has also been much discussion of genuinely transnational projects such as the Tyumen River project. With an area of 10,000 square kilometres, this SEZ, which will take 20 years to develop and will cost US\$30bn, could play an important part in opening up NE Asia and speeding its economic integration and development.

In assessing the prospects for such cooperation Lu Zhongwei outlines three favourable factors and three obstacles.³² The first favourable factor is the changed diplomatic and economic strategies of countries of the region:

After the break up of the Soviet Union, the international situation underwent a tremendous change and Northeast Asia was more directly affected. Japan, Russia, China, North Korea, and South Korea made new strides in diplomatic and economic policies to strengthen the combined national forces and improve their own status. From the overall perspective, they all hope to realise the following goals: first, to change the 'cold war sea' to a 'peaceful sea'; second, change the 'economic rust belt' to a 'magnetic field of development'; and third, seek out seaports and shorten the geographical distance of major Pacific trade lines.³³

As to individual states, Lu believes that forging the disparate economies of the region into a single entity is now an important link in Japan's major power diplomacy, exemplified by PM Miyazawa's 1992 speech to the South Korean parliament calling for a prosperous and open Northeast Asia, including Russia and China. Russia has sought political and economic contacts with Asian-Pacific nations; Japan remains its principle target as a source of loans and technology, with China and the NIE's its second target, and NE Asia the primary area of its

strategy. Even with the success of China's reform programme the size of the country means that the pace and direction of its development must further expand:

The vast size and population, the numerous nationalities, and the long borders that characterise China demand that in its economic development China give consideration to coastal, border, river basin, inland, overseas Chinese, and defence economic characteristics. So Chinese economic reform in 1990's and opening up will realise an 'omnidirectional opening' situation. Recently a line of thinking has been formed to open up along the border. A 'south Shenzhen, north Heilongjiang' policy and a policy for transforming operating mechanisms for state run industries with the northeast as their centre of observation have injected life into the economic and trade relations of Heilongjiang, Jilin and Liaoning..³⁴

North Korea has been actively seeking economic cooperation with the outside world since the promulgation of a Joint Venture law in 1984 and while they have met with little success, this has created favourable conditions for further regional cooperation. South Korea's 'northern diplomacy' has had some success its economic relations with China and Russia are expanding.

The second favourable factor is the development of secondary regional cooperation, expressed as 'one big and three small', namely the overall region and its three subsets: the Sea of Japan, the Yellow Sea, and the Bohai group. Several of the regional powers are taking steps to increase economic links across under-developed contact points: China's opening of the northern border cities; North Korea's designation of an free economic and trade zone at Najin and Shipo; Russia's establishment of FEZ's

at Nakhodka, Sakhalin and Altai; South Korea's plan for development of its western coast from Incheon to Pohang.

This has encouraged the third favourable factor: an upsurge in interest from enterprises and localities for sub-regional development. The Japanese have perhaps been most active in this respect with delegations from Niigata, Toyama, Akita, Hakodate and Hokkaido exploring the possibility of economic association with the Russian Far East. Companies such as Mitsubishi, Kamatsu and Toyota have also done feasibility studies. Japanese enterprises have decided to participate in the second phase of the Dalian industrial region project and to expand business on the Liaodong peninsula. South Korean companies have invested in Shandong, Shanghai and Jilin in China and are involved in such areas as ship repair, timber, mining and hotels in Russia.

Despite this progress there remain a number of significant obstacles which must be overcome, notably the low-level of development of the contiguous areas in the various countries which lie outwith their national production and infrastructure zones. In China this means the 'Northeast phenomenon': the concentration of state-run heavy industry, with serious losses and low productivity. Both the market development and the level of its externally orientation of the Dongbei are lower than the coastal region. More worrying still may be the absence of an overall dynamic balance: in the development of a regional economy there must be a lateral

division of labour and an expansion of balanced trade. Thus the Asian-Pacific economy has grown by the developing economies importing technology from Japan to develop their own productive capacity and using the resulting trade surpluses, particularly with the US, to finance the deficit with Japan. It is clear that Northeast Asia does not yet have such a cyclical mechanism.

This means that bi-lateral economic and political relations become of paramount importance yet here there remain significant problems. Relations between Japan and Russia, between the two Korea's, between North Korea and Japan and between South Korea and China are still complicated by political problems. In strict economic terms, Lu is less sanguine than some commentators that the interests of the countries dovetail neatly: for Japan and South Korea finance, technology and markets are the primary concern; for China it is surplus labour power and using its processing capabilities; for North Korea and Russia it is improving their investment environment and gaining credits. Lu cites the view of Japanese analysts who believe that Russia's US\$70bn external debt makes not only commercial loans but also the use of state funds risky while the development of Russian Far East resources such as gas and timber all require long-term expenditure before results can be realised.

It seems likely, therefore, that there must be consistent improvement of bi-lateral relations, both

economic and political, in order to create a foundation for sub-regional cooperation. This will be discussed further in the following section on bi-lateral relations but first consideration must be given of the sub-regional economy in which China may feel most confident of participating: a Chinese economic sphere.

Discussion of an economic community drawing together the disparate elements of the Chinese state has been impeded in the past by Hong Kong's uncertain status and hostility between Beijing and Taipei. The increasing discussion as to the feasibility of creating a Chinese economic community is primarily the result of changed economic factors, but it is as yet unclear how far these have modified political circumstances. Of the changed economic factors, the rapid expansion of the economy of the Chinese mainland and its attractiveness to the other members of the community is the most significant. Yang Jiemian believes that there is considerable mutual complementarity between mainland China, Hong Kong and Taiwan. The latter have restricted markets, natural resources and labour supply and are facing the threat of international protectionism. They are already using ties with the mainland to overcome these problems and the basis of future cooperation is evident:

The mainland has many rich mineral and energy resources, as well as being an enormous market itself. It must renovate and upgrade its technology and equipment. It also lacks some resources. It is precisely in these respects that Taiwan and Hong Kong excel. Furthermore the mainland lacks experience in developing an externally oriented

economy, and its administration and management are relatively backward.³⁵

If the difficulties in establishing cooperative activities with western countries, due to differences of culture and practice, are taken into account then the advantages of cooperation between the three Chinas becomes even more apparent.

More difficult to assess are the prospects for lowering the political barriers between the three Chinas. The growth of economic contacts and the imminent return of Hong Kong and Macao to China has encouraged the belief on the mainland that re-unification with Taiwan is inevitable. However, much of the support in Taiwan for a Chinese economic sphere is based upon expanding integration outside the mainland in order to create an effective counter-weight to Beijing. This is best exemplified by Taiwan's desire to draw the Chinese communities of Southeast Asia into the process, as described by Yang:

While propagating 'Taiwan style' development on the one hand, it's [Taiwan's] short-term goal with regard to the mainland is promoting the 'Taiwan experience'. Taiwan's authorities capitalise on relatively quick economic development, intending to resist the political threat of the mainland with as many economies of Chinese people (naturally encompassing market economies) as possible. At the same time, by doing so, it can remedy a deficiency in its lack of formal diplomatic ties to other Southeast Asian nations.³⁶

There is little doubt, however, that the strongest resistance to such integration might be from the Southeast Asian Chinese communities themselves. Exemplified by Singapore, they are seeking to develop

distinctive cultures of their own rather than be subsumed within a larger external one. Moreover, these communities while economically important in their respective states often lack political power or are even the subject of political restriction. Taiwan's political isolation and the economic logic of the Chinese sphere may yet lead to success for Beijing's strategy.

As to China's motives in supporting closer cooperation between the three Chinas, these are political as well as economic, and not merely in the sense of pursuing national re-unification. By constructing a sub-regional economic sphere centred upon itself, it will have the foundation capable of competing with any other regional unit, if Asia moves away from open regionalisation towards exclusivist blocs, most obviously with the creation of Japan-centred East Asian circle:

Trilateral Chinese cooperation will also encourage Asian-Pacific cooperation to move in a healthy direction.. Considered in global terms, more and more regions are considering cooperation on secondary regional bases, such as the 'Northeast Asian Economic bloc', the 'Yellow River economic bloc', ASEAN, etc. If cooperation among the three Chinas comes to pass, then the Asian-Pacific region will have a relatively complete regional economic arrangement. Furthermore, people's fears about Japan will diminish because there will be a counterweight. Thus Asian-Pacific peace and security will be further ensured. ³⁷

In conclusion it can said that China's attitude to Asian-Pacific cooperation is conditioned in the first instance by an increasingly confident analysis of its position within the region. Gu Yuanyang, of the Institute

of World Economy and Politics, believes that four factors lie behind China's rise to prominence:

First, China's portion of the world's GNP will probably gradually increase so that the eighth place it occupied in 1980 will by the year 2000 probably rise to sixth or fifth. Second, the strength and prosperity of China's economy is bound to accelerate the shift to the East of the world's economic focus and give impetus to achieving substantive progress in Asian-Pacific economic cooperation. Third, synchronised, coordinated expansion of industry and trade will gradually enable China to transform what people regard as a 'latent market' to a market of real significance, thus providing even more export opportunities to countries in the region. Finally, the expansion of China's industrialisation and superiority of its export products mix will undoubtedly further strengthen the complementary economic trade ties between countries of the region, promote the establishment of a more rational system of international production and division of labour..³⁸

However, while it is confident of playing a major role, China does not have a clear perception of what this will be, not least because of the fluidity of the political and economic situation in the region. Thus the fact that China does not have a blueprint for regional cooperation at present is largely an extension of this uncertainty regarding the future shape of its own power. Until this is better defined China will resist attempts to create fixed or closed regional blocs, particularly if these pose political as well as economic threats. In the immediate future, the greatest potential for exercising its influence and meeting its own interests, particularly attempting to rectify the imbalance in national development, may lie at the sub-regional, rather than regional, level. Even here, however, the continuing interplay of political and economic factors creates an

extremely complex picture. It remains to be considered how China's economic relations at the most fundamental level, bi-laterally, may effect this.

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3. Chen Dezhaoh, "Comments on economic bloc formations trend", *Shije Zhishi*, Beijing, November 1989, in JPRS-CAR-90-018, p8.
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5. Du Qiang, "A Discussion of the Changing International Trade Scene and Development Strategies for China's SEZ's", *International Trade Journal*, Beijing, 30 June 1990, in JPRS-CAR-90-073.
6. Shi Min, "Prospects for the economic pattern of the World in the 1990's", *Liaowang Overseas*, Hong Kong, in JPRS-CAR-90-075, p.2.
7. Chen, *op.cit.* p.3.
8. Xu, *op.cit.* p.4.
9. Cheng Yun, "China's participation in the re-adjustment of the East Asian economic sphere", *World Outlook*, Shanghai, April 1989, in JPRS-CAR-89-082, p.10.
10. Yang Jiemin, "Issues pertaining to the formation of an East Asian economic circle", *World Outlook*, Shanghai, March 1989, JPRS-CAR-89-053.
11. *ibid.* p.11.
12. Huang Xianrong, "Shared experiences of the Four Asian NIE's in the development of new technology industries", *Fudan University Journal*, 15 November 1991, in JPRS-92-012.
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14. Gu Yuanyang, "China's role in Asian-Pacific economic cooperation", *Shije Jingji*, Beijing, 10 July 1989, in JPRS-89-107, p. 25.
15. "Foreign Minister Speaks", *Xinhua*, Beijing, 4 June 1990, in FBIS-CHI-90-107.
16. Zhao Wendou, "China should explore more positive cooperation", *Shije Jingji Daobao*, Shanghai 30 January 1989, in JPRS-89-027, p.4.
17. Yang *op.cit.* p.8.
18. Wu Lianyou, "The development of economic cooperation in the APR and China's strategy of opening to the outside world", *International Trade Journal*, Beijing, 13 April 1993, in JPRS-CAR-93-059, p.4.
19. Wang, *op.cit.* p.11.
20. Wei Lin, "A historical turn in the world's economic and political situation", *Contemporary International Relations*, 31 August 1991, in JPRS-CAR-91-073. p.3.
21. *ibid.* p.3.
22. Peng Puzhang, "The formation of an East Asian economic circle and consequent problems", *Shije Jingji Daobao*, Shanghai, 30 January 1989, in JPRS-CAR-89-041, p.1.
23. *ibid.* p.1.

24. Chen Hongbin, "We should make the best of the situation", *Shije Jingji Daobao*, Shanghai, 20 February 1989, in JPRS-89-038.
25. *ibid.* p.1.
26. *ibid.* p.1.
27. *ibid.* p.1.
28. Yang, *op.cit.* p.11.
29. For a discussion of Southeast Asian regionalism see Wu Lianyou, *op.cit.*
30. *ibid.* p.1.
31. *ibid.* p.2.
32. Lu Zhongwei, "Northeast Asia's economic cooperation and its prospects", *Contemporary International Relations*, 31 August 1992, in JPRS-93-002.
33. *ibid.* p10.
34. *ibid.* p11.
35. Yang Jiemian, "A suggestion for China-Asian-Pacific economic cooperation", *World Outlook*, Shanghai, 8 April 1989, in JPRS-CAR-89-070. p.3.
36. *ibid.* p.4.
37. *ibid.* p.4.
38. Gu Yuanyang, "China's changing role in Asian-Pacific economic cooperation", *Shije Jingji*, 10 July 1989, in JPRS-CAR-89-107 p.24.

iii China's bilateral economic relations in Asia.

Unlike Russia, where the lack of regional integration is a reflection of the low level of bilateral economic relations in Asia, much has already been said about China's bilateral economic relations in Asia, through discussion of its trade structure, domestic development policy, and perspectives on regional and sub-regional integration in Asia. Therefore, rather than risk repeating arguments presented previously, this short section will concentrate on identifying the factors which have formed China's bilateral ties.

The first factor is overwhelmingly geography. It is perhaps China's paramount advantage that its size and position at the heart of Pacific Asia mean that it can conduct multi-directional bilateral relations within the region and use these as a foundation on which to build more complex structures of economic ties at the sub-regional and regional level. On this basis, however, it becomes somewhat arbitrary to try and separate strictly bilateral relations from either the domestic or regional context. Rather these should be thought of as interlinking levels of economic activity.

Thus Jin Huongfan, the director of the Institute of Asian-Pacific Studies of the Fujian Academy of Social Science, puts forward a model which places China's bilateral regional ties as an intermediary level between the domestic and international economies.¹ This is based

on three concentric circles based on the Bohai sea, the Yellow Sea and the Taiwan Straits which were then expanded to incorporate, respectively, Northeast Asia, including the Koreas and Russia, East Asia, including Japan, and Southeast Asia, particularly ASEAN. Beyond these lie the markets of the global economy.

This model is supported by the fact that the Chinese economy does appear at present to be developing on geographical lines, with South Korea and Japan, for example, being chiefly active in Northeast China, Taiwan in Fujian, and the Southern provinces interacting with Hong Kong, and through it with Southeast Asia. What is most likely to change is the relative importance of these economic spheres. The considerable emphasis being placed on developing the Pudong project indicates that China sees the East Asian circle developing to overtake the Southeast Asian circle by the turn of the century.

This may be a correct assessment of the possible limits to cooperation with the Southeast Asian countries, whose markets may be too different from China's, certainly in terms of scale, but whose economic structures may be too similar. However, it must also be based on improving the Sino-Japanese relationship. While trade volumes between the two countries will continue to rise, and in a more balanced way than in the past, real economic interdependence will depend on capital and technology transfers which will tie the two countries together in the regional division of labour. As

Christopher Howe has pointed out, the current situation of high official loans and low private investment mean that,

China simply does not fit into the recent pattern of Japanese investment flows to Asia, a pattern in which private flows have been particularly prominent. This distortion appears to political..²

The future shape of the Sino-Japanese relationship will also influence China's other Northeastern ties. The establishment of official ties with South Korea and the stable transition in relations with a post-communist Russia has not only increased the prospect of expanding economic relations but has changed the political balance in the region. In economic terms, both Russia and the ROK may be important in terms of technology transfer but as has been suggested it is the need to address the problem of the shadow economies of the region which may be most pressing.

According Hao Yufan, Chinese perspectives on the joint development of its North Eastern provinces and the Russian Far East, relate, firstly, to the opportunity to increase trade and economic cooperation.³ Development of the Russian Far East will mean increased demand for agricultural and light industrial products; it will create a new labour market; it will open a conduit for the transfer of technology from Russia at levels and prices more suitable for China than Western technology; and it will be critical in the attempt to expand the Open Door to inner Asia.

Russia as a whole continues to have a shortage of light industrial goods but the Far East in particular lacks the means by which to convert its natural resources into processed goods, while the Dongbei badly needs to diversify its industrial base. Against a background of growing border trade, an increasing number of conduits have been developed by road, rail, air and sea. Lastly, the development of the Northeast will also require a large labour force which China is ideally placed to provide given its rural unemployment and existing transient labour force. The major obstacle may be the availability of resources but if Japan continues to show reluctance in opening up Northeast Asia the three states may decide to proceed without it. One explanation proffered for Japan's reluctance is that it fears the creation of a 'tripartite alliance' of China, Russia and Korea aimed primarily against itself.⁴ While Chinese analysts persist in saying that their bilateral relations are not aimed against any third party, this indicates a further determinant of China's bilateral relations: if geography is the major defining factor behind the structure of bilateral ties, then a principal cause of China's improving relations is its changed political status.

Thus in the past the major limitation on the development of economic relations at the bilateral level was political and the current improvement in China's bilateral relations has been due as much to a successful

diplomacy, as to China's emergence as an economic power. Building on ties established in the 70's with Japan, Thailand, and Malaysia, recent years have seen the restoration of relations with Indonesia; their establishment with South Korea, Brunei and Singapore; a more balanced development of ties in South Asia; and a major push to build links with the new states of Central Asia. Another key element has been the normalisation of relations with hostile socialist states- most obviously Vietnam- in the wake of the normalisation of relations with the Soviet Union. Since the final section of this paper will deal with the political implications of the foregoing discussion on Russian and Chinese perspectives on the Asian economy detailed discussion of these changes will be given there.

However, no discussion of the forces shaping China's future bilateral ties would be complete without consideration of the significance of Asia's central characteristic: its transitional nature. This means that while interpretations of China's current position may be primarily sanguine, views of the longer term are less so. Thus in an interview with Liu Guogang at the end of 1992, an explanation was given as to why China was forging ahead with its development despite the fact that this carried the risk of instability.⁵ The first reason given was the transitional nature of the current international situation:

The key to world economic development is the shift to the Pacific rim, particularly East Asia. This

trend will continue, probably into the next century. China, Japan and the four little dragons are all in this region. From the standpoint of the history of world economic development, a given area cannot always develop quickly. and it appears that this regions's rapid development will only continue for another 30 to 50 years. Therefore, we must take firm hold of this opportunity and not let it pass by. ⁶

Equally, however, it was recognised that China was not alone in attempting to use the favourable regional conditions to increase its national power:

It must also be recognised that in the present competition between consolidated national powers, many countries of the world, particularly some of our neighbouring countries and regions, are all accelerating growth. In the 1980's the four little dragons had an average growth rate of 8%. Ours was 9%, slightly higher... The development of neighbouring countries is threatening! Furthermore, in the 1990's Hong Kong and Macao will return to the motherland, and the mainland will strengthen economic and and cultural exchanges with Taiwan which will also return to the motherland in the future. This presents a problem of how to decrease the disparity in economic growth rates so that we can join smoothly together.⁷

Thus, China's bilateral economic relations do not exist only within a complex structure that links domestic development with regional growth and changes to the international economy, but within a broad agenda that not only ties economic and political policy together, making it very difficult to determine where one begins and another ends. As noted, however, the final section of this paper will attempt to indicate the political implications for Russia and China of their respective analyses of the changes to the Asian-Pacific economy.

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2. Christopher Howe, "China, Japan, and economic interdependence in the Asia-Pacific Region", *China Quarterly*, London, September 1991.
3. Hao Yufan, "The Development of the SFE: a Chinese Perspective", *Korea and World Affairs*, Summer 1991.
4. See for example, Lu Zhongwei, "Diplomatic Orbits and Alignments of Northeast Asian Countries", *Contemporary International Relations*, Beijing, in JPRS-CAR-93-044.
5. 'Liu Guogang on economic growth in the 1990's', *Gaige*, Beijing, in JPRS-CAR-93-020.
6. *ibid.* p7.
7. *ibid.* p.8.

VI Russian and Chinese Political Perspectives on Asia.

The final section of this paper will attempt to draw conclusions as to the future of Russian and Chinese political relations in Asia by comparing their perspectives on the politics and security of the region. The outstanding difference when discussing the economic and political futures of Asia is that while most Asian states are optimistic and enthusiastic about transnational economic cooperation and integration, they view multi-lateral political and security structures with mistrust and doubt. The reasons for this are outlined by Tselishchev:

For the majority of Asian states.. it is characteristic that they are extremely guarded in relation to proposals on multi-lateral, especially, all-regional political mechanisms. In general, this approach has an objective basis underlying it. When not a few bi-lateral problems exist between these countries, by which they are naturally affected, fears often arise that multi-lateral structures may be used to impose on them some kind of resolution which does not suit them.. Added to this can be the survival in many Asian countries of the notion that almost any all-regional structure would by its nature serve the hegemonic interests of the major powers.¹

The degree to which Asian states remain locked within a complex matrix of predominantly bilateral relations has been demonstrated by the contrast between changes in Europe and in Asia following the demise of the bi-polar order. Thus the absence of fixed blocs and the continuity of interests between the major powers- Russia, the USA, China and Japan- meant there was no radical

change in the regional order, but but only in the pace of the on-going evolution of state-to-state relations.

For Russia and China this has found expression primarily in the extension of relations across the former divide, establishing ties, respectively, with South Korea and ASEAN; and India, Indonesia, South Korea and Singapore. For the US and Japan the contradictions of their own bilateral relationship did not lift but merely shifted, as the easing of Japan's vulnerability on security also lessened America's leverage on the economic relationship and encouraged it to seek cooperation with other powers, including Russia.

While the shifting matrix of bilateral relations will continue to predominate the Asian order, it cannot be the purpose of this section simply to provide an inventory of Russian and Chinese regional ties. Rather it must endeavour to indicate the particular forces which will shape those relations, especially those which may result in the gradual development of intermediate (sub-regional) and multilateral structures. This ultimately is the justification for the scope of the foregoing discussion on the economic future of the continent: economic relations are not important merely in themselves but are the most likely basis on which inhibitions to political multilateralism can be overcome:

Drawing into the process of dynamic regional development, new countries, lessening inner-regional economic ruptures, raising the level of life helps extinguish conflicts and mistrust, improving the same political relations and extinguishing the causes of arms races. In other words, the countries

of the APR, multifaceted in their differences in culture, tradition, and values, in the search for an algorithm of cooperation proceed objectively from the demands for economic development above all, where they have much in common, and not from political and philosophical doctrines. This, in particular, differentiates the APR from Europe, where in political thinking, and culture, traditions are immeasurably greater.²

The search for the balance of Russia and China's relations in Asia thus lies between the pressures encouraging economic cooperation and integration discussed previously and the problems of political division and contradiction which arise from Asia's heterodox nature and the rise of competitive nationalism in the region.

There are two differing aspects to Russian and Chinese perceptions of Asia's political future. Before considering China and Russia's perspectives on what are thought of as the standard foci of external policy, security and diplomacy, an attempt must be made to assess their perceptions of their own position within the Asian political order. How each power views its relationship with Asia clearly forms the basis upon which foreign policy itself is conducted, and these relationships are in a state of some flux given the changes in the international order, particularly those arising from the demise of European communism.

Thereafter, consideration can be given to Chinese and Russian assessments of the political and security environment of Asia. This section will take the following structure, therefore:

I Russia and Asia.

- i) Russia as a future Asian power.
- ii) Russian perspectives on future Asian relations.

II China and Asia.

- i) China as a future Asian power.
- ii) Chinese perspectives on future Asian relations.

I Russia and Asia

- i) Russia as a future Asian power.

Russia's ambiguous relationship with Asia- being part of Asia and yet separate from it- has already been outlined in the sections on historical and ideological perspectives. However, the changes that have overcome Russia, involving as they do both the demise of the Soviet Union and the earlier imperial system upon which it was built, have opened a new chapter in Russian perceptions of the East. This is a complex process since it involves changing attitudes to Asia's place in the international order, particularly the economic order as discussed previously, but also an attempt to define Russia's new place in that order. Moreover, foreign policy as a whole, and perhaps particularly that on Asia, has been drawn into the on-going maelstrom of political contention within Russia in which competing definitions of the nature of the Russian state are being used to determine foreign policy priorities and orientation.

According to Alexei Arbatov, Director for the Centre of Geopolitical and Military Forecasts in Moscow, it is possible to define four broad foreign policy positions,

which vary in terms of number and influence, but span all the major institutions engaged in policy formulation.³ Even within these groups, however, there is limited uniformity and there can be consensus across groups, and divisions within them, depending on the issue.

The failure of August 1991 coup propelled a pro-western group to prominence, headed by Foreign Minister Kozyrev and other members of the Presidential staff, and with the support of sections of the Foreign Ministry and parliament. The dominance of the foreign policy process that this group enjoyed has been continuously eroded, however, not least because of the perceived linkage between a foreign policy which appears to have conceded more to the Western powers than it has gained with the failed radical marketisation of the domestic economy, as supported by the West. Not all the critics of this foreign policy reject the validity of the Western economic and political model, it is more that they question the wisdom of assuming that Russian domestic and foreign policy interests are identical to the interests of other states.

This has led to the growing influence on the foreign policy process of two centrist groups whom Arbatov defines as moderate liberals and moderate conservatives. The former, to which Arbatov himself belongs, see themselves as pragmatists who are seeking to develop a distinctively Russian foreign policy based upon a realistic assessment of its interests, including its

geopolitical position. It favours the assertion of Russian interests on a principled basis, including the right to challenge Western policy if necessary. It draws support from within Parliament, including the head of the Parliamentary Foreign Affairs Committee V.P. Lukin, and the intellectual community.

The moderate conservatives represent important institutional forces within the military high command, the industrial managers and the main segments of the federal bureaucracy. It also has supporters from inside the political establishment both in parliament and the Presidential staff. This group does not see the end of the Soviet Union as leading inexorably to the end of major power status. Russia should develop its sphere of influence particularly in the near abroad and avoid excessive dependence on the West. Russia should develop a modern military capability and diversify its relations, particularly towards the new Asian powers, India, Iran and China.

It is these two groups, particularly the conservative institutional groups, which have gained most in influence as the domestic reform process and the alignment with the West has failed to produce the expected results. The crisis situation in the country has also encouraged extremist forces, however, which while largely isolated from the policy process, continue to gain popular strength. These include neo-communists and ultra-nationalists who advocate a re-building of the

superpower status of the country, including by military means if necessary. They advocate alliances with other anti-western regimes and oppose concessions under START II, the CSCE, and UN multilateralism.

The degree of contention within the foreign policy debate is not due solely to the extension of domestic political conflict to the foreign policy agenda but also because of the need to construct a foreign policy and value system to meet the parameters of the new state, or in the case of the neo-communist and nationalist factions to resurrect those of the past. The weakening of the Atlanticist policy can be viewed as a natural process resulting from a re-adjustment between the policy aspirations of the new government, which were derived from the desire to end the country's exclusion from the political and economic processes of Western capitalism, and the domestic and external realities of Russia which suggest that this may not be the automatic, and certainly not the immediate, future of the country.

