



UNITED STATES’ “PIVOT” TOWARDS ASIA-PACIFIC: RATIONALE, GOALS AND IMPLICATIONS FOR THE RELATIONSHIP WITH CHINA

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Abstract *In this paper we bring to the forefront the complexity of the networked relationships in the Indo-Asia-Pacific space and their multi-layered structure (including economy, development, culture, security, defence, history, diplomacy). In spite of the dynamism and deep transformations of the Asian economies during the last decades, the US has only recently started to rebalance towards this region. Among the determinants of the new strategy there could be identified: tapping the economic potential of the region; countering the rise of China and counterbalancing regional alliances; redefining norms and rules in Asia-Pacific. From the variable geometry alliances in Asia-Pacific, we analyze two case studies, US-China-India and US-China-ASEAN and underline that: (1) not only the US, but also other stakeholders such as India are rebalancing towards Asia-Pacific; (2) the new strategy reflects two contradictory objectives of the US foreign policy: a constructive relationship with China, on the one hand and strengthening alliances to the detriment of China in order to counter its rise, on the other hand. In our view, until the US presidential elections are not expected major foreign policy changes, nevertheless starting with 2017 the “pivot” towards Asia-Pacific might become even more evident.*

Key words:

The United States, China, India, ASEAN, Asia-Pacific, strategy, geo-strategy, foreign policy, rebalance, peaceful rise, alliances, economy, trade, investment

JEL Codes:

F30, F40, F50, F51, F52, F53, F55

1. Introduction

This paper has three main objectives. First, we point out the features of the new US foreign policy strategy, taking into account that the American authorities aim at strengthening security in Asia-Pacific, balancing the components of cooperation with key partners, while avoiding open confrontation with China. Second, we define the economic and geostrategic motivations of the US “pivot” towards Asia-Pacific in relation to China. Among these are the new trends of China’s “peaceful rise” to the status of world superpower, given that it targets “a new type of relations between major powers”, on an equal footing (Zhang, 2015). Third, we identify the variable geometry of the borderline between the two strategies, taking into consideration the perceptions and attitudes of the major actors from the Indo-Asia-Pacific region regarding both the US and China’s strategies.

2. Determinants, characteristics and strengths of the new US strategy for Asia-Pacific

In the first four-year term of Barack Obama, the US gradually began to rebalance towards Asia-Pacific. The main drivers for this change were the rise of emerging economies, especially China, the success of the “Factory Asia” model of production and the new shape of regional alliances in the region. Two significant steps

in this direction were taken in 2009. Thus, in April 2009, the Strategic Economic Dialogue with China was transformed into a Strategic and economic dialogue US-China, based on the comprehensive approach of “two tracks”: separation of political and strategic issues from economic and financial ones (Morrison, 2015). Besides, in November 2009, the US President announced in Tokyo his decision to engage in negotiations for the Transpacific Partnership (TPP), without China.ⁱ

In spite of the dynamism and deep transformations of the Asian economies during the last decades, “the rediscovery of the importance of the Transpacific axis” by the US was underscored only in 2011, through the “vision” of the former Secretary of State, Hillary Clinton, on the “America’s Pacific Century”ⁱⁱ (October 2011) and the discourse of President Barack Obama in front of the Australian Parliament (November 2011) (Berteau, Green, Cooper, 2014).ⁱⁱⁱ In 2012, three successive announcements made by the US Department of Defence shed more light on this strategy from the standpoint of security.^{iv} During Obama’s second term, the core of the strategy remained practically unchanged, nevertheless the accent was successively changed from security to economic priorities in the Indo-Asia-Pacific region.

The new strategy took shape gradually and was called in literature "pivot", "rebalancing", "reorientation" towards Asia-Pacific or the US "rediscovery of the importance of the Transpacific Axis". This is considered the latest stage of the "process of strategic adjustment" of the US, which includes: (1) the "Open Door" policy, to safeguard the American interests in China (in the aftermath of the Wars of Opium until the proclamation of the People's Republic China in 1949) and in Asia-Pacific (after the Spanish-American war from 1898, which offered the US access to territories such as the Philippines, Guam etc.); (2) anti -communist stance; (3) efforts to preserve the attributes of the American hegemony, confronted with unprecedented global power transition from West to East (Gray, 2009, Tow, Stuart, 2015). Among the *determinants* of the new strategy there are: preparations for the end of military operations in Iraq and Afghanistan, which provides the opportunity for a reorientation of foreign policy priorities; tapping the economic potential of the region; countering the rise of China and counterbalancing regional alliances; redefining norms and rules in the Asia-Pacific (with focus on freedom of trade and navigation, settlement of disputes by peaceful means and security) (Manyin, 2012).

