

The Rise of China: What Makes It A Threat to East Asian States?

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Abstract

The China threat theory has been prevalent in recent years. Focusing on each of the four East Asian states, this article examines why China is perceived as a threat. This article discusses the origin of China's rapid economic development and the resulting growing competition in the market. Studying domestic and international commercial statistics, this article analyzes how East Asian states have become economically dependent on, and thus menaced by, the rising China. Then, this article proceeds to evaluate how a strengthened economy empowers China in military tactics and political influence. Comparing the financial input for military building and influence on governmental negotiations, this article reveals the intense relations between China and surrounding states over the matter of regional stability. This article also shows that heavy reliance on China for economic development has rendered the states and relevant organizations to accommodate China in policy-making, hence increasing China's influence and its neighbouring states' unease.

Introduction

China's economic growth in the past decades has been phenomenal both in its speed and scale. Along with the rapid and substantial growth, China has also experienced considerable accusations that it is turning into "a threat" to its neighbours' development, security, and stability (Makeham, 2013; 365). *What factor makes a rising China a threat to East Asian states?* By looking at China's relations with its neighbouring states — Japan, South Korea, North Korea, and Taiwan, this essay hopes to prove that economic power is the key element that enables China to diminish the status of East Asian states. This essay will begin with an overview of China's economic reform in order to understand how China obtains its economic growth. Then, the essay will proceed to discuss how a growing Chinese economy alters the East Asian economic structure, and thus challenges other economies' future. Having established China's direct influence in regional economic development, the essay will examine how a robust economy introduces hard and soft power. The essay will culminate in a discussion of the extended influence the Chinese economy has on regional stability and policy.

The Rise Begins

The pre-1978 China was famous for its command economy in which the Chinese government was able to allocate resources and achieve goals with high priorities. However, with the high cost "in terms of wastes and human resources," a command economy was not able to lead China out of poverty (Yeh, 1993; 12-13). According to economic indicators (World Bank,

1979; 127), China only had a 390 U.S. dollar GNP per capita in 1977, which was the lowest among all centrally-planned economies in the 1970s. It had only a 5% growth in GNP per capita from 1960 to 1977 (World Bank, 1979; 127). It suffered from low level of productivity and slow growth in economy. The 1970s even witnessed a decreased growth rate in Chinese production (World Bank, 1979; 129). The Chinese economy before the 1980s was evidently grim.

Stagnant economic growth, widespread poverty, and low living standards pushed the Chinese leadership to seek economic reform. From the 11th to the 15th Central Committee conference, the Reform and Open-up Policy was established, enacted, enriched, and promoted¹: in 1978, a decision was made to “restructure the economic system” (Yeh, 1993; 17); in 1984, urban economic reform was discussed, and the term *commodity economy* was mentioned in official Chinese Communist Party (CCP) documents for the first time; in 1993, the CCP envisioned the basic structure of a “socialist market economy” (Zhang et al, 2014). While reforming its economic system, China also “actively sought to expand contact with the rest of the world” by embracing foreign trade and investment into mainland China (Cheng, 1993; 197). The Chinese government (Ministry of Foreign Affairs of People’s Republic of China, 2000) crystalized the ultimate end of Reform and Open-up, which is to achieve “basic modernization in the [mid-21st] century, a GDP per capita at the level of the moderately developed countries, and a well-off living [standard for the people]”.

The Reform and Open-up Policy has brought China noteworthy economic progress. From 1987 to 1991, Foreign Direct Investment (FDI) in mainland China “almost doubled” (Hsueh, 1995; 7-8). Alongside with the increasing investment capital came in “the more advanced or more appropriate technologies, better equipment, and more efficient management” which helped promote the country’s economy (Hsueh, 1995; 7-8). China maintained its rapid production growth from 1978 to 2005, with an average annual GDP growth of 9.4% (Zheng, 2005; 18). According to economic indicators (International Monetary Fund, 2013), China has surpassed Japan in 2010 to become the second-largest economy, ranking after only the United States.

