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**Seeking Security In The Dragon's Shadow:
China and Southeast Asia In The
Emerging Asian Order**

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With Compliments

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ABSTRACT

This paper examines China's changing security relations with Southeast Asia. It begins by highlighting the growing complexity of the relationship, marked by conflicting pulls of cooperation and rivalry. This is followed by cases studies of the South China Sea dispute and the extent of the economic competition between China and Southeast Asia. The paper then assesses Chinese power projection capabilities in Southeast Asia, identifying its scope and limitations. The final section looks at strategies adopted by ASEAN members to "engage" China, especially through regional institutions such as the ASEAN Regional Forum and ASEAN Plus Three. The main argument of the paper is as follows. China's relations with Southeast Asia have been, and will continue to be marked by a mix of competition and collaboration. In the short-term, ASEAN states will seek to accommodate China and try to benefit from economic linkages with China's booming economy. At the same time, China's rising power will remain a concern, and ASEAN will seek avenues for dealing with a security challenge from China through a mix of deterrence and cooperative security approaches. The key drivers for the long-term relationship, aside from China's domestic evolution, are the nature of Sino-US rivalry, the structure of regional economic interdependence, and the evolution of cooperative security norms in the region. Southeast Asia can have some role in shaping the last two forces, but this requires greater unity and sense of purpose in ASEAN than has been evident since the 1997 Asian economic crisis.

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SEEKING SECURITY IN THE DRAGON'S SHADOW: CHINA AND SOUTHEAST ASIA IN THE EMERGING ASIAN ORDER¹

Introduction

China's rise as an economic and military power in the Asia Pacific region has significant implications for Southeast Asia's strategic and economic future. It is reshaping the balance of power and posing an economic challenge of considerable magnitude to a region that had been ahead of China in terms of its economic development until the 1990s. In the economic arena, China looms both as an opportunity as well as a challenge. In the security arena, the implications of China's military build-up are a key concern in the region, although few consider it as inevitable that China's rise will translate into outright expansionism or a quest for strategic dominance. Furthermore, while recognizing the countervailing role of the US in correcting China's challenge to the regional balance of power, Southeast Asian perceptions of China, being based on arguments about economic interdependence, a shared normative orientation and institutional linkages, are also independent of the US factor. To be sure, China's future role in Southeast Asia is likely to be shaped more by its domestic evolution and its relationship with other major players, especially the US, than with Southeast Asia. Yet, Southeast Asia acting multilaterally also has an opportunity to contribute to the "management" of China's security role in the region.

Southeast Asian countries have attempted to do so by eschewing a confrontational policy towards China, notwithstanding many contentious territorial and economic issues in their relationship. Such a policy is avoided out of fear of stirring Chinese nationalism and provoking hostile responses from Beijing towards its southern neighbours. Moreover, ASEAN countries do not want to forfeit the possibility of benefiting from China's economic growth. Unless and until China turns overtly expansionist, Southeast Asia will accommodate China and oppose a posture of containment as advocated by sections in the

¹ The paper was presented to the Asian Security Conference 2003, 27-29 January 2003, Organised by the Institute for Defence Studies and Analyses, New Delhi.

US. At the same time, the major Southeast Asian states will resist any temptation to strategically align with China, wary of its uncertain evolution as a rising power and the political costs (which are in some cases domestic as well as international) of such alignment. Instead, they see their interests better served by a policy of engagement. To sustain its economic growth, China needs Southeast Asian resources and markets, as well as a stable regional environment, which ASEAN can help provide. China also requires Southeast Asia's acquiescence and cooperation to realise its leadership ambitions in Asia and the world. Its relationship with ASEAN is a test case of Beijing's credibility as an engaged and constructive world power. While Beijing remains wary of ASEAN's pressure on the South China Sea dispute and the pro-US defence orientation of many ASEAN members, there are also reasons for Beijing to view Southeast Asia as a relatively "safe" and "benign" area within which to cultivate positive and mutually beneficial relationships. Beijing is also mindful that an adverse relationship with Southeast Asia could move many of them towards closer alignment with China's competitors, such as Japan and the US. This offers an opportunity to Southeast Asian states, provided they can stay united and purposeful, to extract strategic restraint from China and develop cooperative security strategies.

Against this backdrop, predictions from either extreme, i.e., of Southeast Asia either firmly balancing China or siding with it against the US, are misleading, just as scenarios of outright and overt Chinese hegemony in Southeast Asia are simplistic and unsubstantiated. Instead of accepting parsimonious explanations and predictions, this paper tries to capture the complexity of Sino-ASEAN relations by identifying its key determinants, and the conflicting pulls they have exerted on the relationship.

At the outset, several clarifications are in order. First, there is little basis to speak of a common "ASEAN position" on the implications of rising Chinese power or strategies for coping with the challenges they pose. But this is hardly unexpected. During the Cold War, Indonesia and Malaysia, largely for domestic reasons, viewed China as a more serious long-term threat to Southeast Asia than Thailand and Singapore (for whom Vietnam was the principal threat). Now, Malaysia and Thailand seem to hold a more benign view of China than the Philippines, which regards itself as the "frontline state" against China's encroachment into Southeast Asian waters. These differences also make it

difficult to generalize about “China-ASEAN relations”. Second, even the national perceptions of Southeast Asian states of China, and their approaches to relations with Beijing are seldom one-dimensional or unambiguous. In the economic realm at least, China is viewed both as a threat as well as an opportunity. In the strategic realm, most Southeast Asian countries generally seek to “engage” China while keeping a balancing option alive should engagement fail. Moreover, the balancing option being developed by Southeast Asian states is not limited to developing military capabilities and defence links with the US. It is also being pursued through multilateral and bilateral diplomacy, including an effort to bring countries like India into regional security frameworks.