The *strengths* of the new US foreign policy towards Asia-Pacific reside in:

- Reinforcing the regional traditional alliances (with Australia, Japan, South Korea);
- Strengthening partnerships with other countries from the Indo-Asia-Pacific region (such as India, Association of Southeast Asian Nations – ASEAN^v –);
- Participating in multilateral regional mechanisms (ASEAN, ASEAN Regional Forum, the East Asia Summit, the Pacific Islands Forum, the Initiative for Lower Mekong – involving Cambodia, Laos, Myanmar, Thailand and Vietnam –);
- Boosting trade and investment flows through existing free trade agreements (in relation with South Korea, Singapore) or new agreements (TPP) (Kang, 2012).

To the above mentioned elements, some authors add the following: a constructive relationship with China, increasing the US military presence in Asia-Pacific and efforts to advance the American values (Berteau, Green, Cooper, 2014). As the US strategic partnerships are multi-faceted (including diplomacy, economy, development, culture, security, defence, history), the rebalancing towards Asia-Pacific takes into account many variables. The main *principle* applied by the US as regards its alliances is to offer a set of advantages – economic, political, military, related to security –,^{vi} which contrasts to the Chinese strategy, mainly focused on economic advantages (with one notable exception: the "all-weather" Strategic Partnership Agreement with

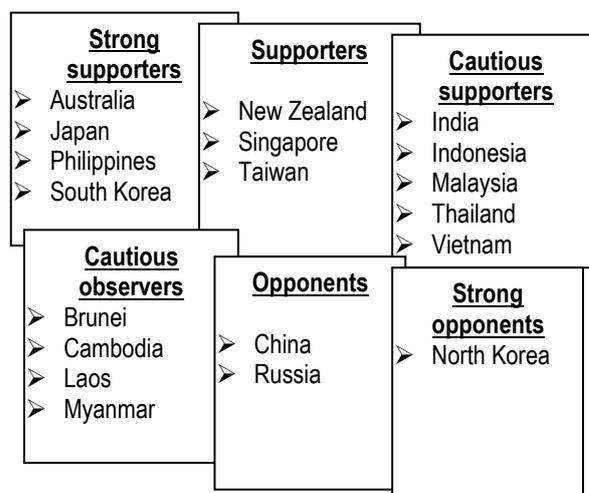
Pakistan since April 2015). In the literature there are emphasized three *pre-conditions* or axioms for the success of the "pivot" to Asia-Pacific strategy: health of the US economy and finances; support from the regional allies (depending on how the new strategy serves the interests of the major stakeholders and as long as the players are not forced to choose between the United States and China); aptitude to avoid an open conflict with China (Tow, Stuart, 2015).

3. China, one of the main determinants of the US rebalancing

3.1. China and other Asian partners' perception regarding US reorienting towards Asia-Pacific

The US cannot increase its presence and influence in the region without the support of its allies (Tow, Stuart, 2015). Consequently, the new US strategy subsumes all its relations with key players. Each of these relationships has its own characteristics, given the historical realities, the economic situation and objectives but also the foreign policy priorities of the partners.

Recent studies analyze the *perception* of Asia-Pacific economies with regard to the US rebalancing strategy towards this region and identify *six categories*, from strong supporters to strong opponents (Figure 1). This structure is explained both by geopolitical determinants, but especially economic ones, given the central role played by China in "Factory Asia" through trade and investment flows. Apart from the US, Japan, Taiwan and North Korea, all the other countries listed in Figure 1 are prospective founding members of the Asian Infrastructure Investment Bank, launched by China in 2015 in order to "to promote interconnectivity and economic integration in the region" and "cooperate with existing multilateral development banks".



Source: Berteau, Green, Cooper (2014), p. 20.

Figure 1. Regional perception towards the new US strategy

3.2. Economic perspective

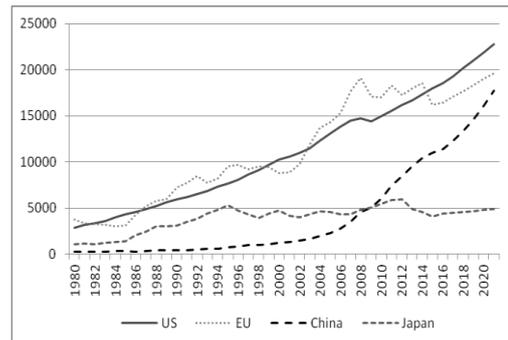
China's expanding influence at regional and global levels is evident. Diplomacy of free trade and investment (since '2000), Diplomacy of strategic partnerships (since 2003)^{vii}, Diplomacy of currency swap agreements (since 2008)^{viii}, Diplomacy of high-speed railways (since 2009), successfully complemented by the Silk Road Diplomacy (since 2013) are only several examples which confirm our assertion.

