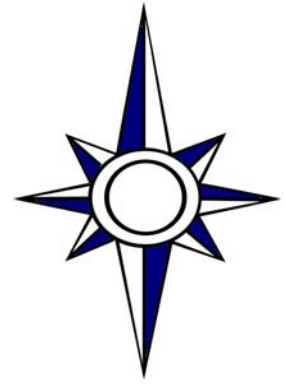


Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



China-Southeast Asia Relations: ASEAN and Asian Regional Diplomacy

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The last quarter of 2009 featured high-level Chinese leadership diplomacy with individual Southeast Asian countries, ASEAN, and Asian regional multilateral groups. Salient meetings involved the ASEAN Plus 1 and Asian leadership summits in Thailand in October, a presidential visit to Malaysia and Singapore, including the APEC leaders meeting in Singapore in November, and high-level visits to Australia in late October, and Myanmar and Cambodia in December. Chinese official media commentary showed some concern over recently heightened US and Japanese diplomatic activism in the region. The South China Sea disputes and military tensions along the China-Myanmar border were much less prominent than earlier in the year.

Wen Jiabao in Thailand

Premier Wen Jiabao led the Chinese delegation to Hua Hin, Thailand for the 12th ASEAN-China leaders meeting on Oct. 24 and the Asian leadership summit on Oct. 24-25. The meetings coincided with the sixth annual China-ASEAN Expo and the concurrent China-ASEAN Business and Investment Summit held in Nanning, China. Chinese leadership commentary and official media reportage underlined deepening economic ties between China and ASEAN and highlighted the China-ASEAN Free Trade Agreement (CAFTA), which is to be formally established Jan. 1, 2010. Official Chinese media remained generally positive about the prospects for Asian multilateralism, though they showed concerns about ASEAN weaknesses and its inability to lead the process amid competing visions pursued by various powers.

At the China-ASEAN leaders meeting, Wen recalled China's offers in April of a \$10 billion China-ASEAN Investment Corporation Fund, \$15 billion in credit to support ASEAN nations, and \$40 million of special aid to underdeveloped ASEAN nations. His proposals for enhancing China-ASEAN cooperation included facilitating training to support implementation procedures for the CAFTA, sponsoring a CAFTA Forum in 2010, and establishing an economic cooperative zone in Southeast Asia to encourage Chinese investment. He called for customs and air traffic agreements to smooth China-ASEAN interchange, as well as arrangements to advance agricultural cooperation, sustainable development, environmental protection, and social and cultural exchanges. Wen said China will establish a permanent representative office with ASEAN and proposed the development of a "Plan of Action to Implement the Joint Declaration on China-ASEAN Strategic Partnership for Peace and Prosperity" for the years 2011-2015.

Vice Premier Li Keqiang underlined Premier Wen's positive view of the status and outlook of China-ASEAN economic ties in opening the business and investment summit in Nanning.

Supporting commentary in official Chinese media highlighted the importance of CAFTA and the ever-closer integration of the Chinese and Southeast Asian economies. The CAFTA involving the six more developed ASEAN members will go into effect on Jan. 1, 2010, with the other four members joining on tariff reductions in 2015. Ninety percent of products will cross borders at zero tariffs and services and investments will have national treatment status, according to the Chinese reports. The context for the agreement is rapidly growing China-ASEAN trade valued in 2008 at \$231 billion according to Chinese statistics and \$192.5 billion according to ASEAN statistics. Chinese commentary said that China and ASEAN are currently each other's fourth largest trading partner and that ASEAN runs a trade surplus with China. Another area of economic cooperation receiving prominent treatment during the China-ASEAN meetings in October was China's role as a leading contributor, along with Japan, in the expanded monetary reserve fund, sometimes called the "Chiang Mai Initiative." The fund was developed in recent years by China, Japan, South Korea, and the ASEAN countries to provide financing for members with economic difficulties. Also highlighted were ongoing efforts to build expressways, railways, and better air and sea transportation between Chinese provinces bordering Southeast Asia and adjoining countries; and the signing of agreements between China and neighboring countries supporting the use of the Chinese currency rather than the US dollar or other foreign currency in settlement of accounts for international trade.

Chinese commentary on the Asian leadership summit was guarded about the road ahead. It duly noted the 10 documents signed at the meeting and highlighted Premier Wen's admonition that the region should follow a "step-by-step manner and work toward consensus in seeking the long-term goal of establishing an East Asian community, while having due respect for diversity."

