

## **Mandalic Regionalism in Asia: Exploring the Relationship between Regional Governance and Economic Security<sup>1</sup>**

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### **ABSTRACT**

The 2008 global financial crisis highlighted the potentially crucial relationship between regional governance and global economic security. The nature of that governance may well decide how inclusive or exclusive, cooperative or competitive, the international system becomes. A key determining factor will be the way in which the quest for energy is handled. Related to this will be the role of China. Its economic weight is such that its mode of international interaction, particularly its energy diplomacy, will strongly influence the competition-cooperation calculus: whether hedging or harmonising strategies become dominant. If China succeeds in the pursuit of its post-2005 'harmonious world' (*hexie shijie*) policy prescription, then a nested or mandalic regionalism can be expected to grow. This paper therefore focuses its discussion on the Asia-Pacific region as a forerunner of a governance model compatible to global economic security.

### **Introduction**

The global financial crisis of 2008 sharpened debate on the nature of global economic security. Like the Asian crisis of 1997-98, what began as a single-country, single-sector crisis spread to other countries and other sectors, demonstrating how intimately interconnected the global age has become. As sociologist and economist Walden Bello (2008:35) remarked: 'Globalization has made "decoupling" impossible. We are like prisoners bound together in a chain-gang.' Another analogy is that of turbulent seas: to avoid seas-sickness, one must fix one's gaze on the horizon (Lyon 2008). So, too, with financial crises; it is important to look farther ahead and plan accordingly.

Thus when deliberating on global economic security it is not enough to engage in tactical actions such as government interventions and regulatory reforms to the financial system, though this is not to deny their possible efficacy for the problem at hand. It may well be

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<sup>1</sup> An earlier version of this article was presented as a paper entitled, 'The Relationship between Regional Governance and Global Economic Security: A Focus on the Asia-Pacific Region', to the International Conference on International Studies (ICIS), *The Asia Pacific Region: Contemporary Trends and Challenges*, Institute of Diplomacy and Foreign Relations, Kuala Lumpur, 4-6 December 2008.

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that a ‘paradigm shift’ is required: be it a new brand of capitalism; a system that is more socially and environmentally responsible (Global Research 2008); one that switches to ‘development by facilitating productive investment’ (Ghosh 2008); or the larger framework of ‘societal development’ that concerns building a range of capacities that encourage partnership-based governance processes in public space (Lichem 2006a). The last of these was brought to prominence at a UN-sponsored meeting in New York in 2006 (Societal Development Report 2006) and represents a more comprehensive approach for good governance. Whether the changes are great or small, radical or cautious, the 2008 financial crisis has highlighted once again the importance of corporate social responsibility (CSR). Future CSR would need to reinstate trust in the financial system as well as make more substantive contributions ‘to societal cohesion, to the building of dignity, equity and inclusion as part of the basic infrastructure for the economy’ (Lichem 2006b; see also *Christian Science Monitor* 2008).

Another feature highlighted by the 2008 crisis was the more active participation of the new emerging powers in shaping the global economic system. This was evidenced in the November 2008 G20 meeting of the industrialised nations and the largest of the emerging economies to formulate a strategy for dealing with the crisis (*BBC News* 2008a). If the rise of new powers is ‘irresistible and perhaps inevitable’, then for many of the industrialising great powers economic security will remain a major focus; and in turn this gives added momentum to regional economic integration (Pan 2007). Hence the relationship between regional governance and economic security will deepen. How is this to be conceptualised?

First it is necessary to recognise the problem of security *per se*. An idea that security is multi-sector, larger than the state but as small as the individual, as well as spanning traditional and non-traditional spheres of activity, requires a distinctive mode of investigation. One such mode is to locate economic security at the heart of a security ‘mandala’ that connects the levels of analysis and spheres of operations. This is a fitting representational device for the Asian region from which this cultural technology derives. Its characteristic attributes of schematic integration, normative directionality and cross-sector symmetry, all the while maintaining actor sovereignty, conform with Chinese and Southeast Asian regional perspectives. China’s new foreign policy goal of ‘harmonious world’ (和諧世界, *hexie shijie*) calls for multilateral cooperation and assistance, while the Association of Southeast Asian Nations (ASEAN) has long pursued this approach, as well as a nested (mandalic) expansion of relations with other organisations and actors. Herein lies an Asian rendering of the relationship between regional governance and economic security in an era when regions are more than geographic expressions. They may also be part of the global ‘chain-gang’, but with powers to challenge the prevailing justice system by keeping their eye on the longer-term horizon.

## **Methodology**

### *1. The Mandala Metaphor and Model*

A mandala represents an inter-relational whole, a cosmogram composed of concentric forms. While the word comes from Sanskrit to denote a sacred circle, the appearance and

experience of mandala is universal - and universalising. The term is commonly used to describe a cosmogram used for spiritual contemplation, especially in Hinduism and Buddhism (see Tucci 1961; Snodgrass 1985). It is also a specialist term employed by scholars to denote traditional South and Southeast Asian political formations (notably Coedès 1968; Tambiah 1976; Mabbett 1978; Wolters 1982; Higham 1989; Stuart-Fox 1996). Early political application may be found in Kautilya's *Arthashastra* or *The Science of Means*, a 3<sup>rd</sup> Century BCE Indian 'Realist' text (Kautilya 1967), while the repoliticisation of the mandala concept began after the Cold War and with the impact of globalisation (Dellios 1997, 2001, 2003a, 2003b, 2004; Grey 2001, 2005, 2007; Ferguson 1994).