In attempting to define the country's foreign policy many commentators have been reluctant to develop value systems as such since these evoked comparison with the ideologies of the past. Rather there has been an attempt to approach the development of foreign policy by way of non-normative criteria. First and foremost among these has been the search for a definition of Russia's national interests. A leading group of analysts from the Institute of Canada and America proposed the following definition:

The term 'national interest' is used by us in the same way which it has long been applied in the whole civilised world. The meaning of 'national' and 'state' in the sphere of foreign policy are in this sense identical in as far as by state is understood not the aggregate of political and social institutions, but the concrete characteristics of the country. In other words, our national interests are the interests of the Russian Federation as a Eurasian power, possessing a defining composition of historical, cultural, socio-economic, geographic and demographic indicators, the combination of which also makes up the political phenomenon of Russia as a single multi-national state.⁴

As this indicates one of the key components influencing the development of the new foreign policy is Russia's changed position in relation to Europe and Asia, or, as it is most frequently expressed, as a Eurasian power.

The concept of Eurasia is far from being a new one in Russian political culture, as the section on historical perspectives on Asia indicated. It reached its most developed elaboration in the work of a group of Russian emigre's in the 1920's. A contemporary assessment of the Eurasianists describes the basis of their thinking and its current appeal:

The formulation of their geopolitical doctrine aspired to a single truthful interpretation of national (to be exact, ethical) traditions, the name of which would be awarded to a new ideological current. They proposed that Eurasianism was a special form or type of culture, thinking and state policy ingrained from time immemorial in the space of the greatest Eurasian state- Russia. This thesis was founded mostly on non-traditional arguments drawn from the past, present and even future. The Eurasianists thought of themselves as expressing a special world-view, orientated primarily on spatial categories. The creation of their political constructs was acquired, therefore, above all from geo-political measurements.

Evidently, it is precisely this attribute of the Eurasian world-view which gives it special relevance to our time, when geo-political and national-territorial problems are extremely acute, when the concepts of Western and Eastern

civilisation, European and Asian republics, 'the turn to the East' are once more coming into common usage.⁵

The current of geo-political thought within Russia has always remained subordinate to the official ideologies in both the Tsarist and Soviet eras. The defence and extension of the state was conducted under the premise of imperial right and proletarian internationalism not explicitly from geo-political imperatives. Indeed it was those who threatened the Russian state, most obviously Germany and Japan, who were moved by geo-politics, making the concept anathema for most of the modern era. Yet precisely because of these threats geo-politics inevitably played a part in shaping foreign policy, and equally important, military doctrine.

The degree to which geo-political concerns shaped the cold war only became open for discussion in the last years of the Soviet Union. Thus Malashenko of the CPSU International Department commented in 1990:

The confrontation of the continental power which controls the heart of Europe, and the coalition opposing it, is by no means confined, geo-politically, to a conquest between East and West, socialism and capitalism (or 'totalitarianism' and 'liberal democracy' in western parlance), as it has quite often been made out over the last few decades, but is an element of genuinely global politics. Properly speaking, the very terms 'East' and 'West' also reflect in a way, if inadequately, the fact that that it is not only ideological rivalry or even a clash of social-political systems but also a 'de-ideologised' geopolitical confrontation.⁶

However, sustaining geo-political stability became an increasingly onerous burden for the Soviet Union:

A heavy price had to be paid for the preservation of the 'monolithic unity' of the huge geopolitical conglomerate. It was artificially isolated from the

world economy, its scientific and technical level and living standards were low. The protracted crisis of the Soviet economy is a natural consequence not only of its anti-market character but also of its submission to geopolitics in its classical imperial interpretation.⁷

From this perspective the collapse of the Soviet Union should not be seen simply as implosion from internal factors but also due to external pressure on the geo-political boundaries of the state, in Europe and Asia. The revival of the concept of Eurasia, similarly, derives from the need to re-define the new geo-political boundaries of the state and its position in the global order, with this process all the more explicit now that the ideological veils of the imperial and communist eras have been largely discarded.

The starting point for the new Eurasianism is the changed geo-political position since the demise of the Soviet Union. Despite the fact that the proportion of the Russian Federation distributed between Europe and Asia (25%:75%) is very close to that of the Soviet Union there, is a perception that the balance of the country has shifted eastward:

Russia cannot reproduce the military-strategic phenomenon of the old Union- her geo-political as well as geo-strategic characteristics have changed. The population has shrunk, and so has the land, its line of contact with the outside world is different. Having recognised the independence of her neighbours in the West, the country has involuntarily retreated East. Accordingly, its stabilising function is naturally converted from a predominantly European one into properly a Eurasian one.⁸

As this suggests, Russia has not lost the geo-political interests of the Soviet Union. Rather these have changed with the demise of the bi-polar order and the emergence

of Europe and Asia as two pillars of the new multi-polar order:

Russia has found global geopolitical functions (which, in essence, the Bolsheviks only widened and modified) thanks to its intermediate position between the traditional East and West. Abandoning communist messianism, the Russian state has not lost its paramount international role arising from, firstly, the stabilising capacity it possesses within the area of Eurasia, and, consequently, globally; secondly, its connecting, integratory function in relation to a united and well-established Europe and what is still a poor and disunited Asia; thirdly, its ability to partially depreciate and extinguish the negative impulses on both sides, which are inevitable in the process of rapid global changes, by laying a Eurasian bridge through Russia.⁹

This description of Russia's geo-political role in the new order is more prognosis than diagnosis, however. Three years after the end of Soviet communism Russia's external influence continues to decline rather than increase, giving a rather different immediate scenario:

If the Soviet period can be characterised as a simultaneous ideological confrontation with the west and direct entry into Europe, by means of the Warsaw pact, then the new period possibly will be distinguished by a combination of the absence of ideological antagonisms with a consciousness of geopolitical isolation.¹⁰

There is considerable momentum, however, behind the belief that Russia cannot afford to pursue an isolationist path however much domestic issues will dominate the political and economic agendas until the end of the century, not least because economic reconstruction will demand increasing interaction with the international economy. Both the perceived geo-political shift, and the potential for economic co-operation, to the East are encouraging the promotion of Asia as an alternative

direction of foreign policy orientation. But if Russia is to develop as a genuinely Eurasian power- a political and economic entity which has balanced relations with both East and West- it will have to re-invent itself as such rather than assume it will develop naturally from simple geographic determinants. In particular, the ambiguous attitude of European Russians towards Asia, the Asia outside Russia and within it, must be challenged.

In terms of external relations, while centrist liberals support the diversification of foreign policy orientation on pragmatic grounds, many conservatives do so because of their empathy with the political authoritarianism of certain Asian states, not least China. The continued interplay of domestic politics with foreign policy will re-inforce the position of those, and this must be the implicit position of the group around Foreign Minister Kozyrev, who view Europe as the natural locus of the country's interests and Eurasianism with scepticism:

There is no doubt that Russia has vital interests of equal greatness both in Europe and in Asia. Our country over centuries has developed as a Eurasian power and it is hardly possible to dispute this truth. However, one cannot here agree with those who use this as a basis to speak of some kind of special Eurasian nature of Russia. Is it not true that it developed thanks to movement from West to East? And our religion and our culture has, undoubtedly, a European character. This is again an indisputable truth. It is, of course, not deniable that Russia has formed a special type of culture, and yes, of nation... But ask any 'real Asian' what Russian culture is like, in terms of ancestry and mentality. The answer is always the same one: "We are Europeans". 11

This said, what is notable about the geo-political argument at present is that it is being advanced across the political spectrum. Eurasianism in the past was conservative, chauvinistic, and isolationist, and indeed it persists in this guise in some factions,¹² but according to liberal proponents, the new Eurasianism need be none of these things. Geo-politics is way of removing foreign policy from the ideological agenda not for postioning it within that agenda.

Internally, the ambiguous position of Asiatic Russia-Siberia and the Far East- in the country's political and economic structure, and in the national psyche, must be addressed. Asiatic Russia is simultaneously the economic and strategic repository of Russia's great power status but also its greatest liability in terms of defence and demand on resources; geo-politics is a two-edged sword in this regard, conferring status but demanding expenditure of resources and will, as the predicament of the Soviet Union demonstrated. The current process of economic and political de-centralisation in Russia is not the product of reform and growth as in China, but of dislocation and stagnation. European Russians are simultaneously concerned about the dissolution of the Federation and reluctant to commit limited resources to begin yet another attempt to develop and integrate Russia's *prostranstvo* (expanses). Yet if economic development in Asiatic Russia is not to come from within the Federation

it will inevitably mean leaving the field to the Asian economies, creating an external pull to match the internal push of these regions turn away from Europe.

The question of the *prostranstvo* is, moreover, not simply one of economics and politics but of psychology. Some Russians perceive that the need to colonise and defend the expanses has shaped the history of the country and the balance of forces within it, including politically and militarily. It is a short step from geopolitics to outright geographic determinism:

Society must undergo a radical rethinking of the established perception of the expanses and its role in economic and social development. For too long we unthinkingly repeated "the might of Russia will grow out of Siberia and the Northern Ocean". At the same time the expanses did not only open new possibilities, but also demanded colossal efforts to support it- the provision of communications, infrastructure, defence and so on. Still at the beginning of the 80's our well-known professor of geography V.M. Gokhman said that the expanses were our beach. We gave our boundless expanses more than we received from them, they sucked juices out of the organism of the country, as we continually pushed them on the path to extensive development. And if an ocean lapped against the Urals, most probably Russia would have been a long time ago already a legitimate member of the society of civilised countries.¹³

At present, however, a commitment to Russia's great power status remains a *sine qua non* of the foreign policy debate, and that status will remain rooted, as it has historically, in control and defence of territory. In this sense the development of the concept of Eurasia can be seen in a further perspective: as a means of binding the country together against the internal and external forces that may threaten its unity.

The rise of geo-politics in Russian foreign policy at present is partly being driven by the conditions of post-communism- the need to define the borders of the new state and its spheres of interest and influence, the absence of a consensus on foreign policy values and even a desire for a de-ideologised foreign policy. However, even after the new parameters and role of Russia have hardened in the national mind, many commentators believe that geo-politics will remain a defining factor in foreign policy given the country's location between Europe and Asia. While a Eurasian state in reality rather than rhetoric may take time to emerge, the balance of national interests and external relations may make it inevitable. For this reason, even liberal commentators such as Abalkin, believe any attempt to place one orientation ahead of another is unviable:

The geopolitical position of Russia makes a multi-directional orientation of its foreign policy and its inclusion in all enclaves of world society an objective necessity. Any attempt to put at the head of the list its relations with one side or group of countries is contrary to its state and national interests. A multi-directional orientation is a strategic principle and it must not be violated by any conjunction of considerations or pressures of the moment.

Even the posing of the question as to the priority of relations with this or that region or group of countries- whether the near abroad, the former CEMA countries, Southeast Asia, the US or China- is incorrect. It is true, the question of the geo-political priorities of many countries is legitimate, but not for Russia as a great world power. ¹⁴

ii) Russian perspectives on Asia's future political relations.

Change in Russian political perspectives on Asia did not begin with the demise of the Soviet Union but rather with the assumption of Mikhail Gorbachev to the position of General Secretary of the CPSU in 1985. While the changes in the physical and political parameters of the state since 1991 have created the conditions for the revision of the relationship between Russia and Asia within the national consciousness, foreign policy itself towards Asia has been conducted with some degree of continuity between the two eras. This is partly because of personnel- many of those who are responsible for Russian foreign policy rose to prominence in the Gorbachev era- but it is predominantly due to continuity in the interests of state and the political and economic realities of the country's position in Asia.

This is true even where the motivations behind the two governments foreign policies differ. Thus while it can be argued that the relative balance accorded to East and West is not dissimilar in approximate terms- the attempt to redefine the strategic relationship with the Atlantic powers began under Gorbachev- it should be borne in mind that the pace of change in Europe was as much the product of the nature of the security and political structures there as it was of the willingness of governments to revise them. If Gorbachev's policy achieved more in Europe than Asia it was because conditions were more compatible with his diplomacy than

in the complex and contentious circumstances of Asia. Unlike the Russian government, whose initial Atlanticism was unquestionably the product of political, economic and ideological preference, it can be argued that Gorbachev's diplomacy was at least as ambitious with regard to Asia as it was with Europe, as was evident in the application of the 'New Political Thinking' to Asia.

Beginning with the Vladivostok speech in July 1986, and continuing through the signing of 'The Declaration of Principles for a Nuclear-Weapon Free and Non-Violent World' in New Delhi in November 1986, the Merdeka interview in 1987, and the seven principles on East Asian security outlined at Krasnoyarsk in September 1988, a sophisticated intellectual structure was developed which, while it ranged across a wide number of economic, political and security issues, was principally aimed at breaking down the Soviet Union's isolation in Asia, as noted by Mikhail Nosov:

The USSR, the largest country in the Asia-Pacific region, is making efforts to guarantee the equal security of the countries in the region, and to accomplish the tasks involved in disarmament on the basis of collective efforts. For the Soviet Union, security guarantees in the Asia-Pacific region represent a problem involving a combination of political, military and economic issues. The inability to present the USSR today as an 'alien element' in the region's political life is revealed by the fact that one third of Asia is within the geographical limits of the country, but also by the attention paid in Soviet policies to that vast and dynamically developing region of the world.¹⁵

This said, it could be argued that there was little in the new thinking on Asia that did not have intellectual antecedents in earlier Soviet policy formulations. While

there was greater recognition of the importance of economic factors in Asian relations even the call for the economic integration of Pacific Siberia into Asia could be traced back to the optimism surrounding the Soviet-Japanese economic relationship in the 1970's. Moreover, as in that instance when there was an implicit anti-Chinese motive, it could be argued that security concerns continued to determine the Soviet agenda.

The primary proposals of the Gorbachev offensive in the East were the creation of a new and comprehensive security regime in Asia to replace the existing one based upon arms competition and contending alliances; the use of multilateral cooperation to resolve regional conflicts; and the introduction of a variety of confidence-building measures to de-escalate the confrontation in the Pacific: limiting specific forms of naval activity, initiating reciprocal Soviet and US withdrawal from overseas naval bases, and enhancing the security of sealanes.¹⁶

Soviet diplomats argued that the new proposals could not be compared to the old demand for Asian collective security, not least because they were not aimed at any one country or group of countries- in effect the China factor had been removed by the weakening of the strategic triangle and the role of the US was increasingly accepted as stabilising rather than threatening. However, none of the countries of the region were prepared to accept the Soviet Union as a legitimate regional power prior to

concrete changes in it's political and security posture. The reversal of the Soviet Pacific military projection in the East, externally in the case of Afghanistan, Mongolia, withdrawal of support for the Vietnamese in Cambodia, and internally with regard to withdrawal of ground forces from the Far East and the INF double global zero, did produce an improvement in the Soviet security and diplomatic enviroment in Asia. particularly at the strategic level, as the MID noted in 1990:

The programme for peace, security and cooperation in Asia put forward in Vladivostok and Krasnoyarsk, steps towards settling regional conflicts in Afghanistan, Korea, normalising relations with China and levelling up relations the Soviet Union and APR countries as well as reducing our military presence in the region made it possible to appreciably strengthen our positions there and to provide more favourable conditions for maintaining our national security. The main cause of concern- our being confonted in effect with all three leading powers in the region, that is, the United States, Japan and China, has disappeared.¹⁷

This said the improvement of the Soviet position was primarily achieved by unilateral concessions rather than through the proposed collective security system. The failure to initiate a multilateral programme under the Vladivostok-Krasnoyarsk initiatives was accounted for in part by the unwillingness of the US, especially during the Bush administration, to relinquish any of the political and military superiority- Soviet analysts continued to argue that the US enjoyed an advantage of 2:1 in military terms- it enjoyed as a result of its system of bilateral ties. America's allies, particularly

Japan, similarly had little desire to dilute what they perceived as the special relationship with the US.¹⁸

The predominance of bilateralism was not only compatible with the interests of Asian powers, however, but also reflected the considerable divisions between them. Soviet analysts had increasingly to come to terms with the fact that the regional disputes and rapid militarisation, including the approach of several states to nuclear status, that they had hoped to address through collective security were actually the product of the failure of multilateralism, making the European security model unviable. V.P. Lukin, then Deputy Chief of the Directorate of Evaluations and Planning of the MID, noted in 1990 that the multi-faceted nature of inter-state relations and the absence of any mechanisms for regional arms limitations indicated

a greater complexity and a more contradictory nature of the military strategic situation in the Asia and Pacific region, and points to considerable difficulties in finding ways of reducing the levels of military confrontation. Although providing a useful general example, the positive aspects of the European experience are not applicable in the Asia and Pacific region. What is required there is a search for fundamentally new and innovative ways for reducing the military threat and enhancing universal security.¹⁹

Since the Soviet Union was faced with the pressing need to re-adjust its military posture to meet domestic economic restraints the failure to promote a multilateral mechanism meant their unilateral concessions came to take on the appearance of a full retreat from superpower status. Sergei Solodovnik, Senior Research Fellow at the

Centre for International Studies of the Soviet foreign Ministry Institute of International Relations, writing in the spring of 1991:

Previously we approached security problems primarily from the standpoint of the imperial perspective of controlling territories and influencing populations through ideologised aid and militarised ideology. Many of our partners see the period of indecision and uncertainty, or rather the six years when we had no integral doctrine, as a continuous renunciation of an imperial policy in favour of its antithesis, isolationism. The latter may also become a strategy preferred by mass consciousness inside the country as materialisation of the ideal of a low-cost foreign policy, a result of the Afghan syndrome and of giving top priority to the European sector in foreign policy.²⁰

As this suggests the most immediate impact of the curtailment of Soviet power at the regional level was on its allies, the socialist states of Mongolia, Vietnam and North Korea and the leader of the non-aligned movement, India.²¹ While the Soviet Union's decision to place its economic relations with these states on a hard currency basis from 1991 created inevitable dislocations within the domestic and external economies of these states,²² it was the change in the Soviet Union's political position which was most indicative of the retraction of its influence.²³

The normalisation of relations with China in 1989 and South Korea in 1990 forced these countries to make a re-assessment, firstly, of the regional balance. In the case of Vietnam and India this meant cautious rapprochement with China while seeking new sources of regional stability- in ASEAN and the new states of Central Asia, for example. For North Korea the

disappearance of the Soviet Union led to further isolation, with the exception of increased, but undesired, dependence on China. The brinkmanship over the DPRK's nuclear programme can be seen as both a bulwark to sustain independence and a bargaining counter for the breaking down of this isolation.²⁴

Soviet withdrawal at the regional level was matched by the erosion of its strategic influence. This was most forcefully demonstrated by its role in the Gulf War. It was not merely the abandonment of its primary Middle Eastern ally to the Western-led coalition which heralded its loss of status but the failure of its diplomacy as both sides in the conflict effectively ignored its attempt to promote a negotiated settlement. This was not solely of concern to the Soviet Union's allies but even to those who had been the most vigilant opponents of its strategic role in Asia in the past. China in particular exhibited concern at the demise of the Soviet Union's ability to restrain Western activism in Asia.²⁵

Thus the Soviet Union at the point of its dissolution had much more balanced relations with Asia than had seemed possible at the time of the Gorbachev succession, but this had been achieved by the drastic curtailment of its strategic posture and the re-drafting of its regional relations to meet the new circumstances. This meant, firstly, that while the Russian state would continue to espouse the merits of multilateralism its regional relations fitted the norm in that bilateral ties

predominated. The most significant exceptions to this, in explicitly political terms as opposed to in predominantly economic forums such as APEC and PECC, was its achievement of observer status with ASEAN and participation in UN peacekeeping in Cambodia.

Secondly, the scope of the new state's interests had, in concrete terms, contracted from the APR as a whole to being concentrated on two sub-regions- East Asia, where the interests of the four major powers met, and Central Asia, where Russia had to contend both with the newly independent states and the ambitions of regional powers, notably Turkey and Iran, to gain influence in them.

The ethnic and religious divisions within and between the Central Asian states are the result of traditional rivalries compounded by Stalinist nationalities policy which placed minority populations and territory in neighbouring states. In religious terms Uzbekistan and Tajikistan are most inclined to assert their Islamic roots, while Kazakhstan and Kyrgyzstan are more secular not least because of their more balanced ethnic composition, including many Russians. Overlayed on the religious axis is the ethnic axis under which the Uzbeks are promoting pan-Turkic nationalism while the Tajiks are ethnically closest to Persia. This division also accounts for the fact that Uzbekistan favours non-religious government in the Turkic tradition while there are significant areas of support in Central Asia for

Shariah-based religious government in the Iranian mould, not least among insurgents in the Tajik civil war.

These antagonisms, and the danger posed by them to those ethnic Russians still living in Central Asia, would ensure Russia's continued involvement in the region.²⁶ In this they would enjoy the support of most of the Central Asian governments who for both security and economic reasons have been among the strongest supporters of a continued federation of the former Soviet republics in the CIS. However, the ambition of external powers to gain influence in the area and create a regional confederation on either a national or religious- Turkic or Islamic- basis presents an even greater challenge. While growing nationalism in the Central Asian states and the continuing impact on Russian public opinion of the defeat in Afghanistan make it extremely unlikely that Russia will ever attempt to exercise imperial control over the region, there is clear evidence that an attempt is being made to place it inside a sphere of influence which stretches the length of the southern periphery of the state.²⁷

It must be questionable, however, whether Russia is able to be the sole guarantor of regional stability and it is more likely that some form of collective security will be sought. In formal terms this will be through the CIS and in particular in conjunction with Kazakhstan which, under Nursultan Nazarbayev, has shown considerable willingness to act as a regional power. Informally, the

prospect of an Islamic confederation is also disturbing to China and India, who have moved quickly to establish economic and political ties with the existing Central Asian regimes. A collective security understanding between Moscow and either Delhi or Beijing would be an important strategic support but it may not be possible to create a tripartite understanding given the conflict of interests between India and China.

Unlike India whose opposition to the continuing extension into Central Asia of the influence of Iran and Pakistan is likely to be an absolute,²⁸ Beijing has existing close ties with these countries and is not opposed to their emergence as regional powers. China's main concern is to prevent the spread of either Turkic nationalism or Islamic fundamentalism to its own western provinces but it will seek to prevent this by the exercise of its own influence in Western Asia. It is this influence that Russia may find it necessary to use, while seeking to raise its current low-level of relations with Tehran and Islamabad.

The major inhibition to the reconstruction of a strategic understanding with India is the growth of China's importance to Moscow, of which the Central Asian component is only one factor.²⁹ India is concerned about the scale of Russian military transfers to China and the fact that demarcation and demilitarisation of China's northern border is allowing military concentration to the south, where negotiation on border disputes shows little

sign of progress. China's continuing military relationship with Pakistan, particularly as it may be effecting the disputed territory of Jammu and Kashmir and the Pakistan nuclear programme, are other sensitive areas. Russia's current South Asia diplomacy does little to mitigate India's concerns: its criticism of India's refusal to join the Non-Proliferation Treaty and support of Pakistan's proposal to make South Asia a nuclear free zone; its seeming desire to place relations with Pakistan on the same basis as those with India, including in the sale of military equipment; and the cancellation of the missile technology sale, all indicate India's lowered status for Moscow since the days of the Soviet Union.³⁰

If Russia's diplomacy to the South will continue to retain importance because of the need to contain conflict and instability it will not yield the economic and political status that many Russians believe their country merits: only through integration into the Pacific can the potential of the Eurasian concept be realised. The first premise for the growth of the Russian position there has been provided by the levelling of relations so that Russia itself is not viewed, by most powers at least, as a destabilising factor due to its pursuit of military superiority and political alliances aimed at other countries in the region.

Russia's principal aim will be to advance its relations with all states in Asia in a manner compatible with the maintenance of regional stability though this

may prove to be a hazardous process demanding much more attention, and competence, than has been demonstrated to date.³¹ Even if Russian diplomacy can be raised to the task, it will be continually confronted with the complexity of Asian regional relations. The Asian political order is best conceived of as a chess board in which the movement of one piece affects the relationship between all other pieces. As on the chess board pieces have differing individual strengths and patterns of behaviour but these can be modified by changing their relationship to other peices.

Russia's concentration on East Asia is a factor of geography, as access to the West and South has become constrained, but it is also the point at which its interests merge with the other major players in the Pacific- China, Japan and the US. The interplay within this quadrilateral relationship and between it and other Asian powers will go a long way in determining the future political order. What can initially be said in favour of Russia's diplomacy is that the modifications to the strengths and behaviour of the regional powers, to which the end of the Cold War contributed, has provided it with a powerful ally which shares its objective of maintaining stability: the US.

The strategic understanding which the US and Russia have endeavoured to create since the demise of the Soviet Union should not be thought as having implications solely for Europe.³² The US is also in the process of shifting

the balance of its interests and attention from the Atlantic to the Pacific, particularly as regards the pattern of its trade and investments. While enjoying a far higher economic profile in the region than Russia it is confronted with an increasingly disadvantageous economic relationship with many Asian countries, not least with regard to the imbalance in terms of penetration of domestic markets. One outcome has been a reversal of American attitudes to multilateral economic cooperation, notably through APEC, but economic diplomacy can only be so effective. The weakening of US economic influence can only be shoared up by the strengthening of its political and security relations yet both the complexity of regional problems and the consequences of economic decline make this impossible to achieve unilaterally.³³ Hence the need for security, as well as economic, partners.³⁴

Besides the bilateral benefits of the relationship, a strategic understanding between Russia and the US, aimed at sustaining regional balances and mediating in regional conflicts, such as in Cambodia or over the Spratly's, would not be viewed as threatening by all the states of the region, such as those of Southeast Asia:

Would such an American-Russian partnership be acceptable and desired by the countries of the region? To us it seems, yes. It should be remembered, for example, that the positive development of Soviet-American relations at the end of the 80's did not arouse serious objections and alarming premonitions in the leadership circles of the countries of ASEAN, not to speak of opposition on their part. Rather it was accounted a positive occurrence favourable to the countries of the 'six',

promising the cessation of needless rivalry, the arena of which was the whole of Southeast Asia.³⁵

There are a number of limitations on the development of the Russo-American strategic understanding in the Pacific, however. The first is that the contraction of the Russian strategic position in Asia means that it is far from equal with that of America, in terms of scale and influence. This factor, when combined with the Eurocentrism of the early diplomacy of the post-communist administration, was significant enough to arouse the concern of the countries of Southeast Asia who felt Russia's retreat to be de-stabilising in itself.³⁶ However, the development of the Eurasian thesis clearly has at its goal the establishment of Russia's major power status in the Pacific. The question inevitably arises, therefore, as to whether a Russian-American understanding is not dependent on either the pro-Western stance of the current government and the unequal relationships that sustain this. There is already evidence of Moscow's desire to pursue independent interests in the Pacific and this trend can only increase, particularly if the Eurasian concept continues to grow in influence.

Russia's pursuit of unilateral interest is already evident in perhaps the sole area of regional activity in which its participation has markedly increased since the Soviet era: arms supplies. Sale of Soviet weaponry was restricted by political considerations primarily to Vietnam, North Korea and India, ensuring the predominance of American arms in most other markets. Russia's de-

ideologised foreign policy, its need for hard currency and the existence of surplus weaponry at the correct price and technological level have served to propel Russia to the forefront of suppliers in Asia's arms race.³⁷ In addition to seeking to maintain supplies to former Soviet allies, Russia has expanded military sales to China, Malaysia, South Korea and Indonesia, with the purchase of advanced military aircraft by China and Malaysia attracting most attention.

Besides the damage done to American arms exports, this has undoubted political implications with several Asian countries making clear that their refusal to continue purchasing American equipment was a conscious response to American pressure on trade and human rights. In effect the US is now seen as the power which is attempting to force its political and ideological agenda on the region, whereas Russia is seen as being largely neutral in these areas. This said there must be limits to Russia's ability to supply arms without bringing into question its commitment to regional balance and security. To date the only operation of an American veto was applied over the proposed transfer of rocket equipment to India but the persistent undermining of the American armaments supply role in the Pacific, and the political influence that flows from it, must be more threatening to Washington than an individual sale.