The Growing Complexity of China-Southeast Asia Security Relations

The traditional determinants of China’s relations with Southeast Asia were geographic proximity, domestic ethnic and political dynamics, and Cold War ideology and geopolitics.² In particular, China’s support for communist insurgencies in the region (which ceased in the mid-1980s when Beijing joined hands with ASEAN in opposing Vietnamese occupation of Cambodia) was a key factor in creating negative feelings and hostility towards Beijing among the non-communist Southeast Asian states. In the post-Cold War period, the relationship is shaped by a wider range of factors, chief among them the growth of Chinese economic and military power, and the conflicting pressures of economic interdependence and competition. The end of the Cold War created new concerns about the shifting regional balance of power with China as the chief catalyst. A number of intra-regional conflicts, such as the territorial disputes in the South China Sea, have challenged regional order. The reorientation of military alliances involving the US and changes to the force postures of the US and other powers have also affected the regional balance of power. A related factor is the Taiwan issue, which has heavily conditioned the US strategic engagement in East Asia and influenced the overall dynamics of regional order in East Asia. Furthermore, there has been a marked increase in

² For a historical overview of China’s relations with Southeast Asia, see: C. P. Fitzgerald, *China and Southeast Asia Since 1945* (Camberwell, Vic.: Longman, 1973); Melvin Gurtov, *The Politics of Survival [microform]: Three Studies of Southeast Asian Relations with Communist China* (Ann Arbor, Mich.: University Microfilms, Inc., 1971); Joyce K. Kallgren, Noordin Sopiee, and Soedjati Djihadono, eds., *ASEAN and China: An Evolving Relationship* (Berkeley: Institute of East Asian Studies, University of California, 1988); Richard L. Grant, *China and Southeast Asia: Into the Twenty-first Century* (Honolulu: Pacific Forum/CSIS; Washington, D.C. Center for Strategic and International Studies, 1993). Martin Stuart-Fox, *A Short History of China and Southeast Asia: Tribute, Trade and Influence* (Crows Nest, NSW: Allen & Unwin, 2003).

multilateral economic and security cooperation in the Asia Pacific region, a good deal of it geared to engaging a rising China, in which the ASEAN members have played an instrumental role. The Asian economic crisis has weakened Southeast Asian countries vis-à-vis China, thereby adding considerably to China's economic challenge to the former. To this list of determinants one might add the impact of September 11, 2001, although this has not yet exerted a major influence on China-Southeast Asian relations.

In addition, China's security relationship with Southeast Asia is affected by geopolitical and economic concerns, but also by a range of non-traditional security issues. These include environment, drug trafficking, piracy and people-smuggling. These issues have provided points of tension, but also avenues of dialogue and cooperation.

The overall implications of these developments point to a more complex set of forces shaping the relationship between China and the region than was the case during the Cold War. They also generate greater ambiguity in the ASEAN states' posture towards rising Chinese power. The case for a balancing strategy is tempered by the perceived benefits of engagement. The conflicting pressures on regional countries in deciding an appropriate mix of balancing and engaging China is evident in two key developments in China-Southeast Asia relations, to which we turn our attention now.

The South China Sea Dispute

The first of these is the dispute over the Spratly Islands. Soon after the Cold War ended, the territorial dispute in the South China Sea involving the Spratly Islands (contested by China, Taiwan, the Philippines, Malaysia, Vietnam and Brunei) was seen as the new flashpoint in Southeast Asia. It was seen as a crucial test of China's good neighbourly intentions and posed a major challenge to the evolving multilateral security initiatives in the Asia Pacific. While the dispute has provided periodic points of tension and anxiety in Southeast Asia about the danger of Chinese intransigence and possibly expansionism, it has thus far posed only a limited threat to regional order. Approaches to the conflict, undertaken through official dialogues (such as the China-ASEAN negotiations) or non-official conferences (such as the Canadian funded meetings on "Managing Potential Conflicts in the South China Sea") have focused not on settling the

issue of sovereignty, but developing mechanisms for conflict management that would inhibit the use of force by claimants.

Negotiations over the Spratlys between China and ASEAN have evolved steadily since 1992, when ASEAN issued a Declaration on the South China Sea urging all claimants to seek peaceful settlement of the dispute. Following a period of Chinese resistance, ASEAN managed to secure Beijing's agreement to deal with it multilaterally on this issue in 1995. Subsequent efforts to seek a common ground, marred by periodic accusations from ASEAN members (especially the Philippines) of Chinese military build-up in the area and its "creeping" takeover of a number of islands (the most serious being the "Mischief Reef" episode in 1995), focused on the development of a code of conduct. These efforts led in November 2002 to the signing of a "declaration" on a code of conduct in the South China Sea at the ASEAN summit in Cambodia. The most significant words of the declaration concern an undertaking by the parties "to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability including, among others, refraining from action of inhabiting on the presently uninhabited islands, reefs, shoals, cays, and other features and to handle their differences in a constructive manner." (See Appendix.) This, critics note, does not include a specific commitment to freeze erection of new structures in the disputed area, a commitment sought by the Philippines, but refused by China.³ A demand by Vietnam that the proposed code should apply to the Paracel Islands (claimed by Hanoi but now occupied by China) was resisted by China, although the problem was overcome through the acceptance of a Philippine initiative which suggested dropping any reference to the geographic boundaries of the declaration, thereby allowing Hanoi to claim coverage of the entire South China Sea.⁴ Moreover, the Declaration is not a legally binding code of conduct.⁵ To arrive at such a code is stated as a long-term goal of the parties. Malaysia intervened to push through this interim measure even though the Philippines had insisted on a more binding framework.

³ "Asean-China ties take a big leap forward", *The Nation*, 4 November 2002.

⁴ "Plans to improve Asean's poor image", *The Nation*, 24 July 2001.

⁵ For opposing views on the Declaration on the Code of Conduct, See: Ralf Emmers, "ASEAN, China and the South China Sea: An opportunity missed", *IDSS Commentaries*, November 2002; Mely Caballero-Anthony, "Major Milestone in ASEAN-China Relations", *IDSS Commentaries*, November 2002.

These shortcomings may be seen against the significance of the declaration as a confirmation of China's gradual move towards a posture of dealing with ASEAN multilaterally on a subject that it had previously insisted on resolving on a bilateral basis. The declaration also reflects the fact that China sees a military confrontation over the Spratlys as being detrimental to its interests. China's satisfaction with the agreement may also have to do with the exclusion of Taiwan as a party to the Declaration. This could be seen as an endorsement by ASEAN of its "One China" policy. Even the Philippines, which initiated the idea of a regional code of conduct in 1998, and whose intelligence agency had in July 2002 described the Spratlys as an example of "China's expansionism in Southeast Asia" and as "the greatest flashpoint for conflict" in the region,⁶ is reportedly relieved that an agreement could be finally reached.⁷ The former secretary general of ASEAN, Rodolfo Severino, argues that the Declaration on Code of Conduct would "convey a sense of stability in the region"⁸ In reality, the South China Sea dispute has receded to the background amidst other more pressing challenges to regional order. China itself sees the dispute as a distraction from its efforts to deal with the Taiwan issue and tend to its economic development. ASEAN states are preoccupied with the economic downturn, intra-ASEAN squabbles (such as Singapore-Malaysia) and the threat posed by terrorism.