Just as UNICEF Bhutan has translated the guiding principles of the Convention on the Rights of the Child (CRC) into a mandala - blending the Buddhist approach to life with the basic framework of the CRC (UNICEF Bhutan n.d.) – so, too, the concept of Asian regional governance may benefit from the mandala as its own indigenous cross-cultural technology for representing the 'map' of security. By employing the mandala as a metaphor and model of a conceptual artifact indigenous to many parts of Asia (South, Central, Southeast and Northeast), it is possible to understand how global economic security is mandalically constituted. In Western theoretical discourse, equivalence may be found with *social constructivism* and *complex adaptive systems*.

### 2. Social Constructivism

Social constructivism (see Wendt 1991, 1999) regards a nation's identity to be a work-in-progress through mutual interaction and norm formation. Interestingly, from the perspective of this article which focuses on the Asian region, social constructivism (not Marxism) is the preferred theory through which many international relations scholars in China seek to explain China's regional and global role (Zhang, 2007; Qin, 2008). This makes sense in view of the theory's willingness to incorporate the influences of history and culture. These, in turn, relate to the traditional Chinese theory of correlativity in which the parties of a relationship make the necessary conditions for being what they are, for example, teacher and student. It is a condition, as Hall and Ames (1987: 17) put it, of 'each requiring the other for adequate articulation'. Such correlativity accords with the yin-yang philosophy of interactive, and hence dynamic, difference and balance within the whole.

### 3. Complex Adaptive Systems

Complex adaptive systems (Capra 1976, 2002; Davies 2004; Hearn, Rooney & Wright 2008; for its application to international relations, see Denemark 1999; Cutler 1998; Wendt 2003) connect with the logic of mandalas in that they are dynamic: they are able to maintain themselves by changing to fit new conditions. In short, they self-organise. The 'work-in-progress' identity of nations that comes from social constructivism also accords with this adaptive behaviour. This is a discernible feature, too, of regional 'governance', as distinct from 'government' in which there is a legal overriding authority. Regional governance is more interactive and fluid. It provides, in the words of constructivist pioneer, Alexander Wendt (2003:498), the ground for 'the micro or bottom-up process of self-organization, and the macro or top-down process

of structural constitution'. The regional level of analysis is comfortable with both the systems and constructivist approaches within the mandala format.

### **Asia as a Mandalic Region**

A 'mandalic region' here refers to an amalgam of the two meanings of mandala noted above: the spiritual and the political. The reason for this is that it incorporates the normative perspective of constructivism with the adaptive architectural qualities of the systems approach. Moreover, Buddhism's principle of 'codependent origination' is highly pertinent to constructivist mutuality and the micro-macro processes of complex adaptive systems. Codependent origination stresses the interdependent existence of all phenomena; that they are empty of their own existence and therefore contingent. The pivotal Buddhist term, 'emptiness' (Sanskrit: *sunyata*), is a simplified form of codependent origination (see Grey 2005). Thus a mandalic region is a Hindu-Buddhist-inspired model of regionalism in a deterritorialised world. The borderless world is also a cosmological world. This is not only empirically evident in the way in which market values are no longer constrained within national borders, providing a secular cosmology, but also religious values. Thriving cosmological communities may be found in the growth religions of the 21<sup>st</sup> century: Islam and Buddhism. Thus a mandalic region in the global age is also a global region. It displays spatial and relational features that give rise to the notion of 'regional place in global space'. Mandala is an apt metaphor for the global age because, like globalisation, it represents a compression of a wider field of experiences. Its contours are a symbolic rendering of a complexity that co-arises. Mandala as a cultural technology may be equated with 'tantra', a term used to refer to a body of Hindu and Buddhist practices that hinge on the macrocosm-microcosm interaction.

The region as the unit of analysis deserves particular attention as it is on this (mandalic) platform that global macro forces are moderated to address the security of the microcosms of state and individual. Regional governance, then, becomes a significant factor in the management of economic security down the scale to states and citizens as well as up to the global level. The region is no mere transmitter (chain-gang metaphor) but also transformer (mandala metaphor). Functionally speaking, if economic security is the heart of the mandala in terms of enquiry, then the region is the theatre of operations for its implementation (see Figure 1). Governance of the region may be regarded as the strategy employed. The institutions and actors involved in the strategy also require consideration, especially their correlative (*yin-yang*) relationship when viewed from a Chinese philosophical standpoint. For example, how will a declining global power (US) relate with an ascending one (PRC)?

Their relationship may be mutually constraining, a condition termed 'institutional balancing' as distinct from traditional military balancing (see He 2008). This is familiar language in traditional Chinese thought with its emphasis on harmonising the generative and restrictive energies of the 'five elements' (*wuxing*: earth, metal, water, wood, and fire) within the concept of the yin-yang and the five elements. For example, the wood element representing growth and creation, is constrained by metal (hard power and

capability), but fire (change and activity: revolution or transcendence) can melt metal; on the other hand, water (cool and in pursuit of the path of least resistance) is supportive of wood, and earth (reproduction and nourishment: economy) is supportive of metal.

Chinese strategic culture still reflects a desire to pursue the balanced path, and China's disposition is clearly of relevance to the future profile of the Asian mandalic region. China adjoins many parts of Asia: Northeast, Southeast, Central, South and Pacific. The Middle Kingdom's economic, diplomatic and strategic influence renders it a key regional player. The next section will elaborate on China's restoration of an old ideology for a new century: that of harmony.