The final, and most significant, factor tempering Russo-American understanding in Asia is the existence of

other potential regional partners. As suggested, relations between powers can be modified by the relative position of other states. The role Russia will play in Asia, including its ability to act independently, will be determined by the relative position of China and Japan as well as that of America. In one sense this is another bond with America since both are non-Oriental cultures whose interest bound on Asia but are not derived from within it, or in Russia's case not until the role of the Asiatic part of the country is transformed. In another, however, it is a division between them since the development of symmetrical relationships with the two East Asian countries looks increasingly doubtful. Within the quadrilateral relationship it is possible to discern triangular ties whose emergence is being driven by strong and weak attraction on differing poles: in America's case toward Japan and away from China; and in Russia's case away from Japan and toward China.

The change in what was perceived as the natural balance of Russia's relations towards Japan and China is perhaps the most conspicuous example of the failure of the Russian government's initial assumptions about the conduct of foreign policy between states of similar, and differing, political and economic systems. There was a clear expectation that Russia's conversion to democracy and a market economy made it a natural partner for all similar countries. That democracies can have conflicting interests and that the need to gain popular approval can

weaken rather than strengthen the conduct of diplomacy have been most amply demonstrated with regard to Japan, though the obstacles to Russo-Japanese understanding were fairly evident to some commentators:

it is difficult to account for the Nipponocentrism which seems to prevail in the current Russian foreign policy in the APR. Japan is the only Asia-Pacific nation we have a territorial dispute with. Furthermore, it is evident that this dispute cannot be solved in a quick and elegant manner because of home considerations. It is also the only APR country that even potentially has no viable prospects to establish a mutually complementary economic structure with us because of a disastrous technology gap. ³⁸.

A further reason for the excessive concentration on Japan in in the first years of the post-communist government was the domination of the policy process by Japan specialists. One such is the Deputy Foreign Minister responsible for Asian affairs, G.F. Kunadze. It is Kunadze's solution to the Kuriles problem that has become perhaps the most solid expression of the Russian position on the issue, though other options have been voiced depending on the level of domestic opposition to concessions and the relative degree of support enjoyed by Russia and Japan among the other major powers. This would permit the transfer of the two smaller islands, Shikotan and Habomai, to Japan upon the signing of a peace treaty, and the commencement of a negotiating process over Kunashir and Etorofu.³⁹ This was essentially the position endorsed by Yeltsin when, after two cancellations, he eventually visited Japan in October 1993 and averred Russia's commitment to agreements signed in the Soviet

era, which was taken to include the 1956 declaration which also proposed the immediate return of the two smaller islands. This not only fell short of the Japanese position, which requires recognition of their sovereignty over all four islands as precondition for any negotiations, but reinforced Japan's perception of the continuity between the Soviet state and the new Russian one.

Of all the developed countries Japan has been the most reluctant to see the changes in the political and economic system in the former Soviet Union as also representing a decisive change in its external behaviour. This stems in part from the Japanese appraisal of the threat the Soviet Union posed in East Asia which was seen, unlike that of the Western powers, not as a balance of political, ideological and military factors but as predominantly arising from military projection and territorial expansion into Asia. In this respect, Soviet policies were also seen as having broad continuity with those of the Tsarist era so the impression that Russia may be currently reviving the policy considerations of that age gives little comfort to the Japanese. Unlike the Chinese, moreover, they have, with the exception of the short period between the Russo-Japanese war and the Bolshevik revolution, no earlier model of compatible relations on which to base contemporary ties. In these circumstances even the drastic curtailment of the Russian naval presence in the Pacific has not yet convinced the

Japanese that this fleet does not pose a threat to their sealanes, while the failure of the Russians to concede to Japanese demands on the Kuriles is taken as evidence of the continuance of the principle of territorial control.

In essence these are problems of history and as such are open to reinterpretation. Russia's problem is that it is faced with a country that is not only reluctant to reinterpret its, Russia's, behaviour but finds it even more difficult to do so with its own. Thus it clings to its interpretation of its historical right to all the Kuriles even though the consensus among international jurists might be that only the two smaller islands are unquestionably Japanese and that Russia's claim to the larger two is at least as good if not better.⁴⁰

Settlement of this issue is further undermined because Russia must be extremely cautious with regard to using history as the criterion by which to settle territorial disputes. There are many areas on its periphery to which other states might make historical claim and behind the juridicial, economic and security motivations to retaining control of the larger islands lies the fear of encouraging these claims. Clearly the most sensitive in Asia would be the potential Chinese claim to the Primorye but from the Russian standpoint the successful demarcation of the Sino-Russian border and the much improved economic and security situation in this area currently symbolizes the solution to territorial

problems: if political and economic relations between states are good territorial disputes are nullified if not entirely forgotten. Russo-Japanese relations are proving such a Gordian knot because economic and political relations are so low that they encourage attention on the islands issue which in turn becomes a major inhibitor of better relations.

In these circumstances it is inevitable that Russia will seek to use its relations with other states to simultaneously pressure Japan into developing ties with Russia and compensate for their current low-level. This has been particularly evident in its ability to persuade the G7 that the establishment of a strategic partnership with Russia should be a higher priority than the granting of concessions to Japan. Equally important, however, will be the pattern of relations in Asia.

As indicated in the section on bilateral economic relations Russian hopes that South Korea might become an effective economic and political substitute for Japan have faltered on Russia's inability to meet its debt repayments and the shifting regional balance of power.⁴¹ The normalisation of relations between Seoul and Beijing was the product of both economic, and political, interests. Having ceased the transfer of arms to North Korea and supported the nuclear inspection process, there seemed little more that Russia could provide South Korea whereas China's ability to influence Pyongyang was seen as ascendant.

There remains, however, one pivotal issue which will ensure Russia's continued importance for South Korea, and that differentiates it from both China and Japan: its support for Korean re-unification. There are no Asian states which do not claim to support peaceful re-unification but there are many less who view such a development as actually being in their own interest. This is particularly the case with Japan which would not only face a new economic power freed from the social and military costs of the division of the peninsula but would lose one of the key supports for its military-technological relationship with the US. China's position is more ambiguous because of its ideological ties with Pyongyang. This said ideological unity may increasingly take lower priority to other considerations. These would include the emergence of an East Asian power which would unquestionably wish to place limits upon Japan's political and economic ambitions but most decisive might be the perceived impact upon China's own re-unification. Would such dramatic evidence of the end of Asia's Cold War political division not provide irresistible impetus toward the the re-unification of China, especially when Taiwan found itself confronted with economic giants on all sides? Beijing might well consider Korean re-unification to suit the balance of its interests, with much depending on the manner in which it came about, in particular that there was a orderly coalescence of the two

systems rather a humiliating capitulation in the manner of the GDR.

For Russia, matters are more straightforward: it requires the de-escalation of a military confrontation close to one of the most sensitive and least defensible areas of its perimeter and the further opening of the region for economic development. Above all it needs a power in the region capable of providing balance between Japan and China, not only in the interests of regional stability but also in order that its own relations can have greater flexibility. It is worth noting in this instance that Russian interests are closer to those of China than Japan.

In terms of Russia's bilateral relations consideration remains to be given to future political relations between Russia and China in Asia. Since this has been the core objective of this paper it will be considered in the concluding chapter.

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II China and Asia.

i) China as a Future Asian Power.

To discuss China's perception of itself as an Asian power may seem unnecessary. As the discussion on economic models indicated there is a widespread understanding within Chinese society that the culture of East Asia is to a considerable degree synonymous with the culture of China. Outwith official pronouncements, assertions of the importance of Chinese society to East Asia's past and future can reach chauvinistic heights:

If we assert that the core of traditional Oriental (East Asian) culture is Chinese culture, that Japanese, Korean, and Vietnamese cultures basically are derived from Chinese culture, and that Chinese culture has come to exercise a major influence in Southeast Asia through the wide dissemination of the Chinese people, and although the natives of Southeast Asia have been variously subjected to other outside influences,..... there can be no doubt of the central status of Chinese culture with respect to the entire Asian-Pacific region or for all of East Asia. Chinese culture is the one and only domestically engendered, major primary culture. Thus, at the cultural foundation level, the development of the Asian-Pacific region, the coming of the 'age of the Pacific' and the rise of the 'challenge of the Orient', though certainly requiring a joining of forces, must include the driving force of the rejuvenation of Chinese culture (namely, the driving force of the readjustment and restructuring of Chinese culture and of the raising of 'the challenge of China', which developments occur and emerge as Chinese culture is buffeted by the strong blows of Westernisation and experiences baptism in modernisation.)¹ [4]

Of course, such sentiments have not and cannot be expressed by the government and leadership of the PRC, not least because such overt nationalism would be extremely damaging to China's relations with its

neighbours. While the five principles of peaceful co-existence- respect for sovereignty; mutual non-aggression; non-interference in internal affairs; equality between states; and peaceful co-existence- are now the basis for China's foreign relations with all states, it should be remembered that they were originally promulgated for China's relations with the other Asian states, initially with India and thereafter through the Bandung process. Similarly, China's opposition to hegemonism has never been directed solely against other states but has always contained an explicit rebuttal that China itself would follow this path.

This persistent disavowal of China's past and potential position as an Asian great power- in the sense of being a state capable of imposing its will on others, not merely as a state capable of defending its considerable interests which it has never eschewed- is evidence of China's awareness of its neighbours sensitivities. However, the lengthy process of normalisation that China has had to undergo with certain Asian states is proof of how much reassurance these states require as to China's regional role. Thus the resumption of relations with Indonesia in 1990 after a break of 23 years was accompanied by the fullest disassociation of China from the country's internal affairs. Speaking in Indonesia at the time of the resumption of relations President Yang Shangkun said,

that every country has the right to choose its own social system, ideology, economic model and the road

of development in light of its own conditions, adding that "the practices of international relations have proved that countries with different social systems and ideologies can live in peace and harmony and attain common development." He reaffirmed that China has no intention to, and will never, impose its model on other countries and it will respect the choice of the Indonesian people, their social system and road of development. Referring to the fear of some people that the strengthened economic cooperation with China will only serve to consolidate the economic status of the people of Chinese origin in the ASEAN region, President Yang pointed out that China does not recognise dual nationality and regards all those who have naturalised or who have acquired the nationality of the country of their residence as nationals of that country. "China strictly abides by the principle of non-interference in the internal affairs of other countries and has no intention whatsoever to seek political or economic interests through overseas Chinese."²

As this extract indicates China's relations with other Asian states have not been influenced solely by cultural, ethnic and geographic association but by China's adherence to a distinctive political and economic system. China does not view itself only, or in the past even predominantly, as an Asian power but as a developing Asian socialist country. The significance of these three concepts lies not only in the fact that they tie China, in the international context, into three different groupings- the developing world, the Asian countries, and the socialist states- but that in China's perception of itself they are not separate but an amalgam. An obvious example of this is China's claim to be building 'socialism with Chinese characteristics'- the merging of a body of political thought and practice with the social and economic conditions of China, including its developmental level. As discussed in the section on

ideological perspectives on Asia, it was the claim of revolutionary Chinese leaders that this practice was not solely specific to China but applicable to Asia given the interrelationship between the Chinese social and economic system and that of other Asian states, which was one source of international friction between them. Clearly, therefore, current pronouncements that differing social and economic systems are no inhibition to good foreign relations are a significant change of interpretation.

The impetus behind this change stems, firstly, from the need to rise to the challenge of economic development on the international level as discussed previously, but there have also been significant political pressures encouraging it, as this assessment by Foreign Minister Qian Qichen suggests:

China, a permanent member of the UN Security Council is a developing socialist country. It is neither a superpower nor a developed country. It is different from other members of the Security Council. Therefore many countries hope that China will play a greater role in settling regional conflicts. In addition, since the 4 June incident, Western countries imposed economic sanctions on us, halting high-level contact with China. There was a need for China to take the initiative on the international stage by engaging in extensive contacts and exchanges of visits to help break the sanctions. I believe every visit had some effect on promoting our country's foreign relations.³

China's diplomatic offensive in response to Western sanctions was overwhelmingly concentrated within Asia. General Secretary Jiang Zemin visited North Korea and Chairman Wan Li, of the NPC Standing Committee, went to Pakistan but most of the effort centred on Premier Li Peng who visited Indonesia, Singapore, Thailand,

Malaysia, The Phillipines, Laos, and Sri Lanka in 1990 alone. The focus on the ASEAN states paid considerable dividends, not least in the resumption of diplomatic relations with Indonesia and Singapore. Even with those countries with which immediate results could not be expected- India and Vietnam- progress was visible. Subsequent cross-recognition with South Korea and Vietnam has created a regional climate described as the most favourable for China in the 40 years since the founding of the new republic. 4

What these changes in China's political and economic relations with Asia demonstrate is not that China has abandoned its self-image as a developing Asian socialist country but that the relative balance between the concepts has shifted due to the pressure of external events. Whereas in the past China sought to project a particular image of itself regionally, derived primarily from internal conditions, the Open Door and the changing pattern of international forces has forced a re-assessment of the relative value of the three concepts in China's self-image. To assess the importance of Asia to China, therefore, is also to consider China's view of change in the developing world and the socialist states.

China's current assessments of the international order are dominated by discussion of the end of the bi-polar order and the rise of a multi-polar system. Chinese analysts view the multi-polar system as arising due to the relative decline of the US and the Soviet Union and

the emergence of Europe and Asia. Asia is particularly important in this process since the bi-polar order was never as firmly established in Asia as in Europe, and the new multi-polar order was evident there prior to the changes in Europe. Chen Qimao, Director of the Shanghai International Studies Institute:

Although the United States and the USSR divided up the Asian-Pacific region into spheres of influence at the Yalta conference, no military blocs similar to NATO and the Warsaw Pact were established after the war in the Asian-Pacific region. The Chinese revolution and the accompanying rise in national liberation movements in Asia threw the old order into confusion. The Korean war, the Vietnam war, and the Afghan war further greatly weakened the superpowers influence and ability to control the Asian-Pacific region. The collapse of the old system was already underway, and a multipolar structure was already substantially in place in the region. This gave us reason to expect that this region would first cease to be a post-war area characterised by bloc politics and hegemonism for the building of a new international political order.⁵

China's calls for the creation of a new international order pre-dated those of the West and were based on very different assumptions, being effectively the promotion of the five principles to a multilateral level. China's first concern with the West's conception of the new order is its similarity to that of the old. Tang Tianri, Managing Editor of Xinhua:

The attempt by Western nations to establish a 'new world order' dominated by capitalism, and the means used by them to fulfill this purpose, are, in fact, intended to impose Western values, social systems, and political and economic formulas on other countries. This is a typical expression of hegemonism and power politics under the new circumstances. This so-called 'new world order', like the 'old international order' of the past, will create international tension and conflicts, and endanger world peace and tranquility. It violates the universally recognised norm of international

relations- the five principles of peaceful co-existence. ⁶

For the majority of developing countries, the emergence of this imbalanced political order is a reflection of the failure to achieve structural change in the economic order. The growth of regional power centres, the increased prospect of protectionism and the advance of the industrialised countries in science and technology, are all likely to increase the gap between the richest and poorest countries:

It can be predicted that the result of the polarisation of Third World nations will be that by the end of this century a few nations and regions will come closer to the levels of the developed nations and regions, but the economic disparity between most Third World nations will widen further... The impoverishment of the economies in the majority of the Third World nations are not being solved, the old international economic order is not being reformed, and this is a de-stabilising factor throughout international relations. ⁷

Asia's importance at present is that several countries within it have broken with this overall trend and have demonstrated remarkable success in development. In Chinese assessments this success is due in part to the emergence of a new concept of national power in which development and security have been merged. Chen Hongbin, editor of *Shijie Jingji Daobao*, for example, argues that it is not sufficient to say that economic factors influence national strength or even that science and technology are key elements of national strength in the modern world, as suggested by the Japanese model, although they are deemed 'facilitators' in all other components- economics, defence, population, and so on.

Rather a system of 'comprehensive security' is proposed, implying the comprehensive use of all factors- political, military, economic, diplomatic and cultural- in coordination and complementing each other to guarantee the security of the nation. Chen views the advantages of this concept as outweighing any others:

This great systemic concept of national security also has broad implications. It prevents people from from one-sidedly viewing national security guarantee as a mere military guarantee. It alerts people that the possibility of a national security crisis not only can come from an external military threat, but can also come from internal economic, political and even morale crisis. This is especially true in the modern world. The possibility of a nation to collapse simultaneously from within and without from internal corruption and divisiveness far exceeds the possibility of collapse due to military conquest. For this reason one definitely cannot feel safe and sit back and relax just because there is no immediate threat of war. One must be mindful of the threat, be prepared for it with comprehensive counter-measures.⁸

Such a view of economic development as being intrinsically bound up with political stability and national security has been re-inforced by Chinese assessments of the experience of the socialist countries since 1989. While the CPC was highly critical of the reformist policies pursued by the CPSU under Gorbachev, the failure to recognise the comprehensive nature of national security and address the challenge of change in the domestic and international economies are seen as being the primary internal causes of the collapse of European communism. Du Gong of the Institute of International Studies:

The Soviet system had its roots in the eras of the revolutionary wars. It grew in stature during the

period of heightening class struggles and wars of national defense. After World War II, guided by the theory of two parallel markets, the countries became increasingly isolated economically. Their system was uniquely characterised by a high degree of centralisation of power, the presence of only one ownership system, state monopoly of planning and distribution where the state took responsibility for enterprise profits and losses, and rejection of the market and the law of value...

The fundamental factor behind the changing world order is the economic factor. It was the flaws of the Soviet Union's and Eastern Europe's economic systems which tipped the balance of international power in favour of the Western world, and in turn, that caused the collapse of the old bipolar order.⁹
[2-3]

While this created the prospect of a multi-polar order, the imbalance between the poles in terms of national strength is a destabilising factor. While Chinese analysts continue to point out the contradictions this creates between the major capitalist powers, the primary contradiction is between the developed and undeveloped states and the socialist and capitalist countries:

In today's East-West, North-South relations, the West is strong and the East is weak, the North is strong and the South is weak. Historically, the order of international relations has always been determined by real strength and international clout. The socialist nations and developing nations will be put in a disadvantageous position. As a result of the upheaval in Eastern Europe and the Soviet Union's decline, a new kind of power politics has emerged. It is making the worldwide promotion of Western value concepts- human rights, democracy, freedom, pluralisation, and market economy based on the private ownership system- the common national policy of the rich and powerful Western nations..
10

As applied to the socialist states this policy is known as peaceful evolution, defined by Shu Yu as,

the promotion by capitalist countries of a change from the inside in the character of political power in socialist countries through political, economic, cultural, ideological and other peaceful ways. So,

in a sense, it is just a coup d'etat by other means..¹¹

Shu argues that the main aims of the capitalist powers are changes in the political and economic system of socialist states: marketisation of the economies and democratisation of the political system; the Communist Party degenerates and is unable to defend the interests of the working class; Marxism-Leninism ceases to be the guiding ideology. The main ways of achieving this have developed over time since the confrontation of the early Cold War gave way to increasing economic and cultural ties. Western states seek to encourage bourgeois ideology and the intellectual elites in the socialist states who share this outlook; they proffer economic and technical assistance on the condition that socialist countries carry out necessary reforms; these actions are not individual and accidental but co-ordinated. Wang Haibo sees the failure to combat peaceful evolution as being one of the primary external causes of the demise of Soviet communism:

In 1985, after Gorbachev came to power, in a situation where economic reform had failed and there was no way out, he switched to political reform. This political reform was completely in accord with the demands of hostile Western forces. A multi-party, parliamentary system was greatly promoted, while the leading position of Marxism and the Communist Party as the party in power and the dictatorship of the proletariat were all discarded. This opened the door for the Soviet Union to restore capitalism. Thus, the disintegration of the Soviet Union was not the result of the reform of the traditional structure but the result of the failure to carry out reform for a long period, or not truly carry out effective reform, and was the outcome of political structural reform which completely goes against the socialist orientation. In these

respects, China's situation is essentially different from the situation in the Soviet Union.¹²

The need to meet the intellectual challenge of the West's peaceful evolution policy toward China during and after 1989 led to renewed vigilance in ideological and cadre work within the CPC but perhaps the most interesting defence of Chinese socialism appeared in the interviews of He Xin with a number of Western journalists.¹³ How representative He's opinion's are of either official or popular thinking is unclear, being viewed as merely a sophisticated *apologia* by dissidents abroad and controversial in some other regards by domestic critics, as will be discussed below.

He argued that the US has long held to a global strategy of creating an economic empire centred on itself, and traced it's policy on China back to Spykman, who argued that after the defeat of Japan the US must guard against China becoming a strong, unified and industrialised country. The promotion of Western political and economic concepts within China was but one tactic in the continuing pursuit of this end, with others including the attempts to provoke division within the country on ethnic grounds, for example in Tibet and Xinjiang. As to the continuing importance of Marxism, He argued that this meets the needs of China's modernisation and has been developed domestically for that purpose. It was, moreover, incorrect to say that China was not democratic: it had democratic traditions historically and currently practices 'substantial democracy' in the sense,

firstly, that legislation and law embody the fundamental interests of the people, and secondly, that there exists a responsive and orderly mechanism by which popular aspirations and demands can be communicated. As to economics, agriculture alone dictated that China will never operate a free market. To leave the economic well-being of over a billion people to the market would lead to social chaos and open the country to dependency on foreign powers:

The aim of those who want to export the Western market myth to China is to ensure that China's economic lifelines will ultimately depend on a world market under the control of developed western countries and put China at their beck and call like many poor countries in Asia, Africa and Latin America.¹⁴

More controversial was He's view that if China is to resist the economic and political model of the West it should do so by aligning with other Asian states, most notably with Japan. Japan is faced with four choices in He's view: it could pursue militarism or imperialism, both of which would provoke opposition and carry substantial risks, or it could ally with the US or with China and the rest of the Asia-Pacific region. He believes that the contradictions between Japan and Europe and America will worsen, and that Japan will have ever greater need for economic partners in Asia, especially China. This will not be a new form of the East Asia Co-prosperity Sphere not least because Japan will be confronted by a prosperous, unified and strong China.¹⁵

This thesis of a Sino-Japanese alliance against the US was open to criticism on several levels. An article in the Hong Kong journal 'North and South' by Ting Kuo¹⁶ pointed out the continuing importance of the US-Japanese alliance for both countries and the fact that those who oppose the alliance in Japan are overwhelmingly nationalist politicians of the right with whom China could find little common cause. But the central failing of the thesis was the misunderstanding of Japan's attitude towards China, which would always be founded on self-interest. In the past this meant pursuing its designs on Chinese territory, now it meant gaining both economic and political assistance from China. Thus, whereas Japan has promoted its commodities vigorously in China and proffered credits, it has been very conservative in technological assistance in comparison even to the Western powers. Similarly, Japan's motives in lifting sanctions first was to prevent other countries from establishing predominance in the Chinese market. Besides economic self-interest the main motive behind Japan's cooperation with China is to gain Chinese acceptance of its political objectives, including acquiescence in the expansion of its military establishment and a re-adjustment of its relationship with the US- the use of the China card in both its economic and political relationship with America.

Ting believes that the fundamental motive behind He's promotion of a Sino-Japanese alliance is that of an

earlier era- "East resist West"- and if revived might have similar consequences:

The strategic idea of combining China's manpower, and political and military strength with Japan's financial, economic and technical strength to oppose the United States is fundamentally the age-old product of hegemonism and racism.... If Japanese-Chinese cooperation is established on the basis of anti-Americanism, staking out parties and factions, and widening East-West differences, it will lead to a revival of the kind of situation that existed in the early years of this century, before the two world wars.¹⁷

While Ting may be correct in foreseeing many obstacles to an exclusive Sino-Japanese relationship, the foregoing argument indicates that He's perception of the increasing value of Asian regional relations for China is representative of a wider body of thought.

Thus it is possible to argue that the balance between the relative components of China's perception of itself as an Asian developing socialist state has, as a result of the interplay of international and domestic forces, moved in favour of an increased awareness of regional factors. In particular, Asia's success in bridging the gap between the developing and developed world and the shrinking of the parameters of the socialist movement, so that it is largely an Asian phenomenon designed to meet Asian economic and political ends, have increased reliance on Asian economic and political processes. The end of the Cold War, which in some Western assessments had diminished China's importance given the demise of European communism and the end of its intensive role as a balance between the

superpowers, has been replaced by the growth of extensive relations founded on Asian regional ties. While the ultimate shape of this regional and international order is unclear, and will undoubtedly present many challenges to China, most commentators believe that the international conditions which have resulted from the end of the bi-polar order are favourable to China. Thus Liu Shan:

First, the end of the military confrontation between the United States and the Soviet Union has enabled our country to have a peaceful environment for a longer period. Second, the disintegration of the Soviet Union and the unstable development of various CIS states has indeed brought some problems to our country; however, generally speaking, this has improved our country's security environment and has created conditions for our country to develop political and economic relations with neighbouring countries. Third, the disturbances in Europe in addition to the intensification of West-West conflict have attracted the West's attention. Our country has more room for manoeuvre in its diplomatic activities, and the relations between our country and the big Western powers are likely to be further restored and developed. Fourth, the political situation in East Asia and the Asia-Pacific region is comparatively stable, and the region ranks first in the world in terms of economic development. This has provided our country with a new opportunity for expanding opening to the outside world. Fifth, amid the turbulent transformation of the old pattern into the new one, China's role in maintaining stability in the world and its regions and the huge potential of the Chinese market have been recognised by more and more people. Although the development of the world's situation still has an uncertain and unstable side, and our country will not have a very smooth road ahead, after the disintegration of the bi-polar pattern, China's status and role will not be smaller than in the past but can only be bigger.¹⁸

ii) Chinese perspectives on Asia's future political relations:

As previous sections have suggested, Asia's importance has been rising for China throughout the reform era, as the Open Door has increased the interaction of the People's Republic with the region and the political and economic processes underway therein. There are many levels to China's perception of Asia's future political relations, from the global to the sub-regional but the foundation stone is undoubtedly the changes to the international order which has seen the rise of a multi-polar system. This transformation, and its implications for Asia and China in particular, is by far and away the most discussed aspect of Chinese commentary on contemporary international relations. A symposium on the international situation held by the International Studies Centre of China in November of 1990 produced an assessment which is worth citing at length since it is both typical and comprehensive in its scope:

The major characteristic [of the international situation] was that the world pattern underwent the largest change in the post war period. The symposium participants expressed various opinions on this issue. They in general agreed that the 'Yalta structure' existing between the east and west for 45 years has disintegrated and the contemporary world is undergoing a period of transition from the old pattern to the new one. Some scholars held that the current situation can be rather accurately described with the following two phrases- 'the old pattern has been broken but has not been completely terminated; the new pattern is growing at an increasing speed in a certain direction but has not taken shape yet.' Some other scholars held that the change in the world pattern can be traced back to the early 1960's, and the uneven development of political and military forces turned quantitative changes into a qualitative change. The change from multipolar economic pattern to a multipolar political pattern was completed between the late 1980's and early 1990's. However most speakers pointed out the the

change from a multipolar economic pattern to a multipolar political pattern has not been completed yet. Because the current change in the world pattern is occurring peacefully there will be a rather long transitional period in theory as well as in reality.¹⁹

The Asia-Pacific Region is seen as being pivotal to the process of multipolarisation because it is the area in which the interests of several of the major powers meet and yet the precise demarcation of their interests and relationships are ill-formed. Tian Zhongqing:

The Asian-Pacific region is a region in which the postwar political and military dividing lines between East and West are none too clear. The interests of great nations intersect and overlap and conflicts of all sorts are complicated and difficult to handle.²⁰

The Asia-Pacific region is, therefore, both a major factor sustaining a multipolar order and the product of that order. Changes within its internal structure will influence global relationships, and vice versa. As argued, part of China's response to this has been to diversify and deepen its regional relationships, seeking political and economic advantage in terms of both bilateral relations and the impact of these upon the regional balance of power. Thus, in his 'Report on the 10th Year Programme and the Eighth Five Year Plan' submitted at the 4th Session of the 7th NPC in 1991, Li Peng devoted considerable time to China's regional relations, as reported by Hong Kong's Wan Wei Po:

Premier Li Peng talked at length in summarising China's accomplishments in developing good neighbourliness in a significant way with our neighbouring countries. There must be some work foci in China's diplomacy. Such foci are encouraging good neighbourliness with our neighbouring countries,

cultivating peaceful and friendly borders, and augmenting economic cooperation. In the wake of his analysis of the sound diplomatic situation in China's relations with Korea, Burma, the ASEAN countries, Pakistan, India, Bangladesh, and Sri Lanka, he also mentioned the USSR and stressed non-intervention in each other's affairs, showing respect for other people's choices and strictly abiding by the Sino-Soviet Communiqué.

