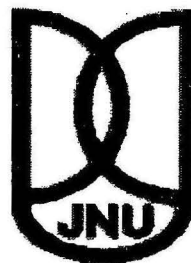


**DYNAMICS OF SOUTHEAST ASIA'S RELATIONS WITH
CHINA IN THE POST COLD WAR PERIOD**

**Dissertation Submitted to the Jawaharlal Nehru University
in Partial Fulfilment of the Requirements
for the Award of the Degree Of**

MASTER OF PHILOSOPHY

SANDEEP ANAND



**CENTRE FOR SOUTH, CENTRAL, SOUTHEAST ASIAN
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DECLARATION

I declare that the dissertation entitled “**DYNAMICS OF SOUTHEAST ASIA’S RELATIONS WITH CHINA IN THE POST COLD WAR PERIOD**” submitted by me in partial fulfillment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.

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CERTIFICATE

We recommend that this dissertation be placed before the examiners for evaluation.

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*For
Friends*

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Acronyms

ACFTA	ASEAN China Free Trade Area
AFP	Armed Forces of the Philippines
AMM	ASEAN Ministerial Meeting
APEC	Asia- Pacific Economic Cooperation
APT	ASEAN plus Three APT
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
CBMs	Confidence building
CNOOC	China's National Offshore Oil Corporation
CPM	Communist Party of Malaysia
DPRK	Democratic People's Republic of Korea
EAS	East Asia Summit
FTA	Free Trade Area
IDEA	Initiative for Development in East Asia
ISG	Inter- Sessional Support Group
ISM	Inter-Sessional Meetings
PD	Preventive diplomacy
PKI	Indonesian Communist Party
SLORC	State Law and Order Council
TAC	Treaty of Amity and Cooperation
ZOPFAN	Zone of Peace, Freedom and Neutrality

Preface

Southeast Asia's relations with the China, it seems, is a story of friendly relations turning hostile and a hostile relations turning friendly. If one goes by the spate of events in the Cold war period no body would have believed that with in such a small span of time this relationship would take a U turn and be regarded as their best in the modern history.

The end of cold war can loosely be taken as a cut off mark from when the relationship started to take a normal course of action. This study undertakes the developments of fifteen years that is to say from 1990 to 2005 and draws its conclusion.

The study undertakes developments in three areas namely Political, Economic and Security aspects. The Political relations during these fifteen years entered in one of its best phases. This was marked by the frequent political visits from both the sides. East Asia summit in 2005 could be regarded as the culmination of this phase of fifteen years. It promises to have more political involvement in the region there by "enmeshing" other powers to work simultaneously in the region

As far as the Economic relations are concerned this phase saw the emergence of China as an economic giant. Countries of Southeast Asia undoubtedly benefited from the economic benefits which the rising China brought with itself. China also helped the countries of Southeast Asia to over come the devastating Asian economic crisis of 1997. Despite that countries of Southeast Asia developed a fear of being marginalised by China in the first half of this century. This was because of the trends in the flow of Foreign Direct Investments. Skeptics are of the view that given the kind of opportunities and prospects China is providing to the multinational companies ,countries of the region are not a match to it and hence in future China can turn out to be a "Predator" of all FDIs coming in .Yet in the last fifteen years(1990-2005) this was just a trend in favour of China. Otherwise the phase was economically beneficial to Southeast Asia vis a vis China.

It's the Security dimension of this relationship which draws much attention. Given the conflicting claims of Southeast Asian countries and China over Spratly Islands make the whole situation a bit volatile. In the last fifteen years China did its best to ally the fears of its neighbours. This was manifested in China signing the Declaration on the Conduct of

Parties in the South China Sea (DOC) in 2002 wherein it committed itself to using peaceful means for the resolution of territorial and jurisdictional disputes. In 2003 it signed the Treaty of Amity and Cooperation (TAC) with ASEAN, thereby becoming the first country outside ASEAN to do so.

Despite having taken these reassuring measures, the Chinese record on security and sovereignty issues are far from satisfactory and does not dovetail with its promises. It still sees these issues in zero sum terms. It is this duplicity in approach that is a major issue of concern for countries having territorial and maritime disputes with it. Not surprisingly, even after committing it to deal with security issues in a peaceful manner with its southern neighbours, China's position on the South China Sea has hardened over the years.

If one goes by the trends yes, it seems that in coming years things will not be as rosy as it were in the phase between 1990 and 2005. But this is a mere projection and in international relations projections do not always come true.

All said and done, it can be argued, from the findings of my thesis, Southeast Asian countries have come a long way in defining a contours of their relationship with China in the phase from 1990 to 2005. But they are alive to the changing perceptions of China on various issue areas and hence they need to be cautious about their relationship with China. And through this way they can also send the signal to China that no body should take them for granted!

Chapter I
Introduction
Southeast Asia China relationship: Theory and Practice

History proceeds through paradoxes and nothing can describe this paradox better than the Southeast Asia-China relations. Who could have imagined that a relationship which was marked by the hostilities till the early 1980s would take a U turn and in 1990s would become one of their best relationships in the modern history?

The significance of this remarkable achievement on both sides, this dramatic, albeit measured, turnaround, can best be appreciated if one looks back on Southeast Asia's perspective on China in the not-too-distant past. Not so long ago, Southeast Asian countries viewed China as a clear and present danger to their security. In non-communist Southeast Asia, China was seen as supporting subversive and rebellious forces that sought to overthrow regimes in place by force – Malaya, Thailand, the Philippines. (Taylor 1976) The New Order in Indonesia attributed to China the support for the attempted coup in that country in 1965. At the height of the Great Proletarian Cultural Revolution, China was perceived as instigating anti-government riots in Burma. In 1974, Chinese forces seized the Paracels from Vietnamese troops stationed there. In 1988, the Chinese and Vietnamese navies clashed fatally in the Spratlys. Up to the early 1990s, Brunei Darussalam, Indonesia and Singapore withheld formal diplomatic relations from the People's Republic of China.

The post-Cold War Asia has witnessed profound changes in relations between Southeast Asian Countries (collectively known as ASEAN Countries -Association of Southeast Asian Nations) and China. ASEAN and China are geographically close to, historically, culturally contiguous, and have forged close ties since ancient times. Before the 1990s, there was no official relationship between all the ASEAN as an organisation and China, although some individual ASEAN countries had official relations with China on a bilateral basis. From the late 1980s, remaining ASEAN states intensified its efforts to establish diplomatic relationship with China, leading to eventual official relationship of

ASEAN and China. In his visit to Thailand in November 1988, Chinese Premier Li Peng announced four principles in establishing, restoring and developing relations with all the ASEAN states. After establishing diplomatic relations with the last ASEAN country — Singapore — in late 1990, China pushed for official ties with the ASEAN grouping. On 19 July 1991 Malaysia invited Chinese Foreign Minister Qian Qichen to attend the opening session of the 24th ASEAN Ministerial Meeting (AMM) in Kuala Lumpur as their guest, where Qian Qichen expressed China's interest in cooperating with ASEAN, particularly in the field of science and technology. The ASEAN responded positively. In September 1993, ASEAN Secretary-General Dato' Ajit Singh visited Beijing and agreed to establish two joint committees, one on co-operation in science and technology, and the other on economic and trade co-operation. An exchange of letters between the ASEAN secretary-general and the Chinese Foreign Minister on 23 July 1994 in Bangkok formalised the establishment of the two committees. At the same time, ASEAN and China agreed to engage in consultations on political and security issues at senior official levels. In July 1996, ASEAN accorded China full Dialogue Partner status at the 29th AMM in Jakarta, moving China from a Consultative Partner, which it had been since 1991. By early 1997, there were already five parallel frameworks for dialogue between China and ASEAN. China participated in a series of consultative meetings with ASEAN. In December 1997, Chinese President Jiang Zemin and all the ASEAN leaders had their first informal summit (ASEAN plus One) and issued a joint statement to establish a partnership of good neighbourliness and mutual trust oriented towards the 21st century.

Since then there is no looking back. In recent years, both ASEAN and China have played an important role in promoting regional cooperation. In the Cold War era relations between ASEAN and China were strained on account of various reasons (which would be discussed in the next chapter). ASEAN and China had their own compulsions which kept them apart from each other roughly till the end of Cold war. Things have changed for sure in the Cold war era. Today China has accepted the ASEAN way of mutual accommodation and consensus as the guiding principle in shaping its relations with ASEAN countries. This is one of the major reasons why the countries of the region are feeling comfortable to a greater extent in dealing with China. Both parties today are

mutually engaged in the many ASEAN driven bilateral and multilateral driven mechanisms such as ASEAN +1, ASEAN +3, ARF (ASEAN Regional Forum), and recent being the EAS (East Asia Summit)

Over the past five decades, ASEAN has grown into a full ten-member regional organisation. ASEAN has become an important force for regional peace, development and cooperation. It has also exerted unique influences on the affairs of this region. Today ASEAN has worked out a series of programmes such as Vision 2020, the Hanoi Plan of Action and the e-ASEAN Framework Agreement, stepped up the development of ASEAN Free Trade Area, and increased its competitiveness in the hi-tech sector. Economic ties among ASEAN countries have grown stronger and their trade and cooperation have expanded further. ASEAN countries are now working hard in implementing the Initiative of ASEAN Integration. In the light of the profound changes in the regional and international situation following the 9/11 incident, ASEAN countries have worked closely in combating terrorism, issuing the ASEAN Declaration on Joint Action to Counter Terrorism at the 8th ASEAN Summit in 2001. ASEAN has once again shown the world its unity and potential. Today ASEAN countries attach importance to China's role during its participation in international and regional affairs. Over the past years, ASEAN has worked closely with China in promoting the development of the ARF, the ASEAN plus China, Japan and Republic of Korea, ASEAN plus China, and the FLEAC (Forum of Latin America-East Asia Cooperation). (Jianqun 2003)

Overview of Relationship in Theoretical Terms

In International relations theorization of an actor's behaviour is very important .It not only helps in evaluating the actor's relations vis a vis other actors but also is quite helpful in finding the future trajectory of these relationships. In this part of the chapter the relationship of Southeast Asian countries with China is delineated in theoretical terms. At first theoretical concepts are dealt and some generalizations are made and at a later part country wise the specifics of its relations with China are made.

The available literature shows Southeast Asia's behavior right from straight balancing to a bandwagoning to a subtle mix of strategies. Kang (2003) sees a pattern of bandwagoning while Acharya (2003) believe that Asian states have tendency to balance against China. According to Goh (2007) for Southeast Asia has adopted a twin "hedging" strategy of deep engagement with China on the one hand and, on the other, "soft balancing" against potential Chinese aggression or disruption of the status quo. The latter strategy includes not only military acquisitions and modernization but also attempts to keep the United States involved in the region as a counterweight to Chinese power (Storey 2000).

What is Hedging Strategy?

In the abstract, hedging refers to taking action to ensure against undesirable outcomes, usually by betting on multiple alternative positions. In International Relations, hedging can be defined as a set of strategies directed at avoiding (or planning for contingencies in) a situation in which states cannot decide upon meaningful alternatives such as balancing, bandwagoning, or neutrality. Instead a middle path is taken so that states have not to make choice of choosing one at the expense of the other. Hedging has been applied to Southeast Asian strategies to cope with China— ranging from their efforts to have a strong security ties with the United States to their emphasis on developing multilateral institutions as a means to stimulate constructive Chinese participation in regional security issues. There is no consensus among scholars about the approaches and methods that exactly fulfill the criteria of hedging strategy. (Goh 2005)

Difference between Hedging, Balancing and Bandwagoning

Before proceeding further into the nitty gritty of theoretical constructs in the relationship it's pertinent at this juncture that a distinction is made to distinguish hedging from balancing and bandwagoning. Within the international relations literature, the concept of balancing generally implies the making of countervailing strength against a potentially

hegemonic or threatening power—a situation that is understood as preferable to one in which a dominant power is unchallenged (Goh 2007). A state can choose unilateral or internal balancing, piling up its own defensive capabilities as a deterrent against the other power, or it may close strategic partnership with other states or choose alliance in order to contain and Challenge the threatening power (Waltz 1979).

Bandwagoning, by contrast, occurs when a state chooses to align itself strategically with the threatening power in order to limit the threat, neutralize it, or profit from the new distribution of power (Waltz 1979; Schweller 1994). The literature on regional reactions on the rise of China, focuses on the dilemma of balancing or bandwagoning—leading to the assumption that hedging refers to any behavior that fits in between these two available alternatives. But this dichotomy is misplaced. In simplifying the spectrum of choices available to China's neighboring states, one must also be able to take into account the option of engagement.

Engagement policies tend to develop closer political and economic ties with a country and bring it into international society, thereby changing its leaders' preferences and actions toward more peaceful inclinations (Ross 1999).

By the very definition, bandwagoning is a policy of alignment with one side and thus cannot meaningfully combine with a policy of engagement toward the same state. Unlike bandwagoning policies, however, engagement policies can be taken up at the same time as indirect or soft balancing policies; when this mixture occurs, hedging is the most accurate term to describe the strategy.

Balance of Power not a Suitable Framework for examining Southeast Asia China Relations

Also important is to mention as to why the discourse about “balance of power” is not suitable frame work in analysing Southeast Asian relations with China. First, Southeast Asian states have adopted a variety of hedging strategies rather than the simple options of balancing or bandwagoning with either China or the United States. Second, while the current distribution of hard power in favor of the United States will not change for some

time, more fluid and challenging is the shifting “balance of influence” in Southeast Asia with the steady development of China’s multilayered relationships with the region. Even so, the United States continues to be the key provider of critical common security goods in the region—leading in counterterrorism, anti piracy, and anti trafficking efforts as well as maintaining the military deterrent of the San Francisco system of alliances. Consistent with this role, the region looks to Washington to boost security in three other ways: deepening economic ties to build up internal balancing capabilities of individual countries and to help the region as a whole diversify and prevent overdependence on China; managing key crisis issues such as Taiwan and the Korean peninsula in concert with other big powers; and supporting efforts to engage with China and the region through multilateral institutions.(Goh 2005)

Hedging Behaviour of Southeast Asian Countries Vis a Vis China

According to Goh(2007)Hedging behavior in Southeast Asia comprises three elements. First is indirect or soft balancing, which mainly involves persuading other major powers, particularly the United States, to act as counterweights to Chinese regional influence. Second, hedging entails complex engagement of China at the political, economic, and strategic levels with the hope that Chinese leaders may be persuaded or socialized into conduct that abides by international rules and norms (Ba 2006). In this sense, engagement policies may be understood as a constructive hedge against potentially aggressive Chinese domination. The third element is a general policy of enmeshing a number of regional great powers in order to give them a stake in a stable regional order. All told, Southeast Asian states are in fact hedging against three key undesirable outcomes: Chinese domination or hegemony; American withdrawal from the region; and an unstable regional order. The existence of these three factors and their close interrelation further complicates the nature of hedging behavior in the region.

A strong hedger is a state that is able to establish and maintain close strategic relations with both the United States and China at the same time.

Maritime and Continental Southeast Asia's Response

In the literature there is a tendency either to examine individual countries without systematic comparison or to lump the diverse states of the region together as “ASEAN,” with the implication that there is a coherent and cohesive regional stance (Bert 2003). Not only does such lack of specification engender unsatisfactory analysis, but it also risks misperceptions and misguided policy planning. By dint of geography, history, and ethnicity, Southeast Asia is a region characterized more by its differences and variations than by its similarities. In terms of strategic attitudes and calculations, it does not exhibit a coherent collective stance. Broadly a basic divergence between maritime and continental Southeast Asia—particularly vis-à-vis the roles of China and United States in regional security is noted. Maritime Southeast Asia welcomes the U.S. presence in the region, and U.S. policy has been to focus on this maritime arc largely because of the strategic sea-lanes. Over the last decade, after its withdrawal from bases in the Philippines, the United States has been granted access to ports, repair facilities, and military exercises in Singapore, Malaysia, and Indonesia. Singapore now participates while Malaysia has observer status in the annual Thai-U.S. military exercises known as Cobra Gold. Under presidents Ramos, Estrada, and Arroyo, Manila has also tried to reinvigorate the U.S.-Philippine defense relationship since 1995. These countries worry to different degrees about China—mainly in terms of economic competition and regarding Chinese claims to the South China Sea. (Goh 2005) The two most interesting countries to keep an eye on here are Singapore, which is the smallest but most vociferously pro-American state in the region, and Indonesia, which, as the traditionally dominant Southeast Asian power in the post independence period, harbors the deepest worries about China's challenge for regional hegemony in Southeast Asia. In contrast, continental Southeast Asia operates much more under the constraints of close proximity to China as well as continental geopolitics involving shared boundaries and competing influences, particularly in Indochina and the Myanmar-Thailand-China nexus. At times this area appears to form something akin to its own subsystem that gravitates toward Chinese influence. This tendency is most marked in Myanmar, Laos, and Cambodia:

these countries have dependent relationships with China, and the United States features very little in their strategic calculations (Dalpino 2003; Muni 2002).

Country wise Analysis

Within these generalities, the individual states of the region have their own distinct ways of responding to Chinese power.

Thailand seems to practice a classic hedging strategy, trying to maintain good relations with both China and the United States simultaneously. Many Thais view the United States as a relatively benign major power that lacks an interest in controlling territory in the region. America is also a desirable arms supplier. International conditions, however, have dictated a close Thai relationship with the China. With the U.S. withdrawal from Indochina, soon followed by the Vietnamese invasion of Cambodia in 1978, Thailand found strategic common ground with China in their desire to check Vietnam. More recently, China's economic takeoff has seen bilateral economic cooperation established as the main basis of Sino-Thai relations. Thailand's government has accommodated China by criticizing Taiwan and by being less than welcoming to the Dalai Lama and Falun Gong. Washington and Prime Minister Thaksin Shinawatra's government have exchanged sharp words over Thaksin's heavy-handed crackdown on criminals and separatists. On the other hand, Thailand maintains enough of a defence relationship with the United States to qualify as a "major non-NATO ally". Thailand obtains most of its arms supplies from America and regularly conducts exercises with the U.S. military. These ties keep open a strategic option should China become a problem in the future. In several cases in Southeast Asia, hedging involves low-level balancing with the United States against China combined with assurances toward and cooperation (particularly economic) with the China. These cases can be further divided into two categories. Singapore and the Philippines practice what could be called overt low-level balancing. (Roy 2005) Other states, including Vietnam, Malaysia and Indonesia, practice very subtle or highly restrained forms of balancing.

Singaporean leaders are arguably America's most supportive quasi allies in Southeast Asia, regularly telling international audiences that America plays a constructive and irreplaceable role in regional security. Former Prime Minister Lee Kuan Yew has, for example, described the United States as the key player in a "fallback position should China not play in accordance with the rules as a good global citizen"(Goh 2005). The surprisingly harsh public rebuke Beijing gave incoming Prime Minister Lee Hsien Loong over his visit to Taiwan in July 2004 was an example of the kind of domineering posture Singaporeans (and others in the region) fear from China. Singapore hosts the U.S. Navy's Western Pacific logistics command and has built a pier at Changi Naval Base for visiting U.S. aircraft carriers. The island state might have offered to join a formal defence agreement with the Americans if it was not constrained by the fear of offending neighbours Malaysia and Indonesia, which publicly champion the principle of keeping foreign military bases out of ASEAN. Singapore's relatively robust balancing may be explained by its dependence on maritime traffic for economic survival and by the fact that the island harbors security fears not only about China but also about its much larger Malay-dominated neighbours.(Roy 2005)

The Philippines, as well, practices open but low-intensity balancing with the United States against China. Preoccupied though it is with internal problems, Manila clearly perceives an external security threat in growing Chinese power, one that would persist even if the South China Sea issue was resolved. Mischief Reef was a strategic watershed for Manila, which had moved in 1991 to expel U.S. forces from their bases in the Philippines. After finding that it was too militarily weak to defend its South China Sea claims against China and that it could not rely on Asia-Pacific multilateralism to defend Philippine interests, Manila sought to strengthen its position against China by balancing with the United States (Buszynski 2002). Some of the same Philippine senators who in 1991 voted to terminate the agreement allowing American bases in their country supported the 1997 Visiting Forces Agreement with the United States, which passed by a margin of more than 3 to 1. The U.S.-Philippines military relationship was further bolstered by a new Mutual Logistics Support Agreement and the Philippines' designation as a "major non-NATO ally" in 2003. American forces now regularly exercise in the

Philippines and have trained Filipino troops fighting Abu Sayyaf rebels on Basilan island. The Philippines held 18 joint exercises with the United States in 2004. Furthermore, Manila hopes the recent Joint Defense Assessment with the United States will deepen American interest in the Philippines' security by giving Washington a role in the reform of the Philippine military and, by extension, reform of the Philippine government (Baker 2005). Balancing with the United States not only affords a measure of protection against possible Chinese aggression, it is reinforced by a history of close association and a degree of ideological and cultural affinity with America.