Table 1: GDP at current prices, China, Japan and the United State, 2008-2012

Country	2008	2009	2010	2011	2012
China	4,519.951	4,990.526	5,930.393	7,321.986	8,221.015
Japan	4,849.185	5,035.141	5,495.387	5,896.224	5,960.269
US	14,720.250	14,417.950	14,958.300	15,533.825	16,244.575

Figure presented in at U.S Dollar billion.

Source: International Monetary Fund

In recent years, *Bao Ba* (Chinese expression for “keeping the GDP growth rate over 8%”) has been the major aim for the core and provincial government. Statistics (International Monetary Fund, 2013) show that China has achieved this aim: it consistently has had an annual GDP growth rate over 8% until the year of 2012. The Chinese official release (National Bureau

of Statistic of People’s Republic of China, 2014) reports that China’s GDP in 2013 is “56,884.5 billion yuan, [and has] a year-on-year increase of 7.7 percent at comparable prices”. Slightly below the targeted 8%, China’s GDP growth rate is still among the highest in the world. The World Economic Database (International Monetary Fund, 2013) reveals that only 8 other countries have a GDP growth rate higher than China. Considering that these countries’ base number is not as high as China’s, one should understand that these countries’ absolute figure of GDP growth cannot compete with China’s.

Table 2: China’s Annual GDP Growth Rate at Constant Price, 2001-2013

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
8.300	9.082	10.025	10.085	11.310	12.677	14.162	9.635	9.214	10.447	9.300	7.700

Figure presented in %.

Source: International Monetary Fund

The successful reform provided China with a strengthened economic power; and it is believed that more is to come. Both Hong Kong and Shanghai Banking Corporation (HSBC) and Goldman Sachs predict that within two or three decades, China will surpass the United States and thus become the largest economy in the world (Kang, 2007; 12-13). With a strong economy with a promising future, China’s rise is phenomenal and influential.

Competition in the Market

China’s rise has stirred up the unease among its neighbours. The majority of people surveyed — “89% [of those being surveyed] in Japan” and “77% [of those being surveyed] in South Korea — expressed that they are “either ‘somewhat’ or ‘very’ uncomfortable with the idea of China one day becoming the leader of Asia” (Linley et al, 2012; 503). It is believed that people possess negative feelings towards China and its rise mainly because of their perceived vulnerability to China’s economic power. They see that their countries’ economies are “weak”, small, and associated with China (Linley et al, 2012; 505). In other words, a rising China is a threat to their domestic economy.

Concerns about China’s impact on the domestic economy are reasonable. In eras after World War II, the robust economies in East Asia — namely, Japan, South Korea, and Taiwan — relied heavily on “promoting exports of manufactures (textiles, shoes, toys and consumer electronics)” (Perkins, 2007; 45). These manufactures are all labour-intensive, and thus lower wage was one of the greatest advantages the East Asian states had to attract foreign trade and investment. For decades, “industrial countries used to invest in East Asia to take advantage of lower labour cost” (Hsueh, 1995; 8-9).

However, the foreign trade and investment pattern was soon challenged by a reformed and opened-up China. Compared with East Asian states, Chinese labour is even more inexpensive and thus has an even greater attraction to foreign investors. By the 1990s, the labour-intensive manufactures that used to locate in South Korea, Taiwan, Hong Kong and Singapore² have

relocated to factories in mainland China (Perkins, 1995; 46). China’s global market share has increased “from 1.8% in 1990 to 9.6% in 2011” (Jee, 2012; 68). Such a shift of the manufacturing industry causes other economies “to fade” (Hsueh, 1995; 33).

The decline of East Asian economies is precipitated: not only were foreign investments shifting away, but also were domestic capitals flowing towards China. As the Chinese economy continues to grow while surrounding economies are fading, many individuals see China as a reassuring investment destination. Investments from Japan, South Korea, and Taiwan rush into mainland China.

