

## China-Southeast Asia Relations: A New Strategic Partnership is Declared

Lyll Breckon  
CNA Center for Strategic Studies\*

China's leaders made the most of the fall summit season in Southeast Asia, playing vigorous roles in the series of "ASEAN-plus" meetings in Bali in early October, and in the Asia-Pacific Economic Cooperation (APEC) summit in Bangkok later that month. China and the 10 ASEAN governments declared a "strategic partnership for peace and prosperity" in Bali, where China formalized its accession to ASEAN's Treaty of Amity and Cooperation, renouncing the use of force in the region in favor of negotiation and consultation. Strategic partnership is to include, among other things, ambitious new goals for increasing trade, and a new security dialogue among the 11 countries. Reacting to the perception that China is soaking up nearly all the foreign direct investment flowing to Asia, Beijing promised to increase its own investment in Southeast Asia, particularly in the energy and transportation sectors.

Some observers express heightened concern that China is replacing the United States in the region. This may be Beijing's ultimate aim, but for now, U.S. trade and security involvement in Southeast Asia, and improved U.S.-China relations overall, are necessary conditions for the climate of confidence in which China has achieved its striking gains in Southeast Asia.

### **Good Neighbor, Safe Neighbor, Enriched Neighbor?**

The "Joint Declaration on Strategic Partnership for Peace and Prosperity" signed by the Southeast Asian governments and China at their summit in Bali Oct. 7-8 consolidates progress China has made since 1997 in establishing itself as an insider in ASEAN councils, and portraying itself as a benevolent regional partner sharing the values and goals of the 10 ASEAN states. Chinese officials observed that it is the first formalized "strategic partnership" for China with a regional organization, and a first for ASEAN as well.

"Strategic partnership" is an imprecise term, but in this case it is fleshed out by formal agreement to strengthen cooperation on political, security, economic, social, and regional issues. It sets the goal of increasing two-way annual trade to \$100 billion by 2005. On regional security, the ASEAN governments agreed in the declaration to hold a security-

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\* CNA Corporation is a non-profit research and analysis organization. The opinions expressed in this article are those of the author.

related dialogue with China to “enhance mutual understanding” and promote peace and stability. ASEAN governments made clear in the declaration that they would use the security dialogue to push China to agree to convert last year’s watered-down South China Sea declaration into a binding “code of conduct.”

China and ASEAN stated that their strategic partnership was “non-aligned, non-military, and non-exclusive,” and would not limit ties with other countries, caveats meant among other things to make clear that the U.S. alliance and other military ties in Southeast Asia were not the target.

In a separate initiative, in October 2003, China became the first non-Southeast Asian nation to accede formally to ASEAN’s 1976 Treaty of Amity and Cooperation (TAC). This document pledges its signers to renounce the threat or use of force, resolve disputes through peaceful means, consult regularly, and form a High Council of ministers from all parties to the treaty to help in finding peaceful solutions, and – if all parties agree – play a direct role in settling potential conflicts. Outside parties like China can take part in the High Council if they are a party to the dispute under consideration.

ASEAN leaders welcomed this step as signifying “deeper political trust and a higher level of cooperation,” and announced they had agreed to cooperate with China in sustaining peace “while upholding the authority and central role of the UN” – clearly a reference to U.S. military action in Iraq. Chinese Premier Wen Jiabao pointed out that, “we Asian countries” need to strengthen solidarity in light of some negative global trends – the “new manifestation of power politics” and the “pressure brought about by the unfair and irrational international economic order.” China also committed itself to consult further on accession to the protocol to ASEAN’s 1995 Southeast Asia Nuclear Weapons Free Zone Treaty.

Chinese leaders, responding to the mounting alarm in ASEAN countries about China’s apparent absorption of most of the foreign direct investment that used to flow to their economies, countered by pointing out that China’s own investment in other Asian countries is growing at an annual rate of 20 percent. Premier Wen promised in Bali to encourage even greater Chinese direct investment in Southeast Asia, and told summit participants that China would increase its contributions to Mekong River basin development and to pan-Southeast Asian road and rail links. He also noted that China’s imports from ASEAN countries grew at the rate of 26 percent in the four years following the Asian financial crisis that began in 1997. Wen also used the Bali summit to reiterate China’s resistance to U.S. pressure to revalue China’s currency, calling his government’s approach a “prudent and responsible” one, aimed at preserving stability in Southeast Asia as well as in the world economy.