Forces seen prompting greater regional integration included recent economic turmoil and a desire to exert greater influence in world affairs. But forces working against integration were depicted as strong. ASEAN leadership of regional multilateralism seemed to require greater ASEAN unity, as called for by the host, Thai Prime Minister Abhisit Vejjajiva. But Chinese commentary underlined strong differences within ASEAN over human rights, political intervention, and territorial issues. Perceived signs of discord included the poor attendance at the ASEAN opening meeting on Oct. 23 and the ongoing border dispute between Cambodia and Thailand. Chinese media has duly reported anti-Cambodia protests in Thailand and Cambodia's welcome of former Thai Prime Minister Thaksin Shinawatra, who is wanted in Thailand on charges of corruption, to stay and work in the country despite strong Thai objections. Meanwhile, a *China Daily* article on Oct. 26 provided an overview of the East Asian Summit which featured the "competing visions" for forming an East Asian bloc offered by Japanese Prime Minister Hatoyama Yukio and Australian Prime Minister Kevin Rudd. The Chinese commentary judged that "establishing an East Asian community will be a long-term goal ... and we must remain patient."

Hu Jintao in Malaysia and Singapore

President Hu Jintao visited Malaysia on Nov. 10-11, traveled to Singapore for a state visit on Nov. 11-12, and participated in activities associated with the APEC leaders meeting during Nov. 13-15. The first Chinese president to visit Malaysia in 15 years, Hu reciprocated the visit of Malaysian Prime Minister Najib Tun Razak to China in June 2009. That visit marked the 35th anniversary of the establishment of bilateral diplomatic relations by Najib's father, and saw the

establishment of a joint action plan on strategic cooperation. The results of Hu's visit included an agreement on Chinese construction of a major rail project in Malaysia reportedly worth \$3 billion and other agreements involving banking cooperation, provision of sewer services, and higher education. Chinese media said the two leaders also witnessed the signing of other agreements granting Chinese companies contracts to construct one of Malaysia's biggest dams, an aluminum smelting plant, and a bridge. Chinese media coverage supporting the trip highlighted Malaysia's position as China's most important trading partner among members of ASEAN, with bilateral trade valued at \$53 billion in 2008. The trade relationship grew an average of 25 percent annually over the past decade, allowing Malaysia to surpass Singapore in 2008 as China's largest ASEAN trading partner. The flow of Chinese tourists to Malaysia also grew rapidly (21 percent) from 2007 to 2008, reaching 950,000 visits in 2008.

Hu's state visit to Singapore saw the Chinese president advocate closer ties, notably in defense and security. In this regard, he called for greater exchanges and collaboration on humanitarian relief, search and rescue, fighting terrorism, and securing the safety of passage in the Malacca Strait. Hu also urged continued work on the Suzhou Industrial Park and the Tianjin Eco-city, two prominent China-Singapore intergovernmental projects.

In meetings associated with the APEC events in Singapore, Hu met with several visiting leaders in separate sessions. He delivered a major speech in which he focused on plans to expand domestic demand in China that will advance the international economy while he warned against growing protectionism spawned by the global economic recession. Underlining an open Chinese view regarding Asia-Pacific economic integration, Hu urged the development of regional economic integration "through multiple channels."

Vice Premier Li Keqiang in Australia

The Oct. 29 to Nov. 1 visit to Australia during Vice Premier Li Keqiang's one-week tour of three Pacific countries marked a significant thaw in the tensions in relations between Canberra and Beijing evident earlier this year, according to Australian and official Chinese media. Highlights of China-Australian differences included a proposed Australian defense buildup prompted by China's strategic rise, disputes over proposed Chinese acquisitions of Australian raw materials, the detention of an Australian national on charges of business wrongdoing verging on espionage, and the cancellation of a Chinese diplomatic visit on account of Australia granting a visa to Rebiya Kadeer, a US-based Uighur activist who China accuses of fomenting violence and terrorism in China's Xinjiang Autonomous Region.

Li's meetings with Prime Minister Rudd and other officials saw the signing of agreements covering education, cultural matters, logging, and a commercial agreement between Australian and Chinese telecommunications companies. China also offered Australia a pair of giant pandas as a "goodwill" gesture, according to *China Daily*. Meanwhile, the importance of China-Australian trade continued to grow with China becoming Australia's number one trading partner according to reports in November citing information from the previous 12 months.