Vietnam, Malaysia and Indonesia similarly seek to avoid antagonizing China while practicing discreet and limited forms of low intensity balancing. Vietnam has abundant historical experience with the problems posed by a strong and domineering China (Thayer 2002). Since normalizing their relations in 1991, Vietnam and China have increased their economic cooperation and made progress in areas such as delimiting their land and Tonkin Gulf sea borders and agreeing on fishing rights. Most Vietnamese political elites are highly distrustful of China and are yet to be convinced that China does not aspire to hegemony over the region. Vietnamese who fear long-term Chinese intentions see in the Spratly and Paracel Islands disputes a harsh and sometimes violent counterpoint to China's Asia-Pacific "smile diplomacy". In contrast to the general relaxation between China and the other claimants, tensions over the issue between Vietnam and China continue to simmer. Hanoi continues to draw protests from Beijing for inviting foreign contracts for exploring possible oil and gas resources in disputed areas and for planning a tourist cruise service to the Spratly Islands. Violence flares up on occasion. In January 2005 Chinese border guards opened fire on Vietnamese fishermen who had allegedly strayed into Chinese waters, killing nine. Hanoi has therefore made quiet efforts to balance China by welcoming "nascent" security cooperation with the United States. Vietnamese elites verbally support an American military presence in the region to counter-balance China. Concrete Vietnam U.S cooperation has recently begun with less sensitive activities such as counter-terrorism, combating drug smuggling, demining, search-and-rescue, and disaster relief (Storey 2005). In 2003 Vietnamese Defence Minister General Pham Van Tra visited Washington, his country began sending

observers to the annual U.S.-led Cobra Gold military exercise in Thailand, and a U.S. naval vessel made a port call in Vietnam for the first time since 1975. In 2004 Admiral Thomas Fargo, commander of U.S. forces in the Pacific, and General James L. Campbell, commander of U.S. Army forces in the Pacific, visited Hanoi, and a U.S. destroyer docked in Da Nang. The Vietnamese have sought these links despite the government's resentment of U.S. human rights criticisms and the widespread belief that the Americans seek to overthrow socialist political systems.

In the 1970s and 1980s Malaysia considered China a substantial security threat because of Chinese support for a communist insurgency. This aspect of the Chinese threat has subsided, but the possible emergence of an aggressive and powerful China remains perhaps Malaysia's chief potential external danger. As one of the claimants in the South China Sea dispute, Malaysia's interests would be served by an end to the growth of China's military reach into Southeast Asia. The United States therefore represents an important counter-weight to China in Malaysian strategic thinking. Even under former Prime Minister Mahathir Mohamad, who frequently berated the Western powers in public, Malaysia relied on Britain and the United States as the ultimate guarantors of Malaysian security. The United States and Malaysia maintained defence and intelligence cooperation even when the public diplomacy between the two countries gave the appearance that relations were poor (such as in 1998 when visiting U.S. Vice President Al Gore criticized Mahathir over the imprisonment of political rival Anwar Ibrahim). The September 11, 2001 terrorist attacks provided the impetus for a more cordial diplomatic relationship as well as new cooperation in the area of counter-terrorism. Although Islam is the state religion, Malaysia is pragmatic and moderate, and thus its government feels threatened by Islamicist extremists. U.S. Deputy Secretary of State Richard L. Armitage recently described Malaysia as a "strategic partner of great and growing importance".

The then Malaysian Defence Minister Datuk Seri Najib Tun Razak called U.S. - Malaysia defence ties a "well-kept secret" (Najib 2002). In addition to intelligence sharing and military education exchanges, Malaysia does its part to encourage an ongoing U.S. military presence in the region. Up to 20 U.S. Navy vessels visit Malaysian ports every year, where some of them get repairs and maintenance. The aircraft carrier *USS John C.*

Stennis stopped in Port Klang in September 2004. U.S. Army, Navy, and Air Force personnel train and exercise regularly with the Malaysian military. Malaysia provides a jungle warfare training venue for U.S. troops (Storey 2005).

Indonesia has ambivalent relationships with both the United States and China. As a former colony that won a struggle for independence from the Dutch in 1949, Indonesia is highly sensitive to Western “neocolonialism”. From the standpoint of many amongst the Indonesian elite, the United States is a “soft power” threat through its crusade to promote democracy and human rights worldwide, which has the effect of stirring up domestic discontent and separatism. The U.S. military involvement in Afghanistan and Iraq is unpopular in Indonesia and much of the public believes that the American government is anti- Muslim. Indonesia has a strong aversion to the presence of foreign military forces within its territory (the involvement of the U.S. military in relief efforts in Sumatra following the December 2004 tsunami was highly exceptional (Smith 2005). Reacting to misleading press reports in March 2004 that the U.S. Regional Maritime Security Initiative would involve U.S. Marines plying the Strait of Malacca, Jakarta bristled, along with Kuala Lumpur, saying the responsibility for policing the Strait of Malacca belongs to Indonesia and Malaysia. But Indonesia also has several security worries about China. Indonesian military doctrine is geared to the basic mission of defending against an invasion from a powerful country to the north, a legacy of the Pacific War. Indonesian military leaders privately name China as Indonesia’s most likely military threat and do not rule out the possibility of a Chinese invasion (Smith 2003). In the recent past, the PRC’s alleged links with the ethnic Chinese communities in Indonesia have contributed to violence against Indonesian Chinese, most notably in the massacre of tens of thousands in 1965–66. China’s claim to much of the South China Sea challenges Indonesia’s ownership of the Natuna Islands. More generally, Indonesia sees itself, perhaps unrealistically, as the future dominant power of the region. Even if Indonesia is far from achieving this status, the continued growth of Chinese influences clashes with Indonesian nationalism and with this inflated self-image. The result of these competing considerations is a hedging strategy with a very circumspect element of balancing with the lesser evil against the greater evil. While both the United States and the PRC pose

potential security problems, China is the weightier threat. Although Jakarta formally promotes non-alignment of Southeast Asian states with outside powers, in practice Indonesia accepts regional engagement with the United States to offset China's power, provided there is no infringement upon Indonesia's sovereignty (Storey 2000). Indonesian leaders also make clear their desire for a restoration of the U.S.-Indonesia military-to-military links (including military education and arms sales) cut off in stages from 1991 to 1999. Jakarta allows U.S. Navy vessels to visit Indonesian ports for repairs, explaining to the public that these port calls are strictly commercial rather than strategic. The (now defunct) 1995 Agreement on Maintaining Security between Indonesia and Australia was also widely interpreted as balancing against the PRC (San Pablo-Baviera 2003, pp. 339–52). Although Indonesia's level of defence cooperation with the United States is lower than Thailand's, Indonesia's policy counts as balancing because Indonesians more clearly than Thais perceive the PRC as a threat.

Myanmar (as Burma was renamed by its leaders in 1989) departs from the pattern set by most of the other states in Southeast Asia. In some cases a weak country bandwagons with a threatening power because balancing is not a feasible option. At first glance, Myanmar's policy toward China looks like bandwagoning. Myanmar shares a long border with China and occupies an area of strategic importance: the closest access point between the PRC and the Bay of Bengal. With vastly more resources of every kind than Myanmar, China is a potentially dominating neighbour, and aside from India, the other large powers are geographically distant. What initially appears to be bandwagoning, however, must upon closer inspection be highly qualified. Historically, Myanmar tried to maintain equidistance between China and India. After the State Law and Order Council (SLORC) military junta took control of the country's government in 1988, sanctions imposed by the United States and the European Union forced the regime to turn to China for diplomatic support and for the cheap supplies of arms and ammunition the junta needs to keep itself in power. Since then Myanmar has become something of a Chinese client state, although many of Myanmar's elite have concluded that their country has grown too close to China, with the consequence that in recent years (with China more powerful than

ever) Yangon has sought to improve its relations with India and its economic links with Japan to partly offset the over-reliance on the PRC. Even in this case, where we find close security cooperation, there is also an element of hedging. If the evidence does not suggest a determination by Myanmar's government that aligning itself with the Chinese is necessary to protect itself from the threat of a powerful China, we cannot conclude that this is a case of bandwagoning for survival. Furthermore, Yangon cannot be said to have "joined the winning side" if Myanmar had no real opportunity to choose sides.(Roy 2005)

As far as the Cambodia, Laos and Brunei are concerned they are too small countries in comparison to China to have strategic depth in dealing with China. They try to gain as much as possible from China and for that matter any other country be it United States or India. In this way they can be called to be practicing bandwagoning with all the major powers without having any repercussion of practicing it simultaneously with all major powers.

Practice

General assessment of ASEAN and China relations

Political Relations

As far as the political relations are concerned there is no looking back since the normalisation of relations with the region in the post cold war era. There have been frequent visits by ASEAN countries official and head of state to China and the China too has reciprocated the gestures very well. Since the early 1990s China has put aside reservations concerning ASEAN. ASEAN countries invited China in July, 1991 for dialogue when Mr. Qian Qichen, Minister of Foreign Affairs of China, was invited as a guest to attend the 24th Post Ministerial Meeting (PMC) held in Kuala Lumpur. In the same month of the following year, China was made a consultative dialogue partner of ASEAN. In July 1996, ASEAN elevated the status of China from a consultative dialogue

partner to that of a full dialogue partner. At the 7th ASEAN-China Summit on October 8, 2003, leaders signed the Treaty of Amity and Cooperation in Southeast Asia and, which demonstrated that the relationship between the two sides had developed to a new height. Today China is actively involved in all the multilateral groups led by ASEAN such as ASEAN Regional Forum (ARF), ASEAN+3, ASEAN+1 and East Asia Summit.

China is quite alive to the fact that multilateralism is an unstoppable trend in Asia. And by non participation in multilateral forums led by ASEAN China knows it would not only isolate itself but at the same time would run the risk of arousing the region's suspicion about its intentions. So this decision of taking part in multilateral forums was taken after a careful calculation over strategic benefits and political costs. It also gives China an opportunity to shape the developments mechanism from within, in order to ensure a favourable position for itself in the future. While for the countries of the Southeast Asia engagement is the best strategy to socialize and enmesh China into regional norms and institutions in order to forestall the possibility of either Chinese disruption or domination in the region and is a consistent step towards maintain status quo in the region.(Ba 2006)

Economic Relations

ASEAN and China countries have expanded and deepened their economic cooperation, and rapid progress has been achieved. In November 2002, ASEAN and China signed the Framework Agreement of Comprehensive Economic Cooperation, launching the process of establishing the ASEAN China Free Trade Area (ACFTA). This agreement will serve as a legal basis for the ACFTA. In 1975, the bilateral trade volume between ASEAN and China was only US\$523 million. It is gratifying to see that by 1996 their trade volume reached US\$20 billion. Trade between the two sides totalled US\$130 billion in 2005, making China the fifth, and ASEAN the fourth, biggest trading partner to each other respectively. The amount of two-way investment has also been on the rise with the passing years. ASEAN became the sixth largest investment source of China by 2000. By 2001, ASEAN's total direct invested projects in China were 17,972, with the contract investment amount of US\$53.46 billion, with the actual money used amounting to US\$26.17 billion. In 2000, ASEAN (mainly Singapore, Malaysia, Thailand, Indonesia

and Philippines) invested in 1,047 new projects in China, up by 15.6 percent compared to the year before, with the contract amount of money totalling US\$3.05 billion, up by 3.1 percent. In 2001, ASEAN invested in 1,239 projects with the contract investment amount reaching US\$3.37 billion and the actual money used totalling US\$2.98 billion. In the first three quarters of 2002, ASEAN contract investment in China reached US\$4.3 billion with the actual used money reaching US\$2.38 billion. By 2000, China had invested in 740 projects in ASEAN countries with a total investment amount of US\$650 million. In 2001, China invested in 48 projects with an investment amount of US\$200 million. At the same time, all ten ASEAN countries have now become official tourist destinations for Chinese citizens. (Jianqun 2003)

Yet, for Southeast Asia the main challenge posed by rising China is undoubtedly economic. It's true that China's economic growth will bring both benefits and costs. It's the costs that are a major source of concern for the countries of the region. At present stage of their economic development, Southeast Asian states tend to be more competitive than complementary in foreign direct investment (FDI) and manufactured exports in the developed country markets. Southeast Asia exports worries primarily about China siphoning off foreign investment in the region. For instance trade figures suggest that China attracted 55% of FDI in East Asia as opposed to 20% that ASEAN states received. But FDI flows to Southeast Asia rebounded in 2005(Percival 2007) Percival argues that much of Southeast Asia's angst was misplaced because there is no evidence that China and ASEAN are engaged in zero sum competition for FDI. This is contested by many in the region. Apart from FDI, Southeast Asia faces stiff Chinese competition in textile, hardware and electronics. The least developed ASEAN countries namely Myanmar, Laos and Cambodia are not in a position to compete with China but they are at the receiving end of targeted Chinese investment and aid (Glosny 2006). With lower marginal and average cost, China is able to enjoy a tremendous cost advantage over ASEAN. Percival (2007) too agrees to this point. How the Southeast Asian economies can cope with China's rise ultimately depends on whether they can resolve intra ASEAN coordination remarks Goh(2007)

Security Relations

ASEAN countries's strategic relations with the China has improved a lot since the days when China was feared in the region for its belligerent behaviour especially in 1974 (China occupying Paracel Islands from Vietnam), 1988(Naval skirmish over disputed Spratly Islands) and 1995/96(Taiwan Issue) .This was a phase when Southeast Asia was concerned about the expansionist ambitions of China revolving around various outstanding territorial disputes, especially those in the South China Sea. But today there seems to be a conviction that China's behaviour has toned down. The re-evaluation in Southeast Asian countries' perception comes from demonstrations of Chinese willingness to settle general territorial disputes and its restraint on South China Sea issue since the late 1990s.In 1999 China signed a land boundary agreement with Vietnam to settle its border dispute amicably. In 2002 China and ASEAN signed a "Declaration on the conduct of parties in South China Sea to solve the issue amicably. Apart from these gestures to ASEAN Countries are alive to the fact that in order to ally their fear China has increased its military contacts and exchanges since late 1990s.In multilateral realm China has been repeatedly suggesting an annual defense minister's meeting with ASEAN. On bilateral front, China has deftly played the politics of military contact and aid, particularly with ASEAN countries that have been least comfortable with its growing strategic weight.

While regional evaluations of strategic relation with China are mixed. The combination of reassurance through the negotiation and settlement of territorial conflicts, and strategic opportunity provided for some Southeast Asian countries seeking diversification of their military aid and supplies, amount to reduction of threat perception. But this is not to suggest that the suspicion about Chinese intentions and behaviour has fully been eroded from the minds of Southeast Asian nations. Some argues that China is using multilateral forums just to buy time and increase its capability. Once its power projection capability would reach the threshold desired by its leadership its behaviour would turn hostile. And this is precisely what worries its southern neighbours the most. (Goh 2007)

China's Soft Power

The concept of soft power can be traced to the works of Hans J. Morgenthau, Klaus Knorr and Ray Cline (Gill 2006). As summarized in recent years by Joseph Nye, soft power is directing, attracting and imitating force derived mainly from intangible resources such as national cohesion, culture, ideology and influence on international institutions. According to Nye, it is the ability to get what you want through attraction rather than coercion or payments

Often there is a lot of debate regarding China using its soft power, charm offensive to bring Southeast Asia in its sphere of influence. Kurlantzick (2007) in his book "Charm Offensive: How China's Soft Power Is Transforming the World" shows that how China has benefited from the neglect of the region by US and Japan. Author further goes on to explain why soft power was brought into China's foreign policy. After Tiananmen Square incident leadership recognized China could not rely on US but had to develop better relations with its neighbours and become a greater international player. Moreover the balancing policy of 1995 /96 backfired badly so in 1997 "soft power" was evolved as China knew it would be difficult to defeat US in hard power. Soft diplomacy has been named "win win" strategy. Under this diplomacy gives aid and support to Southeast Asian countries with no strings attached unlike US and herein lies the success of strategy.

Cheow (2007) contends that there are three important aspects of this "soft power Chinese advance" into Southeast Asia namely

1. Cultural Advances
2. Its Economic Branding
3. Crucial role of Ethnic Chinese in Southeast Asia

Xiaoming(2002) goes on to suggest that new security environment put forward by China resembles ancient Tribute system and Cheow(2007) is of the view that China's soft power is manifested in its own new version of tribute system which is quite distinct from the one used by Nye.

Percival (2007) too endorses the view of soft power prevalent in the region. Countering one of the aspects of Soft power in Cheow's view Percival is of the view that Chinese

soft power has increased not because Southeast Asians are attracted to Chinese values rather China's attraction has grown primarily because ties with China benefit and thus appeal to national elite and small but often influential ethnic Chinese minorities in Southeast Asia.

Some of the proponents of this policy are of the view that the region is coming in the sphere of influence of China. Goh says it's too early to judge if Southeast Asia has been won over. Shambaugh (2004) opines

“it remains far too earlyto conclude that regional order is becoming the modern version of the imperial tribute system or that China is becoming the dominant regional hegemon.”

Conclusion

In the period from 1990 to 2005 the biggest achievement for China is that it has managed no longer to be viewed as a threat by the ASEAN member-countries. More positively, Southeast Asians see China, with increasing equanimity and even satisfaction, as a rising Asian power. The significance of this remarkable achievement on both sides, this dramatic, albeit measured, turnaround, can best be appreciated if one looks back on Southeast Asia's perspective on China in the not-too-distant past.

Today, all Southeast Asian countries have diplomatic relations with the People's Republic on the basis of one China. Despite the disagreements and differences, ASEAN and China have had occasion to work together on specific problems in the past. Expanding amicable ASEAN-China relations cannot but be good for the region and for the world. Obviously, amidst the dynamism that characterises the nature of international relations, these positive trends need to be maintained, nurtured and built upon .Past experiences in their relationship shows that differences can not be and must not be allowed to be the basis for defining their relationship. In the post cold war era the trend is to live with the differences and Southeast Asian Countries are alive to this fact and trying their best to manage their relationship with China.

Chapter II

Southeast Asia's Political Relations with China: Issues and Challenges

Introduction

Southeast Asia's relationship with China goes back to earliest days when region's states paid tributes to the main land China (Fox 2003). Southeast Asia was considered the soft under belly of mainland China .Coming to modern era especially after the formation of nation states the relationship between China and Southeast Asian states had not been amicable till early 1980s. Most of the Southeast Asian states got independence by late 1950s. The region got embroiled into cold war politics. During this period China's confrontational relationship with major countries in Southeast Asia was associated with the former Soviet Union in fighting against the United States, then its enemy. The China was in alliance with rebel communist movements in Southeast Asia in the 1950s, the 1960s, and even in the early part of the 1970s. This formed the major source of animosity between the region and China. It was only when China decided not to support the communist movements and decided to recognise the states of the region the relationship started to come on track. Observers loosely take year 1990 as the cut off year, because of several reasons, the end of cold war and resolution of Cambodian Crisis being prominent among others. Since the year 1990 the process of normalisation started between Southeast Asia and China. In order to understand the changed context of the political relationship in the post Cold War era in a better way a brief back ground about this relationship in the cold war era is necessary.