### **China's Harmonious World Proposition**

Appropriately, it was at the UN's 60<sup>th</sup> anniversary in 2005 that PRC President Hu Jintao articulated the idea of building a harmonious world (和諧世界 *hexie shijie*). President Hu's policy prescription for a harmonious world, was fourfold (*Xinhua* 2005):

1. *Multilateralism - for the purpose of common security under UN auspices*  
'We must abandon the Cold War mentality, cultivate a new security concept featuring trust, mutual benefit, equality and cooperation, and build a fair and effective collective security mechanism aimed at preventing war and conflict and safeguarding world peace and security . . . [The UN's role] can only be strengthened and must not in any way be weakened.'
2. *Mutually beneficial cooperation (win-win) - for common prosperity*  
'We should work actively to establish and improve a multilateral trading system that is open, fair and non-discriminatory.' He also suggested worldwide energy dialogue and cooperation be stepped up to jointly maintain energy security and energy market stability.
3. *Inclusiveness - all civilizations coexist harmoniously*  
'In the course of human history, all civilizations have, in their own way, made positive contributions to the overall human progress. Uniformity, if imposed on them, can only take away their vitality and cause them to become rigid and decline. The world's civilizations may differ in age, but none is better or more superior more others . . . We should endeavor to preserve the diversity of civilizations in the spirit of equality and openness, make international relations more democratic and jointly build a harmonious world where all civilizations coexist and accommodate each other.'
4. *UN reform*  
The UN needs 'rational and necessary reform' to maintain its authority, improve its efficacy and give a better scope to its role in meeting new threats and new challenges. The UN reform 'may be conducted step by step,' focusing on easier tasks first and more difficult ones later in order to achieve maximized benefits, he said

Harmonious world, the counterpart to ‘harmonious society’ within China, underlined China’s peaceful rise and development policy. It was a clear counter to the China threat thesis which held that as China modernised it would seek to assert its interests through power politics. As a result, hedging strategies have been undertaken in case China does become assertive. For example, the US government, through the Executive Summary of its Annual Report to Congress on *The Military Power of the People’s Republic of China, 2007*, stated (US Department of Defense 2007):

much uncertainty surrounds the future course China’s leaders will set for their country, including in the area of China’s expanding military power and how that power might be used . . . China’s actions in certain areas increasingly appear inconsistent with its declaratory policies. Actual Chinese defense expenditures remain far above officially disclosed figures. This lack of transparency in China’s military affairs will naturally and understandably prompt international responses that hedge against the unknown.

### **Regional Application of Harmonious World Policy**

If ‘harmonious world’ represents China’s declaratory policy, how does it measure against China’s actions? In 2006, the year following President Hu’s declaration, China implemented its harmonious world-oriented diplomacy, though this policy did not represent a sudden break from previous diplomacy. It was in fact a more articulate (in terms of ‘peaceful rise’ and ‘peaceful development’) continuation of China’s so-called ‘charm offensive’ which began after the end of the Cold War. Looking at the results regionally, it is worth first asking what ‘harmonious world’ sets out to achieve for China’s foreign policy. According to Yang Yanyi, deputy director general of the Asian Department in China’s Ministry of Foreign Affairs:

The purpose of China’s regional cooperation policy is to facilitate China’s development and promote regional peace and common development. China wants to maintain a peaceful stable environment, especially on its periphery. It is using multilateral means to promote economic growth (Yang 2008).

She added that Beijing was now engaged in multilateral activities that included over 30 cooperation mechanisms in Asia. Sub-regional cooperation has been most active, for example in the Shanghai Cooperation Organisation (SCO) and ASEAN Plus Three (APT, the three being China, Japan, and South Korea). Transregional cooperation was gaining strength, for example, in Asia-Pacific Economic Cooperation (APEC) and the Asia-Europe Meetings (ASEM). Economic regionalism remained China’s priority. In the past decade, 24 new arrangements were concluded. Cooperation in other sectors was expanding, including finance, agriculture, and forestry. Cooperation in security had begun, notably in the ASEAN Regional Forum (ARF) and SCO mechanisms. China’s role in hosting the six-party talks on the North Korean nuclear issue was widely acknowledged. Moreover, China-ASEAN relations had developed practical governance in non-traditional security issues.

The two predominant theatres of China’s Asia strategy since the 1990s have been Southeast Asia and Central Asia, with the Korean peninsula offering a third smaller

theatre. Through hosting the six-party talks, China was in an enabling relationship with the US, but a constraining one with Japan through the North and South Korea presence. The following analysis will focus on the Southeast and Central Asian theatres where China has practised a 'good neighbour policy'.

### 1. Southeast Asia

ASEAN and its extensions (the 'ASEAN Plus' system, ARF, AFTA,<sup>3</sup> and others) are where the big powers operate. Sensibly, China has put ASEAN in the driving seat of its Southeast Asian governance diplomacy. Feffer (2006) sets out the kinds of motivations typically attributed to China by asking the question:

Is China's new policy toward regional institutions a genuine commitment to regional and international norms, an attempt to displace the United States as the primary power in Asia, or simply a method to put smaller Asian countries at ease while China gradually builds up to superpower status?

The first question points to the harmonious world principles of multilateralism and cooperation, which are China's own justification for the good neighbour policy; the second is correlative, the mutually defining relationship of the rising and declining global powers; and the third suggests a deceptive strategy but also a form of Sinocentric Asia in which regional states choose to accommodate rather than balance China (see Kang 2007).