Vice President Xi visits Myanmar and Cambodia

During a trip to four Asian countries, Chinese Vice President Xi Jinping arrived in Myanmar on Dec. 19 for a two-day visit. Xi met with senior officials to discuss bilateral relations and cooperation in regional and international affairs. The two sides also discussed promoting economic exchanges. According to Chinese news reports, bilateral trade between the two countries reached nearly \$3 billion in 2008, and China's contracted investments in Myanmar amounted to \$1.3 billion.

Other developments this quarter included the announcement Nov. 3 by China National Petroleum Corporation that it has begun construction of a pipeline across Myanmar to speed delivery of Middle East oil to China. According to information posted on the company's website and reported by Western media, the pipeline will run 481 miles from Myanmar's Madaay Island port on the Indian Ocean via Mandalay in central Myanmar to Ruili in China's Yunnan Province. There was no indication of when the pipeline will be completed, but it was said to be capable of handling 84 million barrels a year. Significantly, the pipeline will deliver oil from the Middle East to China without transiting the Malacca Strait.

A feature article in the *International Herald Tribune* on Nov. 6 assessed the tense status among armed groups along the Myanmar-China border following Myanmar's attacks during the summer against a small armed group of ethnic Chinese based in that area. Those attacks prompted some official Chinese complaints as the ethnic fighters fled into China. Available evidence during this quarter showed the Myanmar regime did not repeat the strong military action and the armed groups were not reported to have launched significant attacks. *Xinhua* reported on Oct. 20 that Vice Premier Li Keqiang met Myanmar's State Peace and Development Council First Secretary Tin Aung Myint Oo on Oct. 19 in Nanning and the two agreed to deepen mutual cooperation on various issues and to safeguard stability in the border areas.

Meanwhile, *Bloomberg* reported in early October that Chinese diplomats at the United Nations were successful in using a procedural maneuver to block US and European-backed efforts to have the UN Security Council (UNSC) consider the situation in Myanmar. In recent years, China has joined with Russia to block or veto other UNSC actions regarding Myanmar.

Vice President Xi visited Cambodia on Dec. 20-22 and met Cambodian Prime Minister Hun Sen. They agreed to enhance political, economic, security, and cultural cooperation and signed a 14-point agreement worth more than \$1 billion, which includes preferential and concessional loans, infrastructure development, and interest-free loans for economic and technical cooperation. Just prior to the visit, the Cambodian government sent back to China 20 Uighurs who had fled China in November and were seeking asylum. The government said that the Uighurs were illegal immigrants and lacked the necessary documentation to seek asylum status in Cambodia. The move was widely condemned in the West and elsewhere; China had asked for the return and was pleased with the action.

Assessing US, Japanese challenges

The Obama administration's greater activism and flexibility in engaging ASEAN and Southeast Asian countries, and thereby facilitating greater US involvement with Asian regionalism has generated careful attention and some commentary in official Chinese media. A commentary in *China Daily* on Nov. 2 cited Chinese experts for the view that "China's presence in Southeast Asia is insulated from the US apparent renewal of interest in the region." The account also criticized a speech by Singapore leader Lee Kwan Yew on Oct. 27 in which Lee said that the United States should maintain a strong balance in Asia against rising China. A tougher attack against Lee's views came in Beijing's *Global Times* on Nov. 4. Another *Global Times* commentary on Nov. 19 advised that US interest in joining Asian multilateral groups is suspect and the US needs to prove its good intentions through a process of "socializing itself into Asia."

The Hatoyama government's active promotion of an East Asian Community has been coolly received and sometime criticized in official Chinese media. Chinese experts cited by *China Daily* in late September said the idea cannot be realized in the near future and poses too many difficulties. A *China Daily* report on Oct. 10 featured the remarks of a Chinese academic expert for the view that "a conceptual gap exists between Beijing and Tokyo as China prefers the East Asian community to be restricted to the Southeast Asian nations plus China, Japan and the ROK. Japan wants to involve some other countries, even the United States." Another commentary by a researcher in the Chinese Ministry of Commerce appearing Oct. 28 endeavored to undermine Hatoyama's initiative by pointing to Japanese reluctance to conclude free trade agreements with ASEAN and Japan's catering to alleged US pressure in pursuing a community of 16 nations that "was not a truly East Asian community." Meanwhile, a commentary in *China Daily* on Nov. 10 charged that Japan has split loyalties and interests between the US and Asia, whereas China was seen as truly aligned with Asian interests.