Summing up China’s approach for the press at the end of the Bali meetings, Foreign Minister Li Zhaoxing characterized it as “good neighbor, safe neighbor, and enriched neighbor.”

## **APEC Summit: Another Opportunity for China**

The Asia-Pacific Economic Cooperation summit and the associated “CEO summit” of regional business leaders in Bangkok Oct. 19-21 provided President Hu Jintao another opportunity to elaborate China’s case for leadership in regional economic integration. He told the CEOs that China had set the goal of industrializing, and quadrupling its GDP to more than \$4 trillion, by 2020, but admitted that this would require solving a number of problems. To his fellow heads of government, Hu said that stability was the prerequisite for development, and enjoined them to “treasure the hard-won situation of peace and stability” in Asia and nurture it through mutual respect and trust. Hu called for greater cooperation in science and technology, and urged an end to protectionism and trade barriers.

Some Asian commentators asserted that Hu’s reassuring message – in essence, that China is now the status quo power in Asia – contrasted with regional perceptions of the United States as unilateralist, given to preemptive military action, and insistent in pushing an agenda that ignored Southeast Asian interests in favor of counterterrorism and non-proliferation. Hu did not highlight this contrast explicitly, and in fact said at APEC that the international community must intensify the campaign against terrorism, whose threat remains formidable. He pointed out that China is itself a victim of terrorism. China joined the consensus on a strong counterterrorism section in the APEC joint statement.

China’s Oct. 16 manned space shot was widely praised in ASEAN countries, adding to Beijing’s prestige just as President Hu was about to leave for the APEC summit. China announced in November that an Asia-Pacific Space Cooperation Organization would be established in Beijing next year, and would include Malaysia, the Philippines, and Thailand, as well as 10 other countries.

## **Bo’ao Forum for Asia: the Asian family?**

The Bo’ao Forum for Asia, a gathering initiated by China and modeled after the annual Davos World Economic Forum in Switzerland, reportedly attracted more than 1,200 governmental, business, and other private delegates to its second annual meeting Nov. 2-3, in the eponymous resort town on Hainan island. Its board chairman, former Philippine President Fidel Ramos, described it as a reunion of the “Asian family.” The keynote speaker, Singapore Prime Minister Goh Chok Tong, told the meeting that China was playing a key role in managing the “stresses and strains” among Asian countries, but warned against any tendency to pursue an isolationist, “beggar my neighbor strategy.” Premier Wen told the forum that all countries in the region should develop a “deeply integrated Asia,” and should maintain peace by adopting China’s “new security concept,” featuring mutual trust, mutual benefit, equality, and cooperation.

## **A Higher Profile for Overseas Chinese**

China’s improving image in Southeast Asia has paved the way for more extensive and open appeals by Beijing to the vast diaspora of ethnic Chinese citizens of the countries of

Southeast Asia. This growing dialogue is not a reprise of Mao-era efforts to assert a sovereign role vis-à-vis Chinese migrants – or even use them to seek “regime change” – but it appears to go somewhat beyond Beijing’s stated policy since the 1980s that the overseas Chinese should be good citizens of the nations in which they live. China has successfully sought for many years to attract investment from this group. This effort is increasingly pursued during visits by senior Chinese leaders to Southeast Asian capitals, for example by Hu Jintao in Bangkok Oct. 18, at a luncheon attended by more than 1,000 Chinese and Chinese-Thai. The Chinese government organized a “Global Get-together of Overseas Chinese and People of Chinese Origin in Vietnam, Cambodia, and Laos” in Guangzhou Nov. 25, reportedly attracting close to 1,000 guests. Senior Chinese leaders told them that Beijing would provide better service to overseas Chinese wishing to participate in economic, cultural, and scientific exchanges. They also stressed the importance for “all sons and daughters of the Chinese nation” to support Beijing on the Taiwan issue, and to “unite to fight for the great cause of the reunification of the motherland.”