China's *modus operandi* – like ASEAN's – is marked by flexibility and informality, as regional cooperation has tended to start with informal dialogue and then progress to practical projects. According to Chinese constructivist scholar, Qin Yaqing (2008), there is also an emphasis on process rather than results. This is in accordance with Confucian cultural dynamics. For example, in the East Asian summit, the 'comfort level principle' exists. Progress may be slow but process ensures it is sustainable (*ibid.*). Another feature of China's behaviour is that it prefers to see small and medium size countries taking the lead, not itself.

### 2. Central Asia

The other theatre of China's Asia strategy is Central Asia, focusing on the Shanghai Cooperation Organisation (SCO). This was China's first initiative in forming a multilateral organisation. It was originally established in 1996 as the 'Shanghai Five' - comprising China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan - to demilitarize the old Sino-Soviet border and resolve border demarcation disputes.

In 1999 'Islamic fundamentalism' was seen as the most pressing danger for Central Asian governments; fighting 'terrorism, separatism and extremism' came to dominate the agenda. For China the restive Xinjiang region was its primary concern, and to this day Beijing maintains tight security against the Turkic Muslim Uyghurs. The 'Shanghai Five' became the Shanghai Cooperation Organisation in July 2001 with the addition of Uzbekistan. Mongolia joined as an SCO observer in 2004, with India, Pakistan and Iran becoming observers in 2005. This has expanded SCO's regional range to South Asia and

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<sup>3</sup> ASEAN Free Trade Agreement

the Middle East, and incorporated three of the BRICs<sup>4</sup> - Russia, China and India – that represent the rising powers of the 21<sup>st</sup> century. Observer status is not confined to interested states but may also extend to intergovernmental international organisations (see SCO 2005). In the integration of new states or organisations, a ‘dialogue partner’ mechanism is being introduced, thereby allowing for an earlier stage to observer status and fully fledged member.

It is through SCO as a new form of regional governance that the Russia-China relationship may be better understood as having ‘largely transcended the past practice of alliances’ (Yu 2008), demonstrated by China’s and SCO’s ‘neutrality’ over Russia’s 2008 invasion of Georgia (discussed below). China and Russia as SCO’s big powers may be mutually restrictive within the organisation but they also combine to give the SCO the strategic clout it needs to address Western influence in the region. This is developed below in the energy case study.

An instructive way to gauge whether Beijing’s actions match its harmonious world declaratory policy is the issue of energy – point two in the four-point policy proposal put forth by President Hu at the UN in 2005. It represents an apt case study as it relates directly to the relationship between regional governance and economic security.

### **Energy: The Test of Harmonious Worldism**

Energy resources are vital for the upkeep of the global economic system and thus a brief overview is in order. Approximately 85% of world energy consumption derives from fossil fuels: 37% from oil, 25% from coal, and 23% from natural gas; leaving nuclear power and renewable energy to account for the remaining 15%<sup>5</sup> (Omegatron 2007; International Energy Agency 2008; Energy Information Administration 2008a). While there will be an increased demand for all types of energy, both fossil fuel and renewable energy (International Energy Agency 2008), oil consumption is expected to rise at 1-2% every year so that even a 1.5% increase results in a doubling of oil consumption within 50 years (Elhefnawy 2008: 38).

Much of this increase is expected to come from Asia. Just as two-thirds of global energy consumption growth came from this region in 2007 (BP 2008), projections for the future see China and India as the main stimulants for the demand for energy. The world’s largest oil consumer, the United States, will still play a vital role in demand: it is projected to increase threefold its oil imports from the Persian Gulf by 2020 (US Department of Energy, cited in *ibid.*: 144). But China and India, the world’s second and sixth largest consumers of oil, respectively, are still industrialising, and their combined oil imports in 2030 are expected to exceed today’s combined oil imports from the US and Japan (International Energy Agency 2007; see also Energy Information Administration,

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<sup>4</sup> ‘BRIC’ is the acronym for Brazil, Russia, India and China, coined by economist Goldman Sachs (2003), who argues that the economies of the BRICs are rapidly developing and by 2050 will eclipse most of the current richest countries.

<sup>5</sup> These being 6% nuclear, 4% biomass, 3% hydro, 0.5% solar heat, 0.3% wind, 0.2% geothermal, 0.2% biofuels, 0.04% solar photovoltaic (Omegatron, 2007)



2008b). By then, India would have overtaken Japan to become the world's third largest net importer of oil (after the US and China).

A net importer of oil since 1993, China's proven oil reserves are expected to be depleted by 2018 (Wright 2004: A3). By 2025, its energy requirements would have quadrupled, while in the first five years of this new century China alone was responsible for a third of the growth in oil demand worldwide (*The Economist* 2004, 2005). India is also a net importer of oil, as domestic production is inadequate for current and future consumption requirements. Oil accounts for 30% of India's energy needs and 70% of that is imported (*Commodity Online* 2008). Small wonder that besides investing in energy-rich countries, China and India are also looking at more futuristic plans: one of the objectives set for their space programs is to extract lunar energy reserves (isotope helium-3) as a replacement for fossil fuels (*Chinanews.cn* 2005; Crawford 2008).