South China Sea security issues

Chinese and Southeast Asian publicity regarding disputes over claims in the South China Sea was notably less this quarter than earlier in the year. A *South China Morning Post* report on Oct. 31 claimed that China was successful in keeping South China Sea issues off the agenda at the Asian leadership summit in Thailand in October. An international conference on the South China Sea was held in Hanoi in late November and it generated foreign media reports about conference participants claiming assertive Chinese military behavior and resource claims.

An in-depth report by Clive Schofield and Ian Storey published by the Jamestown Foundation in November contrasted China's "more accommodating and flexible attitude" regarding South China Sea issues in the first half of the decade with China's recently "more assertive posture in consolidating its jurisdictional claims, expanding its military reach and seeking to undermine the claims of other states through coercive diplomacy." As evidence, it cited increased naval patrols in the South China Sea, pressure on foreign oil companies to cease operations in contested waters, the establishment of administrative units to oversee China's claims to the Paracel and Spratly Islands, the unilateral imposition of fishing bans, and the harshness of Chinese responses to the outer continental shelf submissions to the United Nations by other claimants.

On the sensitive issue of China's moves to build an aircraft carrier to carry out missions in the South China Sea and elsewhere, foreign press reports cited the US Office of Naval Intelligence for the view that China would have an operational aircraft carrier for training purposes between 2010 and 2012, and domestically built aircraft carriers "sometime after 2015." Looking out, Rear Adm. Yang Yi said in the *Global Times* in late November that China should be more forthright as it develops "many aircraft carrier battle groups" in support of "China's need to expand its overseas military power."

Outlook

Southeast Asian visits to Beijing usually decline in the winter quarter with the advent of cold weather and prolonged absence of Chinese officials on account of celebrations of China's spring festival. End of the year data on trade flows and investment may be more detailed this year as Chinese experts assess the economic importance of the establishment of the China-ASEAN FTA on Jan. 1, 2010.

Chronology of China-Southeast Asia Relations October - December 2009

Oct. 2, 2009: The Chinese Foreign Ministry announces that Beijing will offer \$500,000 of emergency aid to Indonesia following the earthquake in West Sumatra.

Oct. 15, 2009: Vice Chairperson of the Central Military Commission Xu Caihou meets the secretary general of Indonesia's Defense Ministry during the third round of bilateral defense and security consultation. The two sides agree to deepen cooperation between the two armed forces.

Oct. 17, 2009: China and Laos establish a liaison office in Yunnan to combat human trafficking activities along the border areas between the two countries. The liaison office will step up bilateral law enforcement cooperation.

Oct. 20-24, 2009: The sixth annual China-ASEAN Expo (CAEXPO) is held in Nanning, Guangxi Zhuang Autonomous Region. Held at the sidelines of this year's CAEXPO is the "China-ASEAN Financial Cooperation and Development Leadership Forum." The vice governor of China's Central Bank announces that China will gradually open its financial market for financial institutions from ASEAN member states to set up branches in China or hold stakes in Chinese financial institutions.

Oct. 20, 2009: Senior military officials from China and Thailand meet in Beijing for the eighth bilateral defense and security consultation. The two sides review major exchanges between the two armed forces and agree to raise military ties to broaden bilateral security relations.

Oct. 23, 2009: Chinese Premier Wen Jiabao arrives in Hua Hin, Thailand to attend the 12th ASEAN-China summit, the ASEAN Plus 3 summit, and the fourth East Asia Summit meeting. Regional integration and economic issues are among the main topics on the agenda.

Oct. 23, 2009: People's Liberation Army Chief of General Staff Chen Bingde visits Singapore and meets Defense Minister Teo Chee Hean. They assess that bilateral military relations have intensified in recent years, including cooperation on staff training, joint military exercises, and ship visits. They agree to strengthen nontraditional and multilateral security cooperation.

Oct. 26, 2009: Chinese Vice President Xi Jinping meets senior officials from Vietnam's Communist Party Central Committee. They discuss prospects for expanding cooperation on border issues as well as other economic and military exchanges to build mutual trust.

Oct. 30, 2009: Chinese Foreign Minister Yang Jiechi visits the Philippines and signs two agreements. The Joint Action Plan for Strategic Cooperation seeks to increase cooperation on trade and investment as well as judicial and law enforcement issues. The China-Philippines Consular Agreement will help protect Filipino workers in China on such issues as notification of arrest and detention of Filipino nationals, repatriation, and dispute settlement.

