

## China-Southeast Asia Relations: Courtship and Competition

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China rounded off an intense series of high-level visits to Southeast Asian capitals that began last year with a visit by PRC President Jiang Zemin to Vietnam. The relationship is still troubled by border problems, and Jiang's trip was higher on pomp and atmospherics than actual achievements. Indonesia's President Megawati Sukarnoputri made her first official bilateral visit to China in March. Economic and trade goals were at the top of the agenda, but she was clearly seeking China's political support as well at a time when her government faces international criticism on issues ranging from antiterrorism to human rights. Trade and transnational crime issues along China's southern borders are increasingly gaining Beijing's attention, as evidenced by the range of initiatives China is taking to strengthen transportation links on the Mekong River and through its southern neighbors to the sea, and programs to counter the flood of narcotics into its southwestern provinces.

China's response to U.S. steps in Southeast Asia to counter international terrorism, including sending a force of more than 600 military personnel to the southern Philippines to advise and support the Philippine armed forces in operations against the Abu Sayyaf terrorist/criminal group, has been mixed. A lengthy analytical article in an official journal in February claimed that the "pretext" of antiterrorism had made it easy for the United States to expand its global military power and "set up bases around the world." On the other hand, according to some reports, Chinese sources say that China "recognizes that the U.S. has interests in Asia and does not challenge its presence." (If so, however, Vietnam may be an exception – see below.)

China's efforts to woo Southeast Asian governments, and its proposal for a China-ASEAN Free Trade Area last year, may give ASEAN governments some welcome additional bargaining leverage as their economies struggle to recover. China's proposal may lie behind Japanese Prime Minister Koizumi Junichiro's early January swing through five Southeast Asian countries and his own competitive free trade area initiative in Singapore at the end of his trip. The state of Japan's economy, however, and the lack of evidence of a real commitment to open Japan's markets weaken the allure of Koizumi's initiative. Taiwan sent an economic mission to Southeast Asia as well during the quarter.

## **China and Indonesia: Reviving Old Ties?**

Chinese leaders gave a warm reception to Indonesian President Megawati during her March 24-28 visit to China. Both leaders recalled the role of Megawati's father, Sukarno, who established close relations with China after Indonesia's independence (although they went into the deep freeze for most of the Suharto era). Megawati's trip was clearly aimed at gaining political support at a time when her country is receiving international criticism on issues from international terrorism to continued human rights abuses and at getting help for her country's stagnant economy, still shunned by foreign investors. She achieved some results on both scores.

President Jiang, in his meeting with Megawati, called for stronger cooperation between the two countries on international and regional affairs and commended her efforts to improve the condition of the ethnic Chinese in Indonesia and integrate them into the national life. Megawati agreed on the need for coordinated regional and global policies and called for a return to the "famous Asian-African spirit" introduced by her father and Chairman Mao Zedong. Jiang announced a \$400 million loan to Indonesia. Trade between the two countries reportedly rose \$7.5 billion in 2000 but dropped to \$6.7 billion last year. Indonesian trade officials argue that Indonesia's vast reserves of minerals and hydrocarbons and China's production of affordable consumer goods make them natural trading partners.

In January China's National Offshore Oil Company invested in energy assets in Indonesia that reportedly made it the largest foreign offshore oil producer in that country. One specific goal Megawati and her large delegation undoubtedly pursued was advancing a \$10 billion liquified natural gas (LNG) deal to supply China's first LNG reception terminal, in Guangdong Province, with gas from a huge new field in Papua. Indonesia, Australia, and Qatar are on the short list for a decision reportedly to be made at mid-year.

Among the five new agreements signed during Megawati's visit was one providing for establishment of consulates in Medan and Surabaya in Indonesia, and Shanghai and Guangzhou in China.

## **China and Vietnam: Border Disagreements Continue**

President Jiang made his second visit to Vietnam as president Feb. 27-March 1. Reporting from both sides on his talks with Vietnamese leaders suggests that despite Jiang's reference to the trip as a "family visit" and the pomp that accompanied it, Jiang and his party did not encounter the warmth evident in other recent travels to Southeast Asian capitals by Jiang, Premier Zhu Rongji, and other top party and government officials. Official media on both sides lavished praise on the decades of traditional close friendship between the two countries, with only glancing allusions to the major tensions and episodes of armed conflict that characterized much of the period since 1975. As Presidents Bill Clinton and Vladimir Putin had done during their Hanoi visits, Jiang made a live TV broadcast to the nation, referring to "difficult periods" in the past but asserted

that friendship between peoples had always prevailed and appealed to shared Marxist ideology and Confucian culture.