Energy and regionalism come together in a direct fashion when considering the geopolitics of oil. The Middle East remains the world's energy heartland. It is also widely considered to be the most intractable zone of political conflict, with the West's dependence on oil ensuring a global dimension to events in the Middle East. For the US, the Middle East is of primary strategic importance, the theatre of one military engagement (Iraq) and the potential of another (Iran). The adjoining region of Eurasia, which encompasses the Caspian Sea basin and Central Asia is regarded as one of the world's richest, largely untapped, sources of oil (see Forsythe 1996; Goldstein and Peverhouse 2004: 367-8). Eurasia was also the site of the infamous 'Great Game' of the 19<sup>th</sup> century when Britain and Russia contested control of the region. Today, with its emergent energy infrastructure, despite the problems of laying pipelines across a politically fragile region, another complex 'game' is in the offing (on the new Great Game see, for example: Zha 2006; Kimmage 2005; Wolfe 2005).

The politics of terrorism and pro-democracy movements on a post-Soviet gameboard, have injected new elements into Eurasia's 21<sup>st</sup> century great power rivalry. The principal players are now Russia, the United States and China. Moscow revealed a determination to reassert its influence via the Georgian invasion of August 2008. This marked, in the eyes of many, Russia's resumption of its great power standing (see, for example, Friedman 2008). It also reflected Russia's response to its perceived encirclement by the Eastern expansion of NATO. It is no secret that Georgia, a pro-West nation after the Rose Revolution of 2003, acted as if it could expect assistance from NATO in its military actions against its pro-Russian sector of South Ossetia.<sup>6</sup> Moreover, in 2008, the budget for the Freedom Support Act that distributes US aid to former Soviet states largely narrowed its beneficiaries to pro-Western countries, such as Georgia and Ukraine, in order 'to promote economic and energy independence, help diversify export markets, and improve democratic governance in the face of increasing Russian economic and political pressure' (US State Department, quoted in Kucera 2008). This is an explicitly anti-Russian message. It also demonstrates the apt description of Eurasia as a gameboard

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<sup>6</sup> Part of the Georgian province of Shida Kartli, South Ossetia is referred to by Georgia by its ancient name of Samachablo or, simply, the Tskhinvali region (See *BBC News*, 2008b).

played by the big powers: countries and separatists alike may be regarded as ‘bargaining chips’ – a view shared by both Chinese and Western analysts (see Jing 2008).

As the first decade of the 21<sup>st</sup> century wore on, the US (and NATO) found itself militarily engaged in Afghanistan and had concerns over an unstable Pakistan. The US signed agreements to build ballistic missile defenses in Poland and the Czech Republic (though at the time of writing these were still to be ratified), for the stated purpose of thwarting attacks by ‘rogue states’ like Iran. However, Russia believed that the ABM system was intended for itself. Speaking at the 43rd Munich Conference on Security Policy in February 2007, the then Russian president, Vladimir Putin, warned that deployment of the system was provocative and Russia's responses would be ‘asymmetric, but highly effective’ (Putin 2007). The new Russian president, Dmitry Medvedev, announced in his inaugural state-of-the-nation speech in November 2008 the deployment of Iskander short-range missiles<sup>7</sup> in Kaliningrad, near Poland, ‘to neutralize, when necessary, the missile shield’ (Medvedev 2008). He also cancelled the withdrawal by 2010 of three regiments of intercontinental ballistic missiles. ‘What we've had to deal with in the last few years - the construction of a global missile defence system, the encirclement of Russia by military blocs, unrestrained NATO enlargement ... The impression is we are being tested to the limit,’ he said, adding that the US also brought on the global financial crisis. ‘The economy of the United States dragged down with it into recession the financial markets of the whole planet’ (quoted in Callick 2008a).

### **A Change in the Dynamics of International Alignments**

The dynamics of international alignments have been both accentuated and changed by two events in 2008: the Russo-Georgian conflict of August and the global financial crisis that caused a major fall in stock markets in October. Accentuated was suspicion between Russia and US-NATO but a change in the dynamics of international alignments concerns the stronger position of China – and, by extension, its harmonious world policy.

Not only did Moscow alarm its neighbors by using military means to promote its interests, but it improved China’s image compared to Russia’s. SCO ‘neutrality’ over the Georgian affair (noted above) was understandable in view of separatism being one of the ‘three evils’ the organisation serves to counter. But it is also indicative of China having gained ground in former Soviet Central Asia and that the SCO acts as Beijing’s platform for (soft) power projection in an energy-rich region. This is likely to be noted by smaller states on China’s periphery as well as being consequential in big power relations. Beijing has been provided with the opportunity to advance its own interests with both Washington and Moscow; however the strategic triangle of the Cold War in which the ‘China card’ was played is unlikely to repeat itself in the current global modality of complex interdependence. ‘Rather,’ as Jing (2008: 6) points out, ‘China could be held hostage by both sides, as China needs markets, capital and technology from the West,

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<sup>7</sup> ‘The Iskander-M tactical system is equipped with high-precision SS-26 Stone “quasiballistic” missiles, reportedly capable of carrying multiple conventional and nuclear warheads’ (RIA Novosti, 2008) to a range of 500 km. This means all of Poland and part of the Czech Republic would be within range.

while it has a growing appetite for Russian energy and other commodities.’ As is often the case with opportunity, risk is not far behind.