China announced in 2013 the initiative to create the Asian Infrastructure Investment Bank (with a capital of USD 100 billion), project that took shape in 2015. Also in 2013 was released the draft for establishing the New Development Bank involving Brazil, Russia, India, China and South Africa (BRICS) (USD 50 billion in the first stage), backed by the Contingent Reserve Arrangement (USD 100 billion). In December 2014, China launched the Silk Road Fund (USD 40 billion).

On its way to the position of global innovator and high technology producer, together with rising salaries and increasing competition, China will relocate more and more production facilities in neighboring countries where cost of production is lower. This requires a proper infrastructure not only for the production process but also for the transport of goods to consumers, consequently one reason for China's participation in the financial institutions mentioned is the financing of infrastructure in Asia in the context of relocation of many manufacturing capabilities from the "World Manufacturer" towards the neighboring countries (Oehler-Şincai, 2015).

On the other hand, the internationalization of the national currency (Renminbi, RMB or Yuan) is rapidly advancing. In 2015, the RMB became the fourth most commonly used currency in international payments, outpacing the Japanese Yen. Also in 2015, the Yuan was accepted by the International Monetary Fund (IMF) as a currency belonging to the special drawing rights basket, along with the US dollar, Euro, Yen and Pound sterling, beginning from October 1, 2016.

In terms of GDP (at purchasing power parity), China overtook the US in 2014 and in terms of GDP at current prices, it is rapidly approaching its main rival (Figure 2). During 2000-2014, China alone contributed 22% to the global gross product growth and 14% to the increase in exports of goods and services worldwide^{ix} (ECLAC, 2015, p. 61).

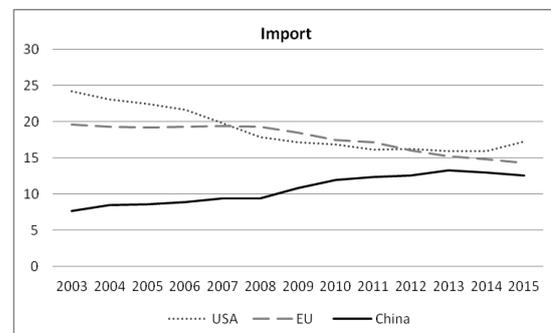
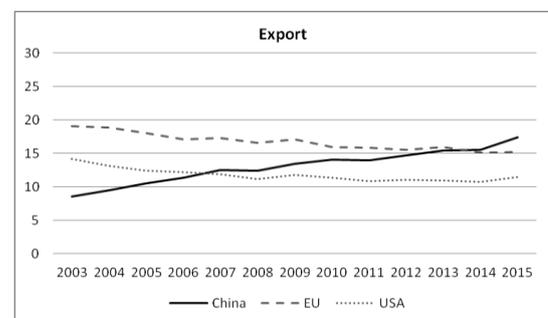


Notes: Estimates for 2015, prognoses for 2016-2021.

Source: Own representation based on IMF (2016).

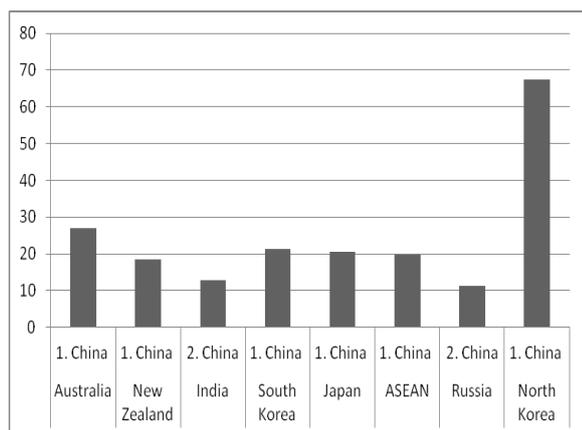
Figure 2. GDP at market prices for the four major economies, US, EU, China and Japan during 1980-2021 (billion USD)

In 2015, China surpassed the EU group of countries regarding the value of exports of goods worldwide (Figure 3). For the most countries, China represents the first, the second or the third largest trading partner (along with the EU and US) (Oehler-Şincai, 2015). For example, as indicated in Figure 4, China is the main trading partner for Australia, New Zealand, South Korea, North Korea, Japan, the group of ASEAN countries (for six of them, it is the main trading partner, for the Philippines, Cambodia and Laos, the second and for Brunei the third).