China's Economic "Threat" to Southeast Asia: Myth Versus Reality

A more pressing issue for ASEAN states in dealing with China is economic in nature. In considering China-Southeast Asian relations therefore, economic issues cannot be separated from strategic ones. China's approach to the Asian economic crisis, especially Beijing's refusal to devalue its currency, a move that might have caused additional pressure on Southeast Asian economies, increased its political stock in the region. Beijing was able to project an image of being a "responsible and constructive" regional actor. However China has subsequently also been seen as an economic threat, at least in media circles.⁹

⁶ March Lerner, "ASEAN Reaches Spratlys Consensus", *Washington Times*, 29 July 2002.

⁷ Caballero-Anthony, "Major Milestone in ASEAN-China Relations".

⁸ Isagani de Castro, "Big brother China woos ASEAN", *Asia Times*, 6 November 2002. www.atimes.com/atimes/Southeast_Asia/DK06Ae02.html.

⁹ I had forewarned of this development in an article in 1999. See, Amitav Acharya, "Realism, Institutionalism and the Asian Economic Crisis", *Contemporary Southeast Asia*, vol.21, no.1 (April 1999), pp.1-29.

Thus, an editorial in the *Asian Wall Street Journal* warns: “Whereas 10 years ago, 80% of total investment in East Asia headed to Asean countries and 20% to China, those ratios have reversed. Southeast Asian is in danger of being a backwater.”¹⁰ *The New York Times* offers a similar perspective: China has been “grabbing much of the new foreign investment in Asia, leaving its once-glittering neighbors – Thailand, South Korea, Singapore – with crumbs...” If the trend persists, Southeast Asia may be reduced to “the role of supplier of food and raw materials to China in exchange for cheap manufactured goods...”¹¹ John Tkacik, China expert at the Heritage Foundation argues more colourfully that: “[t]he only way China becomes an economic power is to suck the oxygen out of the rest of the region.”¹² Other studies warn of a hollowing out effect:

the competitiveness of the PRC’s domestic industry over the same industries most Southeast Asian countries excel in, places the ASEAN in a difficult position. There are lingering concerns that the ASEAN would be subject to a deluge of cheap Chinese farm products and processed food items, while some parts of the region fear an accelerated hollowing out due to the size of the market and the cheap costs base of the PRC.¹³

Finally, leaders of ASEAN countries have themselves fed such apprehensions. Singapore’s Prime Minister, Goh Chok Tong, has described China’s economic transformation as “scary”, adding: “our biggest challenge is therefore to secure a niche for ourselves as China swamps the world with her high quality but cheaper products.”¹⁴

However the economic threat posed by China to ASEAN has been a matter of some debate. Pessimists point out that the economies of ASEAN and the PRC are competitive, not complementary. China’s cheap labour costs and large market lures foreign investment away from Southeast Asia. In this view, ASEAN has already been

¹⁰ “Asean Slips Into Irrelevance”, *Asian Wall Street Journal*, 5 November 2002, p.A9. A different estimate of this reversal can be found in Peter Rhodes, “Limping Tigers and Fiery Dragon”, Presented to the Hong Kong - New Zealand Business Association, 13 February 2002, www.hknzba.co.nz/commentaries/Limping_Tigers_Fiery_Dragon.PPT. According to this estimate, in the early 1990’s, ASEAN was the destination of 61 per cent of the total FDI flow to Asia, compared to 18 per cent for China. In 1999, ASEAN received 17 per cent of total FDI in Asia, compared to 42 per cent for China.

¹¹ “Economic Juggernaut: China is Passing US as Asian Power”, *New York Times*, 29 June 2002.

¹² Jeffrey Sparshott, “China, ASEAN agree to start trade talks”, *Washington Times*, November 5, 2002.

¹³ “ASEAN’S Free Trade Areas With the PRC and Japan: Prospects and Challenges”, file http://www.apan-info.net/partners/uploads/ASEAN%20FTAs_Pro Prospects%20and%20Challenges.pdf.

¹⁴ “Singapore Unveils New Economic Plan”, *International Herald Tribune*, 21 August 2001, p.9.

losing foreign investments to China. They point to the sharp decline in foreign direct investments in ASEAN, which fell from \$27 billion in 1997 (before the Asian economic crisis) to \$16 billion in 1999 and \$10 billion in 2000.¹⁵ Total FDI flows to China was US\$3.4 billion in 1990, US\$28 billion in 1993, and US\$44 billion in 1997, and has remained around US\$40 billion since. In comparison, FDI to ASEAN-5 was US\$12.4 billion in 1990, US\$27 billion in 1997 and US\$11.4 billion in 2001.¹⁶ China accounted for 46 percent of Asia's total inward FDI in 2001.¹⁷ Some analysts have blamed the drop in FDI in Southeast Asia on China's growing attractiveness as an FDI destination.

Yet the zero-sum view of China-ASEAN trade and investment has been questioned. FDI flows are a case in point. A report by Singapore's Ministry of Trade and Industry casts doubt on the view that ASEAN is losing out to China in attracting foreign direct investment. In its view, China is attracting more FDI than ASEAN because it is the second biggest economy in Asia. Most of the FDI to China comes from the greater China area.¹⁸ While FDI to ASEAN from East Asian countries have declined in relation to China, Western countries (US, EU and Japan) have actually invested more in ASEAN than in China, both before and after the Asian crisis.¹⁹ The decline in FDI to ASEAN-5 – Indonesia, Malaysia, the Philippines, Singapore and Thailand – has been sudden; hence it does not appear linked closely to China's growing attractiveness as FDI destination, which has been more gradual. Moreover, foreign investments to both China and Southeast Asia have risen and fallen in tandem.²⁰ Both China and ASEAN experienced strong FDI

¹⁵ Isagani de Castro, "Big brother' China woos ASEAN", *Asia Times*, 6 November 2002. www.atimes.com/atimes/Southeast_Asia/DK06Ae02.html.

¹⁶ *Foreign Direct Investments to China and Southeast Asia: Has ASEAN Been Losing Out?*, Economic Survey of Singapore, Third Quarter, 2002.

http://www.mti.gov.sg/public/PDF/CMT/NWS_2002Q3_FDI1.pdf?sid=92&cid=1418.

¹⁷ Ibid.

¹⁸ Ibid. The report indicates that analysts estimate that "round-tripping" probably accounted for as much as a quarter of China's FDI inflow in 1992, whereby the funds originate from Chinese and Hongkong business entities who have moved funds out of China to other countries, mainly to take advantage of preferential tax treatment. China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) also reports that Hong Kong and the British Virgin Islands have accounted for around half of China's FDI inflows since 1998.