Li Peng placed the development of friendly and cooperative relations with Japan in a rather eminent place: Japan is an Asian country and China's friendly neighbour. In the coming ten years, there is an increasing possibility for Asian countries to build a region of economic cooperation to deal with the situation characterised by competition between international economic alliances. Sino-Japanese cooperation is advantageous to China's economic development and a great impetus to Asian stability and economic renovation as well.²¹

As the above indicates China's regional relations are far from being of equal importance at every level. Rather it is the interaction between the major states as global actors and regional powers that is seen as contributing most to the future structure of Asian political relations, and, having discussed China's developing bilateral relations elsewhere, this section will concentrate primarily on the interaction between the major powers within Asia, and between them and the other states of the region.

The new political structure of the region is seen as emerging first and foremost from the changes in the relative status of the major powers, with most emphasis, prior to the demise of the Soviet Union, being placed on the rise of Japan. Xia Liping in 1990:

Since the early 1970's, the course of politics in the Asian-Pacific region has been determined by the trilateral relationship between China, the United States and the Soviet Union. The trilateral relationship in the Asia-Pacific region between China, the United States and the Soviet Union has

been evolving into a four-party relationship between China, the United States, the Soviet Union and Japan, as Japan's economic, political and military strength has grown, US-Soviet relations have relaxed, and US-Japanese tensions have heightened.²²

With the demise of the Soviet Union this process has accelerated, changing the relationship between the four powers but also increasing the room for manoeuvre for mid-level regional powers. The overall pattern of relations are characterised as being pluralistic and more stable than the previous regional order:

As the Soviet Union has dissolved, as the bipolar system has died, and as the role of Japan is rapidly growing, a new, pluralistic situation in which many forces coexist and constrain each other and in which the United States, Japan, Russia, and China are the major actors, is taking place in the Asia-Pacific region. At the same time, the ASEAN, Vietnam, Australia and others are also becoming important forces in the region that arouse attention. In short, because of the pluralistic developments, the various forces in the region have formed, in a preliminary way, a relatively stable strategic balance based on mutual constraint. From a security perspective, this situation is much better than the situation in the Cold War era.²³

However, it can be argued that such positive interpretations are based upon fortuitous and transitory political circumstances, which disguise potential sources of conflict. The first of these is the continuing possibility of regional conflict. The re-structuring of the relationship between the major powers has not ended the possibility of internal conflict- or even ended the existing civil wars in Afghanistan and Cambodia- but rather altered the extent to which these impinge upon the relationship between the major powers. Pluralism means that there is no automatic positive or negative charge associated with regional conflicts and little possibility

of unilateral intervention but the new order remains highly sensitive to shifts in the regional balance occasioned by internal change or external conflict. Thus, with crucial issues like the Korean peninsula the possibility for peaceful settlement has increased but the advantage to be derived for the powers achieving this on terms favourable to themselves remains the same.

From this perspective the changing roles of the US and Russia, while reducing the possibility of conflict between themselves, has increased the potential for conflicts of interest between Asian states. Lu Lin:

the intrinsic of the Asian Pacific problems in the 1990's basically has nothing to do with the US-Soviet global contention. The economic problems the region faces should certainly be looked at and resolved in the context of the global economy. But its security and political problems basically originate within nations in the region, and the easing of US-Soviet relations does not imply that the region's peace and security will necessarily be guaranteed. On the contrary, if in the 1990's these Asian nations fail to find an effective way to control potentially unstable factors, then a reduced US and Soviet military presence may result in an arms race among these nations themselves. If this happens, the region's traditional sense of mutual distrust will emerge once again, economic development will be hindered by an arms race, and in turn the region will be mired in political upheaval.²⁴

Amongst other consequences of 'unrestrained pluralism' will be the prospect of mid-level regional powers playing a more active role in their own sub-regions. This applies first and foremost to South and Southeast Asia, where India, ASEAN and Vietnam can be expected to play more prominent roles unrestrained by their alignment with one or other side of the Cold War.

The possibility of regional conflict and the proliferation of regional power centres has raised the issue of collective security to the forefront of discussion among the major powers. This was impossible during the Cold War when collective security arrangements were inevitably construed as alliances aimed at the opposing power but while Asian security mechanisms are no longer viewed as necessarily adversarial the fact remains that any such mechanisms must meet the diverse interests of many states. In particular, Chinese commentators are sceptical as to the applicability of a security mechanism that is not derived from Asian circumstances. Yan Xiangjun:

With the end of the cold war, military confrontation between East and West has disappeared, and a certain amount of progress has been made in large nation's arms reductions. For various reasons (mostly self-defense) the development of armaments in the Asia-Pacific region will tend to escalate. According to statistics in the Swedish Stockholm Institute International Peace Institute's Military Yearbook, "In 1991, Asian countries accounted for 34% of all arms imports in the world replacing the Middle East as the largest market for regular arms". The building of a new security system has been placed on the agenda. However, because of the region's historical, cultural, political and economic background, as well as the fairly great differences in security interests, the European security conference model cannot be copied wholesale. It will be necessary to use political negotiations for the gradual establishment of bilateral and multilateral, multi-level and multi-channel systems for security dialogues. ²⁵

As this suggests diverse and, in some cases, conflicting interests remain the major inhibition to a pan-Asian collective security system. What is most commented on by Chinese analysts is that since the demise of the Soviet

Union the major conflict of interest may prove to be between the US and Japan. Yan Xiangjun once more:

As the situation develops, the strength of the four powers is fluctuating and changing. Today it appears that Japan's power is rising fastest, and Russia has become the weakest. As Japan's power increases, the contest for dominance in the Asia-Pacific region between the United States and Japan will gradually intensify. The future situation in the Asia-Pacific region will develop around contradictions and struggles between the US and Japan. ²⁶

Thus, key aspects of Chinese perspectives on future Asian relations are derived from interpretations of the changing US-Japanese bilateral relationship.

A considerable amount of effort has gone into assessing the readjustment of US policy in the Pacific dating from the time of the Bush administration. Guo Xiangang's assessment is characteristic:

During the 1970's and 1980's, the overriding primary goal of the US strategy toward Asia and the Pacific was to join forces with most of the Asian-Pacific countries in countering Soviet expansion in the region. After Bush moved into the White House, he readjusted the US strategy toward the region and stopped regarding the Soviet Union as the main enemy. However, he still insisted on preserving the "forward defense" system with a view to playing a geopolitical balancing role in the Asia-Pacific region and to serving as "an honest broker". This is the role of the so-called "balancing wheel". It marks a return to the traditional balance-of-power theory in US Asia-Pacific strategy following the disappearance of the Soviet threat. ²⁷

Where Chinese assessments tend to differ is over the desirability and capability of the United States pursuing this role. As to the desirability of the US retaining a leading role in the Asia-Pacific the division is between those who see the US as a stabilising force and those who see it as pursuing a hegemonistic path. Chen Qimao,

writing in 1991, indicated the important role the USSR had in allowing the US to control Japan and the dangers of a precipitate US withdrawal from Asia:

In order to contain the USSR and prevent Japan from becoming a new major military power, the United States plans to maintain military bases and forces in Japan, and wants Japan to share more of the expenses of stationing forces there. However, should a peace treaty be signed between Japan and the USSR, and if major advances are made in the reduction of forces in the Asia-Pacific region, there will be no need for the US to station forces in Japan for a long time, and it will gradually be forced to withdraw them. The relative economic decline of the US and of its forces in the Asia-Pacific region will bring about a corresponding reduction of US influence in the Asia-Pacific region. At the same time, it will damage the existing balance in this region and cause the appearance of new imbalance and a "political void" that leads to changes in the international structure of the Asian-Pacific region.

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An opposing view is put by Chu Yuanshang. Taking James Baker's article in *Foreign Affairs*, Winter 1991, as his text, Chu argues that the basis of the US position in the Asia Pacific region rests on three principles. Firstly, the advancement of common values of political democracy and the market economy for the region:

These principles are basic to the US domestic and political and economic systems, and constitute the main content of the US advocated new political order. It is clear, therefore, that the US intends to apply and propagate its domestic system in the Asia-Pacific region, and to use the Asia-Pacific community as a test of the US strategy to establish a new order throughout the world.²⁹

Secondly, the centre of the Asia-Pacific community is to be America itself, with the alliances the US created during the cold war serving as the main conduits of interaction. Thirdly, the organisational structure for the regional community would be provided by APEC, which

would become the vehicle for market growth and trade liberalisation. Chu comments:

From this, we can see that in the post-Cold War era, the fundamental principles of the US Asia-Pacific policy have not changed, and that the US still considers its primary objectives as gaining access to the Asian market and preventing any anti-US country or group of countries from developing in Asia. In other words, the US still seeks a hegemonic position in the Asia-Pacific region.³⁰

What has changed is the means by which this is to be achieved. Firstly, the US is placing far more emphasis on economic competitiveness, hoping to halt the relative decline of its economic power both in relation to Asia, and, by harnessing Asia's growth, in relation to Europe. Secondly, regional security structures are to be realigned in pursuit of the new aim of pursuing collective security:

With the end of the bi-level defense structure and the corresponding decline in US power, the US is giving increased emphasis to establishing a certain collective security system in the Asia-Pacific region. This contrasts clearly with the past when the US emphasized and relied on bilateral relationships to handle regional security issues.³¹

Lastly, the US is putting new emphasis on developing partnerships with Asian-Pacific powers, most obviously Japan. The US will encourage Japan to further expand its economic and political power, at both the regional and global level, but will seek to trade this in exchange for fixed limits to Japan's military expansion. This desire to place limits on Japan's status will mean continuing tension between the two powers:

From now on, and for a considerable period of time, the major contradiction in the Asia-Pacific region is the US-Japan contradiction, not the Sino-US

contradiction. The US will use all measures to make Japan accommodate or serve US interests, and there will be no true equality in the "equal partnership".
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As to the capacity of the US to administer such a system, scepticism derives not only from the United States' declining economic power and military retrenchment but to the changing attitudes of Asian states to the governance of the region. As Guo Xiangang points out there is little enthusiasm among the nationalist states of Asia for the US to have an arbitrating role in their affairs, while the system of "forward defence" runs counter to the desire of many states to operate their own security.³³

A consequence of this declining capacity to order events in the Pacific, including the relationship with Japan, is to make the US more dependent on its strategic ties with other powers. Thus, Yan Xiangjun points out, while the strategic need for China has declined with regard to the USSR, the US still sees China as major balancing factor in the Asia-Pacific, as is also the case with Russia.³⁴ The extent to which both of these factors—the push for sovereignty in external policy by the Asian states and the dependence on the other major powers—effect the US capacity to shape the regional order will be influenced to a considerable degree by the behaviour of Japan. If the US-Japanese relationship is seen as being mutually constraining this will allow more flexibility to other states of the region, including the formation of ties aimed at resisting a joint US-Japanese condominium. If Japan seeks to free itself from the

alignment with the US or to substitute its own version of a regional order for that of the US, this will increase the United States ability to gain strategic partners in the region. A good deal, therefore, depends on where Japan is heading.

No other country receives more attention from Chinese analysts than Japan. This is a product of the past- of culture and of recent and distant history- but ultimately it stems from concern with the future. There is an implicit understanding that the Sino-Japanese relationship will be central to the shape of the future political order in Asia, and, if Asia continues to rise in international importance, to the global order as well. A good or bad relationship between China and Japan will certainly go a long way to determining the relationship between China and the rest of the region.

Given the importance of this relationship what is perhaps most surprising is the degree of difference in assessing Japan's motives and intentions with regard to its foreign policy. In some senses this is a mirror image of the debate over the role of the US: there is a division between those who see Japan's rise to major power status as a boost for the economic and political sovereignty of Asian states and a check upon non-Asian states capacity to intervene in the region; and those who see such a rise to prominence as destabilising and threatening. At least part of the difficulty arises in that Japan's rise to power is increasing in pace with

changes to the economic and political order. Zu Rongzhen, Director of the Tokyo Branch of Xinhua:

The relaxation of Soviet-US relations, the drastic changes in the Soviet Union and East Europe and the adjustment of East and West Europe have provided an opportunity and posed a challenge for Japan, but the opportunity is bigger than the challenge. In Japan's opinion the weakening of the present military confrontation, the important role of economy, science and technology, and economic requests made of Japan by many countries have provided Japan with a good opportunity for expansion. It is trying what it can to exploit this opportunity to expand its influence, to alleviate its frictions and conflicts with other countries and reduce its own pressures and unfavourable factors. Japan's basic strategic target is this: to play an important role in Asia, to strive to be a pole in the course of world multi-polarisation, to display its role around the world and advance towards a politically, or even militarily, powerful country.³⁵

According to Chen Jiehua the changes to the regional order have provided Japan with opportunities to expand its political influence in a cross-shaped strategy. The vertical axis is that between Europe and Australasia which is assuming considerable importance but it was the withdrawal of the Soviet Union from along the horizontal axis between South and Southeast Asia that afforded the greatest opportunities to Japan:

US-Soviet relations have eased, and Sino-Soviet relations have normalised; the changes in Eastern Europe rivet the gaze of all countries on Europe; and a power vacuum has occurred in South Asia and Southeast Asia. The Soviet Union's economic support for and political influence in India, Afghanistan, and the Indochina peninsula have deteriorated to an unprecedented extent. Changes in the global power structure have led to a slackening and disintegration of the opposing power structure along the horizontal axis. This provides an unprecedentedly favourable opportunity for Japan to become involved there.³⁶

From this perspective it is Japan which has been the main beneficiary of the demise of the Soviet Union's strategic position in Asia, not the United States. However, this disguises the fact that while its economic diplomacy in terms of aid programmes and economic ties are well advanced its political diplomacy is in its infancy. As Chen points out there is a marked discrepancy between Japan's desire to speak for Asia at the highest levels and the actual influence it wields in key regions such as South and Southeast Asia.³⁷ The fear of many commentators is that Japan will attempt to bridge this gap by developing a military capability to match its economic power:

Japan will not change its policy of military expansion. Its military expenditures will rise at an annual rate of 6% to stand at US\$30bn, only next to the US and the Soviet Union in terms of military spending. Japan has bluntly denied its intention to turn itself into a militarily powerful country but viewing its economic strength and political strategy Japan deems it necessary and possible to build itself into a militarily powerful country. Now Japan's high technology that can be shifted for military use is speedily developing. There is a large capacity and potential in this respect.³⁸

The major constraint upon the expansion of Japan's military and political role remains the alliance with the United States, embodied in the 'Japan-US Security Treaty' but this is clearly weakening. Japan's adherence to the Treaty was determined by the need to gain US military protection and to use the "mutual defence" framework to dispel the anxieties of other Asian states as to its military build-up. The demise of the Soviet Union has lessened the threat to Japan's security, though as argued

elsewhere Japan persists in regarding the Russian military presence in East Asia as excessive, and the US retrenchment is encouraging Japan to develop new concepts of regional security. In some Chinese views the days when the US could constrain Japan's ambitions is passing.

Huang Suan:

Japan has no doubt that one of the main reasons why it has not become a political and military power and why its international status is not more befitting of its economic strength is because it is under the thumb of the United States. Japan also has no doubt that the reason it must make many economic concessions to the US is because, politically and militarily, it is dependent on US guardianship and protection. Thus if Japan wants to become a political and military superpower, the first condition is to win political and military independence from the United States. If Japan does indeed become a political and military superpower, not only will it trouble many of its neighbouring countries, it will constitute a serious threat to the United States. 39

As this suggests China is not alone in having an ambivalent attitude to Japan's rise to global prominence. It would welcome a demonstration of Japan's independence from American influence in political terms but is wary of any Japanese attempt to make Asia its sphere of influence, either independently, or in conjunction with the US. Chen Qimao gives a balanced assessment of the options open to Japan:

Japan as an independent sovereign country needs a certain amount of national defence forces and this is understandable, but the development of these forces should not go beyond the scope of defensive purposes. Trade imbalances are the product of imbalances in economic development. The method of exerting pressure on Japan to make it increase its military expenditure and buy more weapons in order to solve the problem of the trade imbalance would be detrimental to the peace and stability of the Asian-Pacific region, and thus would be highly unwise.

Politically, Japan hopes to become a great international power, and people have expressed understanding of this hope. In fact, Japan has already become a great political power with an important right to speak on international affairs. But some people in Japan are striving to establish a Japanese-US joint dominance system in the Asian-Pacific region. This would run counter to the demand for the establishment of a new international order. The reality of the multipolar pattern formed in the Asian-Pacific region, as well as the trend for the Asian-Pacific people to insist on acting independently and on their own initiative are also incompatible with it. ⁴⁰

Clearly one way in which China could avert the dangers of either an unrestrainedly independent Japan or a US-Japanese condominium is to raise the level of its own bilateral relations with Japan, substituting Sino-Japanese interdependence for that with the US. In the eyes of some commentators the Sino-Japanese relationship is a lot less contradictory than the US-Japanese one. Lu Zhongwei:

Looking ahead to the next 10 or 20 years, there are broad prospects for cooperation between China and Japan. In the East Asian region, there is an objective similarity between the strategic interests of China and Japan. Japan feels that China and Japan are largely in agreement regarding the strategy for achieving stability and development in Asia and that China's advocacy of calming down 'hot spot' conflicts and its promotion of regional economic cooperation are appropriate conditions for Asia.⁴¹

Perhaps the key words here are "the next 10 or 20 years". Can China afford to gamble on the stability of Sino-Japanese relations beyond that limit? The answer seems no. Beyond the development of its own national power China will seek assurances for regional security in two sources: strategic understandings with other powers and in some measure of collective security.

China's development of strategic understanding with other powers is cloaked by its persistent disavowal of any concept of alliance in its diplomacy. According to this, China's foreign policy is always independent and no aspect of its relations with one power is aimed at a third. Rather its strategic interests coincide to a greater or lesser degree with those of other states, as if by happy, or less than happy, coincidence. This argument is advanced by Lu Zhongwei when considering the interplay of relations between the US, China, Japan, Russia and the ROK in Northeast Asia, the area where their interests meet and where sources of counterbalancing regional stability may most obviously be sought.⁴² According to Lu there are four potential sources of contention involving the alignment of the powers, each of which he is at pains to dismiss. Firstly, the possibility of a tripartite alliance between Russia, China and the ROK. This assumes that the history of the last century when China and Russia both fought wars to limit Japanese penetration of the Asian mainland is repeating itself. Lu argues that this is not an objective assessment of contemporary relations and that the relationship between these three powers cannot be construed as being directed against any third party. Secondly, the "Japan question" in Sino-ROK relations; commentators in both Japan and South Korea saw in the establishment of relations between China and the ROK an attempt to "join hands to pin down Japan". Lu argues

rather that the strategic interests of the three Northeast Asian countries are identical and that China does not seek alliances with any country:

In particular, China's guiding ideology for international relations does not lie in forming strategic alliances but rather in living in friendship with all its neighbouring countries, and China also makes this its long-term policy.⁴³

Thirdly, the "US question" in Sino-Japanese relations, or put another way, the "Chinese question" in US-Japanese relations. Lu accepts that the relations between any two of these states affects the third party and thus the depth of development of Sino-Japanese relations is restricted by US-Japanese relations and Sino-US relations. In particular, if Sino-US relations are not good, Sino-Japanese relations will suffer. While recognising that each country is essentially different in terms of systems and values, Lu argues that strategic interests bound the countries together during the cold war and should do so now in the interest of domestic construction and the stability of the new international order. Lastly, there is the "US-Japanese question" in Sino-Russian relations. Lu argues:

The new development of Sino-Russian relations has its own basis and its own conditions for maturity.⁴⁴

These are the de-ideologisation of relations and the potential for economic cooperation. Chinese leaders have insisted, however, that the Sino-Russian relationship cannot be construed as being either strategic nor an alliance but solely good-neighbourly relations which are not aimed at any third party.

China's denial of the need, or the possibility, of alliances with other powers in the Asia-Pacific region is the product of its desire to be independent in its diplomacy- alliances place constraints upon diplomacy after all, as well as providing support- and the conditions of pluralism in the region, in which to form an alliance in one direction is to invite a similar response from another. However, this does not mean that China is unaware of the role that common interests between certain states can play in influencing others- good neighbours can have a restraining influence on bad ones.

An alternative to bilateral or sub-regional understandings between states is some form of collective security which is being more widely discussed as result of the emergence of the new regional balance, combined the continuation of regional disputes and arms proliferation. As noted the major inhibition to the creation of a collective security mechanism is the diversity of interests that must be encapsulated which is matched by the diversity of conceptions as to the security mechanism itself. Yuan Xiangjun offers a assessment of the preferences of the major players involved followed by a exposition of China's perspective.⁴⁵

- The US is conducting a process of adjustment in its regional relations and is more inclined to view multilateral coordination more favourably; but it wishes

to base this consultation on its existing bilateral ties and thus proposes that the ASEAN foreign ministers meeting, at which it has a high profile, be expanded to consider all-region security consultation. The Clinton administration outlined four security challenges in the APR on taking office: trade deficits; the fragility of certain bilateral relations; arms proliferation; and the existence of four out of the five remaining communist states in the region.

- Japan accepts the concept of using the ASEAN structure in the current stage but favours the creation of a CSCE-type organisation eventually. Many Japanese governmental and non-governmental policy units are in the process of planning such a mechanism- which had its clearest expression during Miyazawa's premiership- but it continues to face the problem of the US opposition.

-Russia also favours the creation of a security mechanism but it is primarily concerned with Northeast Asia:

The Soviet Union had long been proposing the establishment of an Asian Security System. After the dissolution of the Soviet Union, Russia, as the Soviet Union's "successor state", has readjusted its policies on the Asia-Pacific region. Russia is seeking to create a favourable international environment for developing the Far East region and for economic cooperation in Northeast Asia, on the basis of seeking to establish a "partnership" between the United States and Russia,, strengthening the friendly relations between Russia and China, and improving relations between Russia and Japan, and between Russia and the ROK. It is now mainly concerned with the security of the Northeast Asian region, and has proposed that as a first step multilateral consultations be carried out on the security of Northeast Asia. 46

-ASEAN is trying hard to make its foreign ministers meeting the basis for a wider cooperative structure. In February 1993 ASEAN and Japan discussed a regional security mechanism for the first time. China, Russia, Laos and Cambodia are all likely to become "official participants" at the talks on Asia-Pacific security.

-Kazakhstan has proposed an ambitious scheme to duplicate the CSCE process in Asia through a number of stages.

-the ROK, under Roh Tae Woo, proposed a four-plus-two- the four big powers plus the two Koreas- Consultation Conference on Security in Northeast Asia. Russia, in particular, supported this concept, but Roh made clear that he did not approve the Japanese concept of collective security, given the differing security interests of the countries of the region.

-Australia has proposed a meeting of heads of major governments- a G7 of the Asia-Pacific- but clearly this does not meet the approval of smaller nations.

As to China's role and attitude to Asian-Pacific security, Yan asserts that China has made an active contribution to the stability of the region by involvement in regional settlements and the expansion of its diplomatic ties. This does not mean that China is pursuing regional dominance:

Some people in the west have intentionally spread the ideas that there is a "China threat" and that "China is filling a vacuum" in an attempt to use such theories as an excuse to step up the efforts to establish an Asia-Pacific security mechanism. Such theories are totally groundless and only serve to sow dissension, and damage the relations, between China and other Asian-Pacific countries. ⁴⁷

China's modernisation of its defence forces is purely to safeguard its sovereignty and independence and is subordinate to the task of economic construction. China's military budget has increased on a yearly basis but at US\$6bn (\$US5 per capita) it is markedly less than Japan (\$30bn) or the US (\$300bn). China will seek to resolve all outstanding disputes with its neighbours by peaceful means and on such matters as the Nansha over which China has sovereignty it favours joint development for mutual benefit.

As to the security mechanism to be employed in the region China wishes to establish this under the principles of peaceful co-existence: friendly relations between neighbouring countries on the basis of respect for different system and equality of nations- "no big power should be allowed to seek special status or spheres of influence"; respect for sovereignty and non-interference in internal affairs; peaceful settlement of disputes by means of negotiation: no resort to arms; mutual benefit and cooperation: opposition to the formation of trade protectionism and the creation of exclusive economic blocs.

As regards the functions and form of the collective system Yan proposes four functions and four levels of activity. The four functions are: to enhance political dialogue at the bilateral level, with supplementary multilateral negotiations; expand economic cooperation; develop exchange of military information and contacts to

increase transparency; full consultation on security issues and regional disputes. The four levels are:

First, non-governmental, informal, and non-regular bilateral multilateral or regional dialogues; second dialogues at semi-official, regular or nonregular, and multilateral or regional, forums; third, regularised subregional official formal dialogues; and, fourth, an institutionalised collective security system for the region as a whole.⁴⁸

However, Yan does not consider that such a system will emerge overnight rather than evolve through time and practice from low-level to high-level collaboration:

Currently, conditions are not ripe for the establishment of an institutionalised Asia-Pacific collective security system for the region as a whole. There are power centres in the Asia-Pacific region which have very different interests, and the political situation is complex. Countries have different views on the security issues facing the subregions and the region as a whole, and are focusing their attention on different issues. Therefore, a long time will be needed for full study and consultation. The proposal concerning the establishment of a CSCE-like all-Asia collective security system is obviously unrealistic, because the situations in Europe and Asia are very different.⁴⁹

From Yan's assessment it can be seen that China's view of multilateral coordination is derived from the same premises which influence its attitude to bilateral relations. It favours collective measures only in so far as these promote, and do not constrain, its own diplomacy and are not the means by which any power, or group of powers, can compromise its national interests, domestic or external. The gradualist approach outlined above is to ensure that these interests are protected at every stage and that the process as a whole can be limited to such activity as does not contravene them. An immediate

instance of this is evident in China's insistence that Taiwan, as an integral part of China, would not be entitled to separate representation in any security mechanism. Thus, both the structure and the operation of the collective mechanism will be subordinate to China's interpretation of its national interest. Since this is also true of every other country the prospects for the regional security mechanism must be viewed with caution.

It was stated above that, in Chinese appraisals at least, Japan had benefitted most from the emergence of the new regional order. It might be added that China had gained no less, certainly if account is taken of China's late entry into full membership of the economic and political order in assessing the disparity in the two state's regional positions. The change in the relative positions of the four major powers has created a more stable and secure environment for China's economic and political policy and allowed it considerably greater flexibility in how that policy is conducted. This is important not only because of China's ambitions as a major Asian and global power but also because of its liabilities in terms of domestic development. The purpose of this paper, however, was not to consider China's position as an Asian power *per se* but of Asia's role in China's changing relationship with Russia, on which some conclusions may finally be drawn.

