

China-Southeast Asia Relations:

## Find New Friends, Reward Old Ones, but Keep All in Line

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Beijing's relations with the nations of Southeast Asia during the third quarter of 2004 remained basically positive and progressive. Contacts with the region as a whole through ASEAN followed a generally positive trajectory, as did China's relations with individual Southeast Asian nations. Trade and overall economic relations developed according to the announced objectives of all the parties involved; several new infrastructure development projects designed to facilitate Chinese contacts with its neighbors were announced and/or begun; Beijing made major progress in its self-defined role as bridge between Asia and Europe as the Asia-Europe Meeting (ASEM) convened; and, the Chinese announced a broad-gauge plan for integrating ties among political parties into the overall strategy for developing positive, broad relations with the sub-region.

Only two events emerged to contrast with this overwhelmingly positive pattern and, although neither threatens to challenge, much less undermine, the generally positive course of Beijing's interactions with Southeast Asia, they merit mention here. The more puzzling of the two involved Beijing's unusually harsh and unprecedented public reaction to the unofficial visit to Taiwan by Singapore's then Deputy Prime Minister and now Prime Minister Lee Hsien Loong. The second comprised region-wide speculation over the potential implications of Jiang Zimin's retirement as chairman of the Central Military Commission (CMC) of the Chinese Communist Party (CCP) and the assumption of those duties by Hu Jintao, which occurred at the Fourth Plenum of the 16<sup>th</sup> Central Committee of the CCP. The passing of control of the gun to Hu marks the completion of the transition of China's leadership to the so-called Fourth Generation.

### Slapping Singapore

The harshness of Beijing's reaction to the Lee visit, as well as its willingness to give the criticism full play in China's official news media, is puzzling. In the last decade or so, different members of Singapore's leadership elite, including Senior Minister Lee Kuan Yew, have made at least three announced visits to Taiwan to meet and hold discussions with former Taiwan President Lee Teng-hui and the present incumbent, Chen Shui-bian. The Singaporean leaders have also met with members of the Taiwan opposition.

Unofficial readouts of the visits and the talks all tell a similar tale. The Singaporeans have counseled moderation by Taipei in conducting relations with the mainland, told Taipei

that Beijing's military procurements and exercises represent a direct effort to develop military options undertaken in response to a deeply held perception that Taiwan is following a path toward separatism and independence, underscored their belief that Beijing will respond to any effort by Taiwan to move toward independence by using its new military options, and explained to Taiwan's leaders that they will receive virtually no meaningful support (and indeed will suffer the blame) for starting a conflict that would wipe out much of the economic progress that has been achieved in the last decades. To offset these potential negatives, the Singaporeans have reportedly counseled conciliatory efforts to establish a framework for conducting cross-Strait relations. In other words, with the possible exception of encouragement to establish a framework for relations, all indications are that Singapore's leaders have carried and delivered messages on behalf of Beijing and, moreover, done so in ways that undercut Taipei's abilities to spin the visits as examples of growing recognition of the government of the Republic of China. In fact, it is an open secret that relations between the leaders of the two states reflect a high level of mistrust and that even the economic relations that are so beneficial to both sides play out in an increasingly cool political context.

Accordingly, regional leaders were clearly surprised by and concerned about why the Chinese government chose to make such a major issue over a visit for which ample and positive precedent existed. On the one hand, it could be interpreted and explained as a manifestation of increased impatience with President Chen's perceived effort to push the envelope by means of constitutional reform and a desire to send that message to the entire region in the most direct and unambiguous terms. In that context, Singapore's *de facto* position as a leader of Southeast Asia would add substance to the Chinese message, reminding all of the nations of the region that China's patience with respect to relations no matter how informally conducted is approaching its outer limit.

It could also be seen as an attempt by Beijing to redefine its relations with Singapore by signaling a desire that Singapore give up what has, after all, been fairly intense involvement in what the Chinese consistently refer to as an "internal matter." In that sense, the Chinese reaction would arguably amount to a reduction of the weight of Singapore in Beijing's foreign policy calculus. The reduction of weight interpretation assumes additional significance in light of the fact that the action occurred just as a new prime minister assumed office.

The question from the Southeast Asian perspective is what Beijing's action says and does not say about China's future posture. Is Beijing reacting as any power would when it sees actions occurring that hold potential for a major impact on what is regarded as a core, vital national interest? Or, in addition to protecting perceived vital interests, are the Chinese sending a larger message by throwing around their considerable weight and underscoring the point by coming down hard on a nation with which they have enjoyed a unique relationship for so many years?

The fact that the Chinese Foreign Ministry officially put the issue to rest in a Sept. 2 statement that hailed Singapore's reiteration of opposition to Taiwan independence argues for the former interpretation, but the nations of Southeast Asia cannot have failed

to be reminded that Beijing's putative desire for good neighborly relations is manifested against a backdrop of overwhelming comprehensive national power and that it is in the interest of all to listen. That Singapore appears to have taken the point is not likely to be lost in other capitals of the sub-region.

### **New Chinese priorities?**

The events of the Fourth Plenum of the 16<sup>th</sup> CCP Central Committee also appear to have raised a number of questions in the minds of regional analysts and officials. Hu Jintao and Wen Jiabao are widely perceived within the region to be determined to use the power of the central government to gain control of China's rapidly expanding economy. This flies directly in the face of the politics of the last decade or so, when regions and localities were given more or less free rein to manage various investment processes. Hu and Wen are also considered to be sincere in their desire to begin to redress some of the major economic imbalances in the Chinese system, particularly the imbalances in levels of development between the coastal and western provinces. And then, there is the issue of reform of the banking system, with all its implications for China's continuing economic progress, not to mention decisions either to maintain or revalue the yuan. Issues such as these all suggest a desire to impose a larger measure of discipline on the Chinese economy and, therefore, they all bear upon opportunities for investment in China, the success of Chinese plans for cooperative development projects with such nations as Laos, Myanmar, and Vietnam, and, most important of all, the continuing competitiveness of goods produced in Southeast Asia relative to those produced in China.

It is important to note that nowhere in Southeast Asia at this time is there any evidence of a loss of confidence in Beijing's ability to manage its issues and problems in ways that will reduce the potential for regional economic dislocation. Nor is there any real concern about major changes in the trajectories presently defining Chinese economic policies. However, it seems clear to Southeast Asian economic planners and businessmen that some change is in the offing and, while they may approve of efforts to impart discipline and order to an economy that in their view often seems to be verging out of control, they remain unclear about specific policies being contemplated by Beijing and wary of being caught unawares. There appears to be a view within the sub-region that, although the Chinese have been successful thus far in economic terms, they are now beginning to grapple with many of the more nettlesome problems that have been avoided for a number of years and also that they are being forced to deal with politically volatile issues related to social balance and equity. Put differently, throughout Southeast Asia, there is a feeling that the Chinese economy is passing out of one stage and into another and that this raises a potential for unforeseen difficulties.

### **Military muscle-flexing?**

Finally, the Fourth Plenum, the rise of Hu Jintao to the chair of the CCP Central Military Commission (CMC), the appointment of the chiefs of the People's Liberation Army (PLA) Navy (PLAN) and Air Force (PLAAF) to the CMC, what appears to be a new emphasis on developing the heretofore less than fully evolved capabilities of these

services, and the expansion of the CMC membership from seven to 11 inevitably raise in the minds of Southeast Asian officials questions about China's growing military capabilities and how these might be applied in future contingencies. These events also raise questions about the role of the PLA leadership on national policy, particularly as it bears on relations across the Taiwan Strait and with the United States. At present, Southeast Asian analysts and political leaders alike appear to remain convinced of Beijing's desire to continue its focus on economic development and maintaining the external stability that will make this possible. Given the thrust of China's diplomacy and activities in other areas, that perception is not likely to change. Let us now look at developments in these sectors.

### **A richer dialogue with ASEAN**

If China's dialogue with Singapore over Prime Minister Lee's visit to Taiwan was intended to send a message to ASEAN as a whole, any negative connotations that might have obtained were more than offset as the rhythms of China-ASEAN relations developed through the quarter. In an Aug. 28 *People's Daily* article directly aimed at Asian nations, Beijing analyzed and seemed to reflect upon the roles, functions, and accomplishments of robust relations among the leading political parties of the region. It also signaled what it presented as a program of enriching relations with ASEAN by enhancing the CCP effort in that area. In effect, Beijing seemed to be announcing that the opportunity for direct, people-to-people relations offered by systematic interaction among members of important regional political parties would be used as a means of supplementing more formal means of discourse among the nations of the region.

This statement seemed to confirm at least in part the mid-July announcement by then State Councilor Tang Jiaxuan of China's desire and intention to enrich its strategic partnership with ASEAN. That Tang's announcement came during a meeting with ASEAN Secretary General Ong Keng Yong seemed to indicate the seriousness Beijing attaches to this objective.

At this writing, the meaning of the term "enhanced strategic relations" is not clear, either from the Chinese or the Southeast Asian (ASEAN) perspective. In economic terms, the meeting of the ASEAN Plus Three economics ministers produced a call for increasing the volume of trade between China and ASEAN. Such a call was probably in the cards in any case given the benefit to both sides of increased trade volumes.

Perhaps of greater significance in terms of economic and potential political cooperation if not integration, was the announcement that agricultural trade had been placed on the fast track for tariff reduction as a means of approaching the ultimate construction of a China-ASEAN Free Trade Agreement. According to reports, representatives from both sides, but with the main source of energy clearly emanating from Thailand, determined to take advantage of the complementary, noncompetitive nature of Chinese and ASEAN agricultural production to build confidence and work out procedures for dealing with potential disputes. As Chinese and ASEAN negotiators address agricultural issues that involve countries other than Thailand and especially as they move into discussions of

manufactured items and electronics, it is almost certain that progress will come at a much slower rate. In any case, there is likely to be a clear test of how the desire to achieve enhanced strategic relations is affected when matters of immediate economic interest become involved.

In other areas, China and ASEAN procurators general agreed to increase judicial cooperation by creating mechanisms for the exchange of intelligence, liberalizing extradition procedures, and developing common standards for evaluating evidence, all in support of an effort to fight international crime more effectively. Similar agreements emerged at the ASEAN Regional Forum (ARF) Seminar on Regional Maritime Security. As noted above, it is difficult to see how measures such as these provide meaningful progress toward enhanced strategic relations. However, it does seem clear that Beijing is continuing with some success, incrementally, to broaden and deepen its ties with ASEAN as a whole.

### **An emerging East Asia Community**

By working with and through ASEAN, and by constantly acknowledging the importance of the organization, Beijing hopes to disarm Southeast Asian concerns with and potential opposition to the emerging larger grouping referred to by Beijing as the East Asia Community (EAC). Despite the imprecision and ambiguities concerning roles and functions involved in discussions about the EAC, among members of ASEAN the existence of a new organization – if it in fact emerges – raises fears that Northeast Asian dominance over Southeast Asia will become a reality. ASEAN capitals also see the idea as a Chinese effort to marginalize the strategic role of India.

Both possibilities are rejected by Southeast Asian governments individually and by ASEAN as a whole. ASEAN has no wish to be marginalized itself and most if not all of its members view a strong and prosperous India not only as a desirable market and trade partner, but also as a strategic counterpoise to Beijing. The Chinese will undoubtedly continue to raise high the banner of multilateral regional associations, but as they do so, they will undoubtedly increase the concerns of individual nations who fear a potential loss of influence. Ultimately Chinese policymakers will find it necessary to choose between different modes of regional and sub-regional organization in order to balance more effectively their increasingly complex interests.