¹⁹ Ibid. "From 1996-2001, the average annual outward FDI from Japan to ASEAN-5 was US\$4.5 billion, ... US\$1.5 billion to China and US\$2.3 billion to Greater China." Similarly, between 1996 and 2001, although substantial US investments in Hong Kong since 1997 have pushed US FDI in Greater China (US\$4.6b per annum) beyond the amount invested in ASEAN-5, the US\$1.4b invested in China pales in comparison to the annual average figure of US\$4.3b in ASEAN-5. For roughly the same period, the four main industrialised EU members, namely the UK, Germany France and the Netherlands, invested an annual average of US\$3.5b in ASEAN-5, but only US\$1.5b in China and US\$1.7b in Greater China.

²⁰ Ibid. According to this report, both China and ASEAN experienced strong FDI growth from 1989 to 1997. During this time, FDI flows to China rose from US\$3.4 billion to US\$44 billion while FDI to the ASEAN-5 – Indonesia, Malaysia, the Philippines, Singapore and Thailand – increased from US\$7.6 billion

growth from 1989 to 1997. During this time, FDI flows to China rose from US\$3.4 billion to US\$44 billion while FDI to the ASEAN-5 increased from US\$7.6 billion to US\$27 billion. The report also notes that ASEAN and China both experienced a decline in FDI during the Asian financial crisis and FDI to ASEAN and China grew in tandem again in 2001. However, the post-crisis decline was more modest and recent recovery more robust in the case of China than ASEAN.²¹

Hence, the real cause of the decline of FDI in ASEAN may not so much be the growing attractiveness of China, but the fallout of the Asian economic crisis, which sharply affected investor confidence in Southeast Asia. This is not to deny competition between China and ASEAN. If China had not opened up to foreign investments, part of the FDI that China had received could potentially have gone to ASEAN, although the extent of this diversion cannot be precisely estimated. More importantly, China's entry to the WTO and the concomitant liberalisation of its foreign investment regime will no doubt attract more investment to China.

Still, this could be offset by other factors. Since FDI is not a zero-sum game, ASEAN and China can both attract higher levels of investments, as was the case before the Asian crisis. China's growth will offer opportunities for a new regional division of labour in which Southeast Asian countries can benefit. China is also viewed as a "regional integrator".²² Although China's investment to ASEAN does not carry much significance as yet, it can be expected to rise in the future. China's ASEAN investments in 2000 amounted to US\$108 million, or a fifth of China's US\$551 million total outward FDI, although this is still less than one percent of the total investment flowing to ASEAN.²³ In the meantime, driven by China's cheap and surplus labour, large market, geographical proximity, and overseas Chinese capital in Southeast Asia, direct foreign investment from

to US\$27 billion. The report also notes that ASEAN and China both experienced a decline in FDI during the Asian financial crisis and FDI to ASEAN and China grew in tandem again in 2001. However, the decline was more modest and recovery more robust in the case of China than ASEAN. See also: "FDI to China and ASEAN Grows", <http://www.china.org.cn/english/2002/Nov/49258.htm>.

²¹ Compared to 1997, FDI flows to ASEAN-5 and China in 2000 had declined by 67 per cent and 7.8 per cent respectively. In 2001, FDI to ASEAN-5 and China moved in tandem again, rising by 31 per cent and 15 per cent correspondingly. Ibid.

²² Nicholas Lardy, "China as Awakened Giant", *The Nation*, 18 October 2002.

²³ Kwei-Bo Huang, "The China-ASEAN Free Trade Area: Background, Framework and Political Implications", <http://www.dsis.org.tw/peaceforum/papers/2002-02/APE0202001e.htm>.

ASEAN states to China increased from US\$284 million in 1992 to US\$3,441 million in 1999.

The optimistic perspective on China-ASEAN economic relations holds that “Rather than considering China as a threat, ASEAN could ride on China as an engine of growth.”²⁴ Trade provides one such opportunity for mutual gain. In this context, the proposal to develop a China-ASEAN free trade area assumes significance. The proposal reflects the growing interdependence in Sino-ASEAN economic linkages. But the extent of these economic linkages should not be overestimated. Two-way trade increased from about US\$8.5 billion in 1992 to about US\$39.5 billion in 2000.²⁵ But China’s trade with ASEAN is less developed than its trade with Northeast Asia. In 2000, China took only 3 per cent of the exports of ASEAN-6, compared to a quarter of Taiwan’s exports. And in 2000, China was the source of 5 per cent of ASEAN-6’s imports, compared to one-fifth of Japan’s imports.²⁶

Further promotion of two-way trade for mutual benefit is one of the key factors behind the China-ASEAN free trade area concept. ASEAN and China have signed an agreement to create what is billed as the largest free trade zone in the world. The ASEAN-China Free Trade Area (ACFTA) would cover a total population of 1.7 billion people and a combined GDP of about US\$2 trillion. The ACFTA aims at reducing and eliminating tariffs by 2010 for China and the ASEAN-6, and by 2015 for Cambodia, Laos, Myanmar and Vietnam. According to some estimates, ACFTA could bolster ASEAN’s and China’s GDP by 0.9 per cent and 0.3 per cent respectively. It would also increase ASEAN’s exports to China by 48 per cent and China’s exports to ASEAN by 55 per cent.²⁷

Proponents argue that an FTA with China with its large domestic market will create more trade and investment opportunities for ASEAN member states. Since China was first to commit to the reduction of tariff rates on many ASEAN products, ASEAN can

²⁴ *Foreign Direct Investments to China and Southeast Asia: Has ASEAN Been Losing Out?* http://www.mti.gov.sg/public/PDF/CMT/NWS_2002Q3_FDII.pdf?sid=92&cid=1418.

²⁵ Huang, “The China-ASEAN Free Trade Area.”

²⁶ Nicholas Lardy, “China as Awakened Giant”, *The Nation*, 18 October 2002.