Nov. 4, 2009: The China National Petroleum Corporation (CNPC) begins major construction of a crude oil wharf at Kyaukpyu on Myanmar's west coast. The construction is the entry point for a 480-mile crude oil pipeline that would end in Yunnan. Expected capacity during this initial phase of the construction is 240,000 barrels per day.

Nov. 10-11, 2009: Chinese President Hu Jintao visits Malaysia and meets his counterpart to mark the 35th anniversary of diplomatic ties between the two countries. They agree to enhance mutual understanding and strengthen economic and military-to-military cooperation.

Nov. 12-15, 2009: Hu Jintao makes a state visit to Singapore, meeting senior officials before attending the APEC leaders meeting. During Hu's meeting with Singaporean Prime Minister Lee Hsien Loong, he proposes ways to strength bilateral cooperation. During the APEC leaders meeting, in addition to defending China's currency position, Hu announces that China will allocate \$10 million to help establish the China-APEC Cooperation Fund to encourage economic and technical cooperation between China and APEC member economies.

Nov. 16, 2009: Chinese Defense Minister Liang Guanglie meets Royal Thai Navy Commander Kamthorn Phumpirun in Beijing to discuss bilateral military ties. The two sides agree to advance their military-to-military relations.

Nov. 18, 2009: Chinese Vice Minister for Public Security Zhang Xinfeng attends the first ASEAN-China Ministerial Meeting on Transnational Crime in Siem Reap, Cambodia. The initiative is meant to increase cooperation on combating terrorism, drug trafficking, illicit smuggling of weapons, human trafficking, and cross-border economic crimes. Zhang provides several proposals to foster cooperation, including the training of 1,000 law enforcement officers for ASEAN countries in the next five years.

Nov. 18, 2009: Chinese Vice Foreign Minister Wu Dawei and his Vietnamese counterpart Ho Xuan Son sign agreements on the demarcation of the two countries' borders including a protocol on demarcation of the land boundary and a boundary management mechanism.

Nov. 28, 2009: Vietnamese Foreign Ministry criticizes Beijing's decision to send two fishery patrol ships to the disputed Paracel and Spratly Islands, claiming that the action is a violation to Vietnam's sovereignty.

Dec. 2, 2009: Chinese Defense Minister Liang Guanglie visits Thailand and meets Thai Prime Minister Abhisit Vejjajiva. They agree to conduct a joint military exercise in early 2010 involving naval, ground and air force operations. The exercise will be Thailand's first joint military exercise with China. The Thai Defense Ministry also announces that US representatives will be invited to observe the exercise.

Dec. 4, 2009: Two Chinese Navy ships arrive in Vietnam's northern port of Hai Phong for an official four-day visit. Senior officials from both sides agree to continue conducting joint naval patrols in the Beibu Gulf to help increase bilateral trust and naval cooperation.

Dec. 7, 2009: Wu Bangguo, chairperson of the Standing Committee of the National People's Congress, meets Chairperson of the People's Consultative Assembly of Indonesia Taufik Kiemas to discuss relations between China and Indonesia. The two sides agree to enhance parliamentary exchanges and cooperation to help build bilateral ties.

Dec. 12, 2009: The Fifth Theoretical Seminar of the Chinese Communist Party and the Communist Party of Vietnam convenes in Xiamen. Senior party officials discuss theories and practice in tackling such common global challenges as the financial downturn and socialist responses to the economic crisis.

Dec. 19, 2009: The Cambodian government announces that it will deport 20 Uighurs who fled China in November and are seeking asylum, citing that the Uighurs are illegal immigrants and lack the necessary documentation to seek asylum status in Cambodia.

December 19-20, 2009: Chinese Vice President Xi Jinping visits Myanmar to discuss bilateral relations and cooperation in regional and international affairs. The two sides also discuss promoting economic exchanges.

Dec. 20-22, 2009: Vice President Xi Jinping visits Cambodia and meets Prime Minister Hun Sen. They agree to enhance cooperation and sign an agreement which includes preferential and concessional loans, infrastructure development, and interest-free loans.

Dec. 21, 2009: Chinese National Petroleum Company (CNPC) signs a formal agreement with Myanmar's Energy Ministry for exclusive rights to build and operate the China-Myanmar crude oil pipeline which will run from Kyaukpyu in western Myanmar to Ruili in Yunnan Province. The agreement will also provide tax concessions and customs clearance rights for CNPC.

Jan. 1, 2010: China-ASEAN Free Trade Area (CAFTA) goes into effect, creating a group of 1.9 billion people with a combined GDP of \$6 trillion.