Japan: Hardship Incurred by the Neighbour

Japan is seriously challenged by China’s rising economy. China’s rapid economic development almost exactly synchronizes with Japan’s economic decline (Kang, 2007; 156-57). By 1999, many Japanese companies had already “established a production foothold” in China so that they could benefit from the low-wage labour and thereby reduce manufacturing cost (Mifune, 2011; 126). Surveys from 1997 to 2011 (Japan Bank for International Cooperation, 2014) consecutively confirmed China as the most “promising country for business operations in medium-term” for the Japanese.

Corresponding with Japanese companies’ emergence in mainland China is the steadily growing FDI since the 1980s. (Ohashi, 2001; 140). The FDI towards China (Japan External Trade Organization, 2014) has not only been increasing in absolute figure, but also in its percentage out of Japan’s total FDI outward.

Table 3: Japan’s FDI, Total and to China, 2003-2012

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total	5,028	10,531	16,188	17,167	19,388	23,348	20,636	22,131	39,492	33,477
China	3,980	5,863	6,575	6,169	6,218	6,496	6,899	7,252	12,649	13,479

Figures presented in U.S Dollar million.

Source: Japan External Trade Organization

Growing imports from China accelerate Japanese capital outflow. Since Japan abandoned labour-intensive manufacture in the 1980s, and has suffered a massive recession in the 1997 financial crisis, “low-priced Chinese products have overflowed the Japanese market” (Mifune, 2001; 126). In 2008, China became the major source of Japan’s imports, occupying more than 18% of its imported commodities (Mifune, 2001; 124).

China’s rise is tangible in many Japanese citizens’ daily lives. They experience how China is “hollowing-out” Japanese companies, enterprises, and even the entire industry (Sutter, 2005; 137). As investments leave Japan and price-competitive products enter the domestic market, many companies are forced to move out or to close down. As a result, bankruptcies and unemployment rise at a jaw-dropping rate. (Ohashi, 2011; 136). In 2010, China outnumbered

Japan's GDP (International Monetary Fund, 2013) by more than 435 billion U.S. dollars. Replacing Japan to be the second-largest economy in the world, China became the culprit of "on-going economic difficulties" in many Japanese's perspectives (Oshashi, 2011; 135).

South Korea: From Cooperation to Competition

Compared with Japan, South Korea is less threatened by China's rising economy. Unlike Japan, South Korea benefits from the robust Chinese economic growth. South Korea has long recognized the importance of maintaining close economic ties with China (Kang, 2007; 105). Ever since the two states normalized their diplomatic relationship in 1992, both governments have recognized the importance of economic cooperation (Han, 2011; 148). Institutions were established to "foster bilateral economic exchanges" (Suh, 1994; 21-22). For example, in 1991 Korea Trade Promotion Corporation (KOTRA) and China Chamber of International Commerce (CCOIC) set up their branch office in Beijing and Seoul, respectively, after an official agreement on the matter (Suh, 1994; 21-22). Beijing also reduces tariffs and institutional trade barriers on South Korean commodities, giving South Koreans an advantage in entering the Chinese market (Suh, 1994; 23).

These favourable policies, together with China's increasing need for foreign commodities, result in bilateral trades at a substantial magnitude. South Korean exports to China increased by over 100% in 1992, and maintained in an equally high level in following years (Suh, 1994; 23). The Sino-South Korean bilateral trade amount "rocketed to" 220.6 billion U.S. dollars in 2011 from an initial 6.4 billion U.S. dollars (Jee, 2003; 63-65), and remains in a similarly high level in 2012.³ China has been South Korea's top trade partner since 2003 (Kang, 2007; 116-17), while South Korea is "China's [third] largest trade partner" (Jee, 2012; 63).