#### *Weaknesses from the West – Reduced Markets, Capital and Technology*

The foremost weakness from the West translates to reduced market demand, as reflected in a number of projections including that of the IMF. It predicted that for the first time since World War II the developed world would experience a contraction of economic output in 2009 unless a serious rescue plan was implemented (IMF 2008). China along with many Asian countries depends heavily on Western markets for its manufactures. By year’s end reduced consumer demand had already had an impact on China with the loss of jobs, and foreign direct investment (FDI) has fallen. To bolster its position, China’s State Council approved in November 2008 an economic stimulus package to invest four trillion yuan (\$586 billion) by the end of 2010 to boost the economy and domestic demand.<sup>8</sup> This represents 7% of its GDP for each of the two years (2009 and 2010) or 16% of China’s economic output in 2007 (Callick 2008b). According to the State Council: ‘With global recession clearly in view, China must sustain itself by exploiting the domestic market to offset weaker demand abroad’ (*Xinhua* 2008). Finally, a weakness of the West issuing from the global downturn would be technology transfer. Critical to Chinese growth, technology transfer which comes mostly from outsourcing, would also diminish.<sup>9</sup> It is pertinent, then, that the November meeting of the State Council also ‘identified the ongoing world economic adjustment as “a new opportunity” for China to speed industrial restructuring, introduce advanced technologies and talents from abroad’ (State Council 2008).

#### *Weaknesses from Russia – ‘Broken Promises’*

While in 2008 economic relations with the West appeared problematic for China in a weak global economic environment, Sino-Russia relations were no less complex. With lower commodity prices, the Chinese stood to gain favourable terms from the Russians, who in turn needed Chinese finance more than ever. China’s \$1.9 trillion in reserves also prompted Russia to ask for assistance. The negotiations entailed \$25 billion in loans from China to the state-controlled Rosneft oil company and Transneft pipeline operator; in exchange, China would receive from Russia 15 million tons of oil a year in the period 2011-2030, accounting for about 4% of China’s oil needs (Kramer 2008). At the time, this suggested a redirection of energy exports from Russia to the East, in the face of difficult relations with the West. For China it also offered an opportunity to further tap into Russian oil without becoming hostage to Moscow’s energy politics (in view of the Russian requirement for Chinese financial aid). However, negotiations went badly with no resolution in sight at year’s end. China was blamed by the Russians for ‘absurd

<sup>8</sup> Not all of the package represented newly committed funds, though the exact proportion was not revealed when it was announced.

<sup>9</sup> A cautionary note is in order when speculating on the impact of the global downturn on China. As Rosefielde (2008) advised, outcomes are difficult to predict because of the corrupt system and hence inaccurate Chinese growth statistics. This, he says, ‘complicates judgments about levels of attainment and trends’.

lending conditions'<sup>10</sup> and Russia merely compounded its history of 'broken promises', delays and attempts to keep its energy enterprises from 'falling into the hands of foreign investors' (Blank 2008:6).

It has been an anomaly that Russia as the world's leading producer of crude oil and the second largest exporter, after Saudi Arabia, ranked only as the fifth largest supplier of China's crude oil imports (Font 2008; China Business News 2008; Energy Information Administration 2008b). It would be easier for China to defend the security of energy supplies from Russia through Eurasia than to protect sea lines of communication (SLOC) from the Middle East and Africa, where most of China's oil imports originate. Not only are these regions subject to political volatility but China's naval capabilities are not sufficiently developed for protecting the SLOCs - though a start has been made with the deployment in late December 2008 of two destroyers and a supply ship to protect Chinese shipping in the Gulf of Aden against Somali pirates. Naval deployments risk raising the threat perception levels of littoral states. Thus the process is likely to be gradual and performed, where possible, 'under the banner of internationalism' (Stratfor quoted in McDonald 2008), as in the anti-piracy patrol. In Central Asia, by contrast, both Chinese and Russian forces have trained in wargames under the auspices of the SCO since 2005. In other words, at this stage of the PLA's modernisation, land routes are easier to secure than sea routes; they are also politically safer. Importantly, this larger SCO framework for Sino-Russian relations may act as a shock absorber where energy issues are concerned.

### **Overcoming Weaknesses through Regional Governance**

It is therefore a strategic imperative and not only an act of responsible governance that China will continue to champion greater regional cooperation and integration in Central Asia - where the SCO is proving effective. This became evident in the statement by Chinese Premier Wen Jiabao to an SCO heads of government council meeting in Kazakhstan, on 30 October 2008. 'It is necessary to exercise greater interaction between our financial and business communities,' he said. 'SCO members must work ... to enhance the coordination of monetary policies and improve financial controls to prevent and neutralize financial risks' (quoted in AP 2008). To this end, he offered loans for food security: 'Because of the increasing relevance of food security, China stands ready to assist SCO member organizations in the establishment of important technical facilities for agriculture' (ibid.).

SCO is commonly referred to as a security organisation designed to keep the US out of Central Asia, with its military exercises seen as evidence of the securitisation of the region. The above SCO meeting to ensure food and economic security against the effects of the global financial crisis suggests that the SCO's description as a security

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<sup>10</sup> Based on China pegging its interest rates to Libor - London International Bank for Settlements (Blank 2008:6).

organisation needs to be qualified by inclusion of non-traditional security in its ambit.<sup>11</sup> This is an area that includes energy security, food security and food safety, climate change, health risks, terrorism, and transnational crime. Moreover, the charter of the SCO is open and does not require member states to support one another in time of war (as shown by the absence of support for Russia in its war with Georgia); rather, there is ‘considerable space for individual members to pursue their own policies for their own interests’ (Yu 2008; see Charter of SCO 2001). Another governance characteristic is avoidance of hierarchical relations through consensus decision-making. Russia, too, it should be noted, had signed the SCO’s Dushanbe summit declaration that occurred after the Russo-Georgian conflict. The joint statement exemplifies the interpretation of security as inclusive of non-traditional security, as well as reflecting the openness of the SCO’s charter. Indeed, it represents a model document of 21<sup>st</sup> century regional governance even if some of the members themselves fall short in governance indicators when judged by international norms. The document states, in part (Dushanbe Declaration, 2008):

In the 21st century interdependence of states has grown sharply, security and development are becoming inseparable. None of the modern international problems can be settled by force, the role of force factor in global and regional politics is diminishing objectively.