Background

During 1950s and 1960s, when most of the countries of Southeast Asia were emerging from colonialism, cold war was at its peak. Southeast Asia got dragged in the cold war politics because of involvement of the U.S and the erstwhile USSR and China in Vietnam. This ideological war with capitalism formed the basis of China's policy towards the region. China supported communist parties and insurgencies in those

countries which were pro west namely Indonesia, Malay/Malaysia, Philippines, South Vietnam, and Thailand. (Gurtov 1975) With Vietnam crisis spilling over to Cambodia and Laos in 1960s, China's support to the "cause" reached there too. China's support to revolutionary communism thus posed an ideological threat to non communist Southeast Asia especially when these nascent states of the region were in the process of defining their political identity. This formed the major source of animosity between China and the Southeast Asia. It was no wonder when Association of Southeast Asian Nations (ASEAN) was formed in 1967, it talked of developing "national resilience" in each member state against "domestic troubles"(communist insurgencies supported by China) and against "external pressures"(China and Soviet Communism).(Kim 1977)Peking Review, in its issue of 18th August 1967, then had called the five founding members(Indonesia, Thailand, Philippines, Singapore and Malaysia) of ASEAN as "handful of the United States imperialism's running dog in Southeast Asia" and criticised ASEAN as a reactionary association and a military alliance directed specifically against China. This goes on to show the degree of animosity and distrust China and countries of region had of each other during this time. (Ayoob 1990)

1970s was a period which saw a shift in the perception of Chinese image in the Southeast Asia. Three factors contributed to this change. First reason was the rapprochement between China and the United States in 1972. This development opened the way for Southeast Asian countries to engage with China without the of fear of antagonising United States. Second reason was American withdrawal from mainland Southeast Asia after the end of Vietnam War. This created a power vacuum in the region. Southeast Asia woke up to the fact that China is a reality and they need to learn to live with it. Final reason being the rise of Chinese leadership under Deng Xiaoping with a focus on Economic development. (Harding 1987) The export of communism in the region took the back seat in new scheme of things under Deng. It was during the same time China started the Open Door Policy to its neighbours. It addressed the twin goals of Economic development of China and Political opening up with the neighbours, in order to show their benign intentions. The relations began to change between China and the countries of the region. During this period China established its relations with Malaysia (1974), Philippines and Thailand (1975).The lead role played by China in opposing Vietnam's



adventurism in Cambodia in 1978/79 and its opposition in the expansion of communism both by Vietnam and the erstwhile Soviet Union brought the China closer to the region.(Murphy and Welsh 2008)

The 1980s saw the consolidation of these developments as ASEAN as a group developed strategic cooperation with China to oppose Vietnam's adventurism in Indochina. China's constructive role in handling the Cambodian crisis was appreciated by its southern neighbours. By late 1980s the Chinese support to communist movements in its neighbourhood had virtually ended and countries of the region did notice it. So one can safely say that at the eve of the end of Cold war China was partially successful in dissipating the fear and suspicion about her intentions in the eyes of the countries of Southeast Asia.

Two Defining Moments

Post Cold war two incidents are worth mentioning apart, from end of Cambodian Crisis and Chinese endorsement to participation in multilateral forums, which were instrumental in cementing the ties of Southeast Asia and China. First one is the Tiananmen Square incident of 1989. It was watershed in defining Chinese future policies towards Southeast Asian countries. This political crisis triggered the diplomatic isolation of China. It was the time when China in order to negate the effects of isolation and promote a new image and cordial relationship started to engage itself vigorously with the region under the policy called "*mu lin youhao*" (friendly and good neighbourly policy). Countries of the region responded positively. Result was the establishment of diplomatic relations with Indonesia and Singapore in 1990 and by 1991 Southeast Asia normalised its relations with China.

Second being the Asian Financial crisis. The 1997-98 financial crisis represented a defining moment in Southeast Asia's relations with China. China's decision not to devalue the renminbi and its willingness to keep that promise despite incentives to devalue was very well received among the countries of the region. China's readiness to assist affected ASEAN economies contrasted well with actions of the United States and Japan, which were perceived as doing little.

One can find the difference by looking at the number of visits the Southeast Asian and Chinese officials have paid to each other since the late 1980s and early 1990s.

Early Political Visits

The exchange of visits of high-level officials is the most significant indicator of closeness among nations. The more frequent the visits of high-level officials between two countries, the better the relations between the two. Nothing can best substantiate this fact than the relationship under consideration. Due to its strained with China in the 1960s and 1970s, Southeast Asian Countries rarely dispatched high-level delegations to China. Relations started to improve in late 1980s, however. Between 1988 and the mid-1990s, cabinet ministers from Southeast Asian and China were the key actors in the exchange of high level visits, whereas heads of states from both sides started regular exchanges of visits with the outbreak of the Asian financial crisis.

The most significant exchange of visits was of cabinet ministers responsible for trade affairs between China and Malaysia in 1988. Then, both countries signed an Investment Protection Agreement and an Agreement for the Establishment of a Sino- Malaysian Joint Economic and Trade Committee. Malaysia's Minister of Trade and Industry, Datuk Seri Paduka Rafidah Aziz, visited China again in 1989, and so did Tan Sri Wee Bon Pin, chairman of the Malaysian Chinese Chambers of Commerce in 1989. Two years later in 1991, China and Malaysia started the first Joint Committee on Trade and Economic Cooperation. Malaysia's relations with China were further upgraded when Prime Minister Dr. Mahathir Mohamad led a large delegation to China in 1993.

Thailand and China also exchanged diplomatic recognition in the mid-1970s, but they did not increase the frequency of the exchange of visits of cabinet ministers until the late 1980s. In addition to the exchange of the visit of a trade group between the two countries in 1988, Thailand's Deputy Minister of Foreign Affairs Lt. Prapas Limpabandhu, in February 1989, led a delegation to visit China and co-chaired the Fourth Session of the Sino- Thai Joint Committee on Economic Cooperation with his Chinese counterpart, Li Xuejian. Both officials signed a trade protocol between the two countries. Thailand's relations with China further improved thereafter thanks to more frequent exchanges of

visits among high-level officials, including Chinese Premier Li Peng's visit in 1990, China's President Yang Shanquan's visit in June 1991, and Thai Deputy Prime Minister Amnuay Viranvan's visit to China in March 1996.

Regarding Philippines's relations with the China, the most significant visit was that of former president Corazon Aquino in April 1988, the first one after the "people power" revolution in February 1986. This was also the first head of government from Southeast Asia to visit China after Singapore's Prime Minister Lee Kuan Yew's visits to China in the 1970s. Although Mrs. Aquino's visit to Beijing was oriented toward economics through the signing of two agreements (the Sino-Philippines Trade Protocol 1988 and the Memorandum of Understanding on Trade), both countries greatly improved their political relations. President Fidel Ramos, Mrs. Aquino's successor, also paid a state visit to China in early 1993, and later in November 1996, China's President Jiang Zemin visited the Philippines, attending an informal summit of the Asia-Pacific Economic Cooperation (APEC) forum. It should be noted that the Philippines was the first Southeast Asian country to establish a joint meeting on bilateral economic cooperation with China. The joint meeting started in the late 1970s and was directed by the ministers responsible for trade affairs in both countries.

The year 1990 showed a leap in Indonesia's relations with China when the two countries restored their full diplomatic relations in August 1990. Chinese Premier Li Peng paid a state visit to five Southeast Asian countries in August 1990—Indonesia, Singapore, Thailand, Malaysia, and the Philippines. In return, President Suharto of Indonesia led a large delegation to visit China in November 1990, the first time that the leader of the Muslim state had paid a state visit to China since the abortive communist coup in 1965. Both governments signed a Memorandum of Understanding on the Establishment of the Sino-Indonesian Joint Committee on Economic, Trade, Scientific and Technological Cooperation. The year 1991 was also significant for both Indonesia and China, because the two governments dispatched more than ten cabinet ministers to the other country. Also, Indonesia and China began the first Joint Committee on Trade and Economic Cooperation in 1991, laying a foundation for further economic cooperation between the two giants in Asia.

Singapore's relations with China have been further strengthened since 1990, not only because of the already close political and economic relations between the two parties, but also because of the diplomatic exchanges of these two countries in October 1990. In 1991, Singapore dispatched three high-level delegations to visit China, including Lee Hsien Loong (then Deputy Prime Minister and Minister of Trade and Industry) in May, and Mah Bow Tan (then State Minister of Ministry of Trade and Industry) and President Wee Kim Wee in September. In particular, the Singapore government in 1991 relaxed restrictions on the establishment of Chinese economic and trade organizations in Singapore and allowed China to establish solely Chinese-funded enterprises in Singapore, widening the political and economic relationship between the two Chinese-oriented countries. Frequent visits of high-level officials between these two countries continued thereafter, including Chinese President Yang Shangkun's visit to Singapore in January 1992, Singapore Prime Minister Goh Chok Tong's visit to China in early 1993, and Senior Minister Lee Kuan Yew's visit to China in October 1994.(Ku 2006)

Some Recent Visits of Heads of State

While ministerial officials kept exchanging visits, Southeast Asia and China began to have more frequent visits of heads of state at the turn of the century, demonstrating a closer political partnership between the two sides.

Taking the Vietnam China relationship as an example, most Chinese leaders have visited Vietnam since 1997, and some of them even visited the communist party-led socialist neighbor more than once. Former President Jiang Zemin, for example, paid a visit to Vietnam in February 2002, while Premier Zhu Rongji visited Vietnam in December 1999. Before becoming China's president, Hu Jintao (then vice president) visited Vietnam twice in December 1998 and in April 2000. After assuming China's top leadership post in March 2003, Hu paid his first state visit to Vietnam on November 1, 2005. During his two-day visit to Vietnam, Hu not only met his Vietnamese counterpart but also was invited to make a speech before Vietnam's National Assembly. As for Vietnam, almost all of its leaders have visited China since 1998, including Prime Minister Phan Van Khai in October 1998, in February 2000, in May 2004, and in June 2005; the former secretary general of the Communist Party of Vietnam, Le Kha Phiew, in

February 1999; and State President Tran Duc Luong in December 2000 and in July 2005. Nong Duc Manh, the then current Secretary General of the Communist Party of Vietnam, visited China twice (in November 2001 and April 2003) after taking the highest post in Vietnam.

The leaders of the Philippines have also visited China since the downfall of Ferdinand Marcos in February 1986, including Corazon Aquino in April 1988, Fidel Ramos in April 1993, and Joseph Estrada in May 2000. Mrs. Gloria Macapagal-Arroyo, the incumbent president of the Philippines, visited China twice in October 2001 and in September 2004, after becoming the head of state. Similarly, most Chinese leaders have also visited the Philippines during the past decade, including Jiang Zemin in 1996, Zhu Rongji in November 1999, Li Peng (then Chairman of the Standing Committee of the National People's Congress) in September 2002, and Wu Bangguo (Chairman of the Standing Committee of the National People's Congress) in August 2003. Hu Jintao also paid a state visit to the Philippines in April 2005 after becoming the top leader in China.

Singapore too sent officials to China. When Goh Chok Tong was serving as Singapore's prime minister, he visited China six times (in 1992, 1993, 1995, 1998, 2000, and 2003). After Lee Hsien Loong was sworn in to the highest post in the Singapore government in August 2004, he met Chinese leaders three times on different official occasions before making his first official visit to the PRC in October 2005. Minister Mentor Lee Kuan Yew has also visited China more than twenty times (including official visits and conference visits) since resigning from the post of prime minister in November 1990. A number of Chinese leaders have also been invited to visit Singapore in the last decade, including Li Peng in 1997, Zhu Rongji in 1999 and 2001, Hu Jintao (then vice president) in April 2002, and Vice Premier Wu Yi in September 2005.

Indonesia restored full diplomatic relations with China only in late 1990, but all of its leaders were invited to visit China after the downfall of Suharto in May 1998. These included former President Wahid in December 1999 and former President Megawathi Sukarnoputri in March 2002. Susilo Bambang Yudhoyono, the current president, was also invited to visit China in July 2005, after becoming the head of state in October 2004. Chinese leader Hu Jintao actually had met President Yudhoyono earlier during the APEC

informal summit in San Diego in November 2004. Similarly, Indonesia has also invited Chinese leaders to visit the Muslim state, including Zhu Rongji in November 2001, Li Peng in September 2002, and Premier Wen Jiabao in January 2005. Hu Jintao was specifically invited to visit Jakarta, attending the celebration of the fiftieth anniversary of the Asia-Africa Summit in April 2005.

Thailand has frequently invited Chinese leaders since the outbreak of the Asian financial crisis, including Jiang Zemin in 1999 and Zhu Rongji in 2001. Hu Jintao also visited Thailand twice in 2000 as vice president, and in October 2003 as president. Similarly, most of Thailand's prime ministers have also been invited to visit China in the last decade, including Prime Minister Thaksin Shinawatra in August 2001, in June 2004, and in July 2005 for the celebrations of the thirtieth anniversary of establishing full diplomatic relations between the two countries. In late November 2005, Thailand's Deputy Prime Minister Surakiart Sathirathai paid a visit to China for the Sino-Thai Joint Committee on Economic Cooperation and Development. In addition, members of Thailand's royal family have also visited China in the last decade, strengthening bilateral relations between the two countries.

Malaysia and China too have sent their leaders to each other countries to bolster the relationship. Former Prime Minister Dr. Mahathir Mohamad was invited to visit China several times before he stepped down in October 2003, and Dato'Seri Abdullah Ahmad Badawi, the earlier prime minister of Malaysia, was also invited to visit China in May 2004 to celebrate the thirtieth anniversary of establishing full diplomatic relations of the two countries. Chinese leaders, by the same token, have also frequently visited Malaysia, including former premiers Li Peng and Zhu Rongji (in 1997 and in 1999, respectively), and then vice president Hu Jintao in 2002. More recently, Chinese Premier Wen Jiabao paid an official visit to Malaysia on December 11, 2005 for the Ninth ASEAN-China Summit, the Ninth ASEAN Plus Three Summit (i.e., China, Japan and South Korea), and the first East Asia Summit (EAS) in Kualalumpur

As for Cambodia, Laos, Burma, and Brunei's relations with China are concerned, the exchange of visits among top leaders has also been frequent in the last decade, showing a closer relationship between these countries and China. For instance, Cambodia's Prime

Minister Hong Sen, Burma's Prime Minister General Soe Win, and Laos' Vice President Chou Ali Saignason paid visits to China for the Second ASEAN-China Fair in Guangxi on October 19, 2005. With four parts (individual countries, product exhibition, investment cooperation, and tourism), the theme of this Second ASEAN-China Fair was the promotion of free trade areas between the two parties, an event that attracted more than 2,100 enterprises.

The above mentioned visits clearly demonstrate that as far as political relations are concerned the Cold war phase has been left far behind and there is no looking back.

Apart from these visits the relationship between Southeast Asian Countries and China matured with the formation of ASEAN driven mechanisms were both the parties promised to cooperate with each other. (ibid)

PRESENT STATUS OF COOPERATION IN THE EXISTING REGIONAL FORA

ASEAN +1

The mechanism was formed in the wake of Asian financial crisis in 1997. Its an exclusive ASEAN China grouping.

The cooperation within this framework covers a wide range of areas including agriculture, telecommunication, Mekong sub-regional cooperation, human resources and non-traditional security issues. To further deepen the cooperation between ASEAN and China, the following priorities have now been placed on the agenda.

Establishing the ASEAN China Free Trade Area (ACFTA)

The idea of forming the ACFTA was first put forward by Chinese leaders in 1999. One year later, the two sides formed an expert group on economic cooperation. The expert group had an extensive study on this initiative for almost one year. In 2001, both ASEAN and China came to an agreement on establishing the FTA (Free Trade Area) by 2010, while the Framework Agreement on ASEAN China Comprehensive Economic Cooperation was signed in November 2002. Thus the two sides will activate the process

of establishing the ACFTA. The to-be established ACFTA will be a win-win situation for both ASEAN and China (Glosny 2006). It is estimated that this FTA will become the third largest market in the world with a population of 1.7 billion, a GDP of US\$2 trillion, and two-way trade of US\$1.23 trillion. (Chew *et al* 2005). It is recognised that accelerated efforts towards the CAFTA will serve the common interests of ASEAN and China, for the earlier the agreement is in place, the sooner China will open its market to ASEAN, and the two sides can benefit from it. It will not only forge closer ASEAN-China economic cooperation, but also help the development of overall East Asia cooperation. The two sides are committed to the success of their negotiations - and China has assured ASEAN that ASEAN will gain more than China.

Measures for Cooperation in Priority Areas

ASEAN Secretariat and the Ministry of Agriculture of China signed the Memorandum of Understanding on Agricultural Cooperation, which was approved at the China-ASEAN Agricultural Ministers' Meeting in 2002. At the same time, the then Chinese Premier Zhu Rongji suggested at 10+1 Summit in November 2002, that the IT Ministers' Meeting was established and a memorandum on mid- and long-term IT cooperation had been reached. Zhu also announced on the same occasion that China would provide training for 500 ASEAN IT professionals in the next five years.

Joint Efforts for the Comprehensive Development of the Mekong River Basin

The development of the Mekong sub-region is not only a key cooperation area between ASEAN and China, but also an important element in the ASEAN integration process. As far as it is understood, ASEAN has designated infrastructure, human resources development, information and communication technologies and regional economic integration as the four priorities of the Initiative of ASEAN Integration (Johnston 1999). Therefore, it is necessary for China to support the ASEAN integration processing centering on these four fields. So far, China has published the Country Report on China's Participation in GMS Cooperation, which defines its plans and key projects for participation in the GMS programme. Laos has also signed a framework agreement with China on providing US\$30 million in interest-free loans and grants to improve the road in

Laos as part of the Kunming-Bangkok Road. China has also promised to make funds available for the comprehensive renovation and construction of the Kunming-Hekou Railway in support of an early connection of the Pan-Asian Railway. Cambodia, Laos and Myanmar have exchanged letters with China to provide Zero Tariff Treatment for the majority of their exports to China. China is willing to positively consider sponsoring the Inland Waterway Improvement Project in CLMV countries (Cambodia, Laos, Myanmar, Vietnam) and other projects with funds from the China-ASEAN Cooperation Fund.

More Pragmatic ASEAN+3

The 10+3 has become the main channel of East Asian cooperation. The Malaysian Prime Minister, Dr Mahathir Mohammad initiated this idea in 1990. Five years later, it was endorsed by the ASEAN Summit in Bangkok. In 1997, the first 10+3 Informal Summit was held in Kuala Lumpur in the aftermath of the Asian financial crisis. This event thus formally activated the 10+3 cooperation process in East Asia. Ever since then, heads of States and Governments of the 10+3 countries meet together each year to discuss issues of common interest. At its inception, the 10+3 cooperation focused on economic issues with financial cooperation as the starter. (Nesadurai 2008)

In 1999, the third 10+3 Informal Summit issued a Joint ASEAN— China Cooperation Statement on East Asia Cooperation, which identified its future direction and eight key areas of cooperation, ranging from economic, social, and political to the security field. The Final Report of the East Asia Study Group has now mapped out the future of the 10+3 cooperation. The Initiative for Development in East Asia (IDEA) Ministerial Meeting held in Tokyo in August 2002 promoted the 10+3 cooperation in the development field. Over the past six years, the 10+3 cooperation mechanism is more mature and pragmatic, and is continuously promoting the peace and development of the region.

First, economic and financial cooperation has deepened. Economic development is the primary task for all countries in East Asia. Therefore, the 10+3 cooperation has and shall continue to take economic and financial cooperation as its priority. Thailand, Japan, ROK

and Malaysia have signed agreements on Bilateral Currency Swap Arrangements with China and these countries will continue to hold consultations with China in this regard . China also organised the first round of four training courses for the 10+3 financial and central bank officials, and will host another round in the future. At the same time, as a concrete measure of supporting the ASEAN integration process, China has decided to exempt Vietnam, Laos, Cambodia and Myanmar from part or all of their debts to China that have matured.

Second, the cooperation mechanism has been strengthened. Six ministerial meeting mechanisms have been established, covering the areas of foreign affairs, finance, economy and trade, agriculture and forestry, labour as well as tourism, which have greatly promoted cooperation in these respective fields. Now ASEAN has proposed a 10+3 Environmental Ministers' Meeting to be held, and China is very supportive of the suggestion. At the same time, China proposes to establish a 10+3 working-level mechanism for Customs Cooperation. In October 2002, the first 10+3 Director General's Meeting was held in Seoul to discuss the concrete measures for cooperation.

Third, consensus on cooperation in political and security fields, and the desire for the promotion of people-to-people friendly exchanges among the 10+3 countries, are increasing. China has proposed that the 10+3 Ministerial Meeting on Combating Transnational Crimes be held. It has won full support from all ASEAN Countries. Meanwhile, further participation of social circles of 10+3 countries will render greater vitality to the 10+3 cooperation. Taking this into consideration, China hosted the East Asian Mayor's Forum in Kunming, Yunnan Province in the first half of 2002.