Sources: Eurostat (2016) and WTO (2016).

Figure 3. Shares of the EU, US and China in the world trade, 2003-2015 (%)



Notes: The most recent data are for 2014. Russia’s trade was concentrated in relation with the EU (48%). As regards India’s trade flows, these were also concentrated in the EU, but the difference between the shares of the EU and China was only 4 percentage points.

Source: Own representation based on DG Trade (2016).

Figure 4. Place occupied by China in the hierarchy of the main trade partners of eight selected economies, according to the shares in total trade (%)

Although in terms of foreign direct investment (FDI), the US, EU and Japan have much higher shares than China in the FDI received by the Asian countries, the latter gained ground in recent years.

In 2009, China launched another strategy of "go out", to invest in rail infrastructure, through the financing and implementation of projects abroad. These projects aim to connect Asia to Europe, countries of Central Asia and Indochina. Currently, China is negotiating over 20 contracts to build high-speed railways. It is worth mentioning that the value of contracts concluded in 2014 exceeded USD 100 billion (Chan, 2016).

3.3. Geostrategic perspective

The role played by China in shaping the new world economic order is backed by its active participation in international organizations such as United Nations, G20, BRICS, SCO, but also by the solid alliance with Russia, as demonstrated by the junction of two large projects, Eurasian economic Union and the New Silk Road in 2015. The multiple components of the Chinese diplomacy reflect that the strongest Asian economic power is becoming more assertive. On this basis, the period after 2012 is considered one of the most active with respect to its foreign policy. In the literature this is coined "the peaceful rise 2.0", as it seeks a new type of relations between major powers on an equal footing (Zhang, 2015).

Nevertheless, according to some economists (Ross, 2013), the US focus on Asia-Pacific region is motivated by the intention to prevent China to accede to the position of "regional hegemon". The following case

studies will shed some light on the US' initiatives in this regard.

Triangle US-China-India

One of the favorite stratagems used by the US in order to achieve the objective of "moderating China's rise" is "divide et impera", wherever it is spotted fertile ground. Let us take as an example the Indo-Chinese bilateral relationship, marked by ups and downs. Referring to the Indo-Chinese relations, Bajpai *et al.* (2016) state that *they are characterized mainly by rivalry, not cooperation, though China and India have managed to avoid hostilities diplomatically and have not carried any war since 1962.* As a matter of fact, the borders dispute between the two is seen as "the seed of discord" sown in Indo-Chinese relationship by another third party, namely the British Empire (Wang, 2011). China and India are strategic partners since 2005, but recent studies show that for India, the order of importance of these partnerships is as follows: Russia, the US, France, UK, Germany and Japan at the expense of China (FNSR, 2011).

Since taking office as prime minister of *India* in May 2014, Narendra Modi opted for *three main objectives of foreign policy*: increasing security, extending India's sphere of influence regionally (strategy called "Neighborhood first") and also internationally and supporting a robust economic growth (Pal, 2016). This reflects the transition from Look East policy^x to Act East,^{xi} mainly targeting India's sphere of influence expansion.

Although China and India have complementary economies, and the cooperation potential is significant, however the tensions associated to the reconfiguration of the balance of power, both regionally and globally, have a negative impact on the Indo-Chinese relations.

This is due, on the one hand, to China's economic rise and its assertive attitude, and on the other hand, to offers received by India from the US to cooperate in various fields (military, defense, technology), equivalent to counteracting China's influence in Asia-Pacific. It should be stressed that India has become the main purchaser of weapons and defense equipment worldwide in the period 2010-2014, the US being the main supplier (40% of the Indian defense market), followed by Russia (30%), France (14%) and Israel (4%) (Bishoyi, 2015).

Joint US-India initiatives, such as "Common strategic vision for the Asia-Pacific and the Indian Ocean" (January 2015), Strategic and Trade Dialogue (September 2015) and the Initiative for technology and trade in the field of defense (DTTI) (2012) underline that *Modi government's policy, "Act East" increasingly converge with the US strategy of "rebalancing" towards Asia-Pacific* (CSIS, 2016, Bishoyi, 2015).