South Koreans enjoy the profitable market in China and the trade surplus that is thereby generated (Jee, 2012: 64-65). For instance, China's demand for electronic products in the 1990s resulted in an increased trade surplus for South Korea (Sutter, 2005; 157). Over the past two decades, South Korean exports to China "increased 50.6 times from U.S\$2.6 billion to U.S\$134.1 billion" (Jee, 2012; 66). FDI Figures show (Ministry of Foreign Affairs of Republic of Korea, 2014) that China is the first choice of many South Korean. Many large South Korean conglomerates, for example, LG, Samsung, Hyundai, have increasingly deep involvement in the Chinese market (Sutter, 2005; 157).

Nevertheless, the Sino-South Korean economic relationship may transform from "vertical cooperation" to "parallel competition" because of China's rise (Jee, 2012; 72). As mentioned previously, manufacturing industries shifted to mainland China due to its comparative advantage in labour cost. Since Korea has an export-oriented economy, "it is natural for Korean industry and business to feel threatened" (Jee, 2012; 68). Similar to Japan, South Korean capital flows to mainland China due to its open and promising market. As a result, worry about China plundering domestic industry, declining job opportunities, and damaging South Korean economy becomes a public concern (Jee, 2012; 68-69).

In addition to the labour-intensive industry, South Korea seems to be losing its advantage in the high-tech industry as well. The narrowing technological gap between South Korean and Chinese firms makes the situation even more dire from South Korea's perspective (Snyder, 2006;

109). “According to OECD standards...56.3%” of China’s exports today are under the “high or middle tech” catalogue (Jee, 2012; 68).

Due to the serious dependence on the Chinese economy, South Korea may also have increasing unease as it sees its “economic fate tied to the future of the Chinese economy” (Kang, 2007; 116). Since China is both South Korea’s chief trade partner and investment destination, South Korea’s economy will be “virtually impossible to grow” if the current bilateral economic relation changes (Han, 2011; 153). It is noteworthy that China has already started to seek change in its economic structure. In the 11th and 12th five year plan, the CCP has provided guideline for economic structure improvement and industrial upgrade, aiming to transfer to a domestic-oriented market, and to develop high-tech and high value-added industries.⁴ These changes in Chinese economic structure will “dismantle the current Sino-South Korean bilateral economic relations,” and bring “serious challenge” to South Korea (Jee, 2012; 70-71).

Taiwan: A Complicated Relation

Taiwan is challenged by the rising China in two economic aspects: competition and heavy reliance. From 1987 to 1994, due to the pressure of “domestic wage, land prices” and CCP’s “repeated publicized” intention, Taiwanese investors were attracted to mainland China (Hsueh, 1995; 32-33). By that time, foreign investments that were originally located in Taiwan have already shifted to mainland China. Plus, “Taiwan’s former staple export items — toys, footwear, textiles, and apparel” have relocated to mainland China (Hsueh, 1995; 32-33). In such a context, the relocation of “export-oriented, labo[u]r-intensive industries” exaggerates the competition between mainland China and Taiwan (Hsueh, 1995; 32-33). In addition to the competition in domestic market, Taiwan also has to fight against China, its chief competitor, for market share in the U.S. and Japan. Since 1988, U.S. imports from Taiwan have drastically slowed down, and the prospects for market share in the U.S. “do not seem promising” for Taiwan (Hsueh, 1995; 32-33).

The growing reliance on the Chinese economy also makes many Taiwanese uneasy (Hsueh, 1995; 32-33). The Chinese market has proved to be “irresistible to Taiwan entrepreneurs” because of the opportunity of trade and investment it can provide (Sutter, 2005; 105). Before China and Taiwan established direct trade, it is reported (National Development Council of Republic of China, 2004; 3-1) that China has been one of the chief destinations of Taiwan’s exports, with many commodities sold to mainland China through Hong Kong and Macau. The modernization of cross-strait direct trade allows Taiwan’s exports to China to steadily grow in absolute figures. Also, China is the largest absorber of Taiwan’s exports. Statistics show (Ministry of Finance of Republic of China, 2013) that Taiwan’s export to China has grown to 81 billion U.S. dollars recently, which comprised approximately 37.72% of its entire Asian exports. The significant influence China has over Taiwan’s economy has become not only an economic issue but also a political issue for many Taiwanese (Hsueh, 1995; 32-33).