China’s more open attention to Southeast Asians of Chinese descent may be helping to encourage the latter to stand up for their political rights where those rights are still threatened. In Indonesia, where ethnic Chinese have had a troubled and sometimes violent relationship with the Muslim majority, Chinese-Indonesian politicians have called on their community to use its voting power in the 2004 national elections to protect their interests.

### **Bad Conduct in the South China Sea?**

Despite the year-old China-ASEAN Declaration on Conduct in the South China Sea – or in Taiwan’s case, perhaps because of it – more disagreements arose during the quarter over activities in those waters.

Taiwan, which – like Beijing – continues to claim most of the islands in the South China Sea, searched and expelled 11 Vietnamese fishing boats from the Spratlys in October. One of the incidents apparently took place just off Taiping Island (Itu Aba), which is occupied by Taiwan. The incidents prompted a sharp condemnation and warning from Hanoi, which reiterated its claim of “indisputable sovereignty ... confirmed by historical evidence.” Taiwan’s Foreign Ministry dismissed the Vietnamese statement on Nov. 2. Fishing disputes are common in the rich Spratly grounds, but Taipei may have seen the incident as a way to make clear its displeasure at having been excluded from the 2002 ASEAN-China Declaration.

Vietnam, for its part, announced in early October that it had decided to launch tourist visits to the Spratly archipelago, and to build a fisheries logistics center there next year.

Philippine media reported Nov. 7 that the Armed Forces of the Philippines had discovered new territorial markers with Chinese inscriptions on several unoccupied reefs and shoals in the Spratly Islands, and had monitored two PLA navy vessels operating since September at Mischief Reef – a particular thorn in the side of Manila since 1995.

The new markers were reportedly removed. It was not clear, however, that China had in fact violated the December 2002 declaration, and the Philippine Foreign Ministry dissuaded the government from formally protesting China's activities.

A few days later, Manila announced that the Philippine national oil company and the China National Offshore Oil Corporation would begin joint exploration in yet-to-be selected areas of the Sea. If the areas chosen cover disputed claims by China and the Philippines, the joint exploration would be a step forward in putting aside sovereignty issues in favor of economic cooperation.

### **China-Indonesia Relations**

Developments in relations between China and Indonesia reinforced the view that interests of the two countries are converging and historic animosities are being put aside. Indonesian officials sought new contracts to sell natural gas to China during the quarter, meeting a receptive partner as China continued to seek to lock in access to Indonesian energy resources. PetroChina executives visiting Indonesia in late October offered to begin joint exploration efforts with Indonesia, and to help enhance oil recovery in existing fields.

Chinese officials also responded positively to Indonesian requests for new direct investment, and in early October offered a \$420 million export credit for building new electric power stations and other infrastructure projects, including a bridge between Java and the island of Madura. *The Jakarta Post* reported in October that the Central Java province administration planned to lease an offshore island to a Chinese city for the cultivation of unspecified tropical plants – a scheme that would have been difficult to imagine five years ago in light of the hostility with which the Indonesian armed forces then regarded the PRC.

### **China-Vietnam: Trade Competition, Chronic Border Issues**

Vietnam announced in November that the United States had replaced China as the largest market for Vietnamese exports. As Vietnam's export sector gathers momentum, competition with China for overseas markets is likely to grow. Vietnam has become the second-largest exporter of textiles and clothing to the United States, rising from virtually nothing in this category in 2001. When the quota system of the international Multifiber Agreement expires in 2005, Vietnam – with lower labor costs than China – may take more of China's global market share in clothing and apparel. Nonetheless, Chinese investment in Vietnam is mounting. It more than doubled in 2003, even though China is still only 17th in terms of investment stock. Vietnam sent high-level emissaries to Beijing in search of new investment during the quarter, including Deputy Prime Minister Nguyen Tan Dung.

Border issues remained a problem. China's *Xinhua* news agency used unusually blunt language in reporting talks between China's Vice Premier Huang Ju and Nguyen Tan Dung Oct. 16, noting that Huang "demanded both sides tighten up their efforts in the

demarcation of land boundaries between China and Vietnam.” Hanoi appears caught between pressure from China to complete demarcating the border under a 1999 agreement, and dealing with domestic opposition to concessions made to China in that agreement. On Dec. 31 a second cyber-dissident who had criticized the 1999 agreement, Nguyen Vu Binh, was sentenced to seven years in prison on charges of espionage.