The ARF Process

The ASEAN Regional Forum was launched by ASEAN in the post-Cold-War mid-90s. It now consists of twenty seven participants, which includes not only the least developed countries, but also the most developed country in the world. It includes the ten ASEAN countries, China, DPRK, ROK, Japan, Mongolia, India, Russia, USA, Canada, Australia, New Zealand, Papua New Guinea and the European Union. It was agreed at the Second ARF Ministerial Meeting that the ARF process should be evolutionary, taking place in

three broad stages, namely: the promotion of confidence building (CBMs); development of preventive diplomacy (PD); and elaboration of approaches to conflicts. (Rolls 1994) It has evolved into a most significant forum for security dialogue in the region. The ARF has been a very open forum within which ASEAN, China and other countries can sit face to face for dialogue and cooperation. It is in this forum that ASEAN and China have gradually decreased their suspicion and apprehensions and built confidence and mutual trust that have paved the way for them to form the 10+1 and 10+3 cooperation mechanisms. Ever since its formation, the two sides have worked closely with each other helping the ARF process move forward smoothly. A few years ago, some people used to grumble that the ARF had been a “talkshop”(Katsumata 2006). However, this has been changing since early decade of 2000. There has been more consensus in the ARF. More and more ARF participants believe that the ARF has played an important role in the process of maintaining peace and stability in the region. This has been particularly true after the 9/11 incident. There has been great anticipation that the ARF should play an even bigger role in the future. For more than one decade, thanks to the joint efforts of all participants, the ARF has kept moving forward in conducting dialogue and cooperation and achieved concrete results. First, the ARF made useful exploratory endeavours in increasing mutual understanding and confidence among its participants, and stepping up regional security dialogue and cooperation. It has implemented nearly 80 CBMs projects, discussing issues of disaster relief, peacekeeping, national defence and security policy, preventive diplomacy, transnational crimes and anti-terrorism measures. It is now more focused on the issues that have potentially the greatest impact on regional security. It issued the Chairman Statement of Fighting against Terrorism and the ARF Statement on Measure against Terrorist Financing. To date, China has also hosted seven ARF projects. Second, the 8th ARF Ministerial Meeting adopted three papers: the ARF Concept and Principles of Preventive Diplomacy; Enhanced Role of the ARF Chair; and the Terms of Reference for the ARF Experts/Eminent Persons. In July 2002, the ARF Ministerial Meeting adopted Stocktaking of the ARF Process, which decided to: (1) form a new Inter-sessional Group Meeting on International Terrorism and Transnational Crimes; (2) widen the engagement and involvement of security and defence officials; and (3) assign the ASEAN Secretariat to assist the ARF Chairman in coordinating the ARF work. It is

believed that these will give new impetus to the ARF's future development. Third, a set of effective modalities and principles have taken shape in the ARF, such as adopting decisions by consensus, making gradual progress, moving at a pace comfortable to all, and not to interfere in each other's internal affairs. These principles and modalities will not only guide future progress of the ARF, but also serve as reference for other regional organisations. Fourth, the ARF has provided a venue and platform for its members to have bilateral meetings, in particular for those who have no diplomatic relations or meet with difficulties. When the DPRK joined the ARF in 2000, bilateral meetings between foreign ministers of the DPRK and the United States and Japan during the 7th ARF Ministerial Meeting drew world attention. As the ARF is open to new members who impact on the region's peace and security, it will continue to help those members, who have bilateral problems, to make full use of this multilateral platform. Khai(2001)

East Asia Summit: Challenge or Opportunity for the Relationship

On 14 December 2005, heads of government of the ten-member Association of Southeast Asian Nations (ASEAN) met in Kuala Lumpur with counterparts from Northeast Asia (China, Japan and South Korea) as well as Australia, India and New Zealand, in a much-trumpeted inaugural 'East Asia Summit' (EAS). Convened by ASEAN, the meeting's participants represented countries with roughly one-half the world's population and that account for one-fifth of its trade; the region is also the locus of key security problems that have global ramifications.

ASEAN sees its initiative primarily as a means of expediting economic integration in the wider region to its members' benefit, while mitigating great power tensions in East Asia. But the summit's formulation was enigmatic: its more precise aims, how it might differentiate itself from existing regional forums, and whether it might significantly assist the creation of a pan regional community – all this remained unclear. Despite the anticipation that followed its announcement in November 2004 by Malaysian Prime Minister Abdullah Badawi (who became ASEAN chairman during 2005), and while convening this collection of leaders was a substantial achievement for ASEAN, the summit itself was anti-climactic and lacking in substance. It has, moreover, highlighted important divergences of opinion within the region over the proper composition and role

of an East Asian community, even though establishing such a community is widely seen as desirable.

Below are some of the issues which have generated a debate and a bit of confusion about the Summit

Membership Issues

During the year after November 2004, the question regarding the EAS that claimed most attention concerned not the summit's agenda or objectives, but rather its membership. As far back as 1990, Malaysia's then-prime minister, Mahathir Mohamed, proposed an East Asian Economic Grouping comprising nine Southeast Asian states together with China, Japan and South Korea. Its aim was to provide a counterweight to European and North American trade blocs in the event of global free-trade talks collapsing. Fearing for its regional influence, the United States staunchly opposed this proposal. Although in 1993 ASEAN endorsed a diluted variant of the scheme, called the East Asian Economic Caucus, Washington and its main regional allies – Japan and South Korea – continued to oppose the idea of an 'Asians-only' regional grouping. Instead, they backed the more inclusive APEC forum, which counted Australia, Canada, Chile, Mexico, New Zealand, Papua New Guinea, Peru, Russia and Taiwan, as well as the United States, amongst its members. Since its inauguration in 1994, the US has also participated in the security-oriented ARF. The 1997 regional financial crisis, during which some East Asian governments felt they had been abandoned by the West and US, dominated international financial institutions, helped to crystallise a sense of regional identity. At the same time, China and Japan were seeking to intensify their bilateral dialogues with ASEAN members. In consequence, the annual ASEAN plus Three (APT) dialogues between the ASEAN states and China, Japan and South Korea were elevated to summit level. In 2001, an East Asian Vision Group established under APT auspices suggested the long-term goal of establishing an East Asian Community. Amongst other way stations, the group suggested that APT should evolve into an East Asia Summit. Given the great diversity of East Asian states, in terms of their size and power, and the frictions between them, establishing any sort of effective pan regional community would be a hugely ambitious

task. APT's East Asia Study Group, reporting in 2002, nevertheless endorsed the idea that APT should develop into an East Asia Summit while stressing the need not to exceed APT members' political 'comfort levels' and de-emphasising the goal of a regional community. Despite Badawi's 2004 announcement that the first EAS would be held a year later, the absence of a regional consensus regarding the membership of the summit became clear during 2005. Beijing – anxious to entrench its influence over and even dominance of this regional forum from the outset – wished to restrict participants to Southeast and Northeast Asian states (that is, the existing APT members). But Tokyo favoured a more all-encompassing grouping in which China's power and influence would implicitly be balanced by the presence of extra-regional stakeholders, most importantly the United States. While some Southeast Asian governments – notably Singapore – took the same line behind the scenes, in April 2005 ASEAN set three conditions for participation: as well as being full ASEAN dialogue partners and having 'substantive' relations with ASEAN, potential summit members were required to be signatories to ASEAN's Treaty of Amity and Cooperation (TAC), which is designed to promote peace and stability in Southeast Asia and to provide a procedure (which has never been activated) for peaceful dispute settlement. (Zhao 2007) A similar condition was not imposed for membership of the region's primary official security grouping, the ARF. Despite the fact that the TAC is a political rather than a legal document, the American administrations have apparently seen its requirement that signatories renounce the threat or use of force in Southeast Asia as potentially conflicting with their doctrinal commitment, in extremis, to pre-emptive military operations against terrorists. Alone amongst the significant extra regional players in Southeast Asia, the United States continued to avoid signing the TAC and has thus failed to qualify for EAS membership during that period. Notwithstanding US concerns over the possible constraints imposed by the TAC, this suggests that Washington may have purposely chosen to exclude itself from the summit, being unsure of its potential utility and whether it will merely duplicate the work of the Asian groupings in which the United States is already involved: APEC in the economic sphere, and the ARF for security.

Substance Lacking

In advance of the summit, Singapore's Institute of Defence and Strategic Studies, a think tank, proposed a 30- point agenda for the summit, aimed at providing a framework for substantive discussions and encouraging EAS members to engage in region-wide functional cooperation. In the short-term, cooperation on terrorism, maritime security and 'health security' was proposed, to be followed by medium- to long-term collaboration on economics (especially the creation of an East Asian Free Trade Area), energy, human security, transnational crime and the proliferation of weapons of mass destruction. The key problem with this comprehensive agenda – which covered just about every issue theoretically amenable to regional cooperation, short of European-style economic integration and sovereignty pooling – was that other multilateral bodies in the region were already dealing with many of the issues listed. Regional states are also aware that unwieldy pan regional bodies are often not the most effective channel for economic and security cooperation; the policy output from such bodies tends to be based on lowest common denominators. This is most obvious in the area of counterterrorism cooperation, in which effective intelligence exchange depends on a high degree of trust between collaborating states (often this can only be established bilaterally).

Even after the first EAS meeting, it remained unclear where the new summit might add value to other regional dialogues' efforts.(Malik 2006) Abdullah Badawi, the Malaysian chairman, summed up the three hour-long first meeting on 14 December in the blandest conceivable

terms, citing the participants' 'productive exchange of views on regional and international political and economic issues' and their agreement that it was in their common interest that 'peace, stability and prosperity' should prevail in the region. Although the summit did issue a separate declaration on preventing, controlling and responding to the threat of avian influenza, the absence of substantive discussion was confirmed by the 'motherhood-andapple- pie' language of the Kuala Lumpur Declaration on the East Asia Summit, which said little of importance beyond confirming that ASEAN would continue to be the summit's driving force and membership gatekeeper, and that in

future the summit would be convened 'regularly' (not necessarily annually). But there was no indication of when the next meeting would be held.

What Sort of Community?

A large part of the original rationale for bringing together leaders from across East Asia was to lay the foundations for an institutionalised, pan-regional community with both economic and security dimensions. The precise ambit of such a community, let alone its modus operandi, are still undefined. As with the EAS, greater attention has focused on the community's potential membership. While India and Japan have continued to favour using the EAS, with its wider membership, as the basis for a community, it was clear that once the summit's membership had diversified to include non-East Asian states, China could only accept the more exclusive APT as the basis for a regional community. This Chinese prescription, based essentially on power-political reasoning, finds some sympathy in Southeast Asia, where alienation from Western foreign and security policy, and a hubristic sense of regional identity, have strengthened in some capitals since 2001. While the Kuala Lumpur Declaration at the end of the summit failed to indicate what part, if any, the EAS might play in establishing the regional community, informal remarks by the summit chairman indicated that he did not see Australia, India and New Zealand as future members of it. Nevertheless, in practical terms these three states are increasingly integrating with East Asia and possess in Japan a major East Asian ally. Their aim will be to join a regional community primarily concerned with facilitating trade and investment, and like Japan they will not want to be part of any grouping that China might attempt to use as a vehicle for regional domination. A larger question concerns the extent to which an East Asian community, whether its membership were inclusive or exclusive, might be able to achieve significant consensus on economic and security issues given the fundamental rivalries that exist amongst combinations of major players such as China and Japan, and China and India. It seems unlikely that contention over the putative regional community's extent and role will be settled easily or soon. And it is still an open question whether or not the EAS initiative will play a useful role in building this community.

Conclusion

Southeast Asia's political relations in the post cold war era with China have blossomed and the above mentioned experiences between them are a testimony of this fact. The East Asia Summit in 2005 has provided the region and China yet another opportunity to take the relationship to a higher level. There is no doubt that there is a lot of confusion regarding the future trajectory of this summit. But the silver lining is the fact that at least an attempt has been made to make an Asian Community which does omen good for Southeast Asia China relations. It would provide yet another platform for these actors to carry on their cooperative agenda forward and make the peace more enduring in the region through the plethora of political mechanisms evolved by ASEAN and China. This would suite the interests of both Southeast Asia and China and this precisely is the need of the hour too.

Chapter III

Southeast Asia's Economic Relations with China: Integration versus Competition?

Introduction

Countries of Southeast Asia states (ASEAN) seem to have moved on from a period where China was discussed more frequently as a threat into one where China appears more associated with economic opportunities. Nothing could best describe it than the 2002 agreement with China. In November 2002 ASEAN and China signed a framework agreement – the ASEAN–China Comprehensive Economic Cooperation Agreement – for establishing a free trade area (ACFTA). It was proposed that most products would carry zero tariffs for Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand by 2010 and by 2015 for the newer ASEAN members (Cambodia, Laos, Myanmar, and Vietnam). In 2004 ASEAN and China signed the Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation and a Dispute Settlement Mechanism. Accordingly, tariffs were cut for approximately 7,000 categories of industrial goods beginning in July 2005. An “early harvest” provision enabled an early tariff reduction in particular products, providing ASEAN states with early access to China’s market as well as lower tariffs for Chinese agricultural items including meat, fish, fruits, vegetables, and milk. The “early harvest” program required separate bilateral agreements between ASEAN members and China. These developments are highly significant for various reasons.

First, it stands in sharp contrast to the ASEAN’s relations with China in the cold war era. This goes on to show that in post cold war era ASEAN countries relations with China have changed for sure.

Second the successful implementation of the proposed FTA could lead to one of the largest FTAs worldwide – the third largest market after the EU and NAFTA – with a total population of 1.7 billion, a combined GNP of \$2 trillion, and an estimated total trade volume of \$1.2 trillion. (ASEAN Statistical Book 2004)

Third, this was ASEAN's first FTA with an external partner, signaling the importance of China to ASEAN's political and economic predicaments and opportunities.

Finally, these developments were both influenced by – and are expected to have profound effects on – a wider set of political relations between ASEAN states and China as well as among East Asian states more generally.

The opportunities are provided not only in the economic arena but also by ASEAN's view that China's new economic and strategic stature also enables ASEAN to enhance its role in regional politics.

The chapter begins with an analysis of trade and FDI flows between ASEAN and China is examined. The subsequent section is devoted to the Issues and Challenges of these economic relations. The concluding section sums up the underlying questions elicited by the quick pace of events in this region and examines future ASEAN and China relations.

ASEAN-China Economic Exchange: A Profile

This section examines the evolution of ASEAN China economic exchanges, particularly after the Cold War. It begins with an overview of trade between ASEAN states as a whole on the one hand, and China on the other. An analysis of bilateral trade relationships between individual ASEAN states and China is taken. Next investment patterns, beginning with the respective shares of global FDI captured by China and ASEAN respectively, is taken up followed by an outline of bilateral investments between ASEAN (both as a collective and by individual states) and China.

Trade

ASEAN's largest trade partner is the United States, followed by the European Union, both with bilateral trade flows of over \$100 billion. Since 2000 China has become ASEAN's sixth largest trading partner, whereas ASEAN has become China's fifth largest trading partner. ASEAN-China bilateral trade has increased by about 20 percent annually since 1990, reaching \$78.2 billion in 2003 \$100 billions in 2004 and reached \$130

billions in 2005. Although bilateral trade dipped by over 5 percent immediately following the 1997–98 Asian financial crisis, subsequent levels reached an astonishing growth of over 45 percent in 2000 and nearly 43 percent in 2003. Total trade for 2003 was 90 times that of 1978. ASEAN countries represented about 6 percent of China's total trade in 1990, growing to over 9 percent in 2005. Far more significant has been China's share of ASEAN's total trade, which nearly tripled to 9 percent in 2005. ASEAN's exports to China increased more than tenfold since 1990. Imports from ASEAN grew steadily, particularly after 2000. Between 1990 and 2005 China's imports accounted for by ASEAN nearly doubled from 5.8 to 11.4 percent of China's total imports. These included mainly crude and liquefied petroleum gas, vegetable oil and other raw materials, and electronics. China's exports to ASEAN – mainly electronic and machinery products, textiles and garments, and processed oil and cereals – increased from over \$4 billion in 1990 to nearly \$31 billion in this period. (Ravenhill 2006)

This was a remarkable expansion into ASEAN, nearly trebling China's share of ASEAN imports from 2.5 percent in 1990 to almost 8 percent. At the same time, exports to ASEAN remained at about 8 percent of China's growing total exports. Instead, ASEAN's exports to China were only 2 percent of ASEAN's total exports in 1990 but over 10 percent in 2003. Clearly ASEAN was becoming far more dependent on exports to China than vice versa. The trade balance began favoring ASEAN in the aftermath of the Asian crisis, reaching \$16 billion in 2003. Trade in produce increased by over 40 percent in 2004 and is bound to grow further in the future.

A brief overview of bilateral trade between China and individual ASEAN countries is now in order. Table 2.1 provides an overview of the evolution of trade relations between individual ASEAN states and China between 1990 and 2004.

Total trade between China and Thailand grew steadily during those years, and even more dramatically after the turn of the century, increasing by 37 percent in 2004. Total trade with China grew from 2.2 percent of Thailand's total trade to over 8 percent, and exports to China trebled to nearly 11 percent of Thailand's total exports. China

became Thailand's third largest export market after the United States and Japan but Thai exports still represented a small fraction of China's total imports. Thailand is China's fourteenth largest trade partner and the third largest among ASEAN states. The architect of this enhanced economic relationship with China was Thailand's former Prime Minister

Table 2.1
ASEAN's Trade with China (in US\$ billions)

Year	Export	Imports	Total
1988	1.53	2.28	3.81
1989	1.62	2.52	4.14
1990	1.26	3.12	4.38
1991	3.82	4.14	7.96
1992	4.20	4.26	8.46
1993	6.00	4.68	10.68
1994	6.83	6.37	13.20
1995	9.73	9.76	19.49
1996	10.69	9.69	20.39
1997	12.33	12.03	24.36
1998	12.56	10.92	23.48

Year	Export	Imports	Total
1999	14.90	12.30	27.2
2000	22.18	17.34	39.52
2001	23.23	18.38	41.61
2002	31.20	23.56	54.76
2003	47.33	30.92	78.25
2004	62.97	42.90	105.9

Sources: Almanac of China's Foreign Economic and Trade Relations (Beijing: China Foreign Economic Relations and Trade Publishing House, various issues)

Thaksin Shinawatra, who assumed power in 2001, favoring exports to China while selectively advancing his own business interests and those of political supporters.

The "early harvest" zero-tariff agreement on fruits was implemented in 2004.

For Thailand, agriculture (particularly tropical fruits) and food processing employing percent of the population are key sectors expected to benefit from ACFTA as are raw materials (coal, crude, rubber, pulp, wood, and paper). Thailand has also exported chemicals used in industry, organic chemicals, fertilizers, electrical appliances and parts, electronic equipment, and automobile parts to China. China's demand has doubled the price of Thai rubber in three years. Thailand also expects enhanced tourism from China, estimating that only one percent of China's population could yield 13 million tourists. Over 800,000 Chinese tourists visited Thailand in 2002. Minister Thanong also foresaw Thailand as an economic hub for trade between China and ASEAN countries, given its location and the role of Chinese- Thai businessmen. Although Thanong stressed that "free

trade [with China] is a win-win situation, not a win-lose one,”(Glosny 2006) some Thai producers are concerned with potential sharp increases in Chinese imports. The latter have included primarily capital goods, raw materials, and some consumer goods, including electrical machines, computers and parts, steel and products, metal ores, electrical appliances, and woven fabrics, but also garlic, carrots, and potatoes. Thailand included 242 “sensitive” products for which tariff rates will be cut to 20 percent by 2012 and another 100 “very sensitive” products for which tariffs will be reduced by 50 percent by 2015, including coffee, tea, certain types of rice, soy oil, palm oil, sugar, raw silk, marble, ceramics, cars, motorcycles, paints, automobile types, steel, compressors, refrigerators, air conditioners, and toys.

The Philippines’ total trade with China grew even more dramatically, with China’s share of the Philippines’ total trade leaping from 1.4 to nearly 13 percent and China’s share of the Philippines total exports rising from 1.1 to over 17 percent. China has become the Philippines’ fifth and fastest-growing trading partner. Against this background, President Arroyo argued that her response to the great debate over whether China’s rise was a threat or an opportunity was unequivocal:

“In our administration, we have made the choice very clearly, we have embraced the opportunity to become China’s strong partner.”(Tongzon 2005) Notwithstanding this impressive growth, the Philippines were last to negotiate an “early harvest” provision, reflecting pressures to protect its agricultural industry. Organized farmers’ groups complained that smuggled Chinese goods had adversely affected producers of garlic, onion, poultry, sugar, livestock, fruit, vegetable, vegetable oil, potato, and coffee. Only about 30,000 Chinese tourists visited the Philippines in 2000 whereas Singapore attracted nine times that number, and Vietnam and Thailand over 20 times.

Indonesia’s total trade with China increased roughly as much as Thailand’s, raising imports from China as a percent of total Indonesian imports several fold to nearly 14 percent. Indonesia reduced import tariffs on some 600 products as part of the “early harvest” program. At the same time, Indonesia’s economy has more sectors that compete with China than do other ASEAN neighbors and pressures from local producers were felt

here as well. Indonesia listed nearly 400 categories of sensitive and highly sensitive goods to be excluded from ACFTA, including rice, sugar, soybeans, corn, electronics and automobiles, and selected branches of the textile and chemical industries. China is mostly interested in Indonesia's oil and gas, minerals, and forestry products (wood and wood panel, pulp and paper). Chinese tourism has been relatively weak, perhaps reflecting Indonesia's debacles with confessional and secessionist struggles. Only 43,000 Chinese tourists visited Indonesia in 2003 accounting for only 0.9 percent of 4.47 million foreign tourists, possibly a function of lingering ethnic animosities. (Wang 2004)

Bilateral trade between Singapore and China also rose steadily, raising China's profile in Singapore's total trade from 2.5 to over 7 percent, and accounting for much higher shares of total Singaporean exports (over 7 percent in 2003). China became Singapore's second largest trading partner but Singapore's role in China's total trade remained at roughly the same level. Total trade between Malaysia and China rose even more sharply, raising China's role in Malaysia's total trade to nearly 11 percent by 2003. China became a market for over 13 percent of all Malaysian exports, which accounted for 3.3 percent of all China's imports, a higher share than Singapore's (2.5 percent) and Thailand's (2.1 percent).

Bilateral trade between Myanmar and China increased as well but the latter's overall trade dependence on China decreased progressively from a high of 34.6 to 18 percent. China's role as a market for Myanmar's exports also decreased from 23.3 to 6 percent of Myanmar's total exports. Nonetheless Myanmar regards itself as a natural trade bridge between other ASEAN states and China, China and India, and between the Chinese hinterland and Middle East oil. Myanmar's own natural gas potential has attracted Chinese interest. China unilaterally reduced tariffs on over 100 Myanmar products under the "early harvest" program, which covers 596 products, such as live animals, meat, fish and dairy products, vegetables and fruits. Premier Wen Jiabao announced in 2005 that China would expand preferential tariffs to cover a wider range of products from Laos, Cambodia, and Myanmar as of 1 January 2006. China's trade with Cambodia and Laos increased as well but represents lower proportions of the latter's total trade than for

Vietnam and other ASEAN states. About 30,000 Chinese work in Cambodia – a location where China envisages the construction of a facility for its navy that would facilitate access to the Strait of Malacca.(Ku 2006)

Investments

An overview of FDI flows should begin with the evolution and percentages of global FDI captured by ASEAN and China respectively, a source of grave concern among some ASEAN states. Malaysian and particularly Indonesian FDI inflows, for instance, never recovered the pre-1997 crisis levels (as of late 2005), although it is hard to trace that decline to the China factor alone, given their own policies and experiences during and after the crisis. Furthermore, both countries went on to capture progressively lower proportions of total FDI inflows into ASEAN itself. Instead, Singapore has attracted progressively higher shares of the ASEAN total.

In 1980 ASEAN captured over 4 percent of the world's total FDI and China virtually none. In 1985 their shares were comparable, at between 3 and 4 percent. By 1995 China had overtaken ASEAN at about 11 and 8 percent respectively. After the 1997–98 crisis ASEAN was only able to attract an average of 2.5 percent of the world's total in contrast with China's 6.6 percent average since 1998. China has overtaken ASEAN since the mid-1990s in its share of world FDI but after 2000 the gap has grown more markedly, with China attracting about 10 percent of the world FDI as opposed to ASEAN's less than 4 percent. Regarding the relative percentages of all FDI inflows into East Asia (excluding South Asia) captured by China and ASEAN during that period, the contrast is even more apparent, with ASEAN attracting a high of over 60 percent of all FDI inflows into East Asia in 1980 but progressively declining to below 20 percent after 2000. China, instead, attracted less than 40 percent of East Asian FDI inflows in the early 1980s, climbing to over 55 percent by 2002. Bilateral investments between ASEAN and China are relatively low, with ASEAN investments in China far more significant than Chinese investments in Southeast Asia. In 1991, total ASEAN investments in China were only \$90 million, rising to \$4.8 billion in 1998 and \$26.2 billion by 2001, accounting for about 6.6 percent of total FDI inflows into China. Singapore alone was estimated to account for 70 percent of

ASEAN's investment in China, an aggregate of over \$40 billion over time, largely in the manufacturing and service sectors.(Wong and Chan 2003)

Malaysia, Thailand, and Brunei have recently increased their own investments in China. ASEAN's investments in China are larger than the other way around but growing, reaching a cumulative total of less than \$2 billion in 2001 and accounting for 7.7 percent of China's overseas investments. China's yearly FDI flows into ASEAN have accounted for less than 1 percent of ASEAN's total inflows in the last decade (although Hong Kong itself has averaged 2.7 percent). The EU, the United States, Japan, Hong Kong, and South Korea are the largest investors in ASEAN countries. In the last decade FDI flows from the United States have represented about 15 percent of ASEAN's total inflows, Japan's have declined from a high of 20 percent to about 10 percent by 2003, and other ASEAN countries accounted for about 13 percent of total FDI flows since 1995 on average. Malaysia has attracted the highest shares of Chinese investment in Southeast Asia. Chinese investments in Thailand went into textiles, garments, home electrical appliances, machine-building, cigarette, pharmaceutical, trade, and real estate sectors. Chinese investments in Singapore have gone mainly into insurance, banking, finance, shipping, and trade, with Singapore's FTA with the United States and others becoming a more attractive target of Chinese investments. (Frost 2004)

China's investments in the Philippines were mainly in mining and oil exploration. China also provided a \$500 million loan for a railway project in the Philippines and both countries signed an agreement for joint oil and gas exploration in the Spratly islands. China's investments in Indonesia are directed to the oil and the chemical, household electrical appliances, and motorcycle manufacturing sectors. China's National Offshore Oil Corporation (CNOOC) is now the largest offshore oil producer in Indonesia after buying Repsol-YPF facilities. Chinese investments – mostly from state-owned enterprises – have also targeted Cambodia, Myanmar, and Laos. China's state agencies provide commercial credit to Chinese companies investing in Cambodia's garment sector, which accounts for nearly 95 percent of its exports. China became Cambodia's largest investor in 2004. In Laos China won a 30-year concession to develop part of the East-West

corridor connecting Kunming to Bangkok. Chinese investments in Myanmar include timber, energy, and minerals and those in Vietnam target forestry, fishery, agriculture, light industry, aluminum, infrastructure, and tourism. Vietnam and China have also agreed on joint exploration for natural gas in the South China Sea.

Table 2.2

Below is the Country wise trade figure of ASEAN countries with China

	1990	1995	2000	2001	2002	2003
<i>Brunei Darussalam</i>	12.00	34.50	74.37	165.45	262.87	346.00
% of Brunei total trade	0.37	0.54	1.62	3.56	5.20	6.00
% of China total trade	0.01	0.01	0.02	0.03	0.04	0.04
<i>Cambodia</i>	3.19	57.34	223.57	240.47	276.15	321.00
% of Cambodia total Trade	3.26	2.97	8.78	8.74	6.55	6.46
% of China total trade	0.00	0.02	0.05	0.05	0.04	0.04
<i>Indonesia</i>	1249.55	3490.61	7463.84	6735.48	7927.73	10230.00
% of Indonesia total						

	1990	1995	2000	2001	2002	2003
trade	2.62	4.06	7.81	7.72	8.97	10.94
% of China total						
trade	1.07	1.24	1.57	1.32	1.28	1.20
Laos	20.91	54.22	40.84	61.87	63.91	109.00
% of Laos						
Total Trade	9.82	6.02	3.78	5.65	5.67	NA
Total trade	0.02	0.02	0.01	0.01	0.01	0.01
% of China total						
Trade						
Malaysia	1222.23	3346.21	8045.04	9428.85	14270.90	20128.00
% of Malaysia total						
Trade	2.09	2.21	4.46	5.84	8.25	10.72
% of China total						
Trade	1.05	1.19	1.70	1.85	2.30	2.36
Myanmar	372.84	767.40	621.26	631.69	861.77	1078.00
% of Myanmar total						
trade	34.64	21.68	12.38	11.94	15.45	18.06

	1990	1995	2000	2001	2002	2003
% of China total trade	0.32	0.27	0.13	0.12	0.14	0.13
Philippines	295.43	1305.88	3141.72	3567.08	5258.84	9400.00
% of Philippines						
total trade	1.39	2.86	4.52	5.78	7.45	12.75
% of China						
total trade	0.25	0.46	0.66	0.70	0.85	1.10
Singapore	2865.07	6897.92	10820.97	10938.23	14023.18	19353.00
% of Singapore total trade	2.52	2.84	3.97	4.60	5.81	7.11
% of China total trade	2.46	2.45	2.28	2.14	2.26	2.27
Thailand	1240.05	3363.04	6624.22	7216.32	8557.54	12655.00
% of Thailand total trade	2.20	2.57	5.06	5.67	6.41	8.11
% of China total trade	1.06	1.20	1.40	1.41	1.38	1.49
Vietnam	2.54	1053.76	2466.44	2815.30	3264.44	4635.00

	1990	1995	2000	2001	2002	2003
% of Vietnam total trade	0.05	7.54	8.19	9.01	9.14	10.03
% of China Total Trade	0.00	0.37	0.52	0.55	0.53	0.54
ASEAN	7283.80	20370.87	39522.27	41800.74	54767.33	78255.00
% of ASEAN						
Total Trade	2.37	2.98	4.99	5.80	7.22	9.25
% of China Total						
Trade	6.25	7.25	8.33	8.19	8.82	9.19

Table 2.2 Total China–ASEAN trade (1990–2003)

Sources: International Monetary Fund (IMF), *Direction of Trade Statistics* (CD-ROM), Washington, DC: IMF, January 2004; and IMF, *Direction of Trade Statistics Quarterly Report*, Washington, DC: IMF, March 2005.

Note: All values in millions of \$US

To sum up this section, bilateral trade flows between ASEAN and China have increased dramatically in the post cold war, largely in agricultural goods and raw materials, creating a much stronger profile for China as a trading partner to its Southeast Asian neighbors. Brunei, Malaysia, the Philippines, Singapore, Indonesia, and Thailand have all benefited from trade surpluses. ASEAN has become more dependent on exports to China while China continues to seek primary resources from ASEAN countries. (Tongzon 2005) ASEAN can increase not only its food and agricultural exports but also raw

materials, intermediate capital goods, insurance, banking, and other services. According to David Holst and John Weiss(2004) China has already displaced ASEAN exports in US and Japanese markets and competition between China and ASEAN is likely to grow in the short term, although export growth can be accommodated in the longer run if both can arrive at an optimal division of labor. China would then absorb more imports and allow ASEAN economies to sustain their current account surpluses. Chinese sources suggest that, in the aggregate, ASEAN is likely to benefit more from ACFTA because China enjoys fewer advantages in production costs and the Trade in Goods Agreement is more likely to benefit ASEAN producers than Chinese firms. However, others perceive ACFTA to reduce ASEAN's attractiveness to foreign investment and to benefit China's investment and trade in the longer term, except for raw material exports to China. In this view, ASEAN can hardly maintain a competitive advantage in textiles, apparel, footwear, machine manufacturing, and low-end electrical appliances, sectors that have been vital to ASEAN's growth. Furthermore, as Chinese firms build manufacturing plants in ASEAN countries, they are likely to displace local producers of consumer appliances, Malaysian cars, and Singaporean digital technology. ACFTA is thus alleged to have been designed, from China's standpoint, to promote Chinese business activities in the southwest provinces of Sichuan, Yunnan, and Guangxi, as a way of resolving one of the crucial domestic gaps in China cited earlier. A final criticism suggests that too many FTA's between individual ASEAN members and external powers could erode trade liberalization among the ASEAN-10, erecting artificial barriers.(Men 2007) However, in 2004 ASEAN agreed to accelerate AFTA by phasing off tariffs on cars and certain consumer goods. Clearly, beyond the domestic and state-level distributional effects of trade on both sides, whether or not the new ASEAN China relationship is a panacea or a curse hinges on broader considerations.

Integration versus Competition

China's Economic "Threat" to Southeast Asia

A major challenge for ASEAN states in dealing with China is economic. China approach to the Asian economic crisis, especially Beijing refusal to devalue its currency, a move that might have caused additional pressure on Southeast Asian economies, increased its political stock in the region. Beijing was able to project an image of being a "responsible and constructive" regional actor. However China has been seen as an economic threat. Whereas 10 year ago, 80% of total investment in East Asia headed to ASEAN countries and 20% to China, those ratios have reversed. (Robles 2004) Southeast Asian is in danger of being a backwater. If the trend persists, Southeast Asia may be reduced to "the role of supplier of food and raw materials to China in exchange for cheap manufactured goods..." John Tkacik, China expert at the Heritage Foundation argues more colourfully that: "[t]he only way China becomes an economic power is to suck the oxygen out of the rest of the region."(Sparshott 2002) Other studies warn of a hollowing out effect: the competitiveness of the Chinese domestic industry over the same industries most Southeast Asian countries excel in, places the ASEAN in a difficult position. There are lingering concerns that the ASEAN would be subject to a deluge of cheap Chinese farm products and processed food items, while some parts of the region fear an accelerated hollowing out due to the size of the market and the cheap costs base of the China. Finally, leaders of ASEAN countries have themselves fed such apprehensions. Singapore Prime Minister, Goh Chok Tong, has described China economic transformation as "scary", adding: "our biggest challenge is therefore to secure a niche for ourselves as China swamps the world with her high quality but cheaper products." (Acharya 2003) However the economic threat posed by China to ASEAN has been a matter of some debate. Pessimists point out that the economies of ASEAN and China are competitive, not complementary. China cheap labour costs and large market lures foreign investment away from Southeast Asia. In this view, ASEAN has already been losing foreign

investments to China. They point to the sharp decline in foreign direct investments in ASEAN, which fell from \$27 billion in 1997 (before the Asian economic crisis) to \$16 billion in 1999 and \$10 billion in 2000. Total FDI flows to China was US\$3.4 billion in 1990, US\$28 billion in 1993, and US\$44 billion in 1997, and has remained around US\$40 billion since. In comparison, FDI to ASEAN-5 was US\$12.4 billion in 1990, US\$27 billion in 1997 and US\$11.4 billion in 2001. China accounted for 46 percent of Asia total inward FDI in 2001. Some analysts have blamed the drop in FDI in Southeast Asia on China growing attractiveness as an FDI destination. Yet the zero-sum view of China-ASEAN trade and investment has been questioned. FDI flows are a case in point. A report by Singapore Ministry of Trade and Industry casts doubt on the view that ASEAN is losing out to China in attracting foreign direct investment. In its view, China is attracting more FDI than ASEAN because it is the second biggest economy in Asia. Most of the FDI to China comes from the greater China area. While FDI to ASEAN from East Asian countries have declined in relation to China, Western countries (US, EU and Japan) have actually invested more in ASEAN than in China, both before and after the Asian crisis. (Acharya 2003) The decline in FDI to ASEAN-5 – Indonesia, Malaysia, the Philippines, Singapore and Thailand – has been sudden; hence it does not appear linked closely to China growing attractiveness as FDI destination, which has been more gradual. Moreover, foreign investments to both Southeast Asia and China have risen and fallen in tandem. Both ASEAN and China experienced strong FDI growth from 1989 to 1997. During this time, FDI flows to China rose from US\$3.4 billion to US\$44 billion while FDI to the ASEAN-5 – Indonesia, Malaysia, the Philippines, Singapore and Thailand – increased from US\$7.6 billion to US\$27 billion. The report also notes that ASEAN and China both experienced a decline in FDI during the Asian financial crisis and FDI to ASEAN and China grew in tandem again in 2001 (Park 2007). However, the post-crisis decline was more modest and recent recovery more robust in the case of China than ASEAN. Hence, the real cause of the decline of FDI in ASEAN may not so much be the growing attractiveness of China, but the fallout of the Asian economic crisis, which sharply affected investor confidence in Southeast Asia. This is not to deny competition between

China and ASEAN. If China had not opened up to foreign investments, part of the FDI that China had received could potentially have gone to ASEAN, although the extent of this diversion cannot be precisely estimated. More importantly, China entry to the WTO and the concomitant liberalisation of its foreign investment regime will no doubt attract more investment to China. Still, this could be offset by other factors. Since FDI is not a zero-sum game, ASEAN and China can both attract higher levels of investments, as was the case before the Asian crisis. China growth will offer opportunities for a new regional division of labour in which Southeast Asian countries can benefit. China is also viewed as a “regional integrator”. (Acharya 2003) Although China investment to ASEAN does not carry much significance as yet, it can be expected to rise in the future. ASEAN China investments in 2000 amounted to US\$108 million, or a fifth of China US\$551 million total outward FDI, although this is still less than one percent of the total investment flowing to ASEAN. In the meantime, driven by China cheap and surplus labour, large market, geographical proximity, and overseas Chinese capital in Southeast Asia, direct foreign investment from to US\$27 billion. The report also notes that ASEAN and China both experienced a decline in FDI during the Asian financial crisis and FDI to ASEAN and China grew in tandem again in 2001. However, the decline was more modest and recovery more robust in the case of China than ASEAN. This is not to deny competition between ASEAN and China. If China had not opened up to foreign investments, part of the FDI that China had received could potentially have gone to ASEAN, although the extent of this diversion cannot be precisely estimated. More importantly, China’s entry to the WTO and the concomitant liberalisation of its foreign investment regime will no doubt attract more investment to China. Still, this could be offset by other factors.

The optimistic perspective on ASEAN China economic relations holds that rather than considering China as a threat, ASEAN could ride on China as an engine of growth. Trade provides one such opportunity for mutual gain. In this context, the proposal to develop a ASEAN China free trade area assumes significance. The proposal reflects the growing interdependence in ASEAN China economic linkages. But the extent of these economic linkages should not be overestimated. Two-way trade increased from about US\$8.5 billion in 1992 to about US\$130 billion in 2005. But China trade with ASEAN is less

developed than its trade with Northeast Asia. In 2005, China took only 3 per cent of the exports of ASEAN-6, compared to a quarter of Taiwan exports. And in 2005, China was the source of 5 per cent of ASEAN-6 imports, compared to one-fifth of Japan imports. (Lardy 2002) Further promotion of two-way trade for mutual benefit is one of the key factors behind the ASEAN China free trade area concept. ASEAN and China have signed an agreement to create what is billed as the largest free trade zone in the world. The ACFTA would cover a total population of 1.7 billion people and a combined GDP of about US\$2 trillion. The ACFTA aims at reducing and eliminating tariffs by 2010 for China and the ASEAN-6, and by 2015 for Cambodia, Laos, Myanmar and Vietnam. According to some estimates, ACFTA could bolster ASEAN and China GDP by 0.9 per cent and 0.3 per cent respectively. It would also increase ASEAN exports to China by 48 per cent and China exports to ASEAN by 55 per cent. (Yong 2005) Proponents argue that an FTA with China with its large domestic market will create more trade and investment opportunities for ASEAN member states. Since China was first to commit to the reduction of tariff rates on many ASEAN products, ASEAN can lower its tariffs on the goods from China at a later period. Furthermore, a ASEAN China FTA sets a model for similar concessions from future FTAs with Japan, Korea and India. Sceptics note that Beijing has excluded two of Southeast Asia major exports, rice and palm oil from the "early harvest" of tariff reductions; and that the products covered in the "early harvest" scheme amounted to less than 2.1 per cent of total ASEAN China trade. The ASEAN China free trade area is driven by both economic and political calculations on both sides. Faced with continuing economic downturn and with a growing terrorist menace (after being labeled as international "terrorism second front"), ASEAN states are eager to avoid further economic marginalisation. For China, ASEAN market of 500 million people and rich natural resources are important considerations. And liberalising trade with ASEAN is also partially born out of political considerations. As one analyst notes: The China would like to seize the opportunity to replace Japan as the primary driving force for economic growth and integration when Japan has been in economic recession for about a decade. If its scheme for trade liberalisation with ASEAN can be put into practice, then the China will play the leading role in economic affairs in East Asia. Indeed, the realization of China political and strategic gains from the FTA with ASEAN might have prompted

Japan to propose its own free trade initiative soon after the ASEAN-China FTA was announced. China interest in a FTA with ASEAN is also of concern to the US, which has sought to promote free trade through the Asia-Pacific Economic Cooperation Optimists further hope that an ASEAN China free trade area would make ASEAN more attractive as a FDI destination. It would also help ease political tensions in East Asia. It goes on to suggest that from a political angle, the realisation of a ASEAN China free trade zone agreement indicates that historical feud and political clashes between ASEAN member states and the China are no longer one of the most important factors influencing ASEAN-China relations(Sharpe 2003)

Conclusion (Future of the Economic Relationship)

Internationalising coalitions in both ASEAN countries and China see ACFTA, as a tool to further liberalise their domestic markets and increase their respective competitiveness. For China, such agreements provide further push for domestic reforms, particularly as they struggle to transform state-owned banking and enterprises. Both ASEAN and Chinese ruling coalitions thus foresee external liberalising commitments as a tool to undermine opponents of reform at home and to tie the hands of future leaders. At the same time, leaders vary in their exposure and allegiance to competing domestic constituencies, some more vulnerable to increasing ASEAN China trade and investments than others. Views on the implications of growing economic ties between ASEAN and China are wide-ranging. Mahathir Mohamad provided one:

The race is already on, and Southeast Asian countries are already looking for niche products and businesses involving high-tech and information technology. Some Southeast Asian countries do have certain advantages, including geographical location, good legal and educational systems, and values and practices with which the international business community is comfortable.

Thus far, this statement might be interpreted as cast in terms of pure economic competition. However, Mahathir goes on to suggest broader concerns: “The US, Europe, Japan and even South Korea would provide a counterbalance [to China]

...Southeast Asia has the most to fear from China's expansionism...It is important to remember that China will pose a challenge to Southeast Asian countries."(online Access to *Nikkei Weekly*) In the end, however, Mahathir's statement acknowledges that "China too is afraid" and that "it is far better for China to be accepted as a major economic power. It will be powerful but it will not totally dominate the world ... We do not think that China would indulge in military ventures. But establishing a mechanism for defusing potentially dangerous disputes is necessary. The East Asia Economic Grouping can provide this mechanism."

Former Philippines' president Fidel Ramos identified four challenges emanating from China for ASEAN in the economic sphere: competition in labor-intensive industries; competition for capital; competition for third-markets (with China enjoying greater efficiencies in electronics); and competition on the value-added chain (given China's large internal market and economies of scale).(Herrera 2004) In his view ASEAN can only compete by raising productivity, cutting costs, and by integrating the Southeast Asian market more effectively to increase economies of scale, reduce transaction costs, and attract foreign investors. Another area of concern involves the fact that both ASEAN states and China rely progressively more on oil imports, mainly from the Middle East. ASEAN has historically been a major oil-producing bloc and can satisfy about 60 percent of its own demand. However, by 2020 most major ASEAN states, including Indonesia, Malaysia, and Vietnam, are expected to become net oil importers.(Symon 2005) There is apprehension about a possible race for natural resource exploitation and its attending social and environmental consequences. Indeed, such reliance elsewhere on natural resources (e.g. the Middle East) has, arguably, harmed the potential for democracy itself as well as longer-term developmental prospects. In contrast, Singapore's Ministry of Trade and Industry Chan Lai Fung expressed the belief that ACFTA would have a positive impact on both sides.

Prime Minister Lee Hsien Loong warned that "any attempt to contain China will have few takers in the region."(Bezlova 2005) In Macapagal Arroyo's view, the Philippines "stand boldly full of hope on the frontiers of a golden age of partnership with the People's Republic of China," that emphasizes centuries of close ties, deep understanding, and shared interests. Indonesia's Foreign Ministry spokesman Marty Natalegawa

expressed that “we do not see the rising role of China as a problem but more as an opportunity for gains in areas like trade.”(Beech 2005) In Thailand, as we have seen, there is a new tilt toward China that some have labeled a China fever. For yet others, whether or not the relationship is beneficial is beside the point, since it would seem that ASEAN has no alternatives. “Whether we like it or not, we’ve got to trade with China,” suggested Winichai Chaemchaeng, deputy director of Thailand’s trade negotiations department. Indonesian Minister of Trade Mari E. Pangestu echoes this view: “China is increasing competition for us ...I don’t think you can avoid the rise of China.” However, the minister also sees this as an opportunity “to complement and synergize with China” and to enhance ASEAN’s collective competitiveness as a global actor selling “not just in East Asia but to the US [and the rest of the world] as well.”(Frankel 2004) Finally, others raise the vantage point of Southeast Asian consumers likely to enjoy less expensive goods. As Thai government spokesman Jakrapob Penkair expressed, “Some commodities in Thailand that cannot compete with Chinese commodities will have to be out of business. But it’s all right. I mean, that’s life. We don’t presume that life is easy. Life is adjustment and life is competing.”(ibid) Meanwhile President Hu Jintao predicted that bilateral trade with ASEAN will nearly double to \$200 billion by 2010, reassuring his neighbors that China was committed to fostering “an amicable, peaceful, and prosperous neighborhood,” supporting the ARF, fighting terrorism and transnational crimes, promoting maritime safety, and preventing disease and disaster. A complementary perspective foresees ASEAN’s wherewithal as similarly advanced by its growing relationship with China. In this view, the need to compete with China’s appeal to foreign investors is forcing ASEAN into additional economic reforms, including greater transparency and accountability. It also encourages unilateral, bilateral, and multilateral cooperative steps to stem domestic and transnational terrorism, piracy, and other sources of potential instability that could undermine growth, stability, and “resilience.” Some have characterized the behavior of ASEAN states as a “bandwagon” dynamic, where weaker states opt for aligning themselves with an emergent power, following a neorealist logic. Indeed, one can detect an intra-ASEAN competition for the status of “beachhead,” “natural link,” or “interlocutor” between China and the region as a whole. However, from a different conceptual vantage point, the domestic political strategies of ASEAN’s ruling

coalitions – emphasizing synergies among economic growth, political, and regional stability – also predict an accommodating attitude toward China. From this latter perspective, relations between ASEAN and China are creating a situation in which internationalising ruling coalitions advance economic reform at home while maintaining mutually beneficial conditions of regional stability. What will steer these states in the future is the nature of political coalitions: will they continue to be oriented to global access, foreign investment, and economic and political stability? Or will challengers with an orientation to economic protectionism (or autarky), military modernization as their number one priority, and aversion to international economic institutions ascend to replace their competitors? Many have asked this question with respect to China but it is also a valid one for others in the region. Unfolding bilateral relations between ASEAN countries and China are thus likely to continue to reflect the broader domestic strategies that respective leaders favor to advance their political survival at home, as well as their mutual perceptions of the kind of leaders and strategies being pursued beyond their borders.

Chapter Four

Southeast Asia's Security Relations with China

Brief Over View of Security Relations

During the 1990s Southeast Asia's relations with China have improved. Having halted its support for the communist insurgencies during the 1970s, China encouraged the Communist Party of Malaysia(CPM) to agree to a cease-fire in 1989 as it moved from party-to-party relations to state-to-state relations. Indonesia restored its diplomatic relations with China and so did Singapore and Brunei in 1990. The Law on Citizenship, passed in 1989, relinquished China's authority over the overseas Chinese living in the region and forced them to take citizenship in their place of residence. China has participated in the South China Sea workshops held annually in Indonesia and was invited by ASEAN to be an original member of the ASEAN Regional Forum . In 1995 China even published its defence White Paper in the interests of transparency. It may not have revealed very much but was no less forthcoming than equivalent publications in Singapore, Thailand and Indonesia. These developments on the part of China were carefully studied by the countries of the region in order to open up themselves to China.

It is evident in ASEAN that Southeast Asian security is dependent upon the actions and intentions of extra-regional powers. During the Cold War the official ASEAN position denied this with the Zone of Peace, Freedom and Neutrality (ZOPFAN) declaration, but in the post-Cold War era the ARF has codified Japan, China and the United States as the key players in the region. Hence, the following statement from the May 1993 meeting of ASEAN Senior Officials and Post-Ministerial Dialogue partners in Singapore: 'The continuing presence of the United States, as well as stable relationships among the United States, Japan, and China and other states of the region would contribute to regional stability'. While the United States and Japan are the most influential extraregional powers in Southeast Asia, China's influence is growing. Indeed, Jusuf Wanandi(1996) writes, for 'the ARF initiative to succeed, all the great powers, especially China, must participate.

China's participation is most critical because it is the emerging great power, previously isolated in the area, and still has to prove its willingness to become a responsible regional power'. Beijing's growing importance was given tangible evidence when in December 1997 China, along with Japan and South Korea, attended a summit meeting with ASEAN members and this was repeated at the sixth ASEAN summit held in Hanoi in December 1998. In the Indonesian-sponsored workshops – Workshops on Managing Potential Conflicts in the South China Sea – and the ARF, China was asked by ASEAN to set the pace of implementation and today the progress is being made. The workshops, which have been held annually since 1989, began with an ambitious agenda that included discussing political and strategic questions. However, with Beijing interpreting these workshops as unofficial, they were not prepared to enter into discussions concerning security confidence building measures (CBMs), such as limits on troop deployments in the Spratlys. The participation of Taiwan in these workshops perhaps also explains Beijing reluctance to give the discussions governmental status, and it most certainly explains why China will not discuss military issues. (Lin 1997) The workshops have instead focused on technical issues, such as assessing fishing, mineral and hydrocarbon resources.

However, even in these issues China has been reluctant to implement agreements. (Foot 1998) Instead Beijing appears to view these discussions as equivalent to the ARF's track-two level discussions. This reluctance to give the workshops official status also explains why China refused to sign the 1992 ASEAN Manila Declaration, although Beijing agreed to negotiate a code of conduct based upon this declaration with the other claimants. The key for ASEAN is that the declaration calls for a repudiation of the use of force. In the ARF, China along with the active participation of ASEAN members has been instrumental in the forum's progress. These developments go on to show that after the cold war China to an extent has been able to win the trust of ASEAN nations.

Southeast Asia, China and ARF

First convened in July 1994 in Bangkok, the ARF meets annually in the capital cities of the ASEAN members. In 1995 ASEAN set the agenda for the ARF with its Concept

Paper, which proposed that the ARF provide security and stability in the region as it evolves through a three stage process. The first stage is the promotion of CBMs, the second is the development of preventive diplomacy mechanisms and the final stage is the development of conflict resolution mechanisms, subsequently renamed 'elaboration of approaches to conflicts' in deference to Chinese wishes. In keeping with the ASEAN principles of consultation and consensus decision-making the Concept Paper noted that 'the ARF process shall move at a pace comfortable to all participants'. Since China wants the process to move at a slower pace than other members – Chinese officials often make reference to 'incremental' progress or development – it gives China de facto control over the discussion and implementation of each stage much to the concern of ASEAN nations who are alive to this tendency of China. (ibid). The evolution from stage to stage is accomplished via a two-track process. Track I involves government officials and is concerned with CBMs, while Track II involves discussions by strategic studies institutes and other non-governmental organisations to explore possible activities at the current and subsequent stage of the ARF process, currently confidence-building and preventive diplomacy. Track I has subsequently been subdivided into two with the Inter- Sessional Support Group (ISG), which is concerned with security perceptions and defence policy papers, and Inter-Sessional Meetings (ISM) which deal with cooperative activities such as peacekeeping, search and rescue coordination and disaster relief. According to Leifer(1997) the difference in name between the two groups was to accommodate Chinese concerns that CBM discussions might give the impression of continuous institutionalised activity. The same reason is given for the term 'inter', which implies it meets on an ad hoc basis. These groups are co-chaired with one of the chairs drawn from the ASEAN members. In the 1996–1997 year the Philippines and China co-chaired the ISG, with the meeting in Beijing in March 1997 marking the first time that China had hosted an official multilateral conference on security issues. The ISG was not very productive, and Rosemary Foot (1998) suggests that the reason lay with the Chinese participants who felt it was necessary to be deliberately intransigent on home soil in the presence of PLA officials. The point is not therefore that China is seeking to subjugate ASEAN through conquest, but rather that China has in the past held a position of benign

hegemony in Southeast Asia and its actions indicate that it is resuming that position. This is supported by David Shambaugh(1996) when he asserts:

“Beijing...seeks to redress the Asian regional subsystem balance of power. History does not suggest that China seeks to conquer or absorb other countries in the region (except Taiwan and claimed territories in the East and South China Seas), but rather to place itself at the top of a new hierarchical pyramid of power in the region – a kind of new ‘tribute system’ whereby patronage and protection is dispensed to other countries in return for their recognition of China’s superiority and sensitivities. International relations scholars recognize this as a classic benevolent hegemonic system”

In the back drop of Southeast Asia’s experience of its interactions with China below are some of the issues and Challenges that the relationship is faced with in the Security area. These issues have the potential of undoing the progress made by this relationship and needs a careful and delicate treatment in its dealings.

Issues and Challenges

The South China Sea Dispute

The first of these is the dispute over the Spratly Islands. Soon after the Cold War ended, the territorial dispute in the South China Sea involving the Spratly Islands (contested by China, Taiwan, the Philippines, Malaysia, Vietnam and Brunei) was seen as the new flashpoint in Southeast Asia. It has been seen by ASEAN countries as a crucial test of China’s good neighbourly intentions and posed a major challenge to the evolving multilateral security initiatives in the Asia Pacific. While the dispute has provided periodic points of tension and anxiety in Southeast Asia about the danger of Chinese intransigence and possibly expansionism, it has thus far posed only a limited threat to regional order. Approaches to the conflict, undertaken through official dialogues (such as the ASEAN China negotiations) or non-official conferences (such as the Canadian funded meetings on ” Managing Potential Conflicts in the South China Sea”) have

focused not on settling the issue of sovereignty, but developing mechanisms for conflict management that would inhibit the use of force by claimants. Negotiations over the Spratlys between ASEAN and China have evolved steadily since 1992, when ASEAN issued a Declaration on the South China Sea urging all claimants to seek peaceful settlement of the dispute. Following a period of Chinese resistance, ASEAN managed to secure Beijing's agreement to deal with it multilaterally on this issue in 1995. Subsequent efforts to seek a common ground, marred by periodic accusations from ASEAN members (especially the Philippines) of Chinese military build-up in the area and its "creeping" takeover of a number of islands (the most serious being the "Mischief Reef" episode in 1995), focused on the development of a code of conduct. These efforts led in November 2002 to the signing of a "declaration" on a code of conduct in the South China Sea at the ASEAN summit in Cambodia. The most significant words of the declaration concern an undertaking by the parties "to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability including, among others, refraining from action of inhabiting on the presently uninhabited islands, reefs, shoals, cays, and other features and to handle their differences in a constructive manner." This, critics note, does not include a specific commitment to freeze erection of new structures in the disputed area, a commitment sought by the Philippines, but refused by China. A demand by Vietnam that the proposed code should apply to the Paracel Islands (claimed by Hanoi but now occupied by China) was resisted by China, although the problem was overcome through the acceptance of a Philippine initiative which suggested dropping any reference to the geographic boundaries of the declaration, thereby allowing Hanoi to claim coverage of the entire South China Sea. Moreover, the Declaration is not a legally binding code of conduct. (Anthony 2002) To arrive at such a code is stated as a long-term goal of the parties. Malaysia intervened to push through this interim measure even though the Philippines had insisted on a more binding framework. These shortcomings may be seen against the significance of the declaration as a confirmation of China's gradual move towards a posture of dealing with ASEAN multilaterally on a subject that it had previously insisted on resolving on a bilateral basis. China's satisfaction with the agreement may have to do with the exclusion of Taiwan as a party to the Declaration. This could be seen as an endorsement by ASEAN of its "One China"

policy. Even the Philippines, which initiated the idea of a regional code of conduct in 1998, and whose intelligence agency had in July 2002 described the Spratlys as an example of “China’s expansionism in Southeast Asia” and as “the greatest flashpoint for conflict” in the region”, is reportedly relieved that an agreement could be finally reached. The former secretary general of ASEAN, Rodolfo Severino, argues that the Declaration on Code of Conduct would “convey a sense of stability in the region” It seems that the South China Sea dispute receded to the background since the Chinese assurance in 2002 amidst other more pressing challenges to regional order. But it’s not the case. Although ASEAN states are preoccupied with the economic downturn, intra-ASEAN squabbles (such as Singapore-Malaysia) and the threat posed by terrorism they are quite alive to the dangers posed by China on this issue.

China’s Power Projection and Strategic Influence in Southeast Asia

A number of Western and Asian observers have warned that China is making significant advances in extending its strategic influence over Southeast Asia. According to American analyst Robert Sutter (2002), “China’s relations with all powers around its periphery, with the possible exception of Japan, have made advances in recent years. Beijing’s influence in Southeast Asia and Korea has grown markedly in recent years.” Even economic projects such as the ASEAN China free trade area and the proposed US\$2.5 billion Singapore-Kunming rail link project, a 5,500 km track that runs through the continental ASEAN states, are seen as instruments “through which Beijing can increase its influence in Southeast Asia.” Indochina countries relations with China are seen as a particularly important facet of its influence-seeking, given the weakness of these states and their relative proximity to China. In a detailed study, scholar SD Muni (2002) has argued that China’s close relations with the new ASEAN members enables it to “project itself as a stabilising force and a mature power in the Asia-Pacific region”, but it has “all the characteristics of a centre-periphery relationship”. The issue of Chinese strategic influence is linked to China’s overall development strategy. Beijing claims that it needs a peaceful region to focus on economic development, which is unquestionably its top priority. To this end, it is prepared to set aside its territorial disputes with neighbours and

profess a policy of “common security” under its “new security concept.”(Thayer 2000) But what happens after China has achieved a certain level of growth? Realists argue that the quest for military power and strategic influence inevitably follows economic growth. Moreover, they argue that China is currently constrained by the Taiwan question and its resolution (whether through negotiation or through force) will release China’s energy for attention to its territorial claims against Southeast Asian states. Even Chinese commentators themselves have lent credence (perhaps inadvertently) to such a scenario. A well-known Chinese expert on strategic affairs has said: “Once the Taiwan front is closed, we may turn to the South China Sea.”(Smith 2002) .In Southeast Asia, the concern evident in the early and mid 1990s about China’s military build up and blue water ambitions have been overshadowed by local security issues, including the Asian crisis, intra ASEAN tensions and terrorism. But long term concerns about Chinese power projection remain. China’s military doctrine has shifted from fighting a large nuclear war with the Soviet Union to developing capabilities for regional wars, and this doctrinal shift is especially evident in the development of its navy and air force (especially the former). But the main target of China’s military build-up, as a July 2002 Pentagon report noted, is to diversify its options for use of force against potential targets such as Taiwan and to complicate United States intervention in a Taiwan Strait conflict. The report notes that forces being developed against Taiwan can be used against other Asian states such as the Philippines. (Fisher 2002) China’s overall capacity to project power deep into Southeast Asia is limited. Its projection force development efforts have focused on acquiring air refuelling capabilities for its 100 Su-27 and Su-30 fighters, and a gradual expansion of its surface fleet, especially with the acquisition of Sovremenny-class destroyers. But lacking aircraft carriers, and with most of its fighter force being of limited range, China’s surface navy is vulnerable to air attack beyond China’s coastal waters. This makes China’s submarine force the key element of its long-range force projection. China now maintains the world’s third largest submarine force. However much of it remains technologically backward with low-level readiness. China lacks any combat experience with submarines. Its nuclear- powered attack submarines, an outgrowth of its ballistic submarine programme, are noisy and vulnerable to detection. The operational readiness of China’s early non-nuclear submarines, copied from 1950s Soviet models (Soviet

Romeo-class of the 1950s), is estimated to be very low. Its newer domestically-built diesel-electric submarines, including the Type 035 'Ming' class and Type 039 'Song' class are faster and quieter; the latter is capable of firing modern anti-ship missiles from underwater. In addition, China is acquiring a fleet of 12 Russian 'Kilo' class submarines, representing a major advance in its submarine long-range strike capability. The 'Kilo' and 'Song' submarines compare well with the Western submarines obtained by China's neighbours, including South Korea, Taiwan, Indonesia, Malaysia, Singapore, and India, but are inferior to Japanese and Australian submarines. Hence, China's modern submarines do not outclass forces available to several other Asian navies, not to mention the huge and sophisticated US and Russian submarine fleets.

Analysts remain divided over Chinese power projection into Southeast Asian waters; some argue that China has the ability to take over South China Sea islands anytime it wishes, while others argue that while a limited harassment of ASEAN by sea and air is possible, China's ability to prevail is questionable. China may be able to seize most islands in the disputed area, but holding on to them is another matter. In any case, Chinese power projection in Southeast Asia remains limited, constrained by a number of factors: limited range of force projection assets and long-ranger strike capabilities, and lack of combat experience and training. Strategic influence and power projection can be undertaken by means other than direct application of military force, especially through the acquisition of facilities and development of close security ties with weaker states. For example, analysts have pointed out that China's building of dams in the upper reaches of the Mekong River would give it an ability to control the flow of water to other riparian states such as Laos, Cambodia and Vietnam. Another aspect of Chinese influence-seeking in Southeast Asia is the China- Myanmar security relationship.

A 1997 fiction, entitled *Dragon Strike - the Millennium War in the South China Sea*, written by two British journalists Simon Holberton and Humphrey Hawksley, outlined a war scenario in which China would initiate an attack on Vietnam, seizing its possessions in the Spratlys. A 1996 Pentagon report found that "steady progress in air refuelling will give China a power-projection capability over the South China Sea by the turn of the

century,” Bill Gertz, “China makes upgrades to island base, coastline”, The Washington Times, February 11, 1999. . But others disagree with this assessment.

According to another study, “given China’s inability to project substantial power very far beyond its borders, the PRC will be able to assert and maintain control over the Spratlys now and in the foreseeable future only if the United States allows it to do so.”

ASEAN’s military build-up: A Response?

There has been gradual arms build up in the Southeast Asian Countries. The reasons for the arms build-up among the ASEAN members in the early to mid-1990s were numerous. How far though does the Chinese threat explain these acquisitions? And, indeed, do ASEAN members perceive a threat? The level of concern regarding China is dependent upon Chinese actions, with it rising quite notably in 1995/96 after the Mischief Reef incident, and again in late 1998, and the 1996 military exercises in the Taiwan Strait. The level of concern also varies amongst the ASEAN states depending upon their claims in the South China Sea, and especially the Spratly Islands. Thus, concern in Thailand and Singapore, who do not lay claim to any of the reefs in the Spratly Islands, is less than other ASEAN states. Although because a rise in tension could effect freedom of navigation for the important shipping lanes in the South China Sea, they are not immune to Chinese actions. The greatest level of concern emanates from Hanoi with Manila and Jakarta close behind. The seizure of islands in the Paracels by China in 1974 and the military clash over Johnson Reef that led to the sinking of three Vietnamese ships and the loss of 77 sailors in 1988, make the Vietnam–China relationship the most tense. In the 1990s, the overlapping claims have led both states to award concessions to oil companies in areas of dispute; the Chinese to Crestone Energy Corporation in 1992 and Vietnam to the Mobil Corporation in 1994. Both sides have denounced these actions as illegal, with Vietnam stressing that the Crestone concession in the ‘Tu Chinch coral reef’ lies in Vietnam’s EEZ, while the Chinese claim that the Mobil concession in the Blue Dragon Oil field is illegal because this sea area belongs to the adjacent waters of the Nansha (Spratly) Islands. In July 1994 China deployed two warships to blockade a Vietnam rig to

prevent the delivery of food and water. (Smith 1994) In the Gulf of Tonkin Vietnam has accused China of violating its territorial waters, and in 1994 seized two Chinese vessels, claiming that during this incident Chinese boats opened fire. A further incident in March 1997 concerned China's 'Kan Tan Oil Platform No. 3', which the Vietnamese accused of conducting exploratory oil drilling 55 nautical miles from Vietnam's base line. After heated exchanges in which both states claimed the area in which the Kan Tan oil rig was operating, the rig withdrew on 1 April. Since independence, China has been the main external concern for Indonesia. President Suharto accused the Chinese of aiding the Indonesian Communist Party (PKI) in its failed coup attempt in September 1965, and during the 1980 Cambodian conflict Indonesia viewed with concern the growing influence of Beijing, especially over Thailand. Only in 1990 were diplomatic relations restored after a period of twenty-three years. In 1994, Indonesia questioned China over the significance of a demarcation line on Chinese maps that indicated the Natuna gas field fell within China's territorial claim. Despite meetings in 1995, including at presidential level at the November Asia- Pacific Economic Cooperation summit, the situation remains unresolved. The Chinese have called for bilateral discussions on the overlapping sea boundaries, while the Indonesian position is that there is no overlap. As Allen Whiting notes, 'until the line in question disappears from [China's] maps or a more detailed delineation of Chinese claims is presented in print, uncertainty over intentions will remain'. (Whiting 1997) In September 1995 former Foreign Minister Ruslan Abdulgani warned of China's expansionist tendency southwards and in September the following year Indonesia conducted military exercises around Natuna for the first time in five years. In December 1995 Indonesia broke with its traditional non-aligned status and concluded a defence agreement with Australia. While domestic factors can partly explain the agreement, the need to directly involve Australia, and indirectly the United States, in the security of Indonesia indicates that Jakarta remains wary of Chinese intentions. For the Philippines, the incident over Mischief Reef in 1995 – where China has built structures which resemble guard posts – revealed that China would challenge an ASEAN state in the South China Sea, and so end the hope that China's assertive behaviour would be restricted to Vietnam. (Segal 1996) In October 1995 then President Ramos warned that 'how China exercises its political and military clout must concern us all'; and in 1996,

Manila joined Hanoi in responding to China's extension of its territorial waters by declaring it a 'black shadow over regional stability'.

(Whiting1997) In late 1998 Mischief Reef again became an issue of controversy when the Philippines discovered that the Chinese had expanded the structures on the reef. These structures in combination with others on different reefs, including a communication post and heli-pad at Fiery Cross, indicate a creeping Chinese military presence. (Clapano1998) Philippine President, Joseph Estrada, and Jiang Zemin met during the APEC summit in Kuala Lumpur in November to discuss the Chinese action. The Chinese refused to accept the Philippine proposals for removing the structures, but the Philippines agreed to examine the Chinese proposal for joint use and the Chinese agreed not to further expand the structures. According to the Philippines' Defence Secretary, Orlando Mercado, the Chinese are building an airstrip on Mischief Reef, which he claims, will be the farthest projection of China's power, and a dagger at our underbelly. With the reef only 300 kilometers from Palawan, the immediate effect of the Chinese action was to set in motion a delayed modernisation programme for the Armed Forces of the Philippines (AFP), and for Estrada to reiterate the importance of the US military presence in the region. In Kuala Lumpur, the official line towards China is that it is not a threat in the short and medium term but rather a long term problem with one defence analyst writing, 'Malaysia has always considered modern Communist China to be the region's greatest long-term threat.'(Mak 1991) In Singapore, Prime Minister Goh Chok Tong warned in 1995 that in Asia, China's rising power and arms build-up has stirred anxiety. It is important to bring into the open this underlying sense of discomfort, even insecurity, about the political and military ambitions of China. In Bangkok, concern is more directed towards China's military presence in Burma, than with the South China Sea. China has not only been Rangoon's main supplier of military equipment, but it has also constructed military facilities in the Andaman Sea which could pave the way for a Chinese military presence in the Indian Ocean. Improvements to the transport network in Upper Burma are also thought to reflect security as well as commercial concerns. According to Donald Seekins, 'Burma's neighbours, who have grown increasingly concerned about the Chinese presence, have reason to consider it an expansion of China's aspirations to Great Power status.'(Seekins 1997) Apprehension amongst the ASEAN

states about Chinese intentions in the region seem to be in evidence, although the degree of concern varies amongst them. Chang Pao-Min(1997) asserts, 'the ASEAN countries... have for decades seen China as the source of threat to the security and stability of Southeast Asia'. He goes on to say, 'distrust of China...has deep historical, cultural, as well as ideological roots that cannot be easily removed, particularly for Malaysia and Indonesia'. Denny Roy (1994) is equally emphatic, 'Asians are concerned about China's recent military upgrading programme. They clearly are'. The extent to which Chinese intentions explain the ASEAN arms build-up is, however, contentious. According to Whiting, writing before the economic crisis hit the region, 'none of the recent increases in arms is attributed to the China factor'. David Shambaugh(1997) though asserts, 'the PLA's desired rapid deployment and blue water naval capabilities are a cause for deep concern among Southeast Asian militaries, which at present do not have the capacity to blunt a Chinese thrust southward. To enhance their readiness, ASEAN militaries – notably Malaysia and Indonesia – have embarked on force modernization programmes of their own, particularly attempting to enhance their naval and air capabilities.' Shambaugh is supported by Carlyle Thayer(1997) when he writes, '[i]n 1992, reacting to Chinese assertiveness in the South China Sea, Vietnam's military budget was increased for the first time in five years'.Derek da Cunha also notes that it was the 1995 Mischief Reef incident which led to 'renewed Malaysian interest in acquiring diesel electric submarines'.(Cunha 1998) Ball is probably right to note that the build-up was the result of many factors, of which concern with China was just one. What does not appear to be in doubt is that there is, to varying degrees amongst the ASEAN members, concern regarding Chinese intentions in Southeast Asia. To argue that the accumulation of weapons amongst the ASEAN members was partly the result of China's military modernisation programme, is not in itself evidence of a security dilemma. The security dilemma operates when both parties take defensive actions to deter perceived offensive actions from the other, and in so doing make matters worse by appearing to confirm their malign intent. Whatever the reasons behind China's modernisation of its military capabilities, they are unlikely to include concern within Beijing that military developments in ASEAN constitute a threat to Chinese security. Although Beijing may have reasoned that the accumulation of armaments by ASEAN members made it

necessary for the PLA to procure more weapons in order to achieve military dominance in the South China Sea. However, while the accumulation of arms by the ASEAN states may have had a minor paradoxical effect of increasing China's military programme, and thereby their accumulation did paradoxically make matters worse for ASEAN by strengthening the desire in China for sophisticated weapons, the more pertinent response from ASEAN lies in the diplomatic arena. The ASEAN response to the 'China threat' which is more likely to explain the external reasons why China believes it needs to improve its military capabilities, lies in the diplomatic arena.

Issue of Myanmar

China has supplied weapons for the re-equipment and expansion of the Myanmar military since 1989; it has also been deeply involved in economic and trade cooperation. It has provided assistance in building and strengthening infrastructure in the country. Since the early 1990s, there have been numerous reports of a close and growing Chinese strategic presence in Myanmar, covering a wide variety of activities ranging from the sale of military equipment, arms production facilities and training programmes and the stationing of Chinese military personnel to train and operate sophisticated electronic communication and surveillance equipment. Some of more sensitive activities reported in the media concern the establishment of Chinese military facilities for communication and logistic purposes, including support from Chinese air, naval (submarine) deployments. But as Andrew Selth(2001), one of the most respected analysts of Myanmar's armed forces, contends, while some of these reports are true, many others are "clearly based on unsubstantiated rumours or idle speculation". While many reports about China's strategic links with Myanmar are not independently verifiable, they have influenced the strategic perspectives of Southeast Asian states towards Myanmar, explaining in part ASEAN's opposition to Western sanctions and its pursuit of a policy of "constructive engagement". Moreover, lessening Myanmar's strategic and economic dependence on China explained ASEAN's decisions to admit Myanmar as a full member in 1997. However, what attracted most attention in India was the upgradation of ports, especially at Hyanggi and the communications facilities at Coco Island in the Bay of Bengal, a mere 45 kilometres

from Indian territory.” Selected Chinese arms transfers to Myanmar (Burma), during the 1988-1994 period included: 7.62 mm Type 56 assault rifles; 40 mm anti-tank grenade launchers; 82 mm mortars (probably Type 67 and Type 55); 57 mm and 75 mm recoilless guns (probably Type 56 and Type 52); RPG-7 anti-tank rocket launchers; 62 mm and 66 mm HEAT projectiles; radar and communications equipment; 30 Norinco Type 69II main battle tanks; 55 Type 63 light amphibious tanks; more than 100 Type 85 armoured personnel carriers; additional 50 T69s, 50 T63s and 150 more Type 85s; 122 mm howitzers; a number of anti-tank guns; 30 Norinco 107 mm Type 63 multiple launch rocket systems; ground-based air defence; 24 37 mm Type 74 twin-barrelled towed anti-aircraft guns, with their associated mobile generators, radars and directors; Norinco twin 57 mm Type 80 self-propelled anti-aircraft gun systems; 12 Norinco single-barrelled 57 mm towed anti-aircraft gun systems, complete with radars and directors; Hongying HN-5 man-portable shoulder-launched surface-to-air missiles; about 1,000 new road transport and heavy-duty vehicles.(Acharya 2003) In addition, the SLORC's first major arms deal with China included an agreement for the dispatch of 400-600 Myanmar officers and men to receive training and instruction in China, especially to cover the maintenance and operation of the new Chinese equipment. The presence of Chinese instructors (up to 75) in Myanmar was also reported, including those directly advising troops in the field.

For example, a report by the Democratic Voice of Myanmar (based in Oslo) claimed that during a visit by two PLA delegations to the Coastal Regional Command in Myanmar during May 2-5, 2000, China agreed to provide technical assistance and military equipment to move the Mawyawadi Naval Base from Moulmein to Heinle, and to construct field maritime surveillance stations along the Tenasserim coast. A subsequent report by the same source claimed that Chinese experts will install a maritime surveillance radar station and advanced radar systems (Global Positioning System and Global Information System) in the Tenasserim Division.

Defence relations between the original members of ASEAN Members and China

The defence relations remain rudimentary. Security relations with Vietnam have improved since the two countries reached border agreements (a land border agreement in 1999 and an agreement on the delimitation of the Tonkin Gulf and an agreement on Fishery Cooperation on December 25, 2000). Recent joint statements involving China and Singapore, and China and Philippines have included proposals for defence exchanges. In the case of the former, this range of proposed activities includes exchange of high-level visits, dialogue between defence institutions, cooperation between their strategic security research institutes, [and] exchanges between professional groups of their armed forces and exchange of port calls. The latter statement proposed activities that include “exchanges and cooperation in the defense and military fields, strengthen consultations between their military and defense personnel and diplomatic officials on security issues, to include exchanges between their military establishments on matters relating to humanitarian rescue and assistance, disaster relief and mitigation, and enhance cooperation between their respective strategic and security research institutes.” (Thayer 2000) There is little immediate prospect for these countries, as well as Malaysia and Thailand, to develop defence links with Beijing involving arms transfers, or joint exercises, or operational planning. Several reasons, including domestic politics (especially in Malaysia and Indonesia), close security ties with the US (for Singapore, Malaysia, Philippines and Thailand), and a desire not to alarm Japan, account for this. Malaysia typifies these dilemmas. Prime Minister Mahathir has been a strong critic of “the China threat”, and shares with China (as well as with other ASEAN states) a strong opposition to US policies towards human rights promotion. China and ASEAN states (with the possible exception of Thailand under the Chuan Leekpai government during 1997-2001) also take a similar position on the sanctity of state sovereignty and the principle of non-interference in the internal affairs of states. But domestic politics set clear limits to Malaysia-China security relations; indeed Mahathir has been criticised at home for being too pro-China. Malaysia has quietly developed extensive security links with the US. As J. N. Mak, a Malaysian defence analyst, points out, despite not having a formal military relationship with the United States, Kuala Lumpur has “actively, if quietly” moved to

develop close defence links with the US, initially after the US withdrawal from Vietnam and later after the end of the Cold War when Kuala Lumpur grew concerned about possible Chinese or Japanese dominance in Southeast Asia. Thus, there have been more than 75 US ship visits to Malaysia in the last two and half years, more than 1000 over flights annually, as well US army and Navy SEAL training in Malaysia. It is highly unlikely that the rhetorical opposition of some ASEAN members, such as Malaysia, to US hegemony, a concern it ostensibly shares with China, would translate into military alignment with China. It is worth recalling that Bangkok made limited purchase of defence equipment from China in the 1980s, thanks to its concerns regarding the Vietnamese occupation of Cambodia. But such convergence of threat perception between China and the major ASEAN members is unlikely to be replicated in the post- Cold War period. In reality, it is far more likely that ASEAN countries would resist any temptation for choosing between balancing and bandwagoning with China. Southeast Asia's security interests are served by preventing the total dominance of the region by any great power, China and the US included. This posture of counter-hegemony" is subject to challenge, especially in view of the rising power of the US globally and that of China regionally. Nevertheless, it will remain the preferred strategy of the Southeast Asian states as long as they remain interested in having a role in the management of regional order

The Pursuit of "Counter-Dominance" in ASEANs Security Relations with China

The notion of "counter-dominance" challenges the traditional concepts of balancing and bandwagoning developed by security studies scholars to describe the response of weak states to the intrusion of stronger powers in the regional security environment. In contrast to the parsimony of these concepts, counter-dominance assumes that regional order is best attained by a mix of approaches (including containment, engagement, soft balancing, regime building, etc.) as long as it enables local actors to prevent the total dominance of a region by any outside power or powers. It is especially suitable when a rising power presents both a threat as well as an opportunity, when the threat environment remains uncertain and in a state of flux, and when there are gains to be made from engaging a rising hegemon even as suspicions remain of its long-term strategic intentions. (Acharya

1999) While ASEAN countries as a whole do not take a common position on China, it is fair to say that they have endorsed the concept of “engagement” in dealing with its rising power. Yet, Southeast Asian countries have not forsaken a countervailing posture towards China should Beijing prove resistant to engagement on ASEANs terms. The military response of Southeast Asian states to the rise of China has taken two main forms. The first is the development of national defence capabilities. The arms build- up in Southeast Asia is by no means solely geared to countering China’s prowess. A range of other factors, including intra-ASEAN bilateral disputes (such as Singapore- Malaysia), non-traditional threats such as piracy, protection of maritime resources and sea- routes, and coping with domestic insurgencies are major factors behind the military build- up in the region. Nor is the latter addressed to any specific threat scenario involving overt assertion of Chinese power, with the limited exception of the Spratly Islands dispute. Rather, it reflects a concern about an uncertain and evolving regional balance of power in which the rise of China is a key element. And the possibility of China developing an expansionist security approach is an important factor for Malaysia, Singapore and especially the Philippines. (Anthony 2002) Resource constraints prevent Southeast Asian countries from full-scale defence self-reliance in dealing with China. Hence, the second form of response by Southeast Asian countries to the growth of Chinese military power is the forging of closer defence ties with outside powers, especially the US. This is especially important for the Philippines. While ostensibly geared to countering the threat of terrorism and separatism in Mindanao, Manila also seeks to rebuild its defence links with the US with a view to responding to Chinese military provocations in the Spratlys. Singapore’s Prime Minister, Goh Chok Tong, upon being asked to comment on how Singapore and ASEAN would deal with a militarily powerful, economically prosperous, but geopolitically assertive China, replied that a regional “balance” would be important in countering such a development. “[W]e need to have a US presence over here. We need to have a strong Asean, we need Japan to be present in the region. We need Europeans to be here.” Military links with outside powers aside, ASEAN also takes a political approach to power balancing. India factors in this approach, forming part of the calculations of Southeast Asian states in framing a countervailing strategy to future Chinese geopolitical assertiveness. This was originally reflected in ASEANs decision to let India into the

ARF. More recently, ASEAN has invited India to hold a summit meeting with ASEAN, the first of which was held in Cambodia in 2002. (Chatterjee 2003) Derek Da Cunha (1998) has argued that while in the near to medium term the states of Southeast Asia would be likely to adopt “a suitably deferential stance” towards China, and that China would exercise greater diplomatic, economic and military influence in the region, the long-term situation could be different. ASEAN countries “will likely give China substantial freedom of action so long as it does not lead to a situation of conflict or Chinese interference in the sovereign rights and affairs of member-states. Should those lines be crossed, however, it is likely that ASEAN deference towards China would be put aside in favour of a stronger and united stand.”