²⁷ *Foreign Direct Investments to China and Southeast Asia: Has ASEAN Been Losing Out?*

lower its tariffs on the goods from China at a later period.²⁸ Furthermore, a China-ASEAN FTA sets a model for similar concessions from future FTAs with Japan, Korea and India. Sceptics note that Beijing has excluded two of Southeast Asia's major exports, rice and palm oil from the "early harvest" of tariff reductions; and that the products covered in the "early harvest" scheme amounted to less than 2.1 per cent of total China-ASEAN trade.²⁹

The China-ASEAN free trade area is driven by both economic and political calculations on both sides. Faced with continuing economic downturn and with a growing terrorist menace (after being labelled as international "terrorism's second front"), ASEAN states are eager to avoid further economic marginalisation. For China, ASEAN's market of 500 million people and rich natural resources are important considerations. And liberalizing trade with ASEAN is also partially born out of political considerations. As one analyst notes:

The PRC would like to seize the opportunity to replace Japan as the primary driving force for economic growth and integration when Japan has been in economic recession for about a decade. If its scheme for trade liberalization with ASEAN can be put into practice, then the PRC will play the leading role in economic affairs in East Asia.³⁰

Indeed, the realization of China's political and strategic gains from the FTA with ASEAN might have prompted Japan to propose its own free trade initiative soon after the ASEAN-China FTA was announced. China's interest in a FTA with ASEAN is also of concern to the US, which has sought to promote free trade through the Asia-Pacific Economic Cooperation (APEC). Optimists further hope that a China-ASEAN free trade area would make ASEAN more attractive as a FDI destination. It would also help ease political tensions in East Asia. To quote one analyst: "From a political angle, the realization of a China-ASEAN free trade zone agreement indicates that historical feud and political clashes between ASEAN member states and the PRC are no longer one of the most important factors influencing ASEAN-PRC relations."³¹

²⁸ Huang, "The China-ASEAN Free Trade Area".

²⁹ Chua Lee Hoong, "China-Asean trade pact: a landmark agreement?", *The Straits Times*, 4 November 2002, p.14.

³⁰ Huang, "The China-ASEAN Free Trade Area."

³¹ Ibid.

China's Power Projection and Strategic Influence in Southeast Asia

A number of Western and Asian observers have warned that China is making significant advances in extending its strategic influence over Southeast Asia. According to American analyst Robert Sutter, "China's relations with all powers around its periphery, with the possible exception of Japan, have made advances in recent years. Beijing's influence in Southeast Asia and Korea has grown markedly in recent years."³² Even economic projects such as the China-ASEAN free trade area and the proposed US\$2.5 billion Singapore-Kunming rail link project, a 5,500 km track that runs through the continental ASEAN states, are seen as instruments "through which Beijing can increase its influence in South-east Asia."³³ China's relations with Indochina countries are seen as a particularly important facet of its influence-seeking, given the weakness of these states and their relative proximity to China. In a detailed study, Indian scholar SD Muni has argued that China's close relations with the new ASEAN members enables it to "project itself as a stabilising force and a mature power in the Asia-Pacific region", but it has "all the characteristics of a centre-periphery relationship".³⁴

The issue of Chinese strategic influence is linked to China's overall development strategy. Beijing claims that it needs a peaceful region to focus on economic development, which is unquestionably its top priority. To this end, it is prepared to set aside its territorial disputes with neighbours and profess a policy of "common security" under its "new security concept."³⁵ But what happens after China has achieved a certain level of growth? Realists argue that the quest for military power and strategic influence inevitably follows economic growth. Moreover, they argue that China is currently constrained by the Taiwan question and its resolution (whether through negotiation or through force) will release China's energy for attention to its territorial claims against Southeast Asian states. Even Chinese commentators themselves have lent credence (perhaps inadvertently) to such a scenario. Shen Dingli, a well-known Chinese expert on

³² Robert Sutter, "China's Recent Approach to Asia: Seeking Long-Term Gains", *Pacnet*, 23 June 07, 2002.

³³ Lee Kim Chew, "The China dragon tightens its claws over Myanmar", *The Straits Times*, 16 January 2003.

³⁴ S.D. Muni, *China's Strategic Engagement with the New ASEAN*, IDSS Monographs, No.2, 2002, pp.21 and 132.

³⁵ Carlyle A. Thayer, "China's 'New Security Concept' and ASEAN", *Comparative Connections*, 3rd Quarter, 2000, http://www.csis.org/pacfor/cc/003Qchina_asean.html.

strategic affairs, has said: “Once the Taiwan front is closed, we may turn to the South China Sea.”³⁶

Selected Chinese Air and Naval Force Development for Longer-Range Operations

- Acquisition of Su-30MKK fighter aircraft from Russia, Production of Su-27 fighter aircraft.
- Development of an improved version of the FB-7 supersonic fighter-bomber.
- Introduction of an airborne early warning (AEW) aircraft, the Y-8AEW in 1999 and planned acquisition of A-50 MAINSTAY AWACS aircraft from Russia.
- Air refueling capabilities: successful transfer of fuel between fighters and tanker aircraft over the South China Sea in April 2000.
- Efforts to improve capability to deploy submarines on extended patrols, and outfitting surface ships with more capable air defence assets and more lethal anti-ship cruise missiles.
- Replacement of World War II-vintage landing ships with newer ships produced in China.
- Maintaining a fleet of about 600 military and civilian landing craft, which could be used for ship-to-shore operations.
- Introduction of the first Russian-made Sovremenny-class guided missile destroyer in February 2000. Contract signed for two additional Sovremenny destroyers (total four), and possible acquisition of additional Russian-made major surface combatants.
- Domestic development and production of a fleet of 21 Ming-class and 3 Song-class diesel-electric submarines, the former being an improved version of the old Soviet Romeo-class (of which 30 are still in service), while the latter is China’s first new-design, conventionally powered submarine. The Song is the first Chinese submarine designed to carry anti-ship cruise missiles capable of launching from submerged position.
- Delivery from Russia of four Kilo-class Russian submarines (another 8 on order), including two Project 636 KILO SS (the improved Kilo design), one of the quietest diesel-electric submarines in the world.
- Planned acquisition of a new nuclear-powered attack submarine class, the Type 093 Class SSN, which will carry wire-guided and wake-homing torpedoes and cruise missiles.

Source: US Department of Defense, *Annual Report on the Military Power of the People’s Republic of China*, Report to Congress Pursuant to the FY2000 National Defense Authorization Act, <http://www.dod.gov/news/Jul2002/d20020712china.pdf>

In Southeast Asia, the concern evident in the early and mid-1990s about China’s military build-up and blue water ambitions have been overshadowed by local security issues, including the Asian crisis, intra-ASEAN tensions and terrorism. But long-term

³⁶ Cited in Craig S. Smith, “China Reshaping Military to Toughen Its Muscle in the Region”, *New York Times*, October 16, 2002. See also, S. P. Seth, “US not likely to forfeit role in Asia”, <http://publish.gio.gov.tw/FCJ/past/02110862.html>.

concerns about Chinese power projection remain. China's military doctrine has shifted from fighting a large nuclear war with the Soviet Union to developing capabilities for regional wars, and this doctrinal shift is especially evident in the development of its navy and air force (especially the former). But the main target of China's military build-up, as a July 2002 Pentagon report noted, is to "diversify its options for use of force against potential targets such as Taiwan and to complicate United States intervention in a Taiwan Strait conflict."³⁷ The report notes that forces being developed against Taiwan can be used against other Asian states such as the Philippines.³⁸