## **Implications**

The themes China is bringing to its multilateral diplomacy in Southeast Asia – cooperative security, a greater role for the United Nations, “democratization” of international affairs, free trade and dismantling of protectionist measures, more attention to transnational issues including crime and narcotics, and noninterference in the domestic affairs of other countries – are highly attractive to Southeast Asian governments. Regional leaders are realists, unlikely to accept at face value China’s signature on a treaty foreswearing the use of force. The gesture has symbolic value, however. Like the Declaration on the South China Sea last year, it is a peg for further efforts to commit Asia’s rising giant to a peaceful course. Growing mutual economic interdependence between ASEAN states and China offers additional incentives for Beijing to be a peaceful neighbor. China’s burgeoning role in Southeast Asia is contributing to other important shifts in the region for which ASEAN governments can be grateful, including Japan’s renewed and vigorous economic diplomacy and India’s quickening interest.

A number of observers of China’s winning ways in Southeast Asia have concluded that the U.S. is being edged out of the region, and that China is claiming the role the U.S. has played for more than 50 years. But from the perspective of the ASEAN states, China’s regional rise does not mean an automatic decline in the importance of the U.S. If China is becoming the economic engine of Asia, American consumer demand is still the fuel. A substantial portion of ASEAN’s swelling exports to China consists of components for goods that are later exported to the U.S. Southeast Asian confidence-building with China is possible in large part because U.S.-China relations are currently good, and because the U.S. remains a military power in the region. On counterterrorism, where the U.S. message is sometimes seen as unpleasant or hectoring, ASEAN states realize that the terrorist threat to their interests is potentially devastating. They may differ on priorities, but most understand that there is no alternative to cooperation with Washington in rooting out terrorist networks.

China’s successes in Southeast Asia underline a more general message for Washington: success on counterterrorism, and hedging against a hostile China in the future, both require that the United States maintain a long-term, constructive involvement with the Southeast Asian governments, and with ASEAN as an organization, on a broad agenda of issues not limited to the immediate crises at hand.

## **Chronology of China-Southeast Asia Relations October-December 2003**

**Oct. 7-8, 2003:** Chinese Premier Wen Jiabao and other senior Chinese officials participate in summit meetings with ASEAN heads of government, and with the ASEAN Plus Three – including Japan and the ROK – in Bali, Indonesia.

**Oct. 8, 2003:** Philippine Drug Enforcement Agency Chief Anselmo Avenido tells the press that China has provided information that led to the arrest of a major Chinese drug lord operating in the Philippines.

**Oct. 10, 2003:** Vietnamese business media report that Electricity of Vietnam will begin buying power from China in 2004, and will eventually invest in transmission lines capable of carrying from 100 to 400 MW from China. Interdependence in the region is growing: Vietnam currently buys electricity from Laos and sells electricity to Cambodia.

**Oct. 10, 2003:** Burmese electric power authorities sign a contract with the Sichuan Machinery and Equipment Company to provide a power transmission line between a new hydropower plant to be built in Ruili, in the northern Shan state, and Mandalay. Value of the project is \$35 million.

**Oct. 16, 2003:** China's *Xinhua* news agency uses unusually blunt language in reporting talks between China's Vice Premier Huang Ju and Nguyen Tan Dung Oct. 16, noting that Huang "demanded both sides tighten up their efforts in the demarcation of land boundaries between China and Vietnam."

**Oct. 20-21, 2003:** Chinese President Hu Jintao participates in the APEC summit meeting in Bangkok, and makes a state visit to Thailand.

**Oct. 24, 2003:** Cambodian Tourism Minister Veng Sereyvuth tells the press that China is his focus for increasing the number of visitors to Cambodia. In 2002, tourism generated 15 percent of Cambodia's GDP, according to *Xinhua*.

**Oct. 25, 2003:** Transport ministers from ASEAN and China meet in Rangoon to map out plans for building an integrated transport network linking southern China with mainland Southeast Asia.

**Oct. 26, 2003:** Gen. Phung Quang Thanh, chief of staff of the People's Army of Vietnam, meets in Beijing with Liang Guanglie, his Chinese counterpart.