In the meantime, Southeast Asian countries have chosen a course of engaging China, assuming that it would lead to China’s deep enmeshment in a system of regional order in which the costs of any use of force in dealing with problems with its neighbours will be outweighed by benefits. The key element of this approach is the ASEAN Regional Forum. For ASEAN, the peaceful incorporation of China into a system of regional order was a leitmotif of the launching of the ARF. (Acharya 1996) China’s involvement in the ASEAN-led ARF is a key indicator of its strategic approach to Asia Pacific. Critics argue that this policy has been a failure. China’s role in the ARF suggests that Beijing continues to view the ARF as a secondary instrument of regional order. China continues to oppose the institutional development of the ARF out of a fear that it would compromise the norms of sovereignty and non-interference. It has successfully opposed the extension of the ARF’s role into preventive diplomacy in intra-state conflicts. (Ball and Acharya 1999) China argues that the ARF should remain as a forum for consultations, confidence-building and dialogue, rather than mediation and problem-solving. Instead of viewing ASEAN as the neutral anchor of multilateral security, China views the latter as a “pole” in an increasingly “multipolar” world and region. Notwithstanding its “new security concept” which is ostensibly geared to the promotion of common security and multilateralism, there remains in China’s world view a strong realist element, in which power-balancing occupies an important place. For Beijing, the prime mover of regional order in Asia is the relationship among the major powers, especially itself, the United States and Japan. The ASEAN-led ARF cannot by itself guarantee the peace and security

of the region. This view is neither surprising nor exceptional. Most members of the ARF share the perception that multilateralism cannot by itself ensure security order in Asia, at least not in the foreseeable future. However, China's position, as that of the US, is critical to the success of multilateralism. For their part, Southeast Asian countries have tended to accommodate Chinese stipulations about the ARF. In debates involving China and Western middle powers such as Canada and Australia, ASEAN has sided with Beijing, out of concern that a Chinese pullout from the ARF would render the forum irrelevant. Despite these limitations, the acceptance of ARF by China (considering its initial hostility towards multilateralism) represents an important turning point in Asia Pacific security relations. The ARF enables a continuous process of dialogue with China. While the ARF remains a limited instrument of regional order, it also compensates for the risks and uncertainties associated with exclusive reliance on a balance of power approach, anchored on US strategic hegemony and its forward deployed forces. These risks include growing domestic resentment against US military presence, as evident in Japan and now in South Korea, the reduced rationale for a US forward presence in the event (however unlikely it might seem now) of reunification of the two Koreas, and the growing military disparity between the US and its Asian allies which makes interoperability problematic and increases the political risks of alliances to the weaker side by rendering them even less equal than before. ASEAN states and the US also diverge on the Taiwan question, which is critical to China. ASEAN states follow their "One-China" policy less ambiguously than Washington. They are unlikely to back Washington's military support for Taiwan in the event of a Sino-US war in the Taiwan Straits should the war be prompted by a Taipei declaration of sovereignty. At the same time, most ASEAN states will oppose an unprovoked Chinese military takeover of Taiwan. The growing American unilateralism also contributes to greater political opposition to US-led alliances in Asia. Moreover, China's limited enthusiasm for the ARF does not necessarily mean unequivocal opposition to multilateral security concepts and approaches in general. In the past decade, China has shown a preference for a different type of multilateralism, exemplified by its role in the development of the Shanghai Cooperation Organization (Tang 2002). The SCO has developed confidence-building measures aimed at reducing tensions along the common borders, especially between China and Russia.

Another facet of the SCOs security agenda, the development of common measures against the threat of “terrorism, separatism and extremism” (the SCO has established an anti-terrorism centre and undertaken a significant amount of information-sharing on these threats) might also be relevant to the development of ASEAN-China security relations. The recent development of the ASEAN Plus Three (APT) framework (comprising the 10 ASEAN members and Japan, China and South Korea) suggests the relevance of another type of multilateral approach in shaping ASEAN China relations. The APT is unlikely to evolve into a security forum. China has taken a noticeable interest in the APT (in contrast to Japans less enthusiastic attitude towards the grouping), which could allow it to influence the future direction of East Asian regionalism. This could stimulate competition from Japan. If united, ASEAN stands to benefit from this competitive wooing, especially at a time of its economic weakness.

Conclusion

ASEANs response to Chinese power cannot be accurately described by using traditional security concepts such as “balancing versus bandwagoning”, or “enmity versus alignment”. Similarly, China’s relations with ASEAN states defy easy dichotomous categorization, such as “centre-periphery”, or “hegemon-client”. Southeast Asia’s relations with China have been, and will continue to be marked by a mix of competition and collaboration. In the short-term, ASEAN states will seek to accommodate China and try to benefit from economic linkages with China’s booming economy. At the same time, China’s rising power will remain a concern, and ASEAN will seek avenues for dealing with a security challenge from China through a mix of deterrence and cooperative security approaches. The long-term prognosis is more challenging. But if one goes by the developments in the post cold war security relations seems to have bettered as comparison to previous times. The main source of the concern for the Southeast Asian countries is the fear that with the passing time despite the assurance of tackling security issues on mutually acceptable terms, China can do a volte face. The answer lies in the future but once could safely say that the phase between 1990 to 2005 saw a relative calm

in the security relations between Southeast Asia and China and the region hopes for the best.

4

Chapter Five

Conclusion

The Association of Southeast Asian Nations (ASEAN) relations with China have undergone drastic changes since the end of Cold war. In July 1991 and at the invitation of Malaysia, Chinese Foreign Minister Qian Qichen, who represented China as a Consultative Partner of ASEAN, attended the 24th ASEAN Ministerial Meeting (AMM) in Kuala Lumpur. Multilateral dialogues to promote cooperation, regional peace and economic development between ASEAN and China have significantly improved their relations. In fact, the deepening ASEAN China relations have aroused strong interests from the media, policymakers and experts worldwide.

In hindsight, Southeast Asia China relations went through fairly rough times. During the Cold War China's relations with the original ASEAN members, namely, Indonesia, Malaysia, Singapore, Thailand and Philippines, were one of animosity. From the mid 1960s to mid 1970s, Beijing placed ideological alignment over state-to-state relations by supporting Communist insurgents in non-communist countries and implicitly granting ethnic Chinese in the region citizen status when they travelled to China. These moves aroused suspicion from the aforesaid Southeast Asian nations and strained its relations with ASEAN. In fact, in order to contain any expansion of communist influence in the region these Southeast Asian countries had formed ASEAN in 1967 and participated in numerous security or political forums with external powers such as the United States and Japan, most notably the Southeast Asian Treaty Organisation in 1954. However, from the 1970s to the early 1990s, relationship between the two sides took a positive turn. This was facilitated by Mao Zedong's decision to realign China's foreign policy towards the United States in the early 1970s and Deng Xiaoping's announcement to stop China's support of communist parties in the region and to regard ethnic Chinese from Southeast Asia as foreigners in the late 1970s. These acts, especially those by Deng, removed major irritants in China's relations with ASEAN and eased fears among ASEAN members. In the 1980s China's economic reform and open-door policy suggested to ASEAN that China was committed to economic development and economic reform, instead of a communist revolution. Both sides also found trade and investment a broad and new area

for cooperation. Since 1989 and especially 1992, ASEAN-China relations have taken place against a backdrop of an international debate on China's domestic politics, China's rise and the best approach to dealing with China. It has been accepted by many analysts in international relations that a rising power tends to upset the existing balance of power and induce regional and even global tension and conflict. For a few years, especially after the 1989 Tiananmen incident, many in the West perceived China as the last stronghold of the outdated communism, as well as an international security threat. They advocated a policy of keeping China at arm's length and containing it if possible. After the 1989 Tiananmen incident, instead of sanctioning China, key players in the ASEAN, including Indonesia and Singapore, established diplomatic ties with Beijing in 1990 while Brunei did so in 1991. By 1991, all ASEAN members had established or re-established diplomatic ties with Beijing. China joined the ASEAN Regional Forum in 1994. Remarkably, the positive momentum was not derailed by the heated territorial disputes over the Spratly Islands in the South China Sea between China and Vietnam from 1992–1994 and between China. At the 29th ASEAN Ministerial Meeting in Jakarta in 1996, ASEAN upgraded China from a Consultative Partner, which it had been since 1991, to full Dialogue Partner status. As ASEAN expanded its membership to include Vietnam in 1995, Laos and Myanmar in 1997 and Cambodia in 1999, China worked with the grouping to improve the status of ASEAN. In 1997, leaders from ASEAN countries and China held the first informal summit in Kuala Lumpur, Malaysia, to officially recognise the ASEAN-China process and to adopt the strategy of “good neighbourliness” and “mutual trust” to strengthen and expand existing ASEAN-China ties in the 21st century. ASEAN-China relations improved even further after 1997. Beijing's decision not to devalue the Renminbi during the Asian financial crisis amid international pressure and the multi-billion-dollar financial assistance to Southeast Asian and Asian nations won the admiration of ASEAN countries. The signing of the Declaration on the Conduct of Parties in the South China Sea in 2002 between China and ASEAN worked to further ease territorial disputes and paved the way for joint exploration in the area. More importantly, deepening economic inter dependency in the region helped elevate ASEAN-China partnership to a new level of cooperation and integration. This cumulated in the landmark conclusion of the China-ASEAN Comprehensive Economic Cooperation

Agreement in 2002, which provides for the establishment of an ASEAN-China Free Trade Area.

In sum, ASEAN-China relations have evolved from one that was plagued with suspicion and scepticism to one that characterises a dynamic and friendly partnership. Leading China scholars in the United States observed with envy and admiration. One wrote:

“For a historical overview and analysis of China’s relations with Southeast Asia, China generally has done a very effective job in recent years in changing the perspective of Southeast Asian nations toward viewing China’s emergence as a net benefit rather than a threat, particularly on the economic front... US impatience with regional “talk shops” and the “ASEAN way” has provided China with a strategic opportunity to enhance its position in Southeast Asia, of which Beijing has clearly taken full advantage. (Bergsten *et al* 2006)

ASEAN appreciates China’s inputs in the consolidation and development of ASEAN and regional integration. As Professor Tommy Koh(2006) that China’s interest in ASEAN and economic integration with the region kick started a healthy competitive process. Major players in the region, including Japan, South Korea, India, Australia, New Zealand and the United States, were also pressured to court ASEAN. This drives economic and political integration in the region and enhances the status of ASEAN, providing ample reasons for ASEAN to renew and strengthen itself.

The signing of agreements, such as the China-ASEAN Comprehensive Economic Cooperation Agreement in 2002 and the Treaty of Amity and Cooperation in 2003, has significantly strengthened and deepened the bilateral relationship. The recent developments such as the signing of the two ASEAN-China economic cooperation documents in Cebu, as well as the progress made in the services and investment areas of the ASEAN-China FTA, have prompted other regional countries to promote their bilateral relations with ASEAN.

There has been improvement in ties between ASEAN and China which can be attributed to joint efforts in finding innovative and mutually beneficial ways to deal with challenges and move the relationship forward. Relations are thus complementary in every field, facilitating the integration of ASEAN and China.

Nevertheless, ASEAN and China should continue to build upon their achievements to meet future challenges. One of the ways is for China to support ASEAN's initiatives such as the East Asia Summit and to help narrowing the development gap among ASEAN member countries. Despite impressive improvement in ASEAN-China relations, there remains certain scepticism in some ASEAN countries on the motives and intention of China. There are a few areas where China can help to reduce the uneasiness of ASEAN members and maintain a high-level cooperation to promote mutual trust and understanding. For example, as far as territorial disputes in the South China Sea are concerned, Beijing can explain its claim in the area. Moreover, China can participate actively in ASEAN's initiatives such as the development of the Greater Mekong Sub-region and help out the underdeveloped ASEAN members. Furthermore, China should also introduce more socio-cultural initiatives to foster stronger people-to people ties.

Political and Security Dimensions

Politics and security have always been one of the top priority areas of cooperation between ASEAN and China since 1991. Southeast Asia and China have come a long way in uplifting their relations to the current high level. The ups and downs in Southeast Asian nations' relations with China can be explained by China's domestic development, relations between major powers (including China, the United States and the Soviet Union), ideology, and political and economic geography. ASEAN countries know that China's peaceful rise is integral to China's smooth economic reform and development which in turn going to help them only in the long run.

If one goes by the trajectory of this relationship in the post cold war it seems that in the years to come Southeast Asia and China can be expected to deepen their ties and cooperation while managing contentious issues. However author like Sheng Lijun(2006) offers an alternative perspective to the rapidly improving and expanding ASEAN China relations. He states that even though relations between the two sides have improved considerably, most ASEAN nations, especially the original ASEAN members —

Indonesia, Malaysia, Philippines, Singapore and Thailand— still maintain strong relations with the West. This shows that core ASEAN countries still have reservation over a rising China and do not want China to disrupt the existing balance of power in the region. Moreover, the impact of ASEAN's growing economic cooperation with China is still small compared to that with the West.

Economic Relations

After ASEAN and China established official contact in 1991, economic cooperation between the two sides expanded rapidly. From 1991 to 2000, ASEAN-China bilateral trade grew at about 17 percent a year and the trade volume expanded from US\$7.9 billion to US\$39.5 billion. After China joined the WTO in 2001, total trade volume increased at an even faster pace of more than 20 percent per annum during the 2001–2005 period. Trade volume grew to US\$130 billion in 2005. It is anticipated to hit US\$200 billion by 2010. Furthermore, from 2001 to 2005, ASEAN as a whole enjoyed hefty trade surplus in their trade with China. The rapid growth in ASEAN-China trade is largely due to the continuing development of ASEAN countries, the strong economic performance of the Chinese economy and regional economic initiatives such as the ASEAN-China Free Trade Area. Besides a trade surplus, ASEAN countries reap a number of benefits from China's economic growth—the ASEAN-China Free Trade Area, investment from China's enterprises, China's growing assistance with capacity building, China's increasing foreign aid, financial stability due to a strong and even stronger Renminbi maintained by China, and deepening economic integration powered by China's economic growth. As a result, it is likely that ASEAN and China will continue to forge a closer economic partnership.

ASEAN-China Free Trade Agreements

The ASEAN-China Free Trade Agreements (ACFTA) is a crucial component of East Asian regional economic integration. In 2002, ASEAN and Chinese Leaders signed the Framework Agreement on Comprehensive Economic Cooperation and decided that an

ASEAN-China FTA would be set up in 10 years. When realized, the ASEAN-China FTA will be the largest FTA in Asia. It will also be the biggest FTA between developing countries and biggest in terms of population covered representing a market of 1.85 billion consumers and a combined gross domestic product of almost 2.5 trillion dollars. The ACFTA will be fully implemented for the ASEAN-6 in 2010, and will integrate Vietnam, Laos, Myanmar and Cambodia by 2015.

On January 1, 2004 the two parties began implementing what China called an “Early Harvest Plan” or EHP. This plan grants a 3-year duty free entry for ASEAN goods into the Chinese markets. After this, China’s manufactured goods will have full free tariff access to Southeast Asian markets. This secures China’s access to the region’s raw materials and at the same time removes barriers to China’s exports. The EHP cut tariffs on more than 500 products as part of the efforts to facilitate the FTA. The 8th China – ASEAN Summit on November 29, 2004 in Vientiane resulted in a package of agreements on trade in goods and dispute settlement. ASEAN and the China began to cut tariffs on more than 7,000 products, a move indicating the start of the substantial tariff reduction phase between the two parties.

Trade between ASEAN and China has been on the rise, growing at an annual average of 19% between 1995 and 2002.(ASEAN Statistics Book) The 2002 trade record is US\$ 54.8 billion. This leapt to more than US\$100 billion for the first time in 2004 and further increased to US\$130.37 billion in 2005. ASEAN trade with Japan and the US remained higher at \$136 billion each in 2004, but this is expected to be overtaken by ASEAN-China trade soon.

Supporters of ACFTA argue that Chinese and ASEAN economies complement one another. But China’s expansion is not being welcomed by everyone. In fact, reaction to China’s growing economic presence is increasingly becoming negative especially from small farmers and manufacturers in the region. Those in electronics, furnitures, motorcycles, and fruits and vegetables, increasingly see China as a threat. In Thailand, farmers are despairing that they could not sell their own produce anymore because of the

low-priced Chinese vegetables that invade the markets in rural towns and cities in the country Malaysian and Indonesian workers are also complaining about jobs being lost to Chinese workers due to closures of enterprises that are losing orders to China
Increased Chinese textile exports since 2005 to Cambodia and Vietnam started to supplant local producers in the two countries .

The strong drive and interest by the ASEAN elite to deepen economic ties with China is not shared by farmers and small businesses that fear the competitive advantage of China in churning out low-priced goods. Environmentalists and interests groups also worry about the impacts of Chinese demand on natural resources in the region.

Aid and Assistance

In recent years, the flow of Chinese development assistance to Southeast Asia, especially to Laos, Burma and Cambodia, has been increasing. In the Greater Mekong Sub-region in general, China is actively pursuing cooperation for the construction of power plants and regional grid interconnection. China also finance projects in Vietnam (Kon Giang 2 and Bao Loc) and the rest of Southeast Asia . In Malaysia, it supports an ongoing project for the rehabilitation of Tenompangi hydropower plant in Sabah. Laos' Nam Tha and Tha Som and Myanmar's Kun are also benefiting from China's external development assistance.

China is balancing its deepening trade partnership with ASEAN with development support. China is now trying to match Japan's role in development assistance, which remains dominant. Clearly, the current swirl of Chinese money to development projects within ASEAN is intended to warm the relationship between China and its neighbors.

However, China is perceived as a source of many environmental problems. Its development of the Mekong River within its border negatively affects the countries downstream, which includes Thailand, Laos, Cambodia and Vietnam. Chinese logging companies are also notorious for violating Forestry Laws in Burma and Indonesia and for

contributing to severe deforestation in the two countries. As China continues with its charm offensive through government assistance and regional investment, it must also own up to increasing responsibility.

Mutual Benefits Out of This Relationship

- Southeast Asia's good relationship with China provides the region with economic benefits while for China it means there would not be its encirclement with the hostile neighbours which could be US ploy. This gives an assurance to China that its border areas are safe. Moreover for Southeast Asia it's also a move to keep US involved in the region. This move of coming a bit closer to China would certainly force US not to take the region lightly and keep US involved in the region
- For Southeast Asia it also meant getting to trade with the Chinese areas closer to its region namely Yunnan, Sichuan and Guangxi
- Regional Strategy in the age of Economic modernization-Overseas market access and a secured supply of raw materials is guaranteed to China through this relationship which is necessary for economic development. For Southeast Asia it meant a big market for its industries and economic development of the region.
- Regional peace for economic development-It is the prerequisite for economic development. So by making a good relationship with the region China can concentrate on its development. For Southeast Asian States engagement was necessary as a group of small countries just cannot take the risk of antagonizing the rising power of the neighborhood.
- The interaction with China gives Southeast Asia a chance to "socialise" China and to tie it down in multilateral frameworks to diminish its hegemonistic tendencies if any, at least for foreseeable future.

Conclusion

For 15 years (1990- 2005), ASEAN and China have ironed out many differences through its unique multilateral establishment. Through signing the Treaty of Amity and Cooperation, forming an ASEAN China Free Trade Area and maintaining its “peaceful development” foreign policy in the region, China suggests that as the world’s fastest growing economy it is willing to promote stronger ties with ASEAN. Although most of ASEAN countries especially those who had a troubled history with China still harp on the “China threat” theory and remains sceptical about the intention and motives of a rising China, the greater economic interdependency will continue to ease such fears in the future. The sustainability of this partnership is dependent on whether both sides are willing to continue and uphold the present level of cooperation. There is no doubt that relationship during the fifteen years(1990 to 2005) have improved and matured. China still needs to address lot of issues pertaining to Southeast Asian Countries. The flow of FDI, Economic competitiveness and South China Sea are prominent among them. Southeast Asian Countries opened to China not because of fear. They opened up when they saw some genuine changes in the stances and perceptions of China for them. The relationship today is conditioned by that assurance on the part of China that her intentions are genuine. Any hardening of position can still wean the ASEAN countries away from her and undo the progress made so far. The findings is my thesis about this relationship validates my hypotheses to a large extent namely China’s potential rise in regional and global affairs is a factor for the region’s growing integration with China, Southeast Asia has opted to integrate at economic levels with China to underplay the security concerns from a rising China in the region and China’s espousal of multilateralism and multipolarity as a critical plank of its foreign policy is central to its relations with Southeast Asia .

One needs to be optimistic about the future of this relationship but the onus to make the relationship even more fruitful depend much on Chinese future behaviour vis a vis Southeast Asian Countries. It’s my wish that in the years ahead ASEAN China relations grow, mature and the region enter a new age of integration, peace, prosperity and good neighbourliness.

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