Money Buys Power

A strengthened economy enables China to have “military modernization and expansion” (Mifune, 2011; 130). Chinese spending on military purposes (Stockholm International Peace Research Institute, 2014) experienced a tenfold increase from 1989 to 2012. Data (Stockholm International Peace Research Institute, 2014) shows that in 2012, China’s military expenditure

had already comprised more than a half of all East Asian states' military expenditure. With unparalleled nuclear forces already in possession, China (Ministry of Defense of People's Republic of China, 2011) is seeking to have an overall improvement in its ground force, navy, and air force. In particular, it is believed that once China completes its building of a stronger blue-water navy, its power and influence over East Asia will dramatically increase, rendering Japan the only navy that "would have the wherewithal" to check China's maritime forces (Lee, 2005; 89).

Chart: China's Military Expenditure, 1989-2012

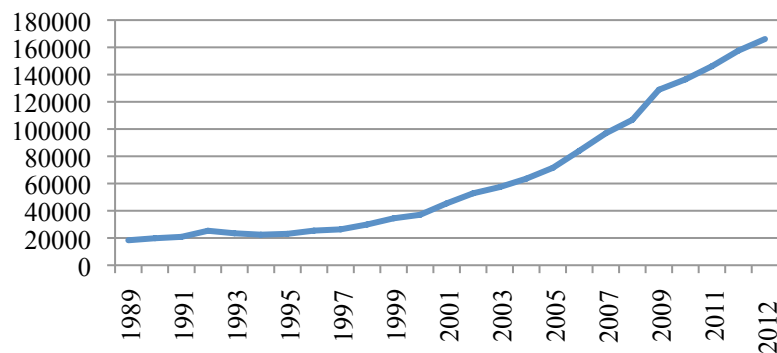


Figure presented in U.S. Dollar million.

This chart is generated based on statistics and data retrieved from Stockholm International Peace Research Institute.

The quantitative increment and the large sum of military expenditure are almost inseparable from China's recent rise in economy. As per the Chinese official release (Ministry of Defense of People's Republic of China, 2011), the country's military and economic construction are "developed coordinately." When the government's key emphasis during the decade of 1978-1987 was economic construction, financial input for national defense was low, only aiming to maintain status quo. The annual growth rate of national defense expense was 3.5%. During the decade of 1988-1997 (Ministry of Defense of People's Republic of China, 2011), "on the basis that China's economy is incessantly growing," national defense expense increased. The annual growth rate in this decade was 14.5%. In the decade of 1998-2007 (Ministry of Defense of People's Republic of China, 2011), "on the basis that China's economy is rapidly growing," national defense expense continued its steady growth with an annual growth rate of 15.9%. The official report (Ministry of Defense of People's Republic of China, 2011) stressed that the scale of national defense spending is reasonable, taking the national security, developmental interest, and adaptation of the needs to reform Chinese military into consideration⁵.

Table 4: East Asian States' Military Expenditure, 2012

Country	China	Japan	South Korea	Taiwan	East Asia
Expenditure	166.107	59.271	31.660	10.721	302

Figures presented in U.S. Dollar billion

Source: Stockholm International Peace Research Institute

Japan: Unsustainable Status Quo?

The increasingly large sum China spends on national defence is menacing to Japan. Japanese politicians have been worried that China “will be less cooperative as its relative power increases” (Chen and Feffer, 2009; 61-62). Mutual distrusts resulted from World War II and the persisting dispute over Senkaku/Diaoyu Island have laid the ground for clashes (Sutter, 2005; 135-36). Japanese Prime Minister Abe Shinzo has publicly voiced his concern about China’s “use of forces to alter status quo” (Baker and Nishiyama, 2013).