While India is becoming a naval force in the Indian Ocean and South China Sea, key areas for China's trade (including energy import), China expands in its turn the presence in the Indian Ocean in order to avoid the situation that the US and its allies might block its energy supplies through the Strait of Malacca. That is the main reason why the China-Pakistan economic corridor and also their strategic partnership are so significant. China actively invests in areas of strategic interest (Myanmar - islands Kyaukpyu, a "Singapore miniature" -, Sri Lanka - Colombo, Hambantota, Galle, Matara -, Maldives, Pakistan, Mauritius, Seychelles, Djibouti) and is strengthening its naval and military presence (Dumitrescu, Moagăr - Poladian, 2016). Thus, *China addresses the "Malacca dilemma" through the "string of pearls" strategy that becomes part of the project "One Belt, One Road"*.

US-China-ASEAN

Another stratagem used by the US is building coalitions of countries against China. Currently, China and several ASEAN members plus Taiwan have territorial disputes over a series of islands in the South China Sea: Paracel with Vietnam and Spratly with: Brunei, Malaysia, the Philippines, Taiwan and Vietnam. China but also Vietnam, Malaysia, the Philippines and Taiwan have initiated the expansion of islands (and atolls, shoals, coral islands)^{xii} nonetheless the pace and scale of constructions undertaken by China remains unmatched (Mearsheimer 2014). South China Sea is important from many standpoints, one of them being China's possibility to restrict the freedom of movement in the region in the event of a conflict (Rosenfeld, 2016).

Regional tensions have become more pronounced recently, especially after the US intervened in the conflict by supporting multilateral dispute settlement through negotiations. Moreover, in November 2015, ASEAN became a strategic partner of the US. In the Joint Declaration on ASEAN - US strategic partnership were included mentions regarding: regional security, freedom of navigation in the South China Sea, resolution of disputes by peaceful means, according to the Declaration of the Conduct of Parties in the South China Sea (DOC) etc. Thus, for these countries, the US emerge as a *guarantor of security* in a region dominated by disputes involving China.

Beyond the resources they offer, the islands present a geostrategic intrinsic value, as they can host military bases. In their turn, the Chinese military experts consider certain chains of islands as barriers imposed by the US to limit China's ability to become a real military power. The US presence in Guam, the Philippines, Okinawa, Singapore, and also in the Indian Ocean (on the island of Diego Garcia), for instance, is

regarded as reminiscent of the Cold War thinking, designed to restrict China's area of influence. They also facilitate the US response, for example by the possibility of blocking Taiwan Straits. But chains of islands can be seen from the perspective of China's capacity to launch military operations, too. The literature discusses about a first chain of islands - Japan, South Korea, Taiwan, the Philippines and Sunda Islands - and about a second chain - consisting of islands like Mariana, Guam, Palau (Erickson, Wuthnow, 2016 Green Hicks, Cancian *et al.*, 2016). We appreciate that in the next 10-15 years, the reconfiguration of spheres of influence in Asia-Pacific will be assessed in the light of China's ability to expand its presence towards the second chain of islands, or, on the contrary, the US' movement towards the first chain of islands, closer to China.

4. Conclusions and directions for further research

In this paper we defined, *on the one hand*, the US "pivot" towards Asia-Pacific, focused on: tapping the economic potential of the region; counterbalancing regional alliances; redefining norms and rules. *On the other hand*, we underscored China's expanding influence at regional and global levels by means of various diplomacy instruments such as: Diplomacy of free trade and investment (since '2000), Diplomacy of strategic partnerships (since 2003), Diplomacy of currency swap agreements and Yuan internationalization (since 2008), Diplomacy of high-speed railways (since 2009), successfully complemented by the Silk Road and Financial Diplomacy (since 2013).

We argued that China's "peaceful rise 2.0", equivalent to building a new type of relations between major powers on an equal footing is the main determinant of the US' rebalancing strategy.

The new strategy of rebalancing towards Asia-Pacific reflects *two contradictory objectives* of the US foreign policy: a constructive relationship with China, on the one hand and strengthening alliances to the detriment of China in order to counter its rise, on the other hand.

In our view, until the US presidential elections are not expected major foreign policy changes, nevertheless starting with 2017 the "pivot" towards Asia-Pacific might become even more evident.