China's overall capacity to project power deep into Southeast Asia is limited. Its projection force development efforts have focussed on acquiring air refuelling capabilities for its 100 Su-27 and Su-30 fighters, and a gradual expansion of its surface fleet, especially with the acquisition of Sovremenny-class destroyers.³⁹ But lacking aircraft carriers, and with most of its fighter force being of limited range, China's surface navy is vulnerable to air attack beyond China's coastal waters. This makes China's submarine force the key element of its long-range force projection. China now maintains the world's third largest submarine force. However much of it remains technologically backward with low-level readiness. China lacks any combat experience with submarines. Its nuclear-powered attack submarines, an outgrowth of its ballistic submarine programme, are noisy and vulnerable to detection. The operational readiness of China's early non-nuclear submarines, copied from 1950s Soviet models (Soviet Romeo-class of the 1950s), is estimated to be very low. Its newer domestically-built diesel-electric submarines, including the Type 035 'Ming' class and Type 039 'Song' class are faster and quieter; the latter is capable of firing modern anti-ship missiles from underwater. In addition, China is acquiring a fleet of 12 Russian 'Kilo' class submarines, representing a major advance in its submarine long-range strike capability. The 'Kilo' and 'Song' submarines compare well with the Western submarines obtained by China's neighbours, including South Korea, Taiwan, Indonesia, Malaysia, Singapore, and India, but are inferior to Japanese and Australian submarines. Hence, China's modern submarines "do not outclass forces

³⁷ "Pentagon warns of China threat", CNN, July 17, 2002 Posted: 8:57 PM EDT (0057 GMT). <http://www.cnn.com/2002/WORLD/asiapcf/east/07/13/china.taiwan/>

³⁸ See Richard D. Fisher, "New Pentagon Report: A Change in U.S. Attitude", *China Brief*, Volume 2, Issue 16, August 1, 2002.

³⁹ Phillip C. Saunders, "Chinese View of Its Military Modernization", <http://cns.miis.edu/pubs/dc/track2/1st/saunders.pdf>.

available to several other Asian navies, not to mention the huge and sophisticated US and Russian submarine fleets.”⁴⁰

Analysts remain divided over Chinese power projection into Southeast Asian waters; some argue that China has the ability to take over South China Sea islands anytime it wishes, while others argue that while a “limited harassment of...ASEAN by sea and air is possible, ... China’s ability to prevail is questionable.”⁴¹ China may be able to seize most islands in the disputed area, but holding on to them is another matter. In any case, Chinese power projection in Southeast Asia remains limited, constrained by a number of factors: limited range of force projection assets and long-ranger strike capabilities, and lack of combat experience and training.

Strategic influence and power projection can be undertaken by means other than direct application of military force, especially through the acquisition of facilities and development of close security ties with weaker states. For example, analysts have pointed out that China’s building of dams in the upper reaches of the Mekong River would give it an ability to control the flow of water to other riparian states such as Laos, Cambodia and Vietnam.⁴² Another aspect of Chinese influence-seeking in Southeast Asia is the China-Myanmar security relationship. This is something that has attracted attention in India.⁴³

⁴⁰ James H. Nolt, “The China-Taiwan Military Balance”, *Asia Times*, 27 January 2000.

⁴¹ Ibid. A 1997 fiction, entitled *Dragon Strike - the Millennium War in the South China Sea*, written by two British journalists Simon Holberton and Humphrey Hawksley, outlined a war scenario in which China would initiate an attack on Vietnam, seizing its possessions in the Spratlys. A 1996 Pentagon report found that “steady progress in air refuelling will give China a power-projection capability over the South China Sea by the turn of the century,” Bill Gertz, “China makes upgrades to island base, coastline”, *The Washington Times*, February 11, 1999. <<http://members.tripod.com/paracels74/newconstructions.htm>>. But others disagree with this assessment. “China’s power projection capabilities – naval and long-range air forces – are probably not yet up to the task of seizing and holding such a large ocean area 800 miles from the Chinese mainland.” Richard E. Hull, “The South China Sea: Future Source of Prosperity or Conflict in South East Asia?”, *Strategic Forum*, Institute of National Strategic Studies, National Defense University, Washington, D.C., No. 60, February 1996. According to another study, “given China’s inability to project substantial power very far beyond its borders, the PRC will be able to assert and maintain control over the Spratlys now and in the foreseeable future only if the United States allows it to do so.” Bates Gill <<http://www.brook.edu/scholars/bgill.htm>> and Michael O’Hanlon <<http://www.brook.edu/scholars/mohanlon.htm>>, “China’s Hollow Military” *The National Interest*, No. 56, Summer 1999. <http://www.brook.edu/dybdocroot/views/articles/ohanlon/1999natint_sum.htm>

⁴² Ron Moreau and Richard Ernsberger Jr., “Strangling the Mekong”, *Newsweek*, March 19, 2001, Atlantic Edition, p.26. For details of the Chinese dams, see: Muni, *China’s Strategic Engagement with the New ASEAN*, p.84.

⁴³ See for example, Jasjit Singh, “Our Eastern Neighbour”, <http://www.india-seminar.com/2000/487/487%20jasjit%20singh.htm>. “China has supplied weapons for the re-equipment and expansion of the Myanmar military since 1989; it has also been deeply involved in economic and trade cooperation. It has provided assistance in building and strengthening infrastructure in the country.

Since the early 1990s, there have been numerous reports of a close and growing Chinese strategic presence in Myanmar, covering a wide variety of activities ranging from the sale of military equipment, arms production facilities and training programmes and the stationing of Chinese military personnel to train and operate sophisticated electronic communication and surveillance equipment.⁴⁴ Some of more sensitive activities reported in the media concern the establishment of Chinese military facilities for communication and logistic purposes, including support from Chinese air, naval (submarine) deployments.⁴⁵ But as Andrew Selth, one of the most respected analysts of Myanmar's armed forces, contends, while some of these reports are true, many others are "clearly based on unsubstantiated rumours or idle speculation".⁴⁶

While many reports about China's strategic links with Myanmar are not independently verifiable, they have influenced the strategic perspectives of Southeast Asian states towards Myanmar, explaining in part ASEAN's opposition to Western sanctions and its pursuit of a policy of "constructive engagement". Moreover, lessening Myanmar's strategic and economic dependence on China explained ASEAN's decisions to admit Myanmar as a full member in 1997.