**Nov. 2-3, 2003:** Second annual Bo'ao Forum for Asia held on Hainan Island, China.

**Nov. 4, 2003:** Malaysian Deputy Home Minister Datuk Chor Chee Heung tells the press that distribution of pamphlets in Malaysia by the Falun Gong religious group, banned in China, "smacks of political incitement," and notes that the government will pursue legal action against parties guilty of passing them out.

**Nov. 6, 2003:** Singapore Transport Minister Yeo Cheow, announces the opening of an airport management school in Xiamen province, jointly owned by Singapore Changi Airport and Xiamen International Airport Group.

**Nov. 7, 2003:** Philippine media reports the Armed Forces of the Philippines has discovered new territorial markers with Chinese inscriptions on several unoccupied reefs and shoals in the Spratly Islands and has monitored two PLA Navy vessels operating since September at Mischief Reef.

**Nov. 10, 2003:** Secretary of the Yunnan Communist Party provincial committee Bai Enpei leads a goodwill delegation to Cambodia and Vietnam.

**Nov. 12-15, 2003:** China and Laos hold a meeting in Luang Prabang to review border cooperation. Over the past year the two countries have refurbished 23 border markers between Yunnan and Lao territory.

**Nov. 14, 2003:** Thai and Chinese public health officials announce that they have jointly developed and tested an effective anti-AIDS medicine and will put it on the market later this year. The two countries have cooperated in research on cancer treatment, herbal medicine, and mental health.

**Nov. 19, 2003:** China and Singapore announce the launch of a joint council to promote political and economic cooperation, during a visit of Prime Minister Goh Chok Tong to Beijing. The council will focus on high-tech research, development of China's western region, and helping Chinese companies go global, among other issues. It will be co-chaired by Singapore Deputy Prime Minister Lee Hsieng Loong and Chinese Vice-Premier Wu Yi.

**Nov. 21, 2003:** The PLA navy missile destroyer Shenzhen and a supply vessel return to Zhanjiang Port after a 37-day cruise to Guam, Brunei – both PLA firsts – and Singapore.

**Nov. 21, 2003:** UN Secretariat announces that it will open the first UN regional office in China, the Asian and Pacific Center for Agricultural Engineering and Machinery, in Beijing. China contributed \$3.8 million to help establish the office.

**Nov. 24, 2003:** Gen. Xiong Guangkai, deputy chief of general staff of the People's Liberation Army of China, exchanges views on the international and regional situation with Gen. Chaisit Shinawatra, commander of the Royal Thai Army, during his visit to Beijing.

**Nov. 25, 2003:** The Chinese government organizes a "Global Get-together of Overseas Chinese and People of Chinese Origin in Vietnam, Cambodia, and Laos" in Guangzhou reportedly attracting close to 1,000 guests. Senior Chinese leaders announce Beijing will provide better service to overseas Chinese wishing to participate in economic, cultural, and scientific exchanges.

**Nov. 30, 2003:** Wu Quanzu, deputy chief of the PLA General Staff, leads a delegation to Burma, Bangladesh, and India.

**Dec. 3, 2003:** Da'i Bachtiar, chief of Indonesia's national police, meets with Chinese State Councilor Zhou Yongkang in Beijing. Bachtiar signs an agreement on police cooperation with China.

**Dec. 8, 2003:** Ten Lao law enforcement officers depart Kunming after finishing legal training at the Yunnan Provincial People's Court, under a bilateral agreement to increase judicial exchanges and cooperation.

**Dec. 18, 2003:** Manila sources report that the Philippines has decided to opt out of "early harvest" agricultural tariff cuts under the China-ASEAN FTA framework agreement. It will be the only ASEAN member to do so. They left open the possibility of joining later.

**Dec. 19, 2003:** China joins an ASEAN Plus Three meeting of environmental ministers in Rangoon.

**Dec. 21, 2003:** Philippine President Gloria Macapagal-Arroyo tells China's special envoy to the funeral of Foreign Minister Blas Ople that she appreciates China's valuable support and assistance to Philippine agriculture and infrastructure development, and believes that prospects for economic cooperation between the two countries are "vast."