The economic factors behind the Senkaku/Diaoyu Island dispute should not be ignored. A major reason that the Chinese and the Japanese governments have been competing over sovereignty claim of the island is the internationally proposed (Division for Ocean Affairs and the Law of the Sea of United Nations) special rights of “exploring and exploiting, conserving and managing the natural resources” in the Exclusive Economic Zone (EEZ). In late 1968, “a high probability of oil and gas deposits near the disputed islands” was found, thus making the claim of the island as part of the state’s legitimate territory an important issue (Koo, 2009; 207-8).

Although extremely intense at times, the disputes have never escalated to regional war. The two countries “[have chosen] to exercise restrained policies” (Koo, 2009; 208). Economy has a great contribution to such a “mutual restraint” (Koo, 2009; 209-11). In 1978, having recognized that “Japan was critical ... for China’s economic development,” Beijing chose to “shelve [the question over the Island] for some time” until the future generations are wise enough to come up with a solution “acceptable to all” (Koo, 2009; 2011). The fluctuating contentions combined with the relatively minor diplomatic issue caused by the island territorial disputes evidently show that China and Japan value current economic gains, which they are not willing to risk while fighting for uncertain amount of resources in the disputed area. Nonetheless, as discussed in previous sections, China’s rise weakens cooperation and aggravates competition between China and Japan. Will the altering Sino-Japanese economic relation still be able to keep both governments in restraint? The change in economic power has shadowed potential instability between China and Japan.

Taiwan: Incapable of Counteraction?

Compared with Japan, Taiwan probably feels more threatened by China’s military upgrade. The on-going dispute on whether Taiwan belongs to the CCP-led China contributes to the “clear possibility” of China’s use of forces (Kang, 2007; 92). Declaration of Taiwan’s independence has long been viewed by the Beijing government as the “cause of war” (Sutter, 2005; 210). In 2005, by adopting the *Anti-Session Law*, Beijing made an unusually bold statement that non-peaceful response to Taiwan’s independence maintains an available choice⁶.

Taking Beijing's firm stance over the Taiwan issue into consideration, many believe that Taiwan is one of the strongest motivations for Beijing to upgrade its military forces. For example, "advanced Russian military equipment" was purchased to better assist the People's Liberation Army to deal with Taiwan issues (Sutter, 2005; 222). To this date, there are 600 short-range ballistic missiles deployed across the Taiwan Strait (Kang, 2007; 92). The "short- and medium-range missiles and Su-27 and Su-30 fighter aircraft[s]" in CCP's possession also impose great threats to Taiwan's security (Ross, 2005; 81-87). With an increasingly modernized army, "China's maritime [forces]... plan to secure" the first island chain in which Taiwan is included (Hughes, 2010; 167-223).

On the contrary, the scale of Taiwan's military forces suggests its vulnerability. According to international research on military expenditure (Stockholm International Peace Research Institute, 2014), Taiwan inputs at least 100 billion U.S. dollars less for military purpose than China does. Given the difference between Beijing's and Taipei's economic power, it is understandable that the gap between their military spending will continue to enlarge, making it undeniable that China's increasing improvement of its military power threatens Taiwan.

Table 5: China's and Taiwan's Military Expenditure 2004-2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
China	71496	84021	96906	106774	128869	136467	146154	157603	166107
Taiwan	9782	9412	9030	9555	9729	10479	9903	9998	10513

Figures presented in U.S Dollar million.

Source: Stockholm International Peace Research Institute

South Korea: Losing Control?

The Soviet Union's collapse bequeathed China a fundamental role to play in balancing North-South Korean relations (Sutter, 2005; 155). The economic rise in recent years further empowers China in influencing Korean Peninsula stability.

In terms of economy, China has allied with North Korea historically. Since 1990, North Korea has been suffering from its extensive poverty and stagnant economy. Economic indicators, for example, the GDP, has remained "virtually unchanged" during the past two decades (Kim, 2013; 33). The economic plight determines that North Korea has to rely on outside assistance; China is North Korea's major supplier (Lee, 2005; 91-92). China quadrupled its aid to North Korea from 2004 to 2009, rendering North Korea the recipient of "more than half of China's foreign aid" (Kim, 2013; 43).