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VI Conclusion

A central premise of this thesis was that strategic opposition between the Soviet Union and China arose from, and was sustained by, regional confrontation. This was a complex process since political and economic processes in Asia lay outwith the control of the major powers. Stability between the two states in future will depend, therefore, not only on the condition of the bilateral relationship but on compatible regional perspectives, including strategic relationships as they operate within Asia.

A major factor influencing Sino-Russian relations at all three levels- bilateral, regional and strategic- is the impact of Asian economic modernisation. This is changing the relationship between Asian states, including between planned and market economies, and between Asia and the rest of the global economy. A central consideration of the paper was, therefore, to assess the degree to which the Asian modernisation imperative would affect relations between states, including between Russia and China.

If economic modernisation was the primary variable influencing the Sino-Russian relationship, the primary constant may be said to be the continued adherence of Russia and China to a culturally distinctive perspective on Asia, as indicated in the sections on the imperial and revolutionary eras. However, the difference in the

perceptions of Asia derived from the differing political cultures of the two states did not prevent them from sharing common political and economic interests in the past, and was not the sole factor behind the periods of contention between them when these arose, at the end of the Qing empire and during the Sino-Soviet cold war. Rather it was the conjunction of differing national perceptions with external factors, particularly the regional balance of power, that led to a deterioration in relations. That both states have now claimed to have de-ideologised their foreign relations does not mean that they do not retain distinctive value systems in relation to regional relations. As in the past, it is the relationship between these value systems and the regional balance of power which will condition future relations between them.

However, Russia and China are not alone in retaining elements of continuity in their regional perspectives. Perhaps the major source of instability in Asia is the persistence of ethnic, religious and national differences within, and between, states. As argued economic development is receiving so much attention not merely because of the prodigious growth in the regional economy but because it is seen as providing the stability and unity of interest lacking in political relations. This cannot be a simple positive/negative equation, however-differences of economic interest can be as divisive as those of politics. It is, therefore, a question of

balance. Do the positive factors derived from economic development outweigh the negative factors arising from Asia's heterodox political, social and cultural character? Russian and Chinese responses to this question have been taken as providing evidence of the degree of compatibility between their regional perspectives.

Clearly, a crucial element shaping those responses is Asia's role in their own domestic development. At first glance these appear to be entirely disparate. China has achieved remarkable growth rates by integrating sectors of its economy in the economic processes of the APR and using this as a foundation for a transformation of its position in the international economy as whole. Asia and China are gaining in importance for one another as economic interdependence proceeds, and will continue to do so. By contrast the collapse of the planned economy has propelled Russia into an economic crisis which has strained both internal and external relations, including between the centre and Asiatic Russia, and between Russia and Asia. However, there are points of comparison between the future domestic development of the Russian and Chinese economies, beyond the immediate purpose of shifting the balance between state and private sectors while retaining a degree of control over macroeconomic factors.

Firstly, the relationship between centre and regions is of paramount importance for both states, though the separation of economic interest between centre and

regions is arising from opposing causes- economic success and economic collapse. The relationship is so important because the increasing autonomy of the regions has extended beyond the economic sphere- economic self-management is inevitably giving rise to pressures for political self-management, which in Russia's case have been recognised to some degree in the new constitution. Given the social problems inherent in the imbalance in China's development continued devolution of authority to provincial and regional level may also be inevitable.

Secondly, as the regions have gained the power to conduct foreign economic relations directly the penetration of the domestic economy by external forces- not only corporations and trade agencies but the economic and social cultures that sustain them- has increased. This means that neither Russia nor China are any longer closed societies and that the regions push away from the centre will be matched by a pull from abroad. In China's case this means a return to a time when Chinese society interacted with Asia, and not merely the Chinese state. Though to a lesser degree, this will also be true of Asiatic Russia. Russians have always assumed that the Eurasian concept would be constructed by Russia's entry into the East. It may yet be the case that the East will tire of waiting for European Russia to overcome it's schizophrenia and draw Asiatic Russia, particularly the Far East, into its economic, and perhaps political, sphere.

Regarding Chinese and Russian perspectives on the Asian economy itself three aspects were examined- the Asian economic model; Asian economic regionalism; and bilateral ties.

With regard to the emergence of a distinctively Asian economic model, there were several points of convergence between Russian and Chinese assessments. Both noted that there were common and individual factors operating in most Asian economies. The common factors related to specific economic processes, such as joint ventures and export orientation, and to the overall mechanism in many Asian economies, which was recognised as being based on achieving a dynamic balance between the planned and private sectors, between national priorities and the priorities of the market. Individual factors related to the history and geography of particular countries, such as that of post-war Japan or contemporary China.

The most contentious area for analysts was that the economic model could not be separated from political and cultural models. For Russians this meant recognition of their cultural distinctiveness but a degree of ambiguity on the question of whether closed or open political systems were most conducive to economic modernisation. Chinese analysts conversely tended to play down cultural factors behind economic development and stressed instead their political distinctiveness- economic convergence with Asia did not imply political convergence. Thus while

differing on the basis of their individuality both states seemed reluctant to commit themselves to pursuit of a common model, preferring to adopt those methods best suited to their particular development needs. The principal feature they would appear to share would be a continuing commitment to state intervention as a factor in economic development.

On the central issue of the development of an Asian regional economy there are similar points of convergence and divergence. Both Chinese and Russian analysts recognise the primary external and internal factors driving the creation of a regional economy: the pressure from regionalisation elsewhere in the developed economies and the growth of intra-regional trade, investment and technology transfer within a structure sustained by coordination between states and transnational corporations. There is also recognition of the positive and negative factors behind regionalisation: that it is as much the product of bitter competition between states- the US and Japan being the most obvious example- as of the benefits of cooperation, and that the needs of less-developed countries are frequently ignored. The central differences between Russian and Chinese interests emerge from discussion as to the structure and operation of the potential regional or sub-regional economies.

Russia's perception is shaped by its location between Europe and Asia. This means it has the option of joining with Europe and risks promoting the creation of

closed economic, and conceivably political, blocs, or of seeking to balance its relations between East and West. The rise of the concept of Eurasia, for which there is a reasonable economic foundation, would seem to indicate a more balanced approach to foreign economic relations but nevertheless Russia will, because of this dual nature, continue to be perceived as being in Asia, rather than of Asia. As a result, Russia will favour economic cooperation at the sub-regional level, especially in Northeast Asia, and at the pan-Pacific level but will remain opposed to the emergence of an exclusively Asian regional economy whether this is based upon East Asia or a Chinese, Japanese or Southeast Asian subset. This stance is the economic basis for the strategic alignment with the US in the Pacific, though as argued it is one which arises largely from the weakness of the Russian position and can be expected to change with time. Russia's major problem is that it lacks common interests with the core economy of the region, Japan, at every level- bilateral, sub-regional and multilateral- and that this is imparting an imbalance to its economic development, and its diplomacy as a whole.

China conversely, while being equally enthusiastic about sub-regional development, is unable to separate economic alignment from political alignment. China's preference for bilateral relations and scepticism about multilateralism derives from the fact that the former allows it to retain full control over its economic and

political sovereignty while the latter necessarily involves some loss of sovereignty to international bodies. While China's growing interdependence with Asia means that it cannot stand outside any multilateral body, such as APEC, the gradualist approach to multilateral cooperation is to ensure sufficient checks and balances to prevent this becoming a vehicle for forces threatening to China's national interests- US-Japanese hegemonism being a commonly cited danger.

Chinese perspectives on exclusively Asian regional and sub-regional integration similarly differ from those of Russia. While also favouring an open international economy, China is not averse to Asia demonstrating protectionist tendencies in response to those of Europe and North America. Its reaction to the EAEG was a case in point- broadly neutral with the cautionary note that such proposals were premature. The prospect of creating sub-regional economies, as opposed to sub-regional cooperation, are replete with opportunities and dangers for China. China's major aspiration in sub-regional integration is undoubtedly the economic re-unification of the Three Chinas presaging national re-unification. Equally, it's major fear is that the economic structure linking Japan, the NIC's and Southeast Asia is developing into a closed system from which China will be excluded. In both instances, differing political interests between the proposed participants will be the major inhibition to the emergence of integrated economies.

Thus Russia and China share a broad commitment to an open pan-regional economy which reflects the common interest of economic development of member states. They will both oppose exclusivist blocs within Asia but with China reserving the right to pursue regional and sub-regional integration if international and national interests demand it. The tendency towards closed blocs will be that much weaker if Russia persists in maintaining an independent stance between Europe and Asia. There is only limited symmetry in the two powers economic relations with the United States and Japan, and not only because of the difference in scale of economic relations. The low level of Russian economic interests in Asia mean that it's political interests tend to predominate and these greatly favour the US over Japan. China conversely while having important economic relations with both powers appears to have set course to wean Japan from US influence, both to prevent the continuance of the US-Japanese alliance into the next century and to balance Japan's economic interdependence with the US with its own. This is a further aspect in which Russia and China find common accord- neither favours an East Asian economy built around Japanese interests.

If relations between the four powers lack symmetry, there is compensation in shared economic interests with regard to other third parties in Asia and in the complementarity of bilateral relations. Russian and

Chinese economic interests are compatible with regard to other East Asian states, notably South Korea, and Central Asia. Most improvement needs to be made by the expansion of ties across former political divisions in South and Southeast Asia: Russia with ASEAN and Pakistan; China with India and Vietnam. The bilateral relationship retains importance beyond normal forms of economic exchange such as trade and investment. Experience, information, technology and labour resources can all be transferred with mutual gain, not least in relation to the less-developed regions of both countries.

How do these perspectives on the economic future of Asia relate to Russian and Chinese political perspectives? As argued the divisions within the Russian policy process have influenced the external orientation of the new state. This said the growing recognition that the new ideology of democracy and market economics is a no better guide to foreign relations than the old ideology is leading to a consensus that Russia must make its national interests the basis of its diplomacy. How those national interests should be defined will remain a source of domestic and external contention, however, and not only because they are increasingly viewed as extending beyond the actual boundaries of the state. In the wake of the retreat from superpower status in economic, military and political terms, Russia has thrown itself back upon an age-old source of authority- control of territory. Inherent in the concept of Eurasia is the

belief that Russian dominance of the northern expanses of the two continents is the foundation of its major power status. In Russian terms this dictates a multi-directional foreign policy which both differentiates Russia from Europe and Asia, and gives it fundamental interests in both.

However, other states reactions to Russia's determination to revive its international status must also be taken into consideration. It seems clear that on both continents there will be those who welcome a strong and independent Russia capable of providing regional balance, and those who view Russia's return to major power status as threatening and an inhibition to the their own ambitions. To say that in Asia, China was an example of the former and Japan the latter would both exaggerate the difference in the policy position of the two Asian states and project into the future the current state of relations between the powers in an unjustified way given their fluid character. Nevertheless, the seeds of such a division of interest are already apparent and must at some point be consciously averted if they are not to come to fruition.

China's claim to great power status within Asia is no less evident but unlike the Russian claim which is modified by conditions of geography, China's is modified by its political and social distinctiveness. As argued, China does not view its self-conception as an Asian power as separate from its social characteristics and, in the

interpretation of official or semi-official commentators such as He Xin at least, its adherence to a socialist political and economic system. China's comprehensive denial of interference in any sphere of the internal affairs of neighbouring countries is, by reverse implication, acknowledgment of the potential influence of China in Asia. It is not merely the traditional sources of national power that the Chinese state wields- territory, population, military and economic might- that concerns China's neighbours but also that Chinese society has been one of the most successful and irresistible systems of cultural transmission in human history. China's increasing interaction with the region as a result of political and economic change domestically and internationally seems to create the conditions for a resumption of its natural role at the centre of the East Asian order.

The ambivalent attitude of many Asian states to Japan has its roots in the need to set limits to China's power at the same time as not appearing to encourage Japan to repeat the mistakes of history. How sustainable a regional balance between China and Japan will be remains to be seen. Certainly, the Japanese themselves have their doubts. In a survey conducted in many countries in 1994, respondents were asked to nominate the major global power of the mid-21st century alongside the US. In Europe and America the responses were varyingly

Japan, Germany or Europe. In Japan, China predominated, with three times as many nominations as Japan itself.

Thus there are similarities between Russia and China's self-conception as Asian powers. Neither view themselves exclusively as Asian powers but nevertheless this is one element in their self-conception which is currently expanding as a result of changes to the international order and the pattern of domestic reform. This said, the balance of their influence in Asia has changed markedly since the time of normalisation. China has greatly expanded its regional economic and political ties as a consequence of the decline of strategic interest with the West and the vacuum left by Soviet withdrawal. Russia remains preoccupied by domestic upheaval and its commitment as an Asian power is an aspiration rather than a reality beyond the points in Central and East Asia where its interests meet those of other powers. Given this more equal foundation for their relations in Asia, how compatible are their regional interests?

In Central Asia, they have resumed their traditional roles of joint guarantors of regional stability. Neither power has an interest in the emergence of Islamic or Turkic nationalist states and both favour stable and economically beneficial relations. In South Asia the end of the Soviet strategic alignment with India has created conditions for much more balanced relations between Russia, China, India and Pakistan. The internal potential

for conflict has only abated somewhat but Russian and Chinese perspectives on regional relations are now closer than at any time since the early 1950's. Similarly in Southeast Asia the demise of the Soviet Union has opened a new era in which Russian political and economic engagement is encouraged. China also proclaims its understanding of ASEAN's aims and commitment to peaceful settlement of regional disputes but there is no doubt that China is a primary factor behind the Southeast Asian nation's desire to gain a Russian contribution to regional stability. This said there are as yet no major conflicts of interest between Russia and China in the region.

It is in the complex and contentious circumstances of Northeast Asia that Sino-Russian relations will face the greatest pressure. There is at least some degree of compatibility surrounding the major unresolved problem of the cold war era- the division of the Korean peninsula. Russia and China both have ideological interests in the dispute but these are secondary to achieving military de-escalation and conditions for orderly, and presumably gradual, re-unification. Though rarely explicitly stated, especially by China, the interests of Russia, China and South Korea are fairly close in this regard, as they are on the consequences for the US-Japanese relationship of the end of the Korean confrontation, one of the original pillars of their alliance.

Attempting to chart the future balance of relations between the four major powers in Asia is extremely hazardous and yet this will clearly have a significant influence on the nature of the Sino-Russian regional relations. The alignment of the powers is perhaps best considered by means of the best and worst scenarios of China and Russia. China's worst scenario is undoubtedly a tripartite policy of containment by the US, Russia and Japan. China's concern for Russia and Japan to adopt independent foreign policies, which it believes it discerns, stems from this source, while the continuing failure to close the triangle- to place Japanese-Russian relations on the same level as US-Russian and US-Japanese- is clearly no great disappointment. China's major policy aim will be to construct balancing relationships with both Japan and Russia in order to achieve both regional and strategic stability- its best scenario. The possibility that relations might deteriorate with one power is not a considered a threat provided it is counter-balanced by the other- a US-Japanese alignment balanced by China and Russia, or a US-Russian alignment balanced by China and Japan. Neither of these is thought more likely than a continually shifting pattern of interests between the four powers.

For Russia the worst scenario may well be isolationism - that internal division will neutralise its ability to use foreign relations to close the gap in development that is opening once more between itself and

the major capitalist powers. The need to break out of isolationism is one source of the current dependency on the US, but it is also sustained by the two powers comparable position with regard to the new centres of power in the multipolar order- Europe and Asia. Both Russia and America have vital interests in the two continents but are aware that there are forces seeking to resist the operation of their influence therein- to externalise them. But the fact that their positions are comparable does not inevitably make their interests identical- a point increasingly being made in the foreign policy debate in Russia. There is, moreover, the question of Russian pride which does not sit easily with the role of junior partner. Russia will, therefore, seek to reduce the dependency on the US and to pursue its partial interests. In Asia this would ideally involve constructing independent and counter-balancing relations with China and Japan. As argued, however, this is not what is currently developing. The imbalance in relations between Russia and China and Russia and Japan is one that will have to be addressed eventually, since neither Russia nor Japan wish to see Sino-Russian relations reach a point where they begin to affect the regional balance. This said the balance of interests between the three states- in terms of economics, diplomacy, and geopolitical position- seem to favour the Sino-Russian relationship over the Russo-Japanese.

There is also the factor of history. To use history to attempt to define future relations between states is a risky business but it is possible to make the argument that China and Russia have enjoyed common political and economic interests for much of their diplomatic history. The instability in their relationship originated from the time of the imperialist powers penetration of Asia which instigated a system of competition for regional power into which both states were drawn. This system persisted into the era of the Asian cold war and the ethos of competitive nationalism remains the basis of relations between states today. What has altered is the relative distribution of power among states. The periods of crisis in modern Asian international relations were induced by unequal distribution of power or attempts to achieve this. Today there is not only relative equilibrium between the major powers but the distribution of power within the region is much more broad-based, constraining attempts at radical re-distribution of influence, in what the Chinese have rightly characterised as a pluralistic system.

While many factors have contributed to the emergence of this new order, the predominant one is unquestionably economics. This is the true implication of economic modernisation for Asian international relations. Not that economics is creating a common bond between Asian states which over-rides political differences, though it does have this effect in particular instances. But that, under

the principle of the unity of economic and political power, it is effecting a more equal distribution of power between states, and thus establishing a more balanced and stable regional order.

It is this return to a stable regional context which imparts most positive potential to the Sino-Russian relationship, influencing as it does both their bilateral relationship and their perspectives on strategic alignment.

SOVECON 1: Trade as a Proportion of National Income 1952-1990

Source: Narodnoe Khozyaistvo SSSR 1990

(Billion Roubles)

Year	National Income	Trade	Percentage
1952	58.9	6.46	10.97%
1953	70.9	8.09	11.41%
1954	74.8	8.47	11.32%
1955	78.8	10.98	13.93%
1956	88.2	10.87	12.32%
1957	90.8	10.45	11.51%
1958	111.8	12.87	11.51%
1959	122.8	14.93	12.16%
1960	122	12.84	10.52%
1961	99.6	9.08	9.12%
1962	92.4	8.09	8.76%
1963	100	8.57	8.57%
1964	116.6	9.75	8.36%
1965	138.7	11.84	8.54%
1966	158.6	12.71	8.01%
1967	148.7	11.22	7.55%
1968	141.3	10.85	7.67%
1969	161.7	10.7	6.62%
1970	192.6	11.29	5.86%
1971	207.7	12.09	5.82%
1972	213.6	14.69	6.88%
1973	231.8	22.05	9.51%
1974	234.8	29.23	12.45%
1975	250.3	29.04	11.60%
1976	242.7	26.41	10.88%
1977	264.4	27.25	10.31%
1978	301	35.5	11.79%
1979	335	45.46	13.57%
1980	368.8	57	15.46%
1981	394.1	73.53	18.66%
1982	425.8	77.13	18.11%
1983	473.6	86.01	18.16%
1984	565.2	120.1	21.25%
1985	578.5	105.3	18.20%
1986	587.4	101.4	17.26%
1987	599.6	97.1	16.19%
1988	630.8	98.7	15.65%
1989	673.7	109.7	16.28%
1990	700.6	113.4	16.19%

SOVECON2: Soviet Union's Share of World Trade, 1979-91
IMF Direction of Trade Statistics 1985; 1992
(\$US Billion)

	World Trade	Growth	Soviet Trade	Growth	Share
1979	3092.9		54.2		1.8%
I	1567.7		28		1.8%
X	1525.2		26.2		1.7%
1980	3803.8	23.0%	67.6	24.7%	1.8%
I	1928.1	23.0%	35.2	25.7%	1.8%
X	1875.7	23.0%	32.4	23.7%	1.7%
1981	3754.9	-1.3%	71.6	5.9%	1.9%
I	1912.1	-0.8%	38.6	9.7%	2.0%
X	1842.8	-1.8%	33	1.9%	1.8%
1982	3503.7	-6.7%	70.6	-1.4%	2.0%
I	1793.8	-6.2%	36.9	-4.4%	2.1%
X	1709.9	-7.2%	33.7	2.1%	2.0%
1983	3412.2	-2.6%	68.9	-2.4%	2.0%
I	1737.4	-3.1%	35.9	-2.7%	2.1%
X	1674.8	-2.1%	33	-2.1%	2.0%
1984	3625.7	6.3%	87.1	26.4%	2.4%
I	1844.3	6.2%	46.3	29.0%	2.5%
X	1781.4	6.4%	40.8	23.6%	2.3%
1985	3688.7	1.7%	97.9	12.4%	2.7%
I	1886.2	2.3%	54.1	16.8%	2.9%
X	1802.5	1.2%	43.8	7.4%	2.4%
1986	4026.5	9.2%	95.6	-2.3%	2.4%
I	2052.9	8.8%	52.3	-3.3%	2.5%
X	1973.6	9.5%	43.3	-1.1%	2.2%
1987	4751.7	18.0%	101.4	6.1%	2.1%
I	2410	17.4%	54.5	4.2%	2.3%
X	2341.7	18.7%	46.9	8.3%	2.0%
1988	5446.2	14.6%	112	10.5%	2.1%
I	2762.4	14.6%	62.5	14.7%	2.3%
X	2683.8	14.6%	49.5	5.5%	1.8%
1989	5910.6	8.5%	118.7	6.0%	2.0%
I	3001.4	8.7%	68.5	9.6%	2.3%
X	2909.2	8.4%	50.2	1.4%	1.7%
1990	6763	14.4%	115.3	-2.9%	1.7%
I	3432.7	14.4%	65.1	-5.0%	1.9%
X	3330.3	14.5%	50.2	0.0%	1.5%
1991	7032.1	4.0%	100.8	-12.6%	1.4%
I	3577.7	4.2%	54.2	-16.7%	1.5%
X	3454.4	3.7%	46.6	-7.2%	1.3%

Average Growth p.a. 1979-91

Total	8.9%	7.0%
I	8.9%	7.8%
X	8.9%	6.4%

SOVECON3: Soviet Asian Trade 1960-1980

Source: VT SSSR 1960-1980

(Million Rbls)

Year	Trade	Asia	Percentage
1960	10072	2216.3	22.0%
1961	10643.3	1777.2	16.7%
1962	12136.1	1830.1	15.1%
1963	12898.1	1791.7	13.9%
1964	13876.2	1754.4	12.6%
1965	14597.9	1812.4	12.4%
1966	15078.6	1827.1	12.1%
1967	16366.6	1736.2	10.6%
1968	18039.9	1819.7	10.1%
1969	19784	1965.9	9.9%
1970	22085.2	2114.7	9.6%
1971	23656.5	2005.1	8.5%
1972	26037.4	2487.5	9.6%
1973	31342.6	2953	9.4%
1974	39572.2	4013.1	10.1%
1975	50698.8	4269.2	8.4%
1976	56752.9	4830.1	8.5%
1977	63353.3	5578.9	8.8%
1978	70224.4	5645.1	8.0%
1979	80290.3	6658.1	8.3%
1980	94097.3	8330.2	8.9%

SOVECON4: Direction of Trade 1981-90
Source: Vneshnaya Torgovlia 1981-91
(1 Mn Rbls)

Country	1981		1982		1983		1984		1985	
	[1]									
Afghanistan	655.8	5.1%	691	5.0%	675.2	5.0%	898.7	6.1%	873.2	5.4%
I	316.6	4.9%	278.5	4.0%	274.2	4.2%	304	4.1%	323	4.0%
X	339.2	5.2%	412.5	5.9%	401	5.9%	594.7	8.2%	550.2	6.6%
Bangladesh	53.4	0.4%	54.9	0.4%	83.7	0.6%	45.1	0.3%	76.4	0.5%
I	24.7	0.4%	27.3	0.4%	33.6	0.5%	17	0.2%	34.9	0.4%
X	28.7	0.4%	27.6	0.4%	50.1	0.7%	28.1	0.4%	41.5	0.5%
Burma	31.4	0.2%	9.9	0.1%	1.8	0.0%	2.4	0.0%	6.6	0.0%
I	22.1	0.3%	1.1	0.0%	1	0.0%	0.5	0.0%	6.6	0.1%
X	9.3	0.1%	8.8	0.1%	0.8	0.0%	1.9	0.0%	0	0.0%
Cambodia	61.6	0.5%	55.7	0.4%	71.8	0.5%	81.4	0.6%	100.2	0.6%
I	1.9	0.0%	2.3	0.0%	4	0.1%	5.2	0.1%	9.1	0.1%
X	59.7	0.9%	53.4	0.8%	67.8	1.0%	76.2	1.0%	91.1	1.1%
China	176.8	1.4%	223.5	1.6%	488.2	3.6%	977.8	6.6%	1604.9	9.8%
I	94.2	1.5%	103.4	1.5%	232.6	3.5%	509.9	6.8%	826.1	10.3%
X	82.6	1.3%	120.1	1.7%	255.6	3.7%	467.9	6.4%	778.8	9.4%
Cyprus	42.5	0.3%	49.1	0.4%	36.4	0.3%	56.2	0.4%	33.1	0.2%
I	16.7	0.3%	19.6	0.3%	15.2	0.2%	14.6	0.2%	11.7	0.1%
X	25.8	0.4%	29.5	0.4%	21.2	0.3%	41.6	0.6%	21.4	0.3%
DPRK	529.2	4.1%	681	4.9%	587.4	4.4%	712.8	4.8%	1051.2	6.4%
I	250.3	3.9%	318.5	4.6%	325	4.9%	365.6	4.9%	402.8	5.0%
X	278.9	4.3%	362.5	5.2%	262.4	3.8%	347.2	4.8%	648.4	7.8%
India	2397.9	18.5%	2514	18.2%	2322.6	17.3%	2809.2	19.1%	3072.2	18.8%
I	1333.8	20.8%	1473.8	21.4%	1051	16.0%	1271.8	17.1%	1499.6	18.7%
X	1064.1	16.2%	1040.2	15.0%	1271.6	18.6%	1537.4	21.1%	1572.6	19.0%
Indonesia	93.1	0.7%	53.8	0.4%	58.3	0.4%	56.9	0.4%	94.2	0.6%
I	59	0.9%	19.4	0.3%	36.1	0.5%	51.3	0.7%	90.5	1.1%
X	34.1	0.5%	34.4	0.5%	22.2	0.3%	5.6	0.1%	3.7	0.0%
Iran	878.5	6.8%	766	5.5%	936.5	7.0%	484.1	3.3%	347.9	2.1%
I	469.5	7.3%	188.7	2.7%	377.3	5.7%	242.4	3.3%	144.1	1.8%
X	409	6.2%	577.3	8.3%	559.2	8.2%	241.7	3.3%	203.8	2.5%