However, what attracted most attention in India was the upgradation of ports, especially at Hyanggi and the communications facilities at Coco Island in the Bay of Bengal, a mere 45 kilometres from Indian territory."

⁴⁴ Selected Chinese arms transfers to Myanmar (Burma), during the 1988-1994 period included: 7.62 mm Type 56 assault rifles; 40 mm anti-tank grenade launchers; 82 mm mortars (probably Type 67 and Type 55); 57 mm and 75 mm recoilless guns (probably Type 56 and Type 52); RPG-7 anti-tank rocket launchers; 62 mm and 66 mm HEAT projectiles; radar and communications equipment; 30 Norinco Type 69II main battle tanks; 55 Type 63 light amphibious tanks; more than 100 Type 85 armoured personnel carriers; additional 50 T69s, 50 T63s and 150 more Type 85s; 122 mm howitzers; a number of anti-tank guns; 30 Norinco 107 mm Type 63 multiple launch rocket systems; ground-based air defence; 24 37 mm Type 74 twin-barrelled towed anti-aircraft guns, with their associated mobile generators, radars and directors; Norinco twin 57 mm Type 80 self-propelled anti-aircraft gun systems; 12 Norinco single-barrelled 57 mm towed anti-aircraft gun systems, complete with radars and directors; Hongying HN-5 man-portable shoulder-launched surface-to-air missiles; about 1,000 new road transport and heavy-duty vehicles. In addition, the SLORC's first major arms deal with China included an agreement for the dispatch of 400-600 Myanmar officers and men to receive training and instruction in China, especially to cover the maintenance and operation of the new Chinese equipment. The presence of Chinese instructors (up to 75) in Myanmar was also reported, including those directly advising troops in the field. Source: Andrew Selth, "The Burmese Army", *Jane's Intelligence Review*, Vol. 7, No. 11, November 1, 1995, p.515.

⁴⁵ For example, a report by the Democratic Voice of Myanmar (based in Oslo) claimed that during a visit by two PLA delegations to the Coastal Regional Command in Myanmar during May 2-5, 2000, China agreed to provide technical assistance and military equipment to move the Mawyawadi Naval Base from Moulmein to Heinle, and to construct field maritime surveillance stations along the Tenasserim coast. A subsequent report by the same source claimed that Chinese experts will install a maritime surveillance radar station and advanced radar systems (Global Positioning System and Global Information System) in the Tenasserim Division. Carlyle A. Thayer, "China Consolidates Its Long-term Bilateral Relations with Southeast Asia", *Comparative Connections*, 2nd Quarter, 2000.

⁴⁶ Andrew Selth, "Burma: A Strategic Perspective", Asia Foundation Working Paper 13, May 2001 (Originally presented at the conference on Strategic Rivalries in the Bay of Bengal: The Burma/Myanmar Nexus", Washington D.C., February 1, 2001). <http://www.asiafoundation.org/pdf/WorkPap13.pdf>.

Defence relations between China and the original members of ASEAN remain rudimentary. Proposed activities are aimed at confidence-building and transparency, rather than cooperation against common threats (such as terrorism). Security relations with Vietnam have improved since the two countries reached border agreements (a land border agreement in 1999 and an agreement on the delimitation of the Tonkin Gulf and an agreement on Fishery Cooperation on December 25, 2000).⁴⁷ Recent joint statements involving China and Singapore, and China and Philippines have included proposals for defence exchanges. In the case of the former, this range of proposed activities include “exchange of high-level visits, dialogue between defence institutions, cooperation between their strategic security research institutes, [and] exchanges between professional groups of their armed forces and exchange of port calls.” The latter statement proposed activities that include “exchanges and cooperation in the defense and military fields, strengthen consultations between their military and defense personnel and diplomatic officials on security issues, to include exchanges between their military establishments on matters relating to humanitarian rescue and assistance, disaster relief and mitigation, and enhance cooperation between their respective strategic and security research institutes.”⁴⁸ There is little immediate prospect for these countries, as well as Malaysia and Thailand, to develop defence links with Beijing involving arms transfers, or joint exercises, or operational planning.

Several reasons, including domestic politics (especially in Malaysia and Indonesia), close security ties with the US (for Singapore, Malaysia, Philippines and Thailand), and a desire not to alarm Japan, account for this. Malaysia typifies these dilemmas. Prime Minister Mahathir has been a strong critic of “the China threat”, and shares with China (as well as with other ASEAN states) a strong opposition to US policies towards human rights promotion. China and ASEAN states (with the possible exception of Thailand under the Chuan Leekpai government during 1997-2001) also take a similar position on the sanctity of state sovereignty and the principle of non-interference in the internal affairs of states. But domestic politics set clear limits to Malaysia-China security relations; indeed Mahathir has been criticised at home for being too pro-China. Malaysia

⁴⁷ “Sino-Vietnam Border Treaties Equal to Both Countries: Spokesperson”, *People’s Daily*, January 25, 2002. http://english.peopledaily.com.cn/200201/24/eng20020124_89291.shtml.

⁴⁸ Carlyle A. Thayer, “China Consolidates Its Long-term Bilateral Relations with Southeast Asia”, *Comparative Connections*, 2nd Quarter, 2000.

has quietly developed extensive security links with the US. As J. N. Mak, a Malaysian defence analyst, points out, despite not having a formal military relationship with the United States, Kuala Lumpur has “actively, if quietly” moved to develop close defence links with the US, initially after the US withdrawal from Vietnam and later after the end of the Cold War when Kuala Lumpur grew concerned about possible Chinese or Japanese dominance in Southeast Asia. Thus, there have been more than 75 US ship visits to Malaysia in the last two and half years, more than 1000 overflights annually, as well US army and Navy SEAL training in Malaysia.⁴⁹

It is highly unlikely that the rhetorical opposition of some ASEAN members, such as Malaysia, to US hegemony, a concern it ostensibly shares with China, would translate into military alignment with China. It is worth recalling that Bangkok made limited purchase of defence equipment from China in the 1980s, thanks to its concerns regarding the Vietnamese occupation of Cambodia. But such convergence of threat perception between China and the major ASEAN members is unlikely to be replicated in the post-Cold War period.

In reality, it is far more likely that ASEAN countries would resist any temptation for choosing between balancing and bandwagoning with China. Southeast Asia’s security interests are served by preventing the total dominance of the region by any great power, China and the US included. This posture of “counter-hegemony” is subject to challenge, especially in view of the rising power of the US globally and that of China regionally. Nevertheless, it will remain the preferred strategy of the Southeast Asian states as long as they remain interested in having a role in the management of regional order.