From the *variable geometry alliances* in Asia-Pacific, we analyzed two case studies, US-China-India and US-China-ASEAN and underlined that: (1) Not only the US, but also other stakeholders such as India are rebalancing towards Asia-Pacific. (2) While India is becoming a naval force in the Indian Ocean and South China Sea, China expands in its turn the presence in the Indian Ocean in order to avoid the situation enabling the US and its allies to block its energy

supplies through the Strait of Malacca. China addresses the “Malacca dilemma” through the “string of pearls” strategy that becomes part of the project “One Belt, One Road”. (3) Due to the intrinsic geostrategic value of the two chains of islands in the South China Sea, according to the nine-dash line demarcation line, the reconfiguration of spheres of influence in Asia-Pacific can be assessed in the long term in the light of China’s ability to expand its presence towards the second chain of islands, or, on the contrary, the US’ movement towards the first chain of islands, closer to China.

Taking into account that the *networked relationships in the Indo-Asia-Pacific space* are complex and multi-layered, it is important to deepen the analysis on the reconfiguration of regional balance of forces. It might be useful to investigate triangles or quartets such as: US-China-Japan, US-Japan-India-Australia versus China-Russia-Pakistan or Russia-India-China.

It should be also taken into account the situation in the neighborhood of China and Russia: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. International experts have detected in Central Asia a latent crisis, which may turn into another “Arab spring” (synonymous with an “Islamist Winter”). This might generate instability, fragmentation, civil wars, chaos (Kaplan, 2016), accompanied by other chain reactions and implications for major powers in Asia-Pacific. Reconfiguration of the balance of power, both regionally and globally, implies rivalry, tensions and even violent conflicts.

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^v Group of countries made up of: Brunei Darussalam, Cambodia, Philippines, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam.

^{vi} A case study deserving attention is that referring to the relationship with Philippines, former US colony. The reactivation of the strategic relations with this country (first, by the Partnership for Growth since November 2011, second by the Enhanced Defence Co-operation Agreement since April 2014) confirms the new US Strategy.

^{vii} China has more than 50 strategic partners, among them: Brazil (1993), Russia (1996), US (1997), ASEAN (2003), Pakistan (2005), Kazakhstan (2005), India (2005), Indonesia (2005), South Korea (2008), Vietnam (2008), Laos (2009), Cambodia (2010), Myanmar (2011), Thailand (2012), Malaysia (2013), Australia (2013), New Zealand (2014) (Zhongping, Jing, 2014).

^{viii} This is one of the multiple channels of Yuan/Renminbi RMB internationalisation. China has been taking part at the Chiang Mai initiative since 2000, entailing a regional network of bilateral currency swap agreements. The value of the Fund initiated in 2010 was doubled in 2012 to USD 240 billion.

^{ix} The percentages are even higher if we take into account the period between 2007 and 2014: 33% and 20%, respectively.

^x With two stages (Kundu, 2016): 1991-2002, focused on the relationship with ASEAN and 2003-2012, when ASEAN became a strategic partner of India, and its partners' network was expanded to China, Japan, South Korea, Australia and New Zealand – all of them participants at the negotiations for the Regional Comprehensive Economic Partnership (RCEP).

^{xi} In July 2011, during an official visit to India, the former Secretary of State Hillary Clinton encouraged this country to play a greater role in Asia-Pacific. At that time was launched the formula "Act East", implemented by Modi government.

^{xii} According to the United Nations Convention on the Law of the Sea (UNCLOS), which was concluded in 1982 and came into force in 1994, the country claiming the sovereignty over an island has the right to use it as an Exclusive economic zone. This implies the right over the natural resources of up to 200 nautical miles from the baselines. The cases involving sovereignty rights may be brought in front of the International Court of Justice from Hague (e.g. "Philippines vs. China") or can be solved on an amiable basis, but the second alternative is excluded, at least for the time being.

ⁱ Free trade agreement among 12 countries from Asia-Pacific: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam. Negotiation process lasted five years and was concluded in October 2015, the provisional Agreement was signed in February 2016, and the participants can ratify/reject the Agreement in two years. In order to come into force, the Agreement has to be ratified by at least six signatories, cumulating a share of 85% of the 12 economies' total GDP.

ⁱⁱ This is based on six pillars: (1) supporting strategic bilateral security alliances; (2) deepening the relationship with emerging powers, including China; (3) engaging with regional multilateral institutions; (4) expanding trade and investment; (5) forging a broad-based military presence; (6) advocating democracy and human rights.

ⁱⁱⁱ Based on efforts to advance security, prosperity and human dignity across Asia-Pacific. The latest pillar is detailed by: respect of values, human rights, democracy and quality governance (Berteau, Green, Cooper, 2014, p. 13).

^{iv} See Berteau, Green, Cooper, 2014, pp. 4-6.