Iraq	909.4	7.0%	994.1	7.2%	753.9	5.6%	941.7	6.4%	824.2	5.1%
I	3.9	0.1%	18.2	0.3%	382.5	5.8%	668.8	9.0%	556.7	6.9%
X	905.5	13.8%	975.9	14.1%	371.4	5.4%	272.9	3.7%	267.5	3.2%
Japan	3029.5	23.4%	3682.4	26.6%	3004	22.4%	2894.3	19.6%	3214.9	19.7%
I	2212.7	34.5%	2925.8	42.5%	2175.5	33.1%	2054.3	27.6%	2286.9	28.5%
X	816.8	12.5%	756.6	10.9%	828.5	12.1%	840	11.5%	928	11.2%
Jordan	20.9	0.2%	90.7	0.7%	68	0.5%	33.4	0.2%	9.6	0.1%
I	0.5	0.0%	0.2	0.0%	0.3	0.0%	0.1	0.0%	0.1	0.0%
X	20.4	0.3%	90.5	1.3%	67.7	1.0%	33.3	0.5%	9.5	0.1%
Kuwait	18.2	0.1%	6.1	0.0%	5.7	0.0%	4.8	0.0%	3.6	0.0%
I	5.5	0.1%	0	0.0%	0.6	0.0%	0.6	0.0%	0.4	0.0%
X	12.7	0.2%	6.1	0.1%	5.1	0.1%	4.2	0.1%	3.2	0.0%
Laos	37.1	0.3%	66.2	0.5%	77.8	0.6%	67.1	0.5%	87.8	0.5%
I	0.9	0.0%	2	0.0%	2.3	0.0%	2.1	0.0%	2.3	0.0%
X	36.2	0.6%	64.2	0.9%	75.5	1.1%	65	0.9%	85.5	1.0%
Lebanon	22.9	0.2%	23.9	0.2%	22	0.2%	43.1	0.3%	12.4	0.1%
I	8.1	0.1%	6.4	0.1%	5.8	0.1%	8	0.1%	0.2	0.0%
X	14.8	0.2%	17.5	0.3%	16.2	0.2%	35.1	0.5%	12.2	0.1%
Malaysia	190	1.5%	250.6	1.8%	259.2	1.9%	228.8	1.6%	191.2	1.2%
I	175	2.7%	234.7	3.4%	247.2	3.8%	214.8	2.9%	180.4	2.2%
X	15	0.2%	15.9	0.2%	12	0.2%	14	0.2%	10.8	0.1%
Mongolia	1035.9	8.0%	1232.7	8.9%	1344.3	10.0%	1402	9.5%	1500.2	9.2%
I	248.8	3.9%	313.8	4.6%	351.1	5.3%	387.4	5.2%	386.6	4.8%
X	787.3	12.0%	918.9	13.3%	993.2	14.5%	1014.6	13.9%	1113.6	13.4%
Nepal	22	0.2%	23.8	0.2%	13.4	0.1%	15.4	0.1%	20.9	0.1%
I	2	0.0%	1.7	0.0%	1.4	0.0%	3.6	0.0%	5.2	0.1%
X	20	0.3%	22.1	0.3%	12	0.2%	11.8	0.2%	15.7	0.2%
Pakistan	124.6	1.0%	142	1.0%	145.6	1.1%	123.5	0.8%	117.6	0.7%
I	48.3	0.8%	70.6	1.0%	67.5	1.0%	46.2	0.6%	59.1	0.7%
X	76.3	1.2%	71.4	1.0%	78.1	1.1%	77.3	1.1%	58.5	0.7%

Phillipines	157.5	1.2%	93.6	0.7%	60.6	0.5%	62.6	0.4%	39.7	0.2%
I	157	2.4%	80.5	1.2%	55	0.8%	57.9	0.8%	28.8	0.4%
X	0.5	0.0%	3.1	0.0%	5.6	0.1%	4.7	0.1%	10.9	0.1%
Saudia	25.5	0.2%	14.3	0.1%	169.4	1.3%	317.1	2.2%	393.9	2.4%
I					156.5	2.4%	292	3.9%	378.8	4.7%
X	25.5	0.4%	14.3	0.2%	12.9	0.2%	25.1	0.3%	15.1	0.2%
Singapore	117.2	0.9%	71.4	0.5%	88.8	0.7%	227.4	1.5%	90.3	0.6%
I	68.2	1.1%	40.8	0.6%	65.6	1.0%	203.1	2.7%	79.6	1.0%
X	49	0.7%	30.6	0.4%	23.2	0.3%	24.3	0.3%	10.7	0.1%
Sri Lanka	24	0.2%	21.1	0.2%	38.7	0.3%	65	0.4%	38.1	0.2%
I	21.2	0.3%	18	0.3%	35.7	0.5%	62.8	0.8%	29.8	0.4%
X	2.8	0.0%	3.1	0.0%	3	0.0%	2.2	0.0%	8.3	0.1%
Syria	530	4.1%	511.6	3.7%	504.9	3.8%	468.8	3.2%	508.3	3.1%
I	251.5	3.9%	300.8	4.4%	299.9	4.6%	219.5	2.9%	188.8	2.4%
X	278.5	4.2%	210.8	3.0%	205	3.0%	249.3	3.4%	319.5	3.9%
Thailand	320.4	2.5%	141.8	1.0%	62.5	0.5%	73.9	0.5%	67.9	0.4%
I	312.4	4.9%	132.9	1.9%	54.7	0.8%	62.6	0.8%	54.5	0.7%
X	8	0.1%	8.9	0.1%	7.8	0.1%	11.3	0.2%	13.4	0.2%
Turkey	448.4	3.5%	248.2	1.8%	212.8	1.6%	258.4	1.8%	315.6	1.9%
I	130	2.0%	95.4	1.4%	83	1.3%	122.2	1.6%	153	1.9%
X	318.4	4.9%	152.8	2.2%	129	1.9%	136.2	1.9%	162.6	2.0%
Vietnam	891.8	6.9%	1010.7	7.3%	1139	8.5%	1261.9	8.6%	1446.1	8.9%
I	167.2	2.6%	206.5	3.0%	234.9	3.6%	257.9	3.5%	280.8	3.5%
X	724.6	11.0%	804.2	11.6%	904.1	13.2%	1004	13.8%	1165.3	14.1%
ARY	22.9	0.2%	34.4	0.2%	41.8	0.3%	10.9	0.1%	15.2	0.1%
I	0.4	0.0%	0.3	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%
X	22.5	0.3%	34.1	0.5%	41.7	0.6%	10.8	0.1%	15.1	0.2%
PDRY	98.9	0.8%	73	0.5%	141	1.1%	116	0.8%	151.3	0.9%
I	6.1	0.1%	5.9	0.1%	5	0.1%	5.8	0.1%	8.4	0.1%
X	92.8	1.4%	67.1	1.0%	136	2.0%	110.2	1.5%	142.9	1.7%

Asia Trade	1981		1982		1983		1984		1985	
Total	12967.3	[2]	13831.5		13415.3		14740.7		16308.7	
Import Trade	6408.3	49.4%	6887.1	49.8%	6574.6	49.0%	7452.1	50.6%	8028.9	49.2%
Export Trade	6559	50.6%	6934.4	50.1%	6839.9	51.0%	7288.6	49.4%	8279.8	50.8%
Balance	150.7		47.3		265.3		-163.5		250.9	
Asia as a region	[3]									
World Total	109739.2	11.8%	119576	11.6%	127476	10.5%	139711	10.6%	141565.6	11.5%
Import Total	52631.4	12.2%	56411	12.2%	59585.4	11.0%	65327.3	11.4%	69101.9	11.6%
Export Total	57107.8	11.5%	63165	11.0%	67890.6	10.1%	74383.7	9.8%	72463.7	11.4%
Balance	4476.4		6754		8305.2		9056.4		3361.8	
Asia Subregions	[4]									
Soc.Stat. Total	3310.3	25.5%	3810.3	27.5%	4036.5	30.1%	4539.9	30.8%	5210	31.9%
Import Total	991.6	15.5%	1127.5	16.4%	1196.5	18.2%	1328	17.8%	1413	17.6%
Export Total	2318.7	35.4%	2682.8	38.7%	2840	41.5%	3211.9	44.1%	3797	45.9%
Balance	1327.1		1555.3		1643.5		1883.9		2384	
M.East Total	3018.1	23.3%	2811.4	20.3%	2892.4	21.6%	2734.5	18.6%	2615.1	16.0%
Import Total	892.2	13.9%	635.5	9.2%	1326.2	20.2%	1574.1	21.1%	1442.3	18.0%
Export Total	2125.9	32.4%	2175.9	31.4%	1565.4	22.9%	1160.4	15.9%	1172.8	14.2%
Balance	1233.7		1540.4		239.2		-413.7		-269.5	
ASEAN Total	878.2	6.8%	611.2	4.4%	529.4	3.9%	649.6	4.4%	483.3	3.0%
Import Total	771.6	12.0%	508.3	7.4%	458.6	7.0%	589.7	7.9%	433.8	5.4%
Export Total	106.6	1.6%	92.9	1.3%	70.8	1.0%	59.9	0.8%	49.5	0.6%
Balance	-665		-415.4		-387.8		-529.8		-384.3	
S.Asia Total	3277.7	25.3%	3446.8	24.9%	3279.2	24.4%	3956.9	26.8%	4198.4	25.7%
Import Total	1746.6	27.3%	1869.9	27.2%	1463.4	22.3%	1705.4	22.9%	1951.6	24.3%
Export Total	1531.1	23.3%	1576.9	22.7%	1815.8	26.5%	2251.5	30.9%	2246.8	27.1%
Balance	-215.5		-293		352.4		546.1		295.2	

Notes

[1] Percentage of Asia total trade, imports and exports.

[2] Imports/Exports expressed as percentages.

[3] Asia trade, imports and exports as percentage of all trade.

[4] Subregion's share of Asia's total trade, imports and exports.

Socialist states defined as: Afghanistan, Cambodia, DPRK, Laos
Mongolia, Vietnam, and the PDRY.

	1986 [1]		1987		1988		1989		1990	
Afghanistan	786.7	5.3%	771.9	5.3%	663.2	4.1%	583.8	3.1%	460.5	2.4%
I	244.6	3.5%	234.7	3.6%	184.8	2.5%	79.3	0.8%	89.6	0.9%
X	542.1	6.9%	537.2	6.6%	478.4	5.4%	504.5	5.4%	370.9	4.0%
Bangladesh	67.7	0.5%	60	0.4%	74.2	0.5%	77.1	0.4%	53.1	0.3%
I	17.8	0.3%	27.7	0.4%	21.9	0.3%	25.8	0.3%	27.6	0.3%
X	49.9	0.6%	32.3	0.4%	52.3	0.6%	51.3	0.5%	25.5	0.3%
Burma	21.2	0.1%	6	0.0%	0.5	0.0%	No figures after 1988			
I	20	0.3%	5.2	0.1%	0.4	0.0%				
X	1.2	0.0%	0.8	0.0%	0.1	0.0%				
Cambodia	122.7	0.8%	123.2	0.8%	130.4	0.8%	140.8	0.7%	109.4	0.6%
I	8.7	0.1%	56.6	0.9%	13.1	0.2%	12.3	0.1%	14.3	0.1%
X	114	1.5%	11.2	0.1%	117.3	1.3%	128.5	1.4%	95.1	1.0%
China	1822	12.3%	1474.9	10.1%	1850.1	11.5%	2412	12.8%	3038	15.7%
I	911.7	13.1%	724.3	11.2%	844.9	11.6%	1083.5	11.4%	1660.3	16.4%
X	910.3	11.6%	750.6	9.3%	1005.2	11.4%	1328.5	14.2%	1377.7	15.0%
Cyprus	23.1	0.2%	29.3	0.2%	32.9	0.2%	52.6	0.3%	64.1	0.3%
I	11.5	0.2%	12	0.2%	9	0.1%	20.3	0.2%	23.9	0.2%
X	11.6	0.1%	17.3	0.2%	23.9	0.3%	32.3	0.3%	40.2	0.4%
DPRK	1207.9	8.2%	1232.1	8.5%	1601.7	10.0%	1502	7.9%	1499	7.7%
I	450.7	6.5%	431.9	6.7%	539.5	7.4%	561.5	5.9%	612.4	6.0%
X	757.2	9.7%	800.2	9.9%	1062.2	12.0%	940.5	10.0%	886.6	9.6%
India	2191.2	14.8%	2178.5	15.0%	2252	14.0%	2917.8	15.4%	3207.3	16.6%
I	1233.6	17.7%	1073.1	16.6%	1123.3	15.5%	1770.6	18.6%	2021.5	19.9%
X	957.6	12.2%	1105.4	13.7%	1128.7	12.8%	1147.2	12.2%	1185.8	12.9%
Indonesia	45.4	0.3%	67.8	0.5%	40.4	0.3%	94.5	0.5%	70.9	0.4%
I	42.3	0.6%	56.6	0.9%	24.3	0.3%	68.2	0.7%	53.9	0.5%
X	3.1	0.0%	11.2	0.1%	16.1	0.2%	26.3	0.3%	17	0.2%

Iran	76	0.5%	159.9	1.1%	196.2	1.2%	186.6	1.0%	195.4	1.0%
I	18.2	0.3%	49.5	0.8%	77	1.1%	61.2	0.6%	114.3	1.1%
X	57.8	0.7%	110.4	1.4%	119.2	1.4%	125.4	1.3%	81.1	0.9%
Iraq	638.6	4.3%	1112.6	7.6%	1270.5	7.9%	1231.3	6.5%	826.2	4.3%
I	345.6	5.0%	788.3	12.2%	961.4	13.2%	975.9	10.2%	542.6	5.3%
X	293	3.7%	324.3	4.0%	309.1	3.5%	255.4	2.7%	283.6	3.1%
Japan	3185.3	21.5%	2600.7	17.9%	3135.1	19.5%	3481	18.4%	3535.4	18.3%
I	2205.4	31.6%	1628.2	25.3%	1950.9	26.9%	2138	22.4%	2100.6	20.7%
X	979.9	12.5%	972.5	12.0%	1184.2	13.4%	1343	14.3%	1434.8	15.6%
Jordan	No figures recorded after 1985									
I										
X										
Kuwait	No figures recorded after 1985									
I										
X										
Laos	67.3	0.5%	87.6	0.6%	86	0.5%	89.3	0.5%	90.1	0.5%
I	5.1	0.1%	9.4	0.1%	11.4	0.2%	15.6	0.2%	16.4	0.2%
X	62.2	0.8%	78.2	1.0%	74.6	0.8%	73.7	0.8%	73.7	0.8%
Lebanon	9.2	0.1%	19.7	0.1%	48.8	0.3%	53.7	0.3%	75.8	0.4%
I	8.2	0.1%	5.9	0.1%	23.1	0.3%	24.2	0.3%	37.9	0.4%
X	1	0.0%	13.8	0.2%	25.7	0.3%	29.5	0.3%	37.9	0.4%
Malaysia	104.2	0.7%	115.8	0.8%	99.1	0.6%	165.6	0.9%	116.5	0.6%
I	96.6	1.4%	104.8	1.6%	81.4	1.1%	152.7	1.6%	93.4	0.9%
X	7.6	0.1%	11	0.1%	17.7	0.2%	12.9	0.1%	23.1	0.3%
Mongolia	1547.4	10.4%	1540.6	10.6%	1537	9.6%	1402.5	7.4%	1424.1	7.4%
I	409.9	5.9%	440.7	6.8%	406	5.6%	397.3	4.2%	433.9	4.3%
X	1137.5	14.5%	1139.9	14.1%	1130.8	12.8%	1005.2	10.7%	990.2	10.7%
Nepal	1.3	0.0%	3.5	0.0%	6.6	0.0%	No figures after 1988			
I	1.2	0.0%	1.4	0.0%	1.1	0.0%				
X	0.1	0.0%	2.1	0.0%	5.5	0.1%				

Pakistan	85	0.6%	115.1	0.8%	115.8	0.7%	150.2	0.8%	192.4	1.0%
I	47.9	0.7%	67.6	1.0%	72	1.0%	73.1	0.8%	89.8	0.9%
X	37.1	0.5%	47.5	0.6%	43.8	0.5%	77.1	0.8%	102.6	1.1%
Phillipines	17.4	0.1%	27.1	0.2%	24.6	0.2%	21.6	0.1%	23.6	0.1%
I	10	0.1%	15.8	0.2%	11.3	0.2%	16.1	0.2%	11.5	0.1%
X	7.4	0.1%	11.3	0.1%	13.3	0.2%	5.5	0.1%	12.1	0.1%
Saudia	193.7	1.3%	12.4	0.1%	25.4	0.2%	10.5	0.1%	14.7	0.1%
I	175.1		0	0.0%	12.6	0.2%	0		0.1	0.0%
X	18.6	0.2%	12.4	0.2%	12.8	0.1%	10.5	0.1%	14.6	0.2%
Singapore	62.6	0.4%	85.3	0.6%	61.5	0.4%	158.6	0.8%	265.2	1.4%
I	35.9	0.5%	48.1	0.7%	35.9	0.5%	100.2	1.1%	208.1	2.1%
X	26.7	0.3%	37.2	0.5%	25.6	0.3%	58.4	0.6%	57.1	0.6%
Sri Lanka	25.1	0.2%	15.8	0.1%	7.8	0.0%	13.6	0.1%	32.7	0.2%
I	12.2	0.2%	11.9	0.2%	7.4	0.1%	12.9	0.1%	31.5	0.3%
X	12.9	0.2%	3.9	0.0%	0.4	0.0%	0.7	0.0%	1.2	0.0%
Syria	472.5	3.2%	440.6	3.0%	409.6	2.5%	912.5	4.8%	936.2	4.8%
I	177.4	2.5%	190.5	3.0%	239.1	3.3%	704.6	7.4%	787	7.8%
X	295.1	3.8%	250.1	3.1%	170.5	1.9%	207.9	2.2%	149.2	1.6%
Thailand	90.9	0.6%	54.8	0.4%	64.4	0.4%	256.6	1.4%	125.5	0.6%
I	80.7	1.2%	30.8	0.5%	40.2	0.6%	220.7	2.3%	67.6	0.7%
X	10.2	0.1%	24	0.3%	24.2	0.3%	35.9	0.4%	57.9	0.6%
Turkey	220.5	1.5%	310.8	2.1%	395.1	2.5%	844.6	4.5%	1037.4	5.4%
I	99.3	1.4%	110.7	1.7%	178.3	2.5%	495.6	5.2%	401.8	4.0%
X	121.2	1.5%	200.1	2.5%	216.8	2.5%	349	3.7%	635.6	6.9%
Vietnam	1612.7	10.9%	1773.4	12.2%	1782.2	11.1%	1910.6	10.1%	1807.7	9.3%
I	294.3	4.2%	318.9	4.9%	388.6	5.4%	519.7	5.5%	703.5	6.9%
X	1318.4	16.8%	1454.5	18.0%	1393.6	15.8%	1390.9	14.8%	1104.2	12.0%
ARY	10.1	0.1%	12.4	0.1%	12.1	0.1%	244.3	1.3%	161.2	0.8%
I	0.1	0.0%	0.1	0.0%	0	0.0%	6	0.1%	3.6	0.0%
X	10	0.1%	12.3	0.2%	12.1	0.1%	238.3	2.5%	157.6	1.7%
PDRY	107.2	0.7%	116.1	0.8%	165.6	1.0%	Yemen after 1988			
I	5.2	0.1%	2.5	0.0%	2.8	0.0%				
X	102	1.3%	113.1	1.4%	162.8	1.8%				

Asia Trade	1986		1987		1988		1989		1990	
Total	14814.9 [2]		14547.9		16088.8		18913.7		19362.4	
Import Trade	6969.2	47.0%	6447.2	44.3%	7261.7	45.1%	9535.3	50.4%	10147.1	52.4%
Export Trade	7845.7	53.0%	8084.8	55.6%	8826.9	54.9%	9378.4	49.6%	9215.3	47.6%
Balance	876.5		1637.6		1565.2		-156.9		-931.8	
Asia as a region	[3]									
World Total	130934	11.3%	128882.6	11.3%	132155.5	12.2%	140878.6	13.4%	131881.1	14.7%
Import Total	62587.1	11.1%	60740.8	10.6%	65040.1	11.2%	72137	13.2%	70854.3	14.3%
Export Total	68346.9	11.5%	69141.8	11.7%	67115.4	13.2%	68741.6	13.6%	61026.8	15.1%
Balance	5759.8		8401		2075.3		-3395.4		-9827.5	
Asia Subregions	[4]									
Soc.Stat. Total	5451.9	36.8%	5644.9	38.8%	5966.1	37.1%	5629	29.8%	5390.8	27.8%
Import Total	1418.5	20.4%	1494.7	23.2%	1546.2	21.3%	1585.7	16.6%	1870.1	18.4%
Export Total	4033.4	51.4%	4134.3	51.1%	4419.7	50.1%	4043.3	43.1%	3520.7	38.2%
Balance	2614.9		2639.6		2873.5		2457.6		1650.6	
M.East Total	1750.9	11.8%	2213.8	15.2%	2556.2	15.9%	3536.1	18.7%	3311	17.1%
Import Total	840.6	12.1%	1159.5	18.0%	1503.3	20.7%	2287.8	24.0%	1911.2	18.8%
Export Total	910.3	11.6%	1053.8	13.0%	1052.9	11.9%	1248.3	13.3%	1399.8	15.2%
Balance	69.7		-105.7		-450.4		-1039.5		-511.4	
ASEAN Total	320.5	2.2%	350.8	2.4%	290	1.8%	696.9	3.7%	601.7	3.1%
Import Total	265.5	3.8%	256.1	4.0%	193.1	2.7%	557.9	5.9%	434.5	4.3%
Export Total	55	0.7%	94.7	1.2%	96.9	1.1%	139	1.5%	167.2	1.8%
Balance	-210.5		-161.4		-96.2		-418.9		-267.3	
S.Asia Total	3157	21.3%	3144.8	21.6%	3119.6	19.4%	3742.5	19.8%	3946	20.4%
Import Total	1557.3	22.3%	1416.4	22.0%	1410.5	19.4%	1961.7	20.6%	2260	22.3%
Export Total	1599.7	20.4%	1728.4	21.4%	1709.1	19.4%	1780.8	19.0%	1686	18.3%
Balance	42.4		312		298.6		-180.9		-574	

Notes

[1] Percentage of Asia total trade, imports and exports.

[2] Imports/Exports expressed as percentages.

[3] Asia trade, imports and exports as percentage of all trade.

[4] Subregion's share of Asia's total trade, imports and exports.

Socialist states defined as: Afghanistan, Cambodia, DPRK, Laos
Mongolia, Vietnam, and the PDRY.

SOVECONS: Sino-Soviet Trade, 1979-91

Source: IMF Direction of Trade Statistics, 1985; 1992.

(\$ US millions)

	China Trade		Soviet Share	Soviet Trade		China Share	
1979	29332	492	1.7%	54320	470	0.9%	
I	15675	250	1.6%	28061	242	0.9%	
X	13657	242	1.8%	26259	228	0.9%	
1980	37644	492	1.3%	67689	468	0.7%	
I	19505	264	1.4%	35263	228	0.6%	
X	18139	228	1.3%	32426	240	0.7%	
1981	43107	277	0.6%	71670	263	0.4%	
I	21631	154	0.7%	38641	123	0.3%	
X	21476	123	0.6%	33029	140	0.4%	
1982	40785	386	0.9%	70709	363	0.5%	
I	18920	243	1.3%	36969	142	0.4%	
X	21865	143	0.7%	33740	221	0.7%	
1983	43409	760	1.8%	68968	720	1.0%	
I	21313	441	2.1%	35964	319	0.9%	
X	22096	319	1.4%	33004	401	1.2%	
1984	50777	1255	2.5%	87216	1253	1.4%	
I	25953	670	2.6%	46393	644	1.4%	
X	22824	585	2.6%	40823	609	1.5%	
1985	69809	2054	2.9%	98093	2065	2.1%	
I	42480	1017	2.4%	54107	1141	2.1%	
X	27329	1037	3.8%	43986	924	2.1%	
1986	74614	2702	3.6%	95699	2691	2.8%	
I	43247	1472	3.4%	52335	1353	2.6%	
X	31367	1230	3.9%	43364	1338	3.1%	
1987	82686	2538	3.1%	101585	2545	2.5%	
I	43222	1291	3.0%	54512	1372	2.5%	
X	39464	1247	3.2%	47073	1173	2.5%	
1988	103015	3278	3.2%	112200	3261	2.9%	
I	55352	1802	3.3%	62549	1623	2.6%	
X	47663	1476	3.1%	49651	1638	3.3%	
1989	112054	3996	3.6%	118738	3637	3.1%	
I	59140	2147	3.6%	68506	1869	2.7%	
X	52914	1849	3.5%	50232	1768	3.5%	
1990	118949	4261	3.6%	115479	4265	3.7%	
I	54449	2213	4.1%	65195	2253	3.5%	
X	64500	2048	3.2%	50284	2012	4.0%	
1991	135943	3969	2.9%	100874	3963	3.9%	
I	63957	2109	3.3%	54239	2046	3.8%	
X	71986	1860	2.6%	46635	1917	4.1%	

Sovecon6: Soviet-Japanese Trade 1979-91

Source: IMF Direction of Trade Statistics, 1985; 1992

(\$ US millions)

	Soviet Trade	Japan Share		Japan Trade	Soviet Share	
1979	54320	4166	7.7%	212126	4338	2.0%
I	28061	2443	8.7%	109833	1895	1.7%
X	26259	1723	6.6%	102293	2443	2.4%
1980	67689	4499	6.6%	271719	4669	1.7%
I	35263	2796	7.9%	141284	1873	1.3%
X	32426	1703	5.3%	130435	2796	2.1%
1981	43553	5359	12.3%	294368	5273	1.8%
I	22026	3523	16.0%	142868	2020	1.4%
X	21527	1836	8.5%	151500	3253	2.1%
1982	70709	5410	7.7%	270009	5561	2.1%
I	36969	3893	10.5%	131566	1668	1.3%
X	33740	1517	4.5%	138443	3893	2.8%
1983	68968	4147	6.0%	273502	4280	1.6%
I	35964	2822	7.8%	126520	1458	1.2%
X	33004	1325	4.0%	146982	2822	1.9%
1984	87216	4028	4.6%	305890	3903	1.3%
I	46393	2766	6.0%	136142	1388	1.0%
X	40823	1262	3.1%	169748	2515	1.5%
1985	98093	4356	4.4%	307705	4210	1.4%
I	54107	3049	5.6%	130516	1438	1.1%
X	43986	1307	3.0%	177189	2772	1.6%
1986	95699	5303	5.5%	338378	5166	1.5%
I	52335	3496	6.7%	127660	1988	1.6%
X	43364	1807	4.2%	210718	3178	1.5%
1987	101585	4997	4.9%	382239	4955	1.3%
I	54512	2845	5.2%	150907	2368	1.6%
X	47073	2152	4.6%	231332	2587	1.1%
1988	112200	5964	5.3%	452444	5903	1.3%
I	62549	3444	5.5%	187483	2772	1.5%
X	49651	2520	5.1%	264961	3131	1.2%
1989	118738	6440	5.4%	484232	6059	1.3%
I	68506	3376	4.9%	209635	2990	1.4%
X	50232	3064	6.1%	274597	3069	1.1%
1990	115479	5883	5.1%	522985	5933	1.1%
I	65195	2819	4.3%	235307	3370	1.4%
X	50284	3064	6.1%	287678	2563	0.9%
1991	100874	5345	5.3%	551525	5435	1.0%
I	54239	2329	4.3%	236633	3318	1.4%
X	46635	3016	6.5%	314892	2117	0.7%

SOVECON7: Direction of Trade by Bloc.
Source: VT 1980-89
(1 Mn Rbls)