The Pursuit of “Counter-Dominance” in ASEAN’s Security Relations with China

The notion of “counter-dominance”⁵⁰ challenges the traditional concepts of balancing and bandwagoning developed by security studies scholars to describe the

⁴⁹ J.N. Mak, “Malaysia and Security Cooperation: Coming out of the Closet”, Paper Presented to the Conference on “Evolving Approaches to Security in the Asia-Pacific”, organised by the Institute of Defence and Strategic Studies, Singapore, 9-11 December 2002.

⁵⁰ Amitav Acharya, “Containment, Engagement, or Counter-Dominance? Malaysia's Response to the Rise of Chinese Power”, in Robert Ross and Iain Johnston, eds., *Engaging China: The Management of a Rising Power* (London: Routledge, 1999), pp.129-151.

response of weak states to the intrusion of stronger powers in the regional security environment. In contrast to the parsimony of these concepts, counter-dominance assumes that regional order is best attained by a mix of approaches (including containment, engagement, soft balancing, regime building, etc.) as long as it enables local actors to prevent the total dominance of a region by any outside power or powers. It is especially suitable when a rising power presents both a threat as well as an opportunity, when the threat environment remains uncertain and in a state of flux, and when there are gains to be made from engaging a rising hegemon even as suspicions remain of its long-term strategic intentions.

While ASEAN countries as a whole do not take a common position on China, it is fair to say that they have endorsed the concept of “engagement” in dealing with its rising power. Yet, Southeast Asian countries have not forsaken a countervailing posture towards China should Beijing prove resistant to engagement on ASEAN’s terms.

The military response of Southeast Asian states to the rise of China has taken two main forms. The first is the development of national defence capabilities. The arms build-up in Southeast Asia is by no means solely geared to countering China’s prowess. A range of other factors, including intra-ASEAN bilateral disputes (such as Singapore-Malaysia), non-traditional threats such as piracy, protection of maritime resources and sea-routes, and coping with domestic insurgencies are major factors behind the military build-up in the region. Nor is the latter addressed to any specific threat scenario involving overt assertion of Chinese power, with the limited exception of the Spratly Islands dispute. Rather, it reflects a concern about an uncertain and evolving regional balance of power in which the rise of China is a key element. And the possibility of China developing an expansionist security approach is an important factor for Malaysia, Singapore and especially the Philippines.⁵¹

Resource constraints prevent Southeast Asian countries from full-scale defence self-reliance in dealing with China. Hence, the second form of response by Southeast Asian countries to the growth of Chinese military power is the forging of closer defence ties with outside powers, especially the US. This is especially important for the

⁵¹ For further details, see: Mely Caballero Anthony, “U.S.- Philippines Relations Post September 11: Security Dilemmas Of A Front-Line State In The War On Terrorism”, *IDSS Commentaries*, October 2002.

Philippines. While ostensibly geared to countering the threat of terrorism and separatism in Mindanao, Manila also seeks to rebuild its defence links with the US with a view to responding to Chinese military provocations in the Spratlys.

Singapore's Prime Minister, Goh Chok Tong, upon being asked to comment on how Singapore and ASEAN would deal with a militarily powerful, economically prosperous, but geopolitically assertive China, replied that a regional "balance" would be important in countering such a development. "[W]e need to have a US presence over here. We need to have a strong Asean, we need Japan to be present in the region. We need Europeans to be here."⁵²

Military links with outside powers aside, ASEAN also takes a political approach to power balancing. India factors in this approach, forming part of the calculations of Southeast Asian states in framing a countervailing strategy to future Chinese geopolitical assertiveness.⁵³ This was originally reflected in ASEAN's decision to let India into the ARF. More recently, ASEAN has invited India to hold a summit meeting with ASEAN, the first of which was held in Cambodia in 2002.⁵⁴

Derek Da Cunha has argued that while in the near to medium term the states of Southeast Asia would be likely to adopt "a suitably deferential stance" towards China, and that China would exercise greater diplomatic, economic and military influence in the region, the long-term situation could be different. ASEAN countries "will likely give China substantial freedom of action so long as it does not lead to a situation of conflict or Chinese interference in the sovereign rights and affairs of member-states. Should those lines be crossed, however, it is likely that ASEAN deference towards China would be put aside in favour of a stronger and united stand."⁵⁵

⁵² "S'pore a friend of the US, not a client state", *The Straits Times*, 28 November 2002

⁵³ To quote Goh Chok Tong: "We welcome India's participation in Asean for two reasons. One is strategic. We do want another big country to be actively engaged with Asean. Otherwise, Asean would be, in a sense, overwhelmed by their [sic] Northeast Asian countries – China, Japan. So, if we have another wing in terms of constructive engagement, and that is India, it will make for a more stable Asean", *BBC London, East Asia Today*, 5 November 2002, 2200 hours (Source: Foreign Broadcast Monitor, Ministry of Information and the Arts, Singapore, 6 November 2002, p.7-8).

⁵⁴ Sujit Chatterjee, "India, ASEAN agree to create Free Trade Area", *Indian Express*, 9 January 2003. <http://www.expressindia.com/fullstory.php?newsid=16537>.

⁵⁵ Derek Da Cunha, "Southeast Asian Perceptions of China's Future Security Role in Its 'Backyard'", <http://www.rand.org/publications/CF/CF137/CF137.chap6.pdf>.

In the meantime, Southeast Asian countries have chosen a course of engaging China, assuming that it would lead to China's deep enmeshment in a system of regional order in which the costs of any use of force in dealing with problems with its neighbours will be outweighed by benefits. The key element of this approach is the ASEAN Regional Forum.

For ASEAN, the peaceful incorporation of China into a system of regional order was a leitmotif of the launching of the ARF.⁵⁶ China's involvement in the ASEAN-led ARF is a key indicator of its strategic approach to Asia Pacific. Critics argue that this policy has been a failure. China's role in the ARF suggests that Beijing continues to view the ARF as a secondary instrument of regional order. China continues to oppose the institutional development of the ARF out of a fear that it would compromise the norms of sovereignty and non-interference.⁵⁷ It has successfully opposed the extension of the ARF's role into preventive diplomacy in intra-state conflicts.⁵⁸ China argues that the ARF should remain as a forum for consultations, confidence-building and dialogue, rather than mediation and problem-solving. Instead of viewing ASEAN as the neutral anchor of multilateral security, China views the latter as a "pole" in an increasingly "multipolar" world and region. Notwithstanding its "new security concept" which is ostensibly geared to the promotion of common security and multilateralism, there remains in China's world view a strong realist element, in which power-balancing occupies an important place. For Beijