

## China – Southeast Asia Relations: Beijing Pushes “Asia for the Asians”

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The global campaign against terrorism presents China with a conundrum. Its own interests require that it support that campaign, which it is doing. At the same time, counterterrorism is expanding the U.S. military presence and involvement in the affairs of Southeast Asia, as in other regions on China’s periphery. China appears to have decided that the best course is to play for the long-term, and stress its comparative advantages.

The annual mid-year Association of Southeast Asian Nations (ASEAN) ministerial-level meetings in Brunei gave Beijing multiple opportunities to argue for its version of multilateral security and economic cooperation in Asia, and at the same time to empathize quietly with sensitivities bruised by superpower leadership. ASEAN’s failure to reach agreement on a code of conduct for the South China Sea permitted China once again to appear benign and forthcoming, without actually accepting any constraints on its activities. China’s decision to award a large natural gas contract to Australia rather than Indonesia was a sharp disappointment to Jakarta, tempered by the offer of a less lucrative deal in Fujian. The Indonesian military announced it would consider buying weapons from China to avoid U.S. embargoes. Hanoi resumed demarcating its border with China, but remains on the defensive about charges that it gave too much to Beijing in a 1999 bilateral boundary agreement. Taiwan aggressively exploited its economic leverage during the quarter to try to upgrade the level of contacts with several Southeast Asian governments.

### **China at the Annual ASEAN Meetings**

China used the annual ASEAN series of ministerial meetings with its 13 dialogue partners July 29-Aug. 1 to argue that it, rather than “certain [unnamed] outside countries,” is the natural partner and leader for the rest of Asia in dealing with the challenges of the new century. Chinese Foreign Minister Tang Jiaxuan told ASEAN and other representatives that Asia is not unstable and riven with contradictions, as portrayed by outsiders. Instead it is “a force that can’t be ignored in the world” – an encouraging message for a region buffeted by prolonged economic stagnation, weak multilateral institutions, and mounting evidence of the presence of terrorist networks. Despite its

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

confident tone, however, China's message signaled concern that U.S. involvement in Southeast Asia was growing as a result of new antiterrorism priorities.

China's most significant initiative toward ASEAN centered on its high-profile reiteration of its "New Security Concept" in the ASEAN Regional Forum (ARF), and its assertion that the ASEAN members and China should use the concept as the basis for reorienting regional security arrangements. Foreign Minister Tang argued that the concept's principles of mutual trust, mutual benefit, equality, and coordination and dialogue, rather than Cold War structures (implicitly including bilateral security alliances such as those between the United States and its Asian allies), are the correct means of dealing with today's more complex defense and security challenges.

The "10 Plus Three" meeting of ministers from ASEAN states and China, Japan, and the Republic of Korea on July 30 offered Foreign Minister Tang a structurally ideal forum to make his case that Asian security should be managed by Asians. "ASEAN Plus Three" is gaining momentum as a separate ASEAN mechanism, without U.S. participation. Up to now it has concentrated primarily on economic issues. Tang, in his ASEAN Plus Three address, proposed that this Asian-only forum expand its agenda to political and security cooperation. The response of at least some ASEAN representatives was positive, including Malaysia, which had made an effort to establish Kuala Lumpur as the home of a new ASEAN Plus Three Secretariat. (ASEAN deferred the secretariat proposal, but agreed to more frequent ASEAN Plus Three consultations.)

Another major Chinese initiative vis-à-vis ASEAN gained momentum, as negotiators agreed on a framework for the China-ASEAN Free Trade Area (FTA) proposed by Beijing last year. Economic ministers from the 11 countries, meeting in Brunei Sept. 13, set Jan. 1, 2004 as the deadline for beginning "early harvest" tariff reductions on a subset of goods yet to be identified, and making progress on other measures.

China's activism at the ASEAN meetings is aimed at preparing the ground for the projected ASEAN Plus Three summit in Cambodia in November, where it clearly expects further progress and possibly formalization of some of its economic and security proposals.

### **South China Sea: ASEAN Still in Disarray**

ASEAN foreign ministers made another effort in Brunei to present a united front in demanding that Beijing sign on to a "code of conduct" for the South China Sea, and renounce expansion of military units in the islands or other efforts to try to achieve advantage in pressing sovereignty claims. Divisions among ASEAN members once again made it easy for China to reject the proposal, while claiming to favor the concept in principle. The ASEAN countries extended their deadline for putting a code of conduct in place until November.

Meanwhile, Philippine military sources reported that China continued to improve its military position in the Spratlys by modernizing military equipment in its garrisons and conducting exercises.

Fishing in the contested waters continued to provoke verbal conflict. The Chinese ambassador in Manila – according to Philippine press accounts – demanded on Sept. 20 that the Philippine government release some 122 Chinese fishermen being held in custody pending trial. Reportedly, his desk-pounding and “bullying” demands caused Justice Secretary Hernando Perez to ask the Department of Foreign Affairs to expel the ambassador forthwith. A presidential directive calling for silence on the matter apparently cooled tempers.

### **China and the Philippines**

The atmosphere during Chinese National People’s Congress (NPC) Chairman Li Peng’s Sept. 12-15 visit to the Philippines was a marked contrast to this rhetoric. Li’s principal themes were the importance of counterterrorism, as undertaken by China in its western provinces, and ASEAN in its region; advancing “world multi-polarization” (i.e., balancing the United States as the sole superpower); cooperation rather than competition in economic development (i.e., China should not be seen as cornering the foreign direct investment that formerly went to ASEAN members); and peaceful resolution of territorial claims in the South China Sea. Li appeared to offer tacit acceptance for now of the growing U.S. military relationship with the Philippines that began with the training mission for the anti-Abu Sayyaf operation in Mindanao earlier this year, and Philippine President Gloria Macapagal-Arroyo’s open support for expanded military cooperation, including use of Philippine facilities if required.

Among the agreements signed by Li and Macapagal-Arroyo was a Chinese loan of \$29.2 million to expand and upgrade the fishing port of General Santos City in Mindanao. Perhaps not coincidentally, General Santos Port was one of the last large U.S. Agency for International Development (USAID) infrastructure projects in the Philippines in the 1980s, and some in the Philippines still claim that the United States funded the port as an eventual base for the U.S. Navy.

The plight of the detained Chinese fishermen did not spoil a visit of China’s Defense Minister Chi Haotian Sept. 25-28. Chi offered cooperation “in all fields on defense and the armed forces,” and said he wanted to learn how China could assist the defense department and armed forces of the Philippines.

### **China and Indonesia**

China’s decision in early August to award a contract to supply liquefied natural gas (LNG) to Guangdong province, worth some \$13 billion, to Australia rather than Indonesia was a sharp blow to Jakarta. The Indonesian government had hoped for an early injection of capital to build the facilities, and large profits from the flow of gas beginning in 2005. Sectors of Indonesia’s economy tied to the global system remain

stagnant five years after the Asian crisis of 1987, and foreign investment is staying out from fear of instability and worsening corruption, among other factors. The Indonesian government had courted China assiduously for the project, with President Megawati Sukarnoputri traveling to Beijing to make its case. In choosing the supplier, China evidently looked more at market factors – price, reliability, and concern that the Indonesian gas field, off the troubled province of Papua, could be affected by fighting between separatists and government forces – than at the opportunity to gain political influence with ASEAN’s largest state.

At the same time, Beijing offered Indonesia a separate contract to supply LNG to Fujian province. Production under the deal, reportedly worth \$5 billion less than the Guangdong contract, would begin in 2008 at the earliest. Indonesia signed the Fujian contract in September, and will be looking for additional customers for its Papua gas field.

The peripatetic Li Peng, in Indonesia Sept. 8-12, reassured his hosts that China’s development would be good for Indonesia, and would not marginalize other Asian countries. With President Megawati out of the country, Li met Indonesian Vice President Hamzah Haz, who told China to get better control over the smuggling of Chinese consumer goods into Indonesia that is forcing Indonesian manufacturers out of business. (Whether the projected ASEAN-China FTA, which would put Indonesian small businesses in direct competition with China, came up in the discussion with Haz was not reported.) Li lauded the role of ethnic Chinese Indonesians in building Indonesia’s economy, and suggested they could be a bridge to increase friendship and cooperation with China.

Minister of Defense Chi also visited Indonesia during the quarter. After a meeting with Chi, Defense Minister Matori Abdul Jalil told the press that Indonesia is planning to purchase military equipment from China. Amplifying the reasons for doing so, Armed Forces Commander Gen. Endriartono Sutarto two days later told reporters that Indonesia needed to find alternative sources of weapons “outside the Western hemisphere, in particular the United States,” to avoid over-dependence on a single source, making his forces vulnerable to embargoes.

### **Vietnam-China: Border Problems Remain Troublesome for Hanoi**

Evidence of popular resentment over Vietnamese concessions to China in the land border agreement signed by the two governments in 1999 mounted during the quarter. In July the two parties resumed planting markers implementing the agreement, after a hiatus since the first stone was put down last December, but protests by dissident Vietnamese, both at home and overseas, continue. The issue is a serious one for Vietnam. According to unconfirmed reports, police or paramilitary forces of the two countries clashed in May, while Chinese personnel were chasing criminals in Yunnan, possibly because the boundary lacked clear demarcation. Taking land border disputes off the agenda with China had been a very high priority for Hanoi through most of the 1990s, entailing the temporary sacrifice of other foreign policy objectives, but the problem refuses to fade into the background.

The second of 1,533 projected border markers was put in place at the western end of the border, opposite Lao Cai, July 13, with senior officials present to praise its national importance and peaceful symbolism. A third marker was planted July 26, and another Sept. 1. Sources in Hanoi reported that the government planned shortly to bring to trial journalist Le Chi Quang, who was arrested in February for criticizing the border agreement, on the criminal charges of distributing anti-government material.

Another round of border talks in Kunming during Aug. 22-25 led to little beyond affirming that land border demarcation would continue, and showing that two sides cannot agree on maritime boundaries. In September, in an effort to quell domestic objections, the Vietnamese government for the first time revealed the details of its land border agreement with China, in a lengthy interview with Deputy Foreign Minister Le Cong Phung, and by publishing – without announcement – the text of the 1999 agreement. In explaining the agreement, Phung pointed out that it was based on customary principles followed by all countries in settling border disputes, including maintaining the stability of the lives of inhabitants of border regions. He denied “scandalous accusations” by “reactionary forces and political opportunists” that Vietnam had turned over hundreds of square kilometers to China, including precious scenic sites.

Hanoi’s relations with China were further complicated by charges from human rights groups that three dissidents from China, including two permanent residents of the United States, had disappeared while trying to cross from Vietnam into China in June. Vietnamese officials said they had no knowledge of the three persons and were investigating.

### **Taiwan Launches Drive to Upgrade Relations in Southeast Asia**

Taiwan, smarting at the loss of diplomatic relations in other parts of the world and under domestic political pressure, announced during the quarter that it was resuming a “Go South” program originally promulgated by former Taiwan President Lee Teng-hui in the 1990s. Most of the emphasis is on trade and investment. However, the “Go South” doctrine generated a stealthy trip by Vice President Annette Lu to meet senior members of the Indonesian government, and a bare-knuckle campaign to use the leverage gained from the presence of more than 300,000 Southeast Asian guest workers in Taiwan to force Indonesia, the Philippines, and Thailand to raise the level of contacts with the island.

Lu arrived in Jakarta Aug. 14 with a schedule of senior appointments, but was whisked off to Bali by Indonesian officials in response to sharp criticism from Beijing. The Indonesian Foreign Ministry announced the same day that Indonesia still hewed to the “one China” policy, and held that Taiwan is “an inalienable part of the People’s Republic of China.” Vice Premier Lu was able to return to Jakarta the following day for a series of low-key meetings, and called the visit a victory on her return to Taipei. China denounced it as a “farce.”

Thailand provoked the anger of Ms. Chen Chu, chairwoman of Taiwan's Council of Labor Affairs (CLA), by revoking her visa less than 24 hours before she was due to arrive for a conference on Thai workers in Taiwan. Despite efforts by Thailand and Indonesia to find a graceful exit from the impasse and move ahead with new labor agreements, Taiwan was refusing at the end of the quarter to lift a freeze on new hires of workers from these countries.

Taiwan's prolonged recession may make it easier at this moment to play the guest worker card. But given the stake Southeast Asian countries have in good relations with Beijing, and the productive charm offensive China has pursued in Southeast Asia over the past few years, Taiwan cannot realistically expect to do more with its economic clout than make life episodically uncomfortable for those governments.

China also protested Singapore's contacts with Taiwan, including a stopover by Senior Minister Lee Kuan Yew Sept. 17-20, following a visit to China, but the protest was more regretful than angry. Minister Lee continues to be a forceful advocate for economic cooperation between Southeast Asia and China. The minister was accompanied to Taipei by a Singaporean military delegation to discuss the "Starlight" program under which Singapore conducts military training in Taiwan. China has offered Hainan as an alternative. Agence France Presse reported in September that Singapore would move some of the training there.

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

Insofar as the themes of China's Southeast Asia diplomacy are directed against U.S. policies and goals, they are not likely to evoke much regional support. There is no prospect in the current environment that U.S. alliance relationships are threatened by the "New Security Concept." If that concept improves regional performance in dealing with nontraditional security problems like drug trafficking and environmental degradation, so much the better. "Hard security" issues remain, including some that might originate from China, and the region's desire to encourage a continuing U.S. military presence as insurance is not diminishing.

In the perception of many Southeast Asians, a worst case security scenario would be conflict across the Taiwan Strait. It could arise from accident, miscalculation, or the pressures of nationalism on either or both sides. For the moment, Southeast Asian leaders are not alarmed, and tend to see Taiwan's campaign for more regularized relations for what it is – rooted primarily in domestic Taiwan politics. If it appeared in the future to be escalating as a result of U.S. declaratory policies or actions, however, the level of alarm would rise precipitously.

## **Chronology of China-Southeast Asia Relations July-September 2002**

**July 4, 2002:** Indonesia announces it will sign an agreement with China to curb the rampant smuggling of cut logs that is rapidly reducing its forests. The agreement, similar to one with Malaysia, apparently does not exclude the export of cut timber. Illegal Indonesian sawmills have reportedly turned to shipping cut timber as a way of circumventing bilateral agreements designed to protect the environment.

**July 8, 2002:** China announces it will send 100 Sichuanese rabbits to Thailand as part of a poverty elimination program, to replace “inferior Thai rabbits” that generate poor returns.

**July 8, 2002:** Vietnam’s Trade Minister Vu Khoan tells Zhang Xuewen, deputy governor of Guangxi province, that Vietnam will strengthen cooperation with Guangxi.

**July 10, 2002:** The Philippines opens a Consulate General in Shanghai.

**July 11, 2002:** East Timor Foreign Minister Jose Ramos Horta describes China as his new country’s “closest possible ally,” noting that East Timor wants China’s friendship as an “economic powerhouse,” and would not be lecturing Beijing on human rights violations.

**July 11, 2002:** Indonesian business people establish an Indonesia-China Business Council in Jakarta to strengthen trade ties between the two countries, and establish a more favorable trade balance for Indonesia, which is concerned that inexpensive Chinese imports are driving Indonesian enterprises out of business.

**July 17, 2002:** Malaysian Prime Minister Mahathir bin Mohamad meets with visiting Vice Chairman of the National People’s Congress Jiang Chunyun, and tells him that Malaysia will continue to pursue its foreign policy of friendship and cooperation with China. Jiang expressed appreciation for PM Mahathir’s role in promoting cooperation within the framework of ASEAN, the ASEAN Plus One, and ASEAN Plus Three forums.

**July 17, 2002:** Xinhua announces that Thailand is negotiating to participate in the construction of a hydroelectric project in Yunnan with a capacity of 5.5 million kilowatts. The plan is to share the power produced by the dam among Guangdong and Yunnan provinces in China, and Thailand.

**July 18, 2002:** China’s Defense Minister Chi Haotian receives a senior delegation from the Lao People’s Army, noting that the two countries still help each other and carry out close cooperation in national and military construction.

**July 18, 2002:** China and the Philippines trade accusations of unfair trade practices at a meeting of the Philippine-China Joint Trade Committee. They subsequently agree to improve the bilateral trade and investment structure through complementary product

diversification and intensified two-way investments. They also discuss a proposed Manila-Clark railway system, which Chinese firms may build under a concessional loan.

**July 21, 2002:** Burma announces that it has opened three border trading points with China. According to Burma's figures, the value of border trade increased 25 percent from 2000 to 2001.

**July 22, 2002:** China announces the implementation of agreements with the Philippines to combat transnational crime and drug trafficking. The Philippines has been concerned at large quantities of "*shabu*" (methamphetamines) entering the country from China. *Shabu* is the most-abused drug in the Philippines.

**July 26, 2002:** China lifts the ban on travel to the Philippines that has been in place since August 2001, following kidnappings of Chinese nationals, some of whom were murdered. Philippine consular officials have been instructed to streamline visa procedures to encourage more Chinese tourists to visit the country. Tourism Secretary Richard Gordon states that the Philippines "must take advantage of the Chinese tourist market, as it is the largest growing market in the world."

**July 31, 2002:** Chinese sources state that Beijing will invest \$360 million to improve a 97-km section in Yunnan of the road linking Kunming and Bangkok

**Aug. 9, 2002:** The Malaysian naval ship *Kd Sriinderapura* arrives in Shanghai for a five-day goodwill visit.

**Aug. 14, 2002:** Burmese officials and representatives of the China Yunnan Corporation sign an agreement on construction of jute-based paper mills in northern Burma.

**Aug. 14, 2002:** Thailand announces that it plans to network its textile industry with that of China, starting with links to "Underwear City," a huge manufacturing base for undergarments, in Guangdong.

**Aug. 21, 2002:** Indonesia's Department of Immigration calls for reinstatement of tighter entry requirements for Chinese citizens, many of whom reportedly come on tourist visas but engage in business. Constraints on Chinese visitors were relaxed after the resignation of President Soeharto in 1998.

**August 22-25, 2002:** China and Vietnam hold round of border talks in Kunming.

**Sept. 3, 2002:** China's NPC Chairman Li Peng meets with former Thai Prime Minister Chuan Leekpai, and tells him China wishes to learn from Thailand how to manage its participation in the World Trade Organization. Li states that China is pleased that a Thai, Dr. Supachai Panitchpakdi, has taken over as WTO director general. Chuan thanks Li for China's refusal to devalue its currency since the Asian economic crisis began five years ago.

**Sept. 4, 2002:** Meeting with His Majesty Bhumibol Adulyadej, King of Thailand, and Princess Sirindhorn at the royal palace at Hua Hin, Li Peng commends Thailand's treatment of its ethnic Chinese subjects. The Thai monarch tells Li that he has encouraged members of his family to visit China to increase mutual understanding and friendship between the two peoples. In his meeting with Prime Minister Thaksin, Li announces the gift of a pair of pandas to the Thai nation to commemorate the birthdays of the King and Queen. Thaksin reaffirms Thailand's adherence to the "one China" policy.

**Sept. 8-12, 2002:** NPC Chairman Li Peng visits Indonesia.

**Sept. 11, 2002:** China's Vice President Hu Jintao meets with Phan Dien, a member of the Political Bureau of the Communist Party of Vietnam Central Committee, urging that China and Vietnam "earnestly push forward bilateral friendship and cooperation in the new century." Dien also meets with Chinese Vice Premier Qian Qichen.

**Sept. 11, 2002:** Indonesia announces that it will hold the first meeting of a China-Indonesia Energy Forum in Bali later in the month. Top leaders of China's public energy sector are expected to come to discuss cooperation in the power sector, coal production, development of a gas pipeline linking East Kalimantan and East Java, and a \$400 million Chinese soft loan to develop power plant in Sumatra.

**Sept. 12-15, 2002:** NPC Chairman Li Peng visits the Philippines.

**Sept. 14, 2002:** China warns Singapore of "trouble" if it establishes an FTA with Taiwan.

**Sept. 16, 2002:** A press release following the conclusion of the sixth China-Malaysia Economic and Trade Commission meeting in Kuala Lumpur states that total trade between the two countries from January to July this year stands at \$7.4 billion, making Malaysia China's largest trading partner among the ASEAN countries.

**Sept. 17-20, 2002:** Singapore Senior Minister Lee Kuan Yew visits Taiwan.

**Sept. 22, 2002:** Chinese Premier Zhu Rongji, meeting with Thai Prime Minister Thaksin on the margins of the fourth Asia-Europe Summit in Copenhagen, says that cooperation between the two countries has achieved remarkable results.

**Sept. 25, 2002:** China's Chief of General Staff Fu Quanyou meets with Cambodia's acting head of state, Senate President Chea Sim, and Prime Minister Hun Sen. Fu also meets with Cambodia's Co-Ministers of Defense Tea Banh and Prince Sisowath Sirirath.

**Sept. 25-28, 2002:** DM Chi visits the Phillipines.