		Total Trade	CMEA	Share	Ind/Nation	Share	Dev/Nation	Share
	1979	80307.3	41654.5	51.9%	25753.8	32.1%	9480.6	11.8%
I		37881.2	21444.4	56.6%	13247.5	35.0%	3189.3	8.4%
X		42426.1	23628.5	55.7%	12506.3	29.5%	6291.3	14.8%
	1980	94097.3	45776.7	48.6%	31583.1	33.6%	11961.7	12.7%
I		44462.8	21437.7	48.2%	15721.3	35.4%	5092	11.5%
X		49634.5	24339	49.0%	15861.8	32.0%	6969.7	14.0%
	1981	109739.2	52185.3	47.6%	35358.7	32.2%	16446.6	15.0%
I		52631.4	23618.9	44.9%	18111.7	34.4%	7777.3	14.8%
X		57107.8	28566.4	50.0%	17247	30.2%	8669.3	15.2%
	1982	119576	58702.3	49.1%	37741.4	31.6%	16882.6	14.1%
I		56411	27552.4	48.8%	18892.4	33.5%	6702.8	11.9%
X		63165	31149.9	49.3%	18849	29.8%	10179.8	16.1%
	1983	127476	65257	51.2%	38371.7	30.1%	17698.4	13.9%
I		59585.4	30807.7	51.7%	18718.8	31.4%	7174.7	12.0%
X		67890.6	34449.3	50.7%	19652.9	28.9%	10523.7	15.5%
	1984	139711	72788.8	52.1%	40923.5	29.3%	18461.2	13.2%
I		65327.3	34621.5	53.0%	19574.1	30.0%	7533.2	11.5%
X		74383.7	38167.3	51.3%	21349.4	28.7%	10928	14.7%
	1985	141565.6	77692.8	54.9%	37847	26.7%	17225.1	12.2%
I		69101.9	37639.4	54.5%	19268.2	27.9%	7624.2	11.0%
X		72463.7	40053.4	55.3%	18578.8	25.6%	9600.9	13.2%
	1986	130934	79953.1	61.1%	28962.4	22.1%	14444.4	11.0%
I		62587.1	37796	60.4%	15853.2	25.3%	4894.3	7.8%
X		68346.9	42157.1	61.7%	13109.2	19.2%	9550.1	14.0%
	1987	128882.6	79552	61.7%	28058.4	21.8%	14503.3	11.3%
I		60740.8	40696	67.0%	13872.9	22.8%	4746.7	7.8%
X		69141.8	38856	56.2%	14185.5	20.5%	9756.6	14.1%
	1988	132155.5	78879.2	59.7%	30986.2	23.4%	14911.1	11.3%
I		65040.1	39830.1	61.2%	16320.6	25.1%	5346.2	8.2%
X		67115.4	39049.1	58.2%	14665.6	21.9%	9564.9	14.3%
	1989	140878.6	78545.7	55.8%	36889.5	26.2%	17108.2	12.1%
I		72137	40588.1	56.3%	20497.1	28.4%	6985.7	9.7%
X		68741.6	37957.6	55.2%	16392.4	23.8%	10122.5	14.7%

Sovecon9: Commodity Composition of Imports and Exports, 1979-89
Source: VT, 1980-89
(Percentages)

	Primary Goods			Manufactures			
	Fuel/Electric	Foodstuffs	Ores/Metals	Total	Machinery	Consumer Goods	Total
1979							
I	3.8	21.9	11.2	36.9	38	11.4	49.4
X	42.2	2.6	9.1	53.9	17.5	2.3	19.8
1980							
I	3	24.2	10.8	38	33.9	12.1	46
X	46.9	1.9	8.8	57.6	15.8	2.5	18.3
1981							
I	3.6	27.7	10	41.3	30.2	12.9	43.1
X	50.2	2	8	60.2	13.7	1.8	15.5
1982							
I	4.6	23.7	9.9	38.2	34.4	12.7	47.1
X	52.3	1.6	7.4	61.3	12.9	1.9	14.8
1983							
I	5.6	20.5	8.8	34.9	38.2	11.5	49.7
X	53.7	1.5	7.5	62.7	12.5	1.8	14.3
1984							
I	6.1	22.5	8.3	36.9	36.6	11.7	48.3
X	54.4	1.5	7.2	63.1	12.5	1.8	14.3
1985							
I	5.3	21.2	8.4	34.9	37.2	12.4	49.6
X	52.8	1.5	7.5	61.8	13.6	2	15.6
1986							
I	4.6	17.1	8.3	30	40.7	13.4	54.1
X	47.3	1.6	8.4	57.3	15	2.4	17.4
1987							
I	3.9	16.1	8.1	28.1	41.4	13	54.4
X	46.5	1.6	8.5	56.6	15.5	2.6	18.1
1988							
I	4.4	15.8	8	28.2	40.9	12.8	53.7
X	42.1	1.7	9.5	53.3	16.2	2.8	19
1989							
I	3	16.6	7.3	26.9	38.5	14.4	52.9
X	39.9	1.6	10.5	52	16.4	2.6	19

CHIECON 1: Trade as a Proportion of National Income- 1952-91

Source: SYC 1992; (1,000,000,000 yuan)

Year	National Income	Trade	Percentage
1952	58.9	6.46	10.97%
1953	70.9	8.09	11.41%
1954	74.8	8.47	11.32%
1955	78.8	10.98	13.93%
1956	88.2	10.87	12.32%
1957	90.8	10.45	11.51%
1958	111.8	12.87	11.51%
1959	122.8	14.93	12.16%
1960	122	12.84	10.52%
1961	99.6	9.08	9.12%
1962	92.4	8.09	8.76%
1963	100	8.57	8.57%
1964	116.6	9.75	8.36%
1965	138.7	11.84	8.54%
1966	158.6	12.71	8.01%
1967	148.7	11.22	7.55%
1968	141.5	10.85	7.67%
1969	161.7	10.7	6.62%
1970	192.6	11.29	5.86%
1971	207.7	12.09	5.82%
1972	213.6	14.69	6.88%
1973	231.8	22.05	9.51%
1974	234.8	29.23	12.45%
1975	250.3	29.04	11.60%
1976	242.7	26.41	10.88%
1977	264.4	27.25	10.31%
1978	301	35.5	11.79%
1979	335	45.46	13.57%
1980	368.8	57	15.46%
1981	394.1	73.53	18.66%
1982	425.8	77.13	18.11%
1983	473.6	86.01	18.16%
1984	565.2	120.1	21.25%
1985	702	206.67	29.44%
1986	785.9	258.04	32.83%
1987	931.3	308.42	33.12%
1988	1173.8	382.2	32.56%
1989	1312.5	415.59	31.66%
1990	1438.4	556.01	38.65%
1991	1611.7	722.93	44.86%

Chiecon2: China's Share of World Trade 1979-92
IMF Direction of Trade Statistics 1985; 1993
(\$US Billion)

	World Trade	Growth	China Trade	Growth	Share
1979	3092.9		29.2		0.9%
I	1567.7		15.6		1.0%
X	1525.2		13.6		0.9%
1980	3803.8	23.0%	39.2	34.2%	1.0%
I	1928.1	23.0%	19.5	25.0%	1.0%
X	1875.7	23.0%	19.7	44.9%	1.1%
1981	3754.9	-1.3%	43	9.7%	1.1%
I	1912.1	-0.8%	21.6	10.8%	1.1%
X	1842.8	-1.8%	21.4	8.6%	1.2%
1982	3503.7	-6.7%	40.7	-5.3%	1.2%
I	1793.8	-6.2%	18.9	-12.5%	1.1%
X	1709.9	-7.2%	21.8	1.9%	1.3%
1983	3412.2	-2.6%	43.4	6.6%	1.3%
I	1737.4	-3.1%	21.3	12.7%	1.2%
X	1674.8	-2.1%	22.1	1.4%	1.3%
1984	3625.7	6.3%	50.7	16.8%	1.4%
I	1844.3	6.2%	25.9	21.6%	1.4%
X	1781.4	6.4%	24.8	12.2%	1.4%
1985	3688.7	1.7%	69.7	37.5%	1.9%
I	1886.2	2.3%	42.4	63.7%	2.2%
X	1802.5	1.2%	27.3	10.1%	1.5%
1986	4026.5	9.2%	74.8	7.3%	1.9%
I	2052.9	8.8%	43.2	1.9%	2.1%
X	1973.6	9.5%	31.6	15.8%	1.6%
1987	4751.7	18.0%	82.6	10.4%	1.7%
I	2410	17.4%	43.2	0.0%	1.8%
X	2341.7	18.7%	39.4	24.7%	1.7%
1988	5446.2	14.6%	102.9	24.6%	1.9%
I	2762.4	14.6%	55.3	28.0%	2.0%
X	2683.8	14.6%	47.6	20.8%	1.8%
1989	5914.2	8.6%	112	8.8%	1.9%
I	3002	8.7%	59.1	6.9%	2.0%
X	2912.2	8.5%	52.9	11.1%	1.8%

1990	6763	14.4%	118.9	6.2%	1.8%
I	3432.7	14.3%	54.4	-8.0%	1.6%
X	3330.3	14.4%	64.5	21.9%	1.9%
1991	7032.1	4.0%	135.8	14.2%	1.9%
I	3577.7	4.2%	63.9	17.5%	1.8%
X	3454.4	3.7%	71.9	11.5%	2.1%
1992	7529.7	7.1%	167.9	23.6%	2.2%
I	3840.9	7.4%	81.7	27.9%	2.1%
X	3688.8	6.8%	86.2	19.9%	2.3%

1980-92 Average Growth p.a.

Total	9.6%	19.5%
I	9.7%	19.5%
X	9.6%	20.5%

Chiecon3: Asia Trade as a proportion of Total Trade 1950-80
with and without Hong Kong (excluding Middle East)
Source: SYC 1981;1990 (\$ 1,000,000 US)

Year	Total Trade	Asia	Percentage	Hong Kong	Asia-HK
1950	1130	299.3	26.5%	163.6	12.0%
1951	1960	724.8	37.0%	624.2	5.1%
1952	1940	447.5	23.1%	303.8	7.4%
1953	2370	467.3	19.7%	289.7	7.5%
1954	2440	445.8	18.3%	218.1	9.3%
1955	3140	464.5	14.8%	189.4	8.8%
1956	3210	581.1	18.1%	200.4	11.9%
1957	3110	526.4	16.9%	200.4	10.5%
1958	3870	587.7	15.2%	239.4	9.0%
1959	4380	473.5	10.8%	211.5	6.0%
1960	3810	486.3	12.8%	214.9	7.1%
1961	2940	511.8	17.4%	201.6	10.6%
1962	2660	596.7	22.4%	237.6	13.5%
1963	2920	768.2	26.3%	308.8	15.7%
1964	3470	1117.7	32.2%	419.9	20.1%
1965	4250	1371	32.3%	479.3	21.0%
1966	4620	1708.6	37.0%	596.7	24.1%
1967	4160	1572.7	37.8%	509.1	25.6%
1968	4050	1500.4	37.0%	542.8	23.6%
1969	4030	1619.6	40.2%	588.1	25.6%
1970	4590	1880.3	41.0%	617.7	27.5%
1971	4850	2047.8	42.2%	670.5	28.4%
1972	6300	2572.5	40.8%	912.1	26.4%
1973	10980	4612.1	42.0%	1715.9	26.4%
1974	14570	5987.2	41.1%	1712.1	29.3%
1975	14750	6743.8	45.7%	1754	33.8%
1976	13440	5867.2	43.7%	1845.6	29.9%
1977	14800	6658	45.0%	2148.5	30.5%
1978	20640	8864.8	42.9%	2742.3	29.7%
1979	29340	12219.8	41.6%	3762.3	28.8%
1980	38140	16587.1	43.5%	5173.6	29.9%

CHIECON4: Direction of Trade 1981-90

Source: SYC 1981-1992; (US\$ 1 million; figures for 1981-83 converted from Rmb using average exchange rate of the year issued by the Bank of China)

Country	1981		1982		1983		1984		1985	
Afghanistan	0.6	0.0%	5.7	0.0%	7.7	0.0%	8.18	0.0%	18	0.0%
I	0.1	0.0%	3.5	0.0%	0.2	0.0%	0.07	0.0%	0.26	0.0%
X	0.5	0.0%	2.2	0.0%	7.5	0.1%	8.11	0.0%	17.74	0.1%
Bahrain	22.1	0.1%	14.4	0.1%	33.9	0.1%	28.07	0.1%	26.17	0.1%
I					23.1	0.3%	19.6	0.2%	19.14	0.1%
X	22.1	0.2%	14.4	0.1%	10.8	0.1%	8.47	0.0%	7.03	0.0%
Bangladesh	128.3	0.5%	119.3	0.5%	89.8	0.4%	120.08	0.4%	87.98	0.2%
I	21.8	0.2%	28.7	0.4%	24	0.3%	9.09	0.1%	11.1	0.1%
X	106.5	0.7%	90.6	0.6%	65.8	0.4%	110.99	0.6%	76.88	0.4%
Brunei	0.4	0.0%	4.5	0.0%	3.8	0.0%	3.37	0.0%	2.95	0.0%
I									0.01	0.0%
X	0.4	0.0%	4.5	0.0%	3.8	0.0%	3.37	0.0%	2.94	0.0%
Burma	52.7	0.2%	47.5	0.2%	47.7	0.2%	47.93	0.2%	82.04	0.2%
I	16.9	0.2%	15.3	0.2%	15.9	0.2%	15.62	0.1%	45.78	0.2%
X	35.8	0.2%	32.2	0.2%	31.8	0.2%	32.31	0.2%	36.26	0.2%
Cambodia	1.6	0.0%	3	0.0%	0.8	0.0%	0.32	0.0%	0.64	0.0%
I	1.2	0.0%	2.5	0.0%	0.2	0.0%	0.32	0.0%	0.62	0.0%
X	0.4	0.0%	0.5	0.0%	0.6	0.0%			0.02	0.0%
Cyprus	10.8	0.0%	9.2	0.0%	6	0.0%	12.27	0.0%	8.9	0.0%
I	0.5	0.0%	0.3	0.0%						
X	10.3	0.1%	8.9	0.1%	6	0.0%	12.27	0.1%	8.9	0.0%
DPRK	542.3	2.3%	601.3	2.7%	531.5	2.3%	529.87	1.7%	488.39	1.2%
I	236.3	2.6%	312.2	4.4%	256.1	3.0%	288.73	2.2%	256.92	1.2%
X	306	2.1%	289.1	1.9%	275.4	1.9%	241.14	1.4%	231.47	1.2%
Hong Kong/Macao	6957.1	29.5%	6916.5	31.5%	7847.1	33.3%	10219.07	33.5%	12305.69	30.4%
I	1276.9	14.2%	1352.5	19.1%	1738.4	20.0%	2987.48	22.9%	4850.94	22.4%
X	5680.2	39.0%	5564	37.3%	6108.7	41.1%	7231.59	41.4%	7454.75	39.7%
India	165.7	0.7%	179.1	0.8%	74	0.3%	64.19	0.2%	123.91	0.3%
I	82.2	0.9%	75.4	1.1%	15.4	0.2%	26.02	0.2%	38.78	0.2%
X	83.5	0.6%	103.7	0.7%	58.6	0.4%	38.17	0.2%	85.13	0.5%
Indonesia	119.3	0.5%	200.1	0.9%	199.4	0.8%	304.44	1.0%	457.05	1.1%
I	63.8	0.7%	153.4	2.2%	150.5	1.7%	229.95	1.8%	332.03	1.5%
X	55.5	0.4%	46.7	0.3%	48.9	0.3%	74.49	0.4%	125.02	0.7%
Iran	167	0.7%	129.5	0.6%	268.9	1.1%	162.06	0.5%	91.93	0.2%
I	1.7	0.0%	86.7	1.2%			0.16	0.0%	8.05	0.0%
X	165.3	1.1%	42.8	0.3%	268.9	1.8%	161.9	0.9%	83.88	0.4%

Iraq	199.7	0.8%	132	0.6%	45.7	0.2%	65.76	0.2%	135.88	0.3%
I	4.3	0.0%	7.5	0.1%	10.6	0.1%	8.16	0.1%	6.81	0.0%
X	195.4	1.3%	124.5	0.8%	35.1	0.2%	57.6	0.3%	129.07	0.7%
Japan	11163	47.3%	8913.2	40.5%	10084.6	42.8%	13921.58	45.6%	21144.01	52.3%
I	6293.5	69.8%	3992.6	56.3%	5535.4	63.8%	8503.72	65.1%	15035.04	69.4%
X	4869.5	33.4%	4920.6	33.0%	4549.2	30.6%	5417.86	31.0%	6108.97	32.6%
Jordan	459	1.9%	1349.4	6.1%	1555.3	6.6%	1330.75	4.4%	1003.27	2.5%
I	6.8	0.1%	5.4	0.1%	27.6	0.3%	29.89	0.2%	17.84	0.1%
X	452.2	3.1%	1344	9.0%	1527.7	10.3%	1300.86	7.5%	985.43	5.3%
Kuwait	134.6	0.6%	136.1	0.6%	149.6	0.6%	118.39	0.4%	92.91	0.2%
I	9.6	0.1%	23.1	0.3%	50	0.6%	29.21	0.2%	19.43	0.1%
X	125	0.9%	113	0.8%	99.6	0.7%	89.18	0.5%	73.48	0.4%
Laos	9.2	0.0%	6.9	0.0%	46.4	0.2%	5.5	0.0%	9.63	0.0%
I	8.4	0.1%	6.9	0.1%	46.4	0.5%	5.5	0.0%	9.63	0.0%
X	0.8									
Lebanon	42.2	0.2%	30.2	0.1%	29.4	0.1%	24.61	0.1%	17.45	0.0%
I									0.01	0.0%
X	42.2	0.3%	30.2	0.2%	29.4	0.2%	24.61	0.1%	17.44	0.1%
Malaysia	317.8	1.3%	344.8	1.6%	403.4	1.7%	411.45	1.3%	388.32	1.0%
I	121.9	1.4%	159.9	2.3%	216.2	2.5%	205.58	1.6%	200.3	0.9%
X	195.9	1.3%	184.9	1.2%	187.2	1.3%	205.87	1.2%	188.02	1.0%
Maldives	0.8	0.0%	0.2	0.0%	0.4	0.0%	0.38	0.0%	0.23	0.0%
I									0.01	0.0%
X	0.8	0.0%	0.2	0.0%	0.4	0.0%	0.38	0.0%	0.22	0.0%
Mongolia	4.6	0.0%	4.2	0.0%	4.3	0.0%	4.49	0.0%	6.25	0.0%
I	2.1	0.0%	1.9	0.0%	2.1	0.0%	2.34	0.0%	1.98	0.0%
X	2.5	0.0%	2.3	0.0%	2.2	0.0%	2.15	0.0%	4.27	0.0%
Nepal	14.6	0.1%	25.1	0.1%	28.5	0.1%	15.95	0.1%	19.84	0.0%
I	4.3	0.0%	3.4	0.0%	2.8	0.0%	4.54	0.0%	2.37	0.0%
X	10.3	0.1%	21.7	0.1%	25.7	0.2%	11.41	0.1%	17.47	0.1%
Oman	14.9	0.1%	11.4	0.1%	9.5	0.0%	13.28	0.0%	9.4	0.0%
I							1.71	0.0%		
X	14.9	0.1%	11.4	0.1%	9.5	0.1%	11.57	0.1%	9.4	0.1%
Pakistan	553	2.3%	351.4	1.6%	385.7	1.6%	322.9	1.1%	245.12	0.6%
I	337.9	3.7%	145.2	2.0%	160.3	1.8%	51.06	0.4%	57.9	0.3%
X	215.1	1.5%	206.2	1.4%	225.4	1.5%	271.84	1.6%	187.22	1.0%

Phillippines	377.2	1.6%	379.9	1.7%	189.2	0.8%	331.54	1.1%	414.21	1.0%
I	118.6	1.3%	139.9	2.0%	45.2	0.5%	86.05	0.7%	98.32	0.5%
X	258.6	1.8%	240	1.6%	144	1.0%	245.49	1.4%	315.89	1.7%
Qatar	28.4	0.1%	60	0.3%	48.9	0.2%	72.8	0.2%	39.55	0.1%
I	19.8	0.2%	51.9	0.7%	43.1	0.5%	66.5	0.5%	35.97	0.2%
X	8.6	0.1%	8.1	0.1%	5.8	0.0%	6.3	0.0%	3.58	0.0%
Saudi Arabia	237.9	1.0%	196.1	0.9%	168.9	0.7%	170.08	0.6%	156.67	0.4%
I	12.7	0.1%	10.2	0.1%	18.8	0.2%	29.76	0.2%	22.54	0.1%
X	225.2	1.5%	185.9	1.2%	150.1	1.0%	140.32	0.8%	134.13	0.7%
Singapore	792.4	3.4%	751.8	3.4%	685.3	2.9%	1446.67	4.7%	2322.88	5.7%
I	115.7	1.3%	105.9	1.5%	114.5	1.3%	160.02	1.2%	242.5	1.1%
X	676.7	4.6%	645.9	4.3%	570.8	3.8%	1286.65	7.4%	2080.38	11.1%
Sri Lanka	87.4	0.4%	45.3	0.2%	38.5	0.2%	92.17	0.3%	76.21	0.2%
I	56.3	0.6%	7.2	0.1%	15.2	0.2%	60.71	0.5%	13.04	0.1%
X	31.1	0.2%	38.1	0.3%	23.3	0.2%	31.46	0.2%	63.17	0.3%
Syria	126.7	0.5%	77	0.4%	186.8	0.8%	372.17	1.2%	70.95	0.2%
I	35.4	0.4%	3.6	0.1%	19.8	0.2%	10.4	0.1%	5.32	0.0%
X	91.3	0.6%	73.4	0.5%	166.8	1.1%	361.77	2.1%	65.63	0.3%
Thailand	390.9	1.7%	522.9	2.4%	331.6	1.4%	449.53	1.5%	378.85	0.9%
I	156.6	1.7%	353.1	5.0%	135.7	1.6%	183.81	1.4%	261.79	1.2%
X	234.3	1.6%	169.8	1.1%	195.9	1.3%	265.72	1.5%	117.06	0.6%
Turkey	46.2	0.2%	44	0.2%	30.1	0.1%	43.17	0.1%	111.03	0.3%
I	44.8	0.5%	42.4	0.6%	26.4	0.3%	40.56	0.3%	40.26	0.2%
X	1.4	0.0%	1.6	0.0%	3.7	0.0%	2.61	0.0%	70.77	0.4%
UAE	104	0.4%	81.2	0.4%	68.8	0.3%	80.03	0.3%	85.62	0.2%
I							13.67	0.1%	21.32	0.1%
X	104	0.7%	81.2	0.5%	68.8	0.5%	66.36	0.4%	64.3	0.3%
ARY	400.7	1.7%	333	1.5%	81.8	0.3%	60.34	0.2%	38.86	0.1%
I	2.7	0.0%	1.9	0.0%			0.09	0.0%	0.12	0.0%
X	398	2.7%	331.1	2.2%	81.8	0.5%	60.25	0.3%	38.74	0.2%
PDRY	38.7	0.2%	40.4	0.2%	53.5	0.2%	39.86	0.1%	28.96	0.1%
I	3.7						0.28	0.0%	0.33	0.0%
X	35	0.2%	40.4	0.3%	53.5	0.4%	39.58	0.2%	28.63	0.2%

Asia Trade	1981	1982	1983	1984	1985
Total	23585.1	21989.6	23550	30521.08	40418.8
Import Total	9021.1 38.2%	7088.9 32.2%	8674.1 36.8%	13060.2 42.8%	21651.14 53.6%
Export Total	14564 61.8%	14900.7 67.8%	14875.9 63.2%	17460.88 57.2%	18767.66 46.4%
Balance	5542.9	7811.8	6201.8	4400.68	-2883.48
Asia as a region					
World Total	44021 53.6%	41641 52.8%	43616 54.0%	53548 57.0%	69616 58.1%
Import Total	22014 41.0%	19293 36.7%	21390 40.6%	27409 47.6%	42252 51.2%
Export Total	22007 66.2%	22348 66.7%	22226 66.9%	26139 66.8%	27364 68.6%
Balance	-7	3055	836	-1270	-14888
Asia- Hong Kong					
Total	16628 37.8%	15073.1 36.2%	15702.9 36.0%	20302.01 37.9%	28113.11 40.4%
Import Total	7744.2 35.2%	5736.4 29.7%	6935.7 32.4%	10072.72 36.7%	16800.2 39.8%
Export Total	8883.8 40.4%	9336.7 41.8%	8767.2 39.4%	10229.29 39.1%	11312.91 41.3%
Balance	1139.6	3600.3	1831.5	156.57	-5487.29
Other Regions:					
Africa	1380 3.1%	1558 3.7%	1205 2.8%	1234 2.3%	880 1.3%
Europe	7994 18.2%	7167 17.2%	9101 20.9%	9935 18.6%	14238 20.5%
Latin America	1549 3.5%	1543 3.7%	2034 4.7%	1653 3.1%	2568 3.7%
North America	7683 17.5%	7633 18.3%	6305 14.5%	7866 14.7%	8836 12.7%
Oceania	1218 2.8%	1364 3.3%	1031 2.4%	1399 2.6%	1552 2.2%
Others	611.9 1.4%	386.4 0.9%	390 0.9%	939.92 1.8%	1123.2 1.6%
Asia Subregions					
N.East Total	2032.9 8.6%	2643.9 12.0%	2737.1 11.6%	2593.64 8.5%	1917.55 4.7%
Import Total	142 1.6%	233 3.3%	219.4 2.5%	249.99 1.9%	197.14 0.9%
Export Total	1890.9 13.0%	2410.9 16.2%	2517.5 16.9%	2343.65 13.4%	1720.41 9.2%
Balance	1748.9	2177.9	2298.1	2093.66	1523.27
ASEAN Total	1997.6 8.5%	2199.5 10.0%	1808.9 7.7%	2943.63 9.6%	3961.31 9.8%
Import Total	576.6 6.4%	912.2 12.9%	662.1 7.6%	865.41 6.6%	1134.94 5.2%
Export Total	1421 9.8%	1287.3 8.6%	1146.8 7.7%	2078.22 11.9%	2826.37 15.1%
Balance	844.4	375.1	484.7	1212.81	1691.43
S.Asia Total	950.4 4.0%	726.1 3.3%	624.6 2.7%	623.85 2.0%	571.29 1.4%
Import Total	502.6 5.6%	263.4 3.7%	217.9 2.5%	151.49 1.2%	123.46 0.6%
Export Total	447.8 3.1%	462.7 3.1%	406.7 2.7%	472.36 2.7%	447.83 2.4%
Balance	-54.8	199.3	188.8	320.87	324.37