### **Malaysia makes its move**

With the exception of Singapore, China's bilateral relations with the nations of the region also evolved in positive ways. In a notable and almost certainly opportunistic attempt to take advantage of Singaporean difficulties with Beijing, Malaysian Deputy Prime Minister Najib Razak publicly "instructed" Malaysian government ministers to avoid official visits to Taiwan. Additional public statements also acknowledged China's expansion of its relations with ASEAN had made a direct contribution to expanding the influence and role of Southeast Asia in global affairs. Significantly, the same statement also described China as an ally. More substantively, and apparently not entirely as a

result of opportunistic impulses, one day earlier, on June 22, Minister Najib Razak also announced an agreement with China to purchase an undetermined quantity of medium-range missiles from China in return for which Beijing agreed to transfer to Kuala Lumpur technology related to short-range air defense.

Arguably, the developments reported above reflect a genuine improvement in Malaysia-Chinese relations and may well be part and parcel of a more general adjustment in Malaysia's external relations in the wake of Dr. Mahathir's resignation/retirement. The agreement on missile sales and technology transfer also may indicate a new Chinese willingness to adopt policies that suggest that the centrality of Singapore to Chinese relations with ASEAN may be in question. If so, and if Beijing is able to construct stronger ties with Singapore's neighbors, it might portend a qualitative change in the structure of intra-ASEAN relations that could have major consequences for the unity of the organization. In this sense, China's relations with Malaysia could well be assuming a new and strategic significance.

The military implications of the missile deal are also less than clear. Inevitably, years will pass before the medium-range missiles provided by Beijing can be integrated into Malaysia's force structure in a meaningful way. Indeed there is every possibility that that aspect of the deal may never be actualized. On the other hand, improvements in Malaysia's shorter-range air defense capabilities could be significant. All things considered, the comparative courses of China's relations with Malaysia and Singapore probably deserve greater attention by regional analysts, at least in the short term.

### **Moving forward with Vietnam**

If China's relations with Malaysia during the quarter broke some new ground, its ties with Vietnam continued along the positive trajectories established earlier in the year. In the political sphere, Vietnam announced its intention to begin to implement earlier agreements concerning the demarcation of the border in the Bad Bo (Tonkin Gulf) as well as the agreement on fishing rights. Although the benefits of the agreement to both sides – and to the region – are clear, it is not likely that the action indicates any real improvement in the perception of either side by the other. Rather, the agreements appear to be the result of a decision by both sides to put historical, cultural, and territorial grievances aside in favor of cooperation to achieve economic development objectives.

On the other hand, economic relations continue to develop in ways that could take some of the edge off the residual suspicion that continues to influence the bilateral relationship. For example, Hanoi and the capitol of China's Guangxi Province, Nanning, agreed to host an annual China-ASEAN Expo. Intended to encourage the increase of trade between China and ASEAN, the Expo also enjoys the personal sponsorship of Chinese Premier Wen Jiabao. In effect, the high-profile agreement marks the entry of Guangxi Province into relations with ASEAN. As such the agreement is presented as yet another link in the chain of agreements and activities intended to cement ties between Beijing and ASEAN.

In the same vein, in mid-September leaders of Yunnan Province joined with leaders of the city of Hanoi, Hai Phong, Quang Ninh, and Lao Cai to announce the creation of an economic corridor to facilitate trade between the different areas. Under the terms of the agreement, the number of customs inspections are to be reduced, and rail and road transportation are to be improved, as are means of electronic communication. More significantly, the “corridor” is to be expanded eventually to include areas of Laos, Burma, and Thailand, for the purpose of easing the flow of communication and trade throughout the area.

### **Thickening the web**

All in all, events throughout the quarter illustrated Beijing’s ongoing effort to consolidate and expand its continuing economic and political gains while simultaneously discovering and improving ties with what might be termed new found, or previously overlooked, friends and associates. As has been seen, relations with ASEAN as a whole and with Vietnam continued to improve, despite nascent concerns about Beijing’s intentions in the longer term. Similarly, the Chinese continued to assure smooth relations with the increasingly isolated government of Burma as Prime Minister Khin Nyunt enjoyed a seven-day long official visit that produced a number of agreements for economic aid and joint development.

At the same time, Beijing and Manila broke some new ground as a result of the Sept. 1-3 state visit of Philippine President Gloria Macapagal-Arroyo. President Macapagal-Arroyo acknowledged the effectiveness of Chinese investment and development assistance. Plans were announced to make the Philippines an official Chinese tourist destination and, most important of all, the two sides acknowledged the “breaking of some new ground” in managing issues of disagreement over territorial claims in the South China Sea. Finally, Beijing may have adjusted its relations with Singapore and simultaneously added a new dimension to its ongoing ties with Malaysia.

## **Chronology of China-Southeast Asia Relations<sup>1</sup>**

### **July- September 2004**

**July 1, 2004:** Chinese Finance Minister Li Zhaoxing attends fifth Association of Southeast Asian Nations Plus Three (ASEAN Plus Three) Foreign Ministers’ Meeting in Jakarta.

**July 2, 2004:** FM Li attends ASEAN Regional Forum (ARF), plus informal meetings between ASEAN and dialogue partners in Jakarta.

**July 9, 2004:** Su Tseng-chang, secretary general of Taiwan Presidential Office, quietly visits Manila to relay President Chen Sui-bien’s congratulations to President Gloria Macapagal-Arroyo on her election, and meets with senior Philippine officials.

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<sup>1</sup> Compiled by Ronald Rodriguez and Lena Kay, Vasey Fellows, Pacific Forum CSIS.

**July 10, 2004:** Singapore's Deputy PM Lee Hsien Loong makes unofficial visit to Taiwan.

**July 11, 2004:** Chinese Foreign Ministry spokeswoman Zhang Qiyue says China is dissatisfied with the visit by Deputy PM Lee to Taiwan; adds the Singaporean leader hurt China's core interests, the political base between the two countries, and 1.3 billion Chinese people by visiting Taiwan.

**July 12, 2004:** Burma's PM Khin Nyunt arrives in Beijing for seven-day official goodwill visit, meets with Premier Wen Jiabao.

**July 12:** Vietnam's Commercial Counselor in China says two-way trade volume between Vietnam and China is expected to exceed \$5 billion this year.

**July 12, 2004:** Vietnam moves to implement Bad Bo (Tonkin) Gulf Demarcation Agreement and the Fishing Co-operation Agreement between Vietnam and China.

**July 12, 2004:** Singapore reiterates that it adheres to the "one China" policy, and does not support Taiwan's independence, stressing that Deputy PM Lee's visit was a "private and unofficial visit" to Taiwan.

**July 13, 2004:** Chinese President Hu Jintao meets Burma's PM Khin Nyunt in Beijing.

**July 16, 2004:** Deputy PM Lee says Singapore's "one China" policy has not changed, and Singapore has no intention of being an intermediary between China and Taiwan.

**July 20, 2004:** Deputy PM Najib Razak says Malaysia has agreed in principle to purchase medium-range missiles from China, which in return will transfer technology on very short-range air defense to the country.

**July 21, 2004:** Indonesian decision to cut tariffs on Chinese farm imports as part of a free trade agreement between ASEAN and China takes effect.

**July 22, 2004:** China's Ministry of Foreign Affairs delays official invitation for Singapore's National Development Minister Mah Bow Tan to visit Chengdu at the end of month; action seen as latest Chinese reaction to Deputy PM Lee's visit to Taiwan.

**July 22, 2004:** Deputy PM Najib Razak says Malaysia regards China as an ally to strengthen the position and voice of Southeast Asian nations in regional affairs.

**July 22, 2004:** Malaysia concludes a technology transfer deal with China, raising likelihood of purchases of Chinese medium-range surface-to-air missiles under the upcoming Ninth Malaysia Plan.

**July 23, 2004:** Deputy PM Najib Razak instructs Malaysian government ministers to avoid official visits to Taiwan.

**July 23, 2004:** Burma's ruling junta hails its close political and economic relations with China as counterweight against Western efforts to isolate the country.

**July 26, 2004:** China and Burma sign large-scale mineral exploration agreement.

**July 30, 2004:** Vietnam's Deputy PM Vu Khoan meets Li Jinzao, vice governor of Guangxi Zhuang Autonomous Region, in Hanoi; says Vietnam would like to deepen economic and trade ties with Guangxi to foster cooperation between ASEAN and China.

**July 30–31, 2004:** Fourth meeting of APEC Counter Terrorism Task Force held in Singapore.

**July 31, 2004:** *Straits Times* reports that China wants to reduce vulnerability over imported oil shipped via the Malacca Straits by building a pipeline to a port in Burma.

**Aug. 3, 2004:** China says it may delay talks on a free trade agreement with Singapore following a recent visit to Taiwan by Deputy PM Lee.

**Aug. 3, 2004:** SARS whistleblower Jiang Yanyong in China receives Ramon Magsaysay Award, Asia's equivalent of the Nobel Prize.

**Aug. 5, 2004:** Beijing, Kuala Lumpur, and Tokyo urge South Korea and ASEAN countries to attend a 2005 summit of the ASEAN Plus Three countries to push for the East Asian Community (EAC).

**Aug. 5, 2004:** ASEAN states express worries about the EAC, saying it will overshadow APEC and ASEAN, allow Japan, China, and South Korea to dominate the agenda, and marginalize India.

**Aug. 5, 2004:** First ASEAN Plus Three Telecommunications and Information Technology Ministers Meeting held in Bangkok.

**Aug. 8, 2004:** Chinese FM Wang Yi holds talks with Vietnamese counterpart Vu Dung in Nanning; they agree to detailed regulation of the land border, the Beibu Gulf, and at sea.

**Aug. 12, 2004:** China Central Bank of China governor cancels trip to Singapore because of Deputy PM Lee's Taiwan visit. Chinese officials snub Monetary Authority of Singapore dinner hosted by Lee. Zhou Xiaochuan turns down speaking engagement.

**Aug. 18, 2004:** World Health Organization (WHO) confirms two human deaths from bird flu in Vietnam. This is Vietnam's third outbreak of avian flu.

**Aug. 21, 2004:** Scientists find bird flu virus in pigs in China.

**Aug. 22, 2004:** Singapore PM Lee explains he visited Taiwan to assess the situation in cross-Straits relations for himself.

**Aug. 23, 2004:** Taiwan's secretary general to the president, Su Tseng-chang, responds to Lee, saying "it's China, not Taiwan, that is likely to provoke a cross-Strait conflict."

**Aug. 26, 2004:** Chinese authorities refuse to grant Jiang Yanyong travel papers to receive the 2004 Ramon Magsaysay Award in Manila.

**Aug. 31, 2004:** Jiang Yanyong's brother receives Magsaysay Award in Manila on his behalf.

**Sept. 1, 2004:** Philippine President Gloria Macapagal-Arroyo arrives in China for a three-day state visit.

**Sept. 2, 2004:** China hails Singaporean PM Lee's comments against Taiwan independence.

**Sept. 2, 2004:** Malaysian former Deputy Prime Minister Anwar Ibrahim freed from jail after the country's highest court overturned his sodomy conviction.

**Sept. 3-5, 2004:** Third International Conference of Asian Political Parties (ICAPP) in Beijing.

**Sept. 4, 2004:** ASEAN Economic Ministers and the PRC Minister of Commerce meet at the 36<sup>th</sup> ASEAN Economic Ministers Meeting in Jakarta.

**Sept. 5, 2004:** Singapore Education Minister Tharman Shanmugaratnam stresses role of China and India in region's development.

**Sept. 6, 2004:** China agrees to lower tariff on Indonesia's palm oil as part of wider plans to free up trade in the Asian region.

**Sept. 8, 2004:** WHO meets in China to tackle Asian diseases such as bird flu, SARS, AIDS, and others.

**Sept. 10, 2004:** Chinese lab says deadly bird flu strain found in pigs.

**Sept. 22, 2004:** Asian Development Bank (ADB) raises its 2004 gross domestic product growth forecast for Asia excluding Japan to 7 percent, and identifies global and regional economic risks, the threat of various epidemics, and terrorist outrages as risks to the economic outlook for the region.

**Sept. 27, 2004:** Taiwan's Minister of Education Tu Cheng-sheng visits Philippines for 3 days to attend an academic seminar and discuss bilateral exchanges and cooperation.