The considerable financial input has its return: North Korea's economic reliance is China's "key force multiplier" in regional security (Lee, 2005; 91-92). Making good use of economic aids, China manages to stabilize its relationship with North Korea, and thus the Korean Peninsula situation (Sutter, 2005; 160-61). Economic aids are a means to maintain North Korea in control (Lee, 2008; 91-92). For example, in 2013, after Pyongyang launched its rocket, China released a signal to North Korea through its party-owned paper that it will reduce its assistance if North

Korea furthers nuclear tests. Similar messages are considered to be signals that Beijing releases to Pyongyang, reminding it to constrain itself from developing nuclear weapon (Kim, 2013; 38-39).

Economic aids have proven to be useful. By offering “energy aid and diplomatic concessions” in exchange, Beijing successfully ended the six-party talk with North Korea’s agreement “to dismantle its nuclear weapons programs” (Hughes, 2010; 167-223). North Korea’s heavy dependence on China provides Beijing powerful leverage in negotiations on relevant matters (Lee, 2005; 91-92). Even the United States “would kowtow to China's support for North Korea” (Hughes, 2010; 167-223). Indeed, China has turned to be “the only great power that exerts real influence” over North Korea and related issues (Lee, 2005; 92).

China’s overwhelming influence on the Korean Peninsula brings Seoul into dilemma. While South Korea rests in stability ensured by China’s constraints on North Korea, it has to worry about its loss of control over its own security. Regardless of the ethnical, historical and language proximities, South Korea has less access to the North than does China (Kang, 2007; 119). The Seoul-Pyongyang interactions are not as many as those between Beijing and Pyongyang. Kim Jong-Il’s seven visits to China since 2000, and Wen Jiabao’s visit to North Korea shows that economic assistance literally has bought China more access to North Korea⁷.

Moreover, the South’s policy towards the North cannot be well implemented without China’s cooperation. Allied with Washington, Seoul attempts confrontational strategies in order to force Pyongyang into a peaceful solution of Korean Peninsula issues. However, China’s soft attitude towards the North annihilates the South’s plan. Seoul and Washington’s isolation of Pyongyang turns out to be meaningless and fruitless when Beijing continues supplying, trading, and investing with North Korea. As China overpowers South Korea in their regional conflict, Seoul’s worry inevitably accumulates.

Influence on Policy-Making

With a remarkable economic growth, China enhances not only its military power and influence in regional security, but also its weight in the process of political decisions. Today, very few governments or organizations would introduce a policy regarding East Asia without evaluating the impact on and from China.

To maintain economic cooperation, East Asian states generally choose to avoid or downplay sensitive issues. (Lee, 2005; 88-94). “Hav[ing] emphasized the need to strengthen bilateral trade ties with Beijing”, most Japanese politicians would rather not express their hostility and anxiety on the possibility that China is “eclips[ing]” Japan (Lee, 2005; 90-91). The choice to not fight over Senkaku/Diaoyu Island disputes at the expense of economic gains is another example. Similarly, knowing its reliance on the Chinese economy, South Korea recognizes that contentions between the two states and negative sentiments — “no matter how intense and pervasive” — should not outweigh cooperation (Han, 2011; 157-58).

It is an acquiescence that governments would choose to accommodate themselves with China. For example, South Korea has “readjusted accordingly” to China’s economic power and influence over the Peninsula, shifting its position from “support[ing] U.S. policy ... [to] cooperating with China to undermine U.S. efforts to isolate and coerce North Korea” (Ross,

2005; 81-87). Likewise, due to “the expanding cross-strait economic links, any discussion of Taiwan’s economic future must take into account the position of the mainland” (Hsueh, 1995; 23). Upon swearing into office, even the most radically pro-independence party in Taiwan — the Democratic Progressive Party — had to soften its attitude on independence campaigns to maintain economic partnership with Beijing (Sutter, 2005; 209).

Some analysts point out that China even has influence on policy-making outside of East Asian states. For instance, other states’ and organizations’ policy-making relevant to East Asian states may focus more on China, since “Asia's relative strategic weight in the global balance of power is once again becoming equated with that of China's own strategic disposition” (Lee, 2005; 88). In this case, East Asian states may feel that their interests are overlooked and their international statuses are descending. One even interprets that “China's growing economic and military strength ... impl[ies] a decline in American power, and that the international system may experience ‘profound readjustment’ ” (Hughes, 2010; 167-223). More time may be needed to examine if these arguments are true. However, the increased voting power obtained through raising “quota contribution to both IMF and World Bank” has already reflected the increased international influence China has obtained through economic power (Chan, 2012; 197-209).

Conclusion

China’s rapid economic growth is inalienable with its successful implementation of economic reform. The Reform and Open-up Policy brings an appreciable amount of capitals and qualitative technologies that boost the Chinese economy. Relatively low-cost labour attracts investors to move into mainland China, causing a massive shift in the manufacturing industry. Thus, economies in Japan, South Korea, and Taiwan, which all used to rely on manufacturing, are seriously challenged. The “hollowing-out” effect on the Japanese industries has led the Japanese people to blame China for their economic downturn. Although it used to benefit from cooperation with China, South Korea has to worry about its growing reliance on the Chinese economy. Also, the further Chinese economic reform can potentially change the Sino-South Korean cooperative economic relationship into a competitive one, leaving the Seoul government with more problems to tackle. The economic challenge Taiwan has to confront is complicated. While the cross-strait trading partnership can alleviate Taiwan’s economic burden from losing the investment in the manufacturing industry, such a close tie somehow disturbs the Taiwanese as they do not want to see too much CCP influence in their community. Overall, China’s economic growth has rendered its East Asian neighbours with difficulties in deciding their own economic outlook.

A growing economy buys China both hard and soft power. With a stronger economy, China is better able to modernize its army which is undoubtedly a threat to East Asian states. It is also becoming more influential over regional security and policy. Now that the Chinese economy is robust, China may not have to downplay sensitive issues, for instance the Senkaku/Diaoyu territorial disputes, in exchange for economic cooperation. Instead, it is demonstrated that China uses its economic power to increase control over the Korean Peninsula. Thus, the regional security of East Asia can be fundamentally affected by China’s upgraded military power and its increasing influence.

Last but not least, the importance of maintaining economic partnership has forced many governments to accommodate themselves with Beijing. China's increasing voting power and weight in the international community may have threatened the East Asian states' interests.

To conclude, benefiting from its successful economic reform, China obtains a stronger economic power, which alters the East Asian economic relationships and thus challenges other economies' future. A strengthened economy then allows China to increase its hard power, namely, its military modernization, and its soft power, like influence on regional stability and policy-making. Therefore, the rise of China — starting in the economy, and expanding to other crucial areas — has established it as an evident threat to East Asian states.

Endnotes

1. Full text for all communiqués of Third Plenary Session of Central Committee of CCP is available on <http://cpc.people.com.cn/>
2. Initially relied on labour-intensive manufactures, Japan moved on to more complex manufactures around 1980s.
3. According to figures presented by Ministry of Foreign Affairs and Trade of Republic of Korea, Sino-South Korean bilateral trade in 2012 totaled more than 215 billion U.S. dollars.
4. English version of China's Five Year Plan is available on the website of British Chamber of Commerce in China <http://www.britishchamber.cn/>
5. Information presented in the paragraph is translated from the official released 《2008年中国的国防》 (*Chinese National Defense in 2008*), please refer to next section for bibliographic details.
6. See Clause 8 of the *Anti-Session Law*.
7. For interactions between Beijing and Pyongyang, please refer to records available under the section "Country and Region" on the website of the Ministry of Foreign Affairs People's Republic of China.

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