	1986		1987		1988		1989		1990	
Afghanistan	69.55	0.2%	23.96	0.1%	25.05	0.0%	11.4	0.0%	22.58	0.0%
I	0.28	0.0%	0.1	0.0%	0.05	0.0%	0.28	0.0%	0.19	0.0%
X	69.27	0.4%	23.86	0.1%	25.05	0.1%	11.12	0.0%	22.39	0.1%
Bahrain	11.42	0.0%	13.94	0.0%	11.86	0.0%	12.68	0.0%	8.28	0.0%
I	3.14	0.0%	4.08	0.0%	3.03	0.0%	3.48	0.0%		
X	8.28	0.0%	9.86	0.0%	9.86	0.0%	9.18	0.0%	8.28	0.0%
Bangladesh	132.61	0.3%	98.75	0.2%	129.18	0.2%	226.54	0.3%	171.09	0.2%
I	28.89	0.1%	17.32	0.1%	30.28	0.1%	34.99	0.1%	17.81	0.1%
X	103.72	0.5%	81.43	0.3%	98	0.3%	191.55	0.5%	153.28	0.4%
Brunei	2.77	0.0%	4.54	0.0%	9.01	0.0%	11.92	0.0%	11.83	0.0%
I	0.01	0.0%	0.77	0.0%	5.88	0.0%	8.37	0.0%	3.71	0.0%
X	2.76	0.0%	3.77	0.0%	3.13	0.0%	3.55	0.0%	8.12	0.0%
Burma	95.38	0.2%	163.72	0.3%	270.71	0.5%	313.72	0.5%	327.62	0.5%
I	57.55	0.3%	95.06	0.4%	137.1	0.5%	126.06	0.4%	104.08	0.4%
X	37.83	0.2%	68.66	0.3%	133.61	0.4%	187.66	0.5%	223.54	0.5%
Cambodia	0.14	0.0%	0.28	0.0%	0.6	0.0%	2.95	0.0%	3.24	0.0%
I			0.01	0.0%	0.17	0.0%	1.02	0.0%	0.18	0.0%
X	0.14	0.0%	0.27	0.0%	0.43	0.0%	1.93	0.0%	3.06	0.0%
Cyprus	14.3	0.0%	15.91	0.0%	14.68	0.0%	19.17	0.0%	39.95	0.1%
I	1.45	0.0%	0.63	0.0%	1.76	0.0%	4.86	0.0%	1.44	0.0%
X	12.85	0.1%	15.28	0.1%	12.92	0.0%	14.31	0.0%	38.51	0.1%
DPRK	509.39	1.3%	513.3	1.1%	579.02	1.0%	562.72	0.9%	482.74	0.7%
I	276	1.4%	236.19	1.1%	233.67	0.9%	185.35	0.7%	124.58	0.5%
X	233.39	1.2%	277.11	1.1%	345.35	1.1%	377.37	1.0%	358.16	0.8%
Hong Kong/Macao	15790.31	39.8%	22750.8	47.9%	30830.3	51.4%	35072.62	54.1%	41571.27	60.5%
I	5690.19	28.0%	8545.74	39.7%	12119.76	44.1%	12687.66	44.8%	14415.33	55.6%
X	10100.12	52.4%	14205.06	54.6%	18710.54	57.7%	22384.96	61.3%	27156.04	63.4%
India	127.48	0.3%	117.46	0.2%	246.33	0.4%	271.19	0.4%	264.11	0.4%
I	38.53	0.2%	29.62	0.1%	97.71	0.4%	102.48	0.4%	97.35	0.4%
X	88.95	0.5%	87.84	0.3%	148.62	0.5%	168.71	0.5%	166.76	0.4%
Indonesia	466.71	1.2%	779.22	1.6%	917.96	1.5%	805.22	1.2%	1182.26	1.7%
I	324.22	1.6%	591.1	2.7%	681.52	2.5%	582.34	2.1%	803.24	3.1%
X	142.49	0.7%	188.12	0.7%	236.44	0.7%	222.88	0.6%	379.02	0.9%
Iran	50.37	0.1%	99.2	0.2%	239.7	0.4%	179.07	0.3%	361.96	0.5%
I	0.25	0.0%	4.75	0.0%	17.02	0.1%	47.21	0.2%	43.53	0.2%
X	50.12	0.3%	94.45	0.4%	222.68	0.7%	131.86	0.4%	318.43	0.7%

Iraq	155.31	0.4%	74.85	0.2%	88.72	0.1%	153.07	0.2%	118.16	0.2%
I	5.03	0.0%	0.9	0.0%	13.52	0.0%	85.05	0.3%	80.31	0.3%
X	150.28	0.8%	73.95	0.3%	75.2	0.2%	68.02	0.2%	37.85	0.1%
Japan	17217.92	43.4%	16472.48	34.7%	18979.16	31.6%	18896.96	29.1%	16599	24.1%
I	12438.47	61.1%	10074.2	46.8%	11057.08	40.2%	10534.5	37.2%	7587.97	29.3%
X	4779.45	24.8%	6398.28	24.6%	7922.08	24.4%	8362.46	22.9%	9011.03	21.0%
Jordan	1052.51	2.7%	1389.83	2.9%	763.33	1.3%	351.63	0.5%	109.36	0.2%
I	21.59	0.1%	45.54	0.2%	38.38	0.1%	32.45	0.1%	34.27	0.1%
X	1020.92	5.3%	1341.29	5.2%	724.95	2.2%	319.18	0.9%	75.09	0.2%
Kuwait	99.03	0.2%	135.46	0.3%	206.14	0.3%	191.22	0.3%	119.25	0.2%
I	26.28	0.1%	41.37	0.2%	74.81	0.3%	57.5	0.2%	42.66	0.2%
X	72.75	0.4%	94.09	0.4%	131.33	0.4%	133.72	0.4%	76.59	0.2%
Laos	9.8	0.0%	11.28	0.0%	20.8	0.0%	16.3	0.0%	16.19	0.0%
I	9.77	0.0%	10.68	0.0%	17.84	0.1%	12.66	0.0%	6.22	0.0%
X	0.03	0.0%	0.6	0.0%	2.96	0.0%	3.64	0.0%	9.97	0.0%
Lebanon	21.74	0.1%	19.67	0.0%	28.73	0.0%	26.8	0.0%	27.89	0.0%
I	0.01	0.0%	0.11	0.0%	0.01	0.0%				
X	21.73	0.1%	19.56	0.1%	28.72	0.1%	26.8	0.1%	27.89	0.1%
Malaysia	383.01	1.0%	556.63	1.2%	877.08	1.5%	1044.6	1.6%	1183.07	1.7%
I	180.32	0.9%	302.21	1.4%	568.88	2.1%	692.39	2.4%	835.35	3.2%
X	202.69	1.1%	254.42	1.0%	308.2	1.0%	352.21	1.0%	340.79	0.8%
Maldives	0.11	0.0%	0.7	0.0%	0.36	0.0%	0.39	0.0%	0.54	0.0%
I	0.01	0.0%	0.6	0.0%	0.23	0.0%	0.1	0.0%	0.29	0.0%
X	0.1	0.0%	0.1	0.0%	0.13	0.0%	0.29	0.0%	0.25	0.0%
Mongolia	13.08	0.0%	24.88	0.1%	24.93	0.0%	28.53	0.0%	41.02	0.1%
I	3.76	0.0%	4.61	0.0%	7.95	0.0%	8.67	0.0%	11.21	0.0%
X	9.32	0.0%	20.27	0.1%	16.98	0.1%	19.86	0.1%	29.81	0.1%
Nepal	19.61	0.0%	21.57	0.0%	24.73	0.0%	32.79	0.1%	47.14	0.1%
I	3.44	0.0%	1.08	0.0%	3.02	0.0%	5.31	0.0%	5.23	0.0%
X	16.17	0.1%	20.49	0.1%	21.71	0.1%	27.48	0.1%	41.91	0.1%
Oman	9.79	0.0%	7.6	0.0%	73.92	0.1%	150.8	0.2%	133.27	0.2%
I	0.04	0.0%	0.9	0.0%	67.15	0.2%	144.17	0.5%	125.49	0.5%
X	9.75	0.1%	7.51	0.0%	6.77	0.0%	6.63	0.0%	7.78	0.0%
Pakistan	231.55	0.6%	337.72	0.7%	385.17	0.6%	592.41	0.9%	584.86	0.9%
I	24.92	0.1%	37.96	0.2%	55.22	0.2%	224.36	0.8%	90.06	0.3%
X	206.63	1.1%	299.76	1.2%	329.95	1.0%	368.05	1.0%	494.8	1.2%

Phillipines	293.43	0.7%	385.5	0.8%	404.57	0.7%	340.02	0.5%	295.13	0.4%
I	136.5	0.7%	139.69	0.6%	135.07	0.5%	82.88	0.3%	85.03	0.3%
X	156.93	0.8%	245.81	0.9%	269.5	0.8%	257.14	0.7%	210.1	0.5%
Qatar	32.34	0.1%	30.15	0.1%	54.54	0.1%	49.7	0.1%	27.2	0.0%
I	27.47	0.1%	21.15	0.1%	47.57	0.2%	44.67	0.2%	21.32	0.1%
X	4.87	0.0%	9.6	0.0%	6.97	0.0%	5.03	0.0%	5.88	0.0%
Saudi Arabia	185.63	0.5%	354.62	0.7%	425.12	0.7%	319.27	0.5%	418.56	0.6%
I	52.14	0.3%	107.23	0.5%	195.25	0.7%	70.17	0.2%	81.21	0.3%
X	133.49	0.7%	247.39	1.0%	229.87	0.7%	249.1	0.7%	337.35	0.8%
Singapore	1759.3	4.4%	1945.34	4.1%	2503.45	4.2%	3191.73	4.9%	2825.24	4.1%
I	553.04	2.7%	617.87	2.9%	1018.38	3.7%	1498.9	5.3%	857.51	3.3%
X	1206.26	6.3%	1327.47	5.1%	1485.07	4.6%	1692.83	4.6%	1974.66	4.6%
Sri Lanka	97.53	0.2%	70.23	0.1%	92.04	0.2%	73.21	0.1%	102.32	0.1%
I	22.81	0.1%	19.78	0.1%	24.14	0.1%	4.02	0.0%	1.86	0.0%
X	74.72	0.4%	50.45	0.2%	67.9	0.2%	69.19	0.2%	100.46	0.2%
Syria	319.45	0.8%	386.73	0.8%	188.09	0.3%	46.46	0.1%	137.21	0.2%
I	0.33	0.0%	4.42	0.0%	4.15	0.0%	0.08	0.0%	4.29	0.0%
X	319.12	1.7%	382.31	1.5%	183.94	0.6%	46.38	0.1%	132.92	0.3%
Thailand	445.08	1.1%	709.75	1.5%	1142.28	1.9%	1256.16	1.9%	1194.46	1.7%
I	286.24	1.4%	404.62	1.9%	632.46	2.3%	756.27	2.7%	371.01	1.4%
X	158.84	0.8%	305.13	1.2%	509.82	1.6%	499.89	1.4%	823.45	1.9%
Turkey	193.06	0.5%	207.91	0.4%	289.62	0.5%	256.09	0.4%	90.2	0.1%
I	119	0.6%	119.17	0.6%	119.25	0.4%	199.36	0.7%	40.94	0.2%
X	74.06	0.4%	88.16	0.3%	90.37	0.3%	56.73	0.2%	49.26	0.1%
UAE	99.61	0.3%	151.61	0.3%	255.1	0.4%	303.9	0.5%	310.08	0.5%
I	10.04	0.0%	28.58	0.1%	70.51	0.3%	59.58	0.2%	37.81	0.1%
X	89.57	0.5%	123.03	0.5%	184.59	0.6%	244.32	0.7%	272.27	0.6%
ARY	25.33	0.1%	17.15	0.0%	27.86	0.0%	35.57	0.1%	73.84	0.1%
I			0.8	0.0%	0.31	0.0%	0.28	0.0%	1.72	0.0%
X	25.33	0.1%	17.07	0.1%	27.55	0.1%	35.29	0.1%	72.12	0.2%
PDRY	20.68	0.1%	24.98	0.1%	37.09	0.1%	27.23	0.0%		
I							1.21	0.0%		
X	20.68	0.1%	24.98	0.1%	37.09	0.1%	26.02	0.1%		

Asia Trade	1986	1987	1988	1989	1990
Total	39635.88	47530.99	59979.14	64827.58	68763.71
Import Total	20341.39 51.3%	21504.42 45.2%	27474.98 45.8%	28298.6 43.7%	25928.91 37.7%
Export Total	19284.49 48.7%	26025.12 54.8%	32424.34 54.1%	36528.96 56.3%	42834.9 62.3%
Balance	-1056.9	4520.7	4949.36	8230.36	16905.99
Asia as a region					
World Total	73846 53.7%	82652 57.5%	102791 58.4%	111678 58.0%	115436 59.6%
Import Total	42904 47.4%	43215 49.8%	55251 49.7%	59140 47.9%	53345 48.6%
Export Total	30942 62.3%	39437 66.0%	47540 68.2%	52538 69.5%	62091 69.0%
Balance	-11962	-3778	-7711	-6602	8746
Asia- Hong Kong					
Total	23845.57 32.3%	24780.19 30.0%	29148.84 28.4%	29754.96 26.6%	27192.44 23.6%
Import Total	14651.2 34.1%	12958.68 30.0%	15355.22 27.8%	15610.94 26.4%	11513.58 21.6%
Export Total	9184.37 29.7%	11820.06 30.0%	13713.8 28.8%	14144 26.9%	15678.86 25.3%
Balance	-5466.83	-1138.62	-1641.42	-1466.94	4165.28
Other regions					
Africa	1009 1.4%	1620 2.0%	2172 2.1%	1164 1.0%	1664 1.4%
Europe	19460 26.4%	19070 23.1%	21838 21.2%	23509 21.1%	22160 19.2%
Latin America	2086 2.8%	1733 2.1%	2576 2.5%	2968 2.7%	
North America	8665 11.7%	9675 11.7%	12256 11.9%	13743 12.3%	
Oceania	1901 2.6%	1938 2.3%	1964 1.9%	2285 2.0%	
Others	1089.12 1.5%	1085.01 1.3%	2005.86 2.0%	3181.42 2.8%	
Asia Subregions					
N.East Total	2290.57 5.8%	2929.61 6.2%	2704.5 4.5%	2122.66 3.3%	1975.21 2.9%
Import Total	266.77 1.3%	379.63 1.8%	652.72 2.4%	750.07 2.7%	514.99 2.0%
Export Total	2013.8 10.4%	2548.53 9.8%	1972.81 6.1%	1372.57 3.8%	1460.22 3.4%
Balance	1747.03	2168.9	1320.09	622.5	945.23
ASEAN Total	3347.53 8.4%	4376.44 9.2%	5845.34 9.7%	6637.73 10.2%	6680.16 9.7%
Import Total	1480.32 7.3%	2055.49 9.6%	3036.31 11.1%	3612.78 12.8%	2952.14 11.4%
Export Total	1867.21 9.7%	2320.95 8.9%	2809.03 8.7%	3024.95 8.3%	3728.02 8.7%
Balance	386.89	265.46	-227.28	-587.83	775.88
S.Asia Total	678.44 1.7%	670.39 1.4%	902.86 1.5%	1207.93 1.9%	1192.64 1.7%
Import Total	118.88 0.6%	106.46 0.5%	210.65 0.8%	371.54 1.3%	212.79 0.8%
Export Total	559.56 2.9%	563.93 2.2%	691.36 2.1%	836.39 2.3%	979.85 2.3%
Balance	440.68	457.47	480.71	464.85	767.06

Chiecon5: The Role of Hong Kong
Source: Hong Kong Digest of Statistics, 1989
HK\$ Millions

	Hong Kong	China Share	Asia Share	Asia-China
1979	161771	15733 9.7%	61596 38.1%	45863 28.4%
I	85837	15130 17.6%	53777 62.7%	38647 45.0%
X	55912	603 1.1%	7819 14.0%	7216 12.9%
Re-X (Dest	20022	1315 6.6%	12878 64.3%	11563 57.8%
Re-X (Orig	20022	5663 28.3%		
1980	209893	23553 11.2%	83784 39.9%	60231 28.7%
I	111651	21948 19.7%	73963 66.2%	52015 46.6%
X	68171	1605 2.4%	9821 14.4%	8216 12.1%
Re-X (Dest	30072	4642 15.4%	19344 64.3%	14702 48.9%
Re-X (Orig	30072	8394 27.9%		
1981	260537	32434 12.4%	108047 41.5%	75613 29.0%
I	138375	29510 21.3%	96077 69.4%	66567 48.1%
X	80423	2924 3.6%	11970 14.9%	9046 11.2%
Re-X (Dest	41739	8044 19.3%	27453 65.8%	19409 46.5%
Re-X (Orig	41739	12834 30.7%		
1982	270277	36741 13.6%	111193 41.1%	74452 27.5%
I	142893	32935 23.0%	97796 68.4%	64861 45.4%
X	83032	3806 4.6%	13397 16.1%	9591 11.6%
Re-X (Dest	44353	7992 18.0%	29221 65.9%	21229 47.9%
Re-X (Orig	44353	14694 33.1%		
1983	336142	49044 14.6%	139722 41.6%	90678 27.0%
I	175442	42821 24.4%	121451 69.2%	78630 44.8%
X	104405	6223 6.0%	18271 17.5%	12048 11.5%
Re-X (Dest	56294	12183 21.6%	36965 65.7%	24782 44.0%
Re-X (Orig	56294	19680 35.0%		
1984	444811	67036 15.1%	183177 41.2%	116141 26.1%
I	233370	55753 23.9%	156986 67.3%	101233 43.4%
X	137936	11283 8.2%	26191 19.0%	14908 10.8%
Re-X (Dest	83504	28064 33.6%	57799 69.2%	29735 35.6%
Re-X (Orig	83504	28107 33.7%		
1985	466572	74152 15.9%	192263 41.2%	118111 25.3%
I	231420	58963 25.5%	164379 71.0%	105416 45.6%
X	129882	15189 11.7%	27884 21.5%	12695 9.8%
Re-X (Dest	105270	46023 43.7%	74941 71.2%	28918 27.5%
Re-X (Orig	105270	34628 32.9%		
1986	552484	99655 18.0%	233218 42.2%	133563 24.2%
I	275955	81633 29.6%	198371 71.9%	116738 42.3%
X	153983	18022 11.7%	34847 22.6%	16825 10.9%
Re-X (Dest	122546	40894 33.4%	77220 63.0%	36326 29.6%
Re-X (Orig	122546	51897 42.3%		
1987	755982	145228 19.2%	326134 43.1%	180906 23.9%
I	377948	117357 31.1%	274098 72.5%	156741 41.5%
X	195254	27871 14.3%	52036 26.7%	24165 12.4%
Re-X (Dest	182780	60170 32.9%	110867 60.7%	50697 27.7%
Re-X (Orig	182780	84266 46.1%		
1988	991867	193677 19.5%	433570 43.7%	239893 24.2%
I	498798	155634 31.2%	365897 73.4%	210263 42.2%
X	217664	38043 17.5%	67673 31.1%	29630 13.6%
Re-X (Dest	275405	94895 34.5%	166207 60.4%	71312 25.9%
Re-X (Orig	275405	131525 47.8%		
1989	1133291	239948 21.2%	497624 43.9%	257676 22.7%
I	562781	196676 34.9%	419386 74.5%	222710 39.6%
X	224104	43272 19.3%	78238 34.9%	34966 15.6%
Re-X (Dest	346405	103492 29.9%	190301 54.9%	86809 25.1%
Re-X (Orig	346405	188271 54.3%		

Chiecon6: Sino-Japanese Trade 1980-92

Source: IMF Direction of Trade Statistics, 1985; 1992.

(\$ US millions)

	China Trade	Japan Share	Japan Trade	China Share
1980	37644	9201 24.4%	271719	9455 3.5%
I	19505	5169 26.5%	141284	4346 3.1%
X	18139	4032 22.2%	130435	5109 3.9%
1981	43107	10930 25.4%	294368	10359 3.5%
I	21631	6183 28.6%	142868	5283 3.7%
X	21476	4747 22.1%	151500	5076 3.4%
1982	40785	8708 21.4%	270009	8838 3.3%
I	18920	3902 20.6%	131566	5338 4.1%
X	21865	4806 22.0%	138443	3500 2.5%
1983	43409	10012 23.1%	273502	10007 3.7%
I	21313	5495 25.8%	126520	5089 4.0%
X	22096	4517 20.4%	146982	4918 3.3%
1984	50777	13212 26.0%	305890	13142 4.3%
I	25953	8057 31.0%	136142	5943 4.4%
X	22824	5155 22.6%	169748	7199 4.2%
1985	69809	21269 30.5%	307705	19124 6.2%
I	42480	15178 35.7%	130516	6534 5.0%
X	27329	6091 22.3%	177189	12590 7.1%
1986	74614	17542 23.5%	338378	15663 4.6%
I	43247	12463 28.8%	127660	5727 4.5%
X	31367	5079 16.2%	210718	9936 4.7%
1987	82686	16479 19.9%	382239	15865 4.2%
I	43222	10087 23.3%	150907	7478 5.0%
X	39464	6392 16.2%	231332	8337 3.6%
1988	103015	19108 18.5%	452444	19347 4.3%
I	55352	11062 20.0%	187483	9861 5.3%
X	47663	8046 16.9%	264961	9486 3.6%
1989	112054	18929 16.9%	484232	19560 4.0%
I	59140	10534 17.8%	209635	11083 5.3%
X	52914	8395 15.9%	274597	8477 3.1%
1990	118949	16866 14.2%	522985	18202 3.5%
I	54449	7656 14.1%	235307	12057 5.1%
X	64500	9210 14.3%	287678	6145 2.1%
1991	135943	20344 15.0%	551525	22853 4.1%
I	63957	10079 15.8%	236633	14248 6.0%
X	71986	10265 14.3%	314892	8605 2.7%
1992	167959	25374 15.1%	572938	28939 5.1%
I	81739	13683 16.7%	232947	16972 7.3%
X	86220	11691 13.6%	339991	11967 3.5%

CHIECON 8: Commodity Composition of Imports and Exports, 1981-91
Source: SYC 1982-92
(\$US Billion)

	Primary Goods	Change	Share	Manufactures	Change	Share
1981 I	8.03		36.5%	13.98		63.5%
X	10.25		46.6%	11.76		53.4%
1982 I	7.65	-4.7%	39.6%	11.68	-16.5%	60.4%
X	10.07	-1.8%	45.0%	12.32	4.8%	55.0%
1983 I	5.81	-24.1%	27.1%	15.59	33.5%	72.9%
X	9.63	-4.4%	43.3%	12.61	2.4%	56.7%
1984 I	5.2	-10.5%	19.0%	22.2	42.4%	81.0%
X	11.93	23.9%	45.7%	14.2	12.6%	54.3%
1985 I	5.29	1.7%	12.5%	36.96	66.5%	87.5%
X	13.84	16.0%	50.6%	13.52	-4.8%	49.4%
1986 I	5.64	6.6%	13.1%	37.25	0.8%	86.9%
X	11.2	-19.1%	36.3%	19.67	45.5%	63.7%
1987 I	6.91	22.5%	16.0%	36.3	-2.6%	84.0%
X	13.23	18.1%	33.6%	26.2	33.2%	66.4%
1988 I	10.06	45.6%	18.2%	45.18	24.5%	81.8%
X	14.43	9.1%	30.4%	33.11	26.4%	69.6%
1989 I	11.75	16.8%	19.9%	47.38	4.9%	80.1%
X	15.07	4.4%	28.7%	37.46	13.1%	71.3%
1990 I	9.85	-16.2%	18.5%	43.49	-8.2%	81.5%
X	15.88	5.4%	25.6%	46.2	23.3%	74.4%
1991 I	10.83	9.9%	17.0%	52.95	21.8%	83.0%
X	16.2	2.0%	22.5%	55.69	20.5%	77.5%

Chiecon9: Foreign Capital Used 1979-91
Source: SYC 1986-92
(\$ US millions)

	Total	Change	Hong Kong		Japan		Asia Total	
1979-82	12640							
Foreign Loans	10871							
Direct Invest	1769							
1983 Total	1980.6							
Foreign Loans	1064.7							
Direct Invest	915.9							
1984 Total	2704.5	26.8%						
Foreign Loans	1285.6	17.2%						
Direct Invest	1418.8	35.4%						
1985 Total	4462.1	39.4%	1016.4	22.8%	1591	35.7%	2647.1	59.3%
Foreign Loans	2505.9	48.7%	60.7	2.4%	1275.9	50.9%	1351.9	53.9%
Direct Invest	1956.2	27.5%	955.7	48.9%	315.1	16.1%	1295.2	66.2%
1986 Total	7258.3	38.5%	1572.8	21.7%	2897.8	39.9%	4585.9	63.2%
Foreign Loans	5014.5	50.0%	244.1	4.9%	2634.4	52.5%	2968.1	59.2%
Direct Invest	2243.7	12.8%	1328.7	59.2%	263.3	11.7%	1617.8	72.1%
1987 Total	8451.5	14.1%	2091.2	24.7%	2859.6	33.8%	5211.7	61.7%
Foreign Loans	5804.9	13.6%	282.2	4.9%	2593	44.7%	3099.1	53.4%
Direct Invest	2313.5	3.0%	1598.2	69.1%	219.7	9.5%	1854.8	80.2%
Other	333.1		210.8	63.3%	46.9	14.1%	257.8	77.4%
1988 Total	10226.4	17.4%	3109.4	30.4%	3354.4	32.8%	6628.5	64.8%
Foreign Loans	6486.7	10.5%	681.4	10.5%	2756.1	42.5%	3555.6	54.8%
Direct Invest	3193.7	27.6%	2095.2	65.6%	514.5	16.1%	2652.4	83.1%
Other	546	39.0%	332.8	61.0%	83.8	15.3%	420.5	77.0%
1989 Total	10059.1	-1.7%	2912.8	29.0%	3002.6	29.8%	6034.5	60.0%
Foreign Loans	6285.7	-3.2%	571	9.1%	2595	41.3%	3181.8	50.6%
Direct Invest	3392.6	5.9%	2077.6	61.2%	356.3	10.5%	2534.8	74.7%
Other	380.8	-43.4%	264.2	69.4%	356.3	93.6%	317.9	83.5%
1990 Total	10289	2.2%	2431.7	23.6%	3020.7	29.4%	5792.2	56.3%
Foreign Loans	6534.5	3.8%	313.2	4.8%	2500.2	38.3%	2840	43.5%
Direct Invest	3487.1	2.7%	1913.5	54.9%	503.4	14.4%	2724	78.1%
Other	267.7	-42.2%	205	76.6%	17.1	6.4%	227.67	85.0%
1991 Total	11554.1	10.9%	2924	25.3%	1894	16.4%	5426.93	47.0%
Foreign Loans	6887.5	5.1%	263.1	3.8%	1284.5	18.6%	1587.7	23.1%
Direct Invest	4366.3	20.1%	2486.9	57.0%	532.5	12.2%	3574.01	81.9%
Other	300.3	10.9%	175	58.3%	77	25.6%	264.4	88.0%

Chieconl0:The Impact of Sanctions On Trade

Source: IMF Direction of Trade Statistics, 1985; 1992.

(\$ US millions)

	China Trade	Change Percentage		-Hongkong	Change	Percentage
1986 Total	74614			59266		
I	43247			37675		
X	31367			21591		
1987 Total	82686	8072	10.8%	60485	1219	2.1%
I	43222	-25	-0.1%	34785	-2890	-7.7%
X	39464	8097	25.8%	25700	4109	19.0%
1988 Total	103015	20329	24.6%	72771	12286	20.3%
I	55352	12130	28.1%	43347	8562	24.6%
X	47663	8199	20.8%	29424	3724	14.5%
1989 Total	112054	9039	8.8%	77598	4827	6.6%
I	59140	3788	6.8%	46600	3253	7.5%
X	52914	5251	11.0%	30998	1574	5.3%
1990 Total	118949	6895	6.2%	77221	-377	-0.5%
I	54449	-4691	-7.9%	39884	-6716	-14.4%
X	64500	11586	21.9%	37337	6339	20.4%
1991 Total	135943	16994	14.3%	86382	9161	11.9%
I	63957	9508	17.5%	46506	6622	16.6%
X	71986	7486	11.6%	39876	2539	6.8%

Sanctions by Region

	Industrial Countries (inc. Japan)		Asia (exc. Japan and M.East)			
1987 Total	41089		28123			
I	26500		10915			
X	14589		17208			
1988 Total	48041	6952	16.9%	38059	9936	35.3%
I	30571	4071	15.4%	15700	4785	43.8%
X	17470	2881	19.7%	22359	5151	29.9%
1989 Total	50790	2749	5.7%	43667	5608	14.7%
I	31767	1196	3.9%	16842	1142	7.3%
X	19023	1553	8.9%	26825	4466	20.0%
1990 Total	48761	-2029	-4.0%	55727	12060	27.6%
I	26860	-4907	-15.4%	21204	4362	25.9%
X	21901	2878	15.1%	34523	7698	28.7%
1991 Total	56572	7811	16.0%	67516	11789	21.2%
I	31544	4684	17.4%	26508	5304	25.0%
X	25028	3127	14.3%	41008	6485	18.8%

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