Reliance on a solution based solely on the use of force faces no prospects, it hinders comprehensive settlement of local conflicts; effective resolution of existing problems can be possible only with due regard for the interests of all parties, through their involvement in a process of negotiations, not through isolation. Attempts to strengthen one’s own security to the prejudice of security of others do not assist the maintenance of global security and stability.

These sentiments, avoidance of hierarchy and the quest for consensus, are a common attribute of Asia-Pacific regionalism, notably evident in ASEAN, which includes nations that are both weak and strong, large and small; ASEAN Plus Three (APT); the East Asia Summit (EAS, comprising APT, plus India, Australia and New Zealand), and even the APEC forum that comprises not only Asian countries but those from the Americas, including the US, and also Russia. China as one of the larger regional powers has, as noted above, deliberately favored structuring its relations with ASEAN in such a way as to retain ASEAN as the centrepiece, especially in the new East Asian regionalism which is an enlarged version of the APT. If China were to place itself in the lead, this would not only incite rivalry with Japan for East Asian leadership, but cause concern elsewhere, especially in Washington and New Delhi.

Because disparities in power cannot be ignored even if great power influence is exercised indirectly or discreetly, it has been suggested that a hierarchic order is in fact the *de facto* position favoured by the Southeast Asian nations: the United States at the top, China as the regional great power, followed by India, Japan, and South Korea as ‘second-tier regional powers’ (Goh 2005, cited in Sutter 2008: 95). This represents a hierarchy of

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<sup>11</sup> A notable difference between SCO and ASEAN Plus Three is that the first began as a security organisation and later developed into a wider socio-economic and cultural entity; while its Southeast Asian counterpart was the opposite, moving from economic cooperation to security cooperation in ARF.

deterrence rather than an institutional governance scenario as represented by the European Union model at the far end of the deterrence-integration spectrum. Rather than tiers of power or institutions, there appears to have grown a ‘mandalic’ nesting of states that allows relations to be established through functional engagement, for it is usually easier to interconnect than integrate. Hence the system of a core set of states ‘plus’ other states or organisations. Clearly ASEAN has been the leader in this respect, but SCO is developing it too – for example SCO+Afghanistan.<sup>12</sup> Transregional relations are one outcome, as shown by ASEAN signing a cooperation agreement with SCO in 2005. Meanwhile the EU is looking at an ‘ad hoc dialogue’ with SCO, and similar arrangements are being considered for SCO-NATO.<sup>13</sup> The implications here for a cooperative rather than competitive dynamic are apparent.

However, the obstacles or ‘demonic gatekeepers’ in an Asian security mandala need to be identified too, if these are to be overcome. Besides the above-noted weaknesses impacting from the West economically and from Russia in terms of energy policy, more generally there are difficulties arising from the diversity of cultures and religions throughout the vast expanse of Asia, as well as its sectors like East Asia. This poses a problem for identity. Indeed, the region is so geographically scattered and economically underdeveloped (in many parts) that its regional coherence remains problematic. Furthermore, mutual confidence is hindered by historical legacies or a current conflict of interests (Yang 2008). Still, regionalism through various multilateral governance regimes is officially promoted by China from a multi-track, multi-speed, and multi-institutional perspective (ibid.). China exhibits a realistic appreciation of the complexity and magnitude of the task, including the need to be cautious not to be seen as manipulative of others in view of its size and influence. Much of Beijing’s rhetoric is devoted to its non-hegemonic ideology.

## **Conclusion**

‘Mandala’ has been presented here as a metaphor for constructing relationships and levels of analysis around a central theme for the purpose of interconnection and potential integration in the presence of differentiation. As noted, a mandala is a diagram of relationships toward harmonious development. So there is process and construction, a sense of becoming (directionality), in its performance value. The mandala as a conceptual tool may be regarded as a high-context totality picture, which allows national development and future-oriented policies to be viewed ‘in the round’, incorporating the religious and spiritual alongside the material and scientific. In this postmodern age of rediscovered traditional strengths, many societies are choosing to reconstruct themselves in sustainable and balanced ways if they are to avoid development burn-out or, in the case of industrialised societies, ‘Late Modernity’-fatigue, agitated periodically by the wreckage of rogue capitalism. The mandala concept allows for a correlative expression of local and universal values in a regional context.