Economic issues were a priority agenda item. China's entry into the WTO and its success in attracting foreign investment have caused concern for Vietnamese leaders, who have put themselves on track for WTO membership in the next two years and now openly advocate China's economic reforms as a model. Two economic agreements were signed during the visit, on science and technology cooperation and on preferential credits amounting to \$12 million. Trade between the two countries rose from \$37.7 million in 1991 to over \$3 billion in 2001. Their goal is to increase it to \$5 billion in 2005. (The figures do not include a large but difficult to estimate illegal cross-border trade, mostly in manufactured goods from China to Vietnam.)

Border issues were the other major topic and posed tougher problems. Beijing and Hanoi reached agreements on demarcation of their land border in 1999 and on maritime zones in the Tonkin Gulf in 2000, but neither has been fully implemented. The Tonkin Gulf accord is blocked by a fisheries dispute. Jiang and his hosts conducted "frank" talks on the problem and urged a speedy resolution but failed to achieve it. The final communiqué of the visit stated that the two sides had agreed to persist in trying to resolve the problem through "peaceful negotiations," and not use or threaten force.

Over the past decade Vietnam has placed high priority on resolving its territorial issues with China to put a nagging source of potential conflict behind them. As noted previously in these pages, at one point Hanoi deferred completion of the bilateral trade agreement with the United States to avoid any possible irritation from China while the land border talks with China were going on. It now appears, however, that the border accords may have been purchased at the cost of some loss of support for the regime among students, party conservatives, nationalist hard-liners in government and the armed forces, and local authorities along the border. The Foreign Ministry was forced in January to deny it had arrested a dissident journalist for criticizing the agreements. The journalist, Bui Minh Quoc, had allegedly visited border areas to document local irritation at Hanoi's concessions. The government spokesperson claimed the arrest was not connected to the border agreements and defended the agreements as "important steps forward on building a peaceful and stable environment" reached after "tremendous efforts" over many years.

During his visit Jiang probably also raised China's concerns about the future of the U.S.-built naval base at Cam Ranh Bay after the Russians depart from it later this year. Comments by the U.S. Commander in Chief, Pacific Adm. Dennis Blair, during a visit to Hanoi, prompted a lengthy critical article in the *China Youth League Newspaper* on Feb. 7. The paper quoted U.S. Ambassador to Vietnam Ray Burghardt as stating that "the United States will eventually return to Vietnam as its ally" and observed that a U.S. military return to Cam Ranh would "enable it to achieve its objective of hindering China militarily."

The article appeared to be a clear warning to Hanoi that China would watch the disposition of the base facilities at Cam Ranh closely and would view the presence of

U.S. forces there as a hostile act. Two days later a Vietnamese spokesperson denied that Hanoi would sign a military access agreement for Cam Ranh with any country. Tokyo's *Kyodo News Agency* reported after Jiang's visit that he had extracted a promise from Vietnamese Communist Party General Secretary Nong Duc Manh not to grant the U.S. access to Cam Ranh.

### **Expanding Regional Transport Infrastructure**

China and its neighbors announced a number of communications infrastructure projects during the quarter aimed at increasing commercial transport and tourist travel to and from China. Beijing said in February that it would open an east-west road through Yunnan Province linking Shanghai and Myanmar, and another road through Laos that will connect with northern Thailand (and, if joined to Thailand's highway system, could become part of a pan-Asian highway stretching to Singapore). A port and shipyard at Thilawa, south of Yangon, built by the China National Constructional and Agricultural Machinery Import and Export Co., was inaugurated Feb. 2. Observers report it is intended to facilitate shipment of export goods from China's southwest provinces, transshipped by barge down the Irrawadi River, to global markets.

The expansion of commercial shipping on the upper Mekong is increasingly important for the economies of southern China and Thailand. Beijing announced during the quarter that it would fund dredging and upgrading of a section of the river between Yunnan and Luang Prabang in Laos, making it possible for larger ships to steam upriver. Bangkok media reported March 2 that China will invest \$11.4 million in a duty-free industrial park in Chiang Rai in northern Thailand.

The Thai government remains committed to close and cooperative relations with China, but there has been some domestic grumbling about the growth of China's influence in the kingdom's north, in the form of Chinese-language shop signs and the use of Chinese as the language of commerce. Thai security officials are reportedly concerned, moreover, at the possibilities for increased illegal Chinese immigration as communications links grow. Other Thai commentators see China making Thailand a "strategic outpost" in its effort to counter U.S. influence.

Air links between China and Southeast Asian destinations are also expanding. Tourism by Chinese citizens visiting the region is increasing, helping to compensate for the drop in numbers of American and other visitors after Sept. 11. In the other direction, China is encouraging "roots travel" to the PRC by Southeast Asians of Chinese ancestry. Direct flights were announced during the quarter between Kuala Lumpur and Fuzhou, Brunei and Shanghai, and Ho Chi Minh City and Shanghai. On Feb. 25, China and Singapore signed an expanded air services agreement that could nearly double passenger and cargo air services between the two countries, which have grown annually at rates of 14 percent and 21 percent, respectively.

### **Common Concerns on Narcotics**

China stepped up efforts to gain the cooperation of regional governments in suppressing production and trafficking in narcotics, especially amphetamines, whose use is spreading among growing numbers of rural people in southern China and Southeast Asia. The Chinese government organized or participated in several meetings during the quarter with upper Mekong states to improve drug enforcement programs and announced a training program in Yunnan for Myanmar's police officers. Chinese media demanded steps to curtail drug use in Yunnan, and the government reported that with Myanmar's cooperation it had cracked several major cases, killing or apprehending narco-bosses and destroying drug production facilities in border areas. Beijing also claimed success with assistance programs aimed at crop substitution in Yunnan, Myanmar, and Laos.

Chinese and Philippine officials met in January to work out implementation of earlier agreements on combating drug trafficking and other crimes. Philippines police said that 57 foreigners were arrested in 2001 for dealing in amphetamines and other illegal drugs, most of them Chinese, including a notorious five-person gang from Fujian.

### **China and Laos: Still Traveling the "Socialist Road?"**

Laotian Prime Minister Bounngang Vorachit visited Beijing Feb. 5, holding talks with President Jiang and Premier Zhu. Five agreements were signed during the call on Zhu, on extradition – further evidence of China's urgent interest in law enforcement on its southern border – and economic cooperation and education. Jiang commended the Laotian leadership's "continuous development of the socialist cause," to which Bounngang responded that China's development gave Laos "greater confidence in taking the socialist road."

### **Implications for the United States**

There are few signs that the undercurrents of warning about U.S. "hegemonism" in China's dialogue with Southeast Asian governments are achieving their purpose. There is little sign as well that Washington regards China's intensifying courtship of the ASEAN states as a current threat to U.S. interests or goals. Southeast Asian economic recovery is a U.S. objective: competition among Asia's larger players, including China, to help achieve that objective can expand U.S. export markets and investment opportunities. Some of China's regional initiatives, including counternarcotics programs and Mekong navigation, echo steps the United States has pursued in Southeast Asia for many years. Neither China nor any of Asia's other major economic powers can, as of now, replace the markets, technology, and other benefits the United States provides to the Southeast Asian economies.

This said, it is important that the United States, absorbed as it is by the urgency of ensuring that international terrorism does not gain footholds in Southeast Asia, not neglect the broader dimensions of U.S. engagement with Southeast Asian governments. Addressing their priorities and asserting a continued intention to remain a force in the region, at the same time it is pressing for cooperation on terrorism, will help achieve the latter.

## **Chronology of China-Southeast Asia Relations January-March 2002**

**Jan. 4, 2002:** Vietnamese Communist Party Secretary General Nong Duc Manh tells visiting Chinese judicial officials that the two countries should increase exchanges on fighting crime, especially corruption.

**Jan. 4, 2002:** Vietnam and China inaugurate hydrofoil service between Hai Phong and China's Guangxi Province.

**Jan. 7, 2002:** China announces the first annual meeting between provincial narcotics and law-enforcement officials of China and Vietnam in highland areas of the countries' common border. They agree to crack down on narcotics trafficking and related crime.

**Jan. 7, 2002:** Thai media report that the Thai government asked Taiwan to cancel a planned visit to Bangkok by Taiwan Vice President Annette Lu Hsiu-lien.

**Jan. 8, 2002:** Cambodian Senate President Chea Sim and National Assembly President Norodom Ranariddh meet with Nie Ronggui, visiting chairman of the Sichuan provincial People's Political Consultative Conference. Prince Ranariddh promises Cambodia will remain faithful to the "one China" policy.

**Jan. 9, 2002:** Singapore's Trade Development Board announces the largest ever Singaporean business mission to Beijing and Shandong, seeking business opportunities in the 2008 Beijing Olympics.

**Jan. 14, 2002:** The Vietnamese government awards its garrison on Truong Sa Lon (Big Truong Sa) Island in the Spratly archipelago the Order of Achievement, Second Class, and announces measures to improve life for the soldiers and officers stationed there.

**Jan. 20-23, 2002:** Wang Zhongyu, state councilor and secretary general of the State Council of the People's Republic of China, leads a goodwill delegation to Myanmar, where they meet with Lt. Gen. Khin Nyunt, first secretary of the State Peace and Development Council.

**Jan. 24, 2002:** Li Peng, chairman of China's National People's Congress, meets with Cambodia's King Norodom Sihanouk and Queen Monineath, visiting China for medical check-ups.

**Jan. 28, 2002:** China announces it is renovating the house in the Guangxi Zhuang autonomous region where Vietnamese Communist leader Ho Chi Minh lived for a year, in 1943-44, after release by the Kuomintang. When complete it will be a cultural relic, open to tourists.

**Jan. 29-31, 2002:** The fourth official Chinese delegation visits Myanmar in a 10-day period, led by Luo Zhaohui, deputy director general of the Asia Affairs Department of the PRC Foreign Ministry.

**Jan. 29, 2002:** Indonesia's Navy Chief of Staff Indroko meets with Chinese Defense Minister Chi Haotian in Beijing and tells him the Indonesian armed forces hope to further relations with the PLA, especially the navy.

**Jan. 30, 2002:** *Jane's Defense Weekly* reports that China will for the first time send observers to the annual Thai-Singapore-U.S. Cobra Gold exercise in Thailand in May. China, which had appeared ready to accept the invitation last year until the April EP-3 incident, will join 13 other Asia-Pacific nations in sending observers.

**Feb. 4, 2002:** Defense Minister Chi meets with Lao Defense Minister Duoangchay Pichit, who tells Chi that Laos hopes to learn from the PLA and promote cooperation between the two armed forces.

**Feb. 11, 2002:** A Chinese Foreign Ministry spokesman says China is "very concerned" about the arrest of 95 Chinese fishermen by the Philippine Navy Jan. 31-Feb. 1 near Scarborough Shoal in the South China Sea. Philippine sources say the fishermen were caught blast-fishing. They were later released.

**March 3, 2002:** Indonesian police withdraw a permit for Falun Gong followers to stage a march through central Jakarta. Chinese embassy officials tell the press that they had requested the ban because Falun Gong is an "evil cult."

**March 11, 2002:** Taiwan announces that a mission from its Ministry of Economic Affairs won orders totaling \$286 million during visits to Thailand and Vietnam.

**March 21-22, 2002:** Brunei's Crown Prince Al-Muhtadee Billah meets with President Jiang Zemin and Vice President Hu Jintao on his first visit to China.

**March 23, 2002:** Hanoi releases trade figures indicating that tariffs on Vietnamese exports to China have been reduced by an average of 27 percent. Vietnam earns close to \$2 billion exporting agricultural and primary products and light manufactures to China, many of which have benefited from tariff reductions. Vietnam imports steel, automotive products, chemicals, and consumer commodities from China.

**March 25, 2002:** China announces that Shanghai Airlines will open direct flights between Shanghai and Ho Chi Minh City (Saigon).