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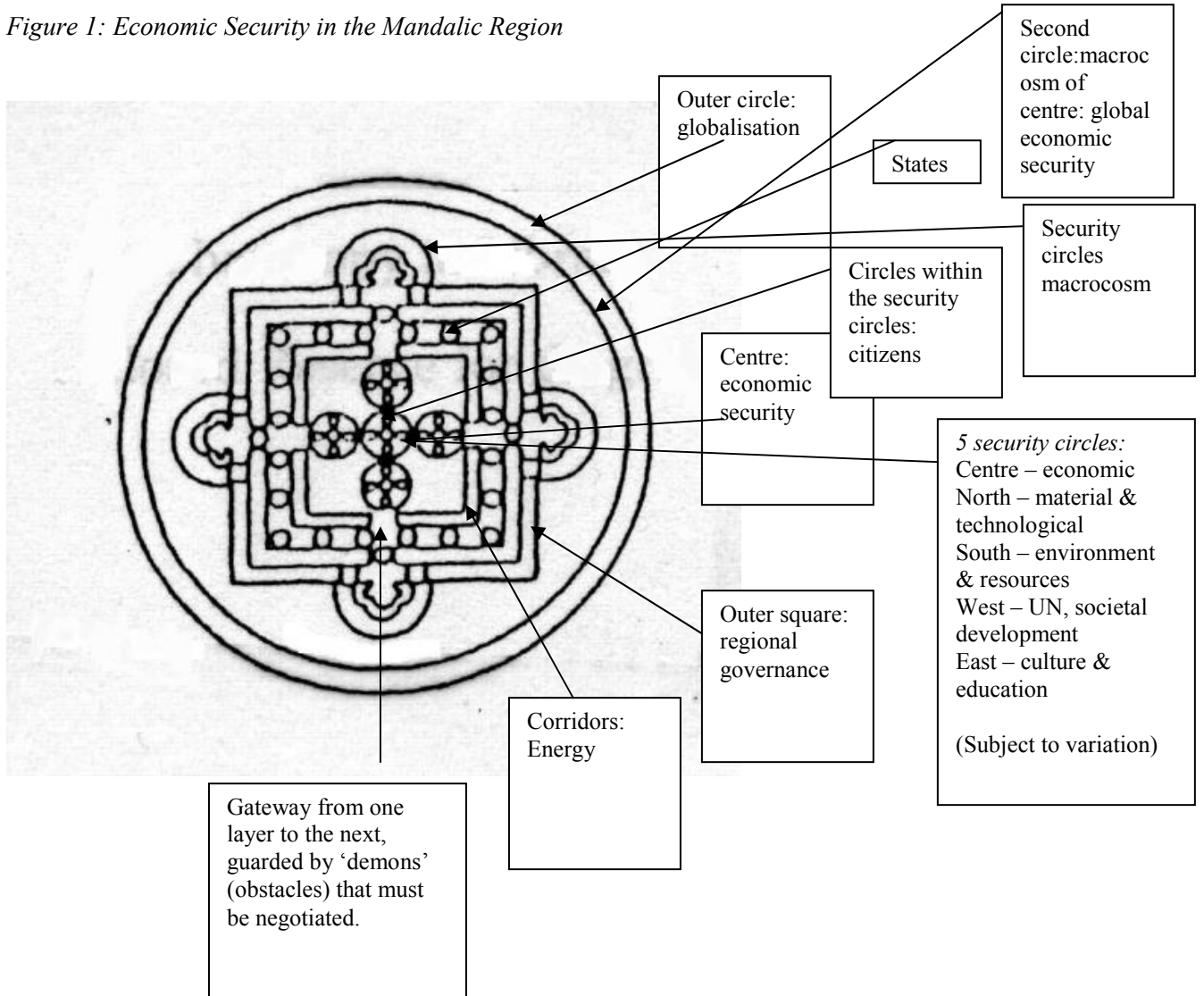
<sup>12</sup> Personal communication, November 2007, Shanghai, with Center for Shanghai Cooperation Organization (SCO) Studies within the Shanghai Academy of Social Sciences at [www.coscos.org.cn](http://www.coscos.org.cn).

<sup>13</sup> Ibid.

This may be done through the typically Eastern art of contemplation, re-imagining a world in which economic security becomes a reality for all. Already the United Nations has articulated its Millennium Development Goals in a bid to break the spell of 'high politics' and present the traditionally 'low politics' of human and environmental security as priority tasks in global policy and planning. Neither the UN Millennium Development Goals nor the mandala model of constructing a balanced future are idealistic when one considers the expanding dimensions of global development. A rising China and an energy-addicted West are in need of innovative approaches to the problem of long-term survival, let alone how to meet the rising expectations of citizens from developing and transitional economies. Globalisation is an increasingly multi-faceted experience and needs shaping from all quarters of the globe. Without such participation it is unlikely that great powers can sufficiently control the direction of the international system. By regionalising they have already embarked on mandalic expression of power which involves many layers and levels of governance. Regional and even interregional governance are evolving towards more cohesive forms, while liberating cultural energies necessary for sustaining life beyond mere subsistence. The quest for energy resources will in future be complemented by a greater appreciation of the value of cultural resources in assuring the future of global economic security. It is notable that China has singled out energy security and energy market stability as a facilitating factor in achieving a harmonious world, while ASEAN and SCO are developing in this direction.

Within Asian regionalism, China has participated in a range of multilateral organisations and advocates a layered regional cooperation in its governance diplomacy. If China's behaviour is to determine whether hedging or harmonising strategies become dominant in regional governance, then it is apparent that Beijing will need to continue to engage seriously with all players and organisations, including those of which it has tended to be wary of, or has demonized, in the past. In this respect, relations with Washington, Tokyo, New Delhi and progress in cross-Strait relations with Taiwan provide future test cases on the nexus between Chinese rhetoric and behaviour. How does China accommodate these 'significant others' in its harmonious world project when furthering its multilateral and regional cooperation plans? It remains to be seen whether Beijing's proverbial 'win-win' formula will fuel the anticipated benefits of closer regional relations. Critics accuse China of attempting to establish hegemony over Asia. Others, more moderate, say that the relationship is mutually-constitutive. As with the notion of process being more important than results, so too correlative relationships are a feature of East Asian security thinking. Working with others – and recognising them as being part of one's identity – is central to a security mandala within which economic security finds its bearings.

Figure 1: Economic Security in the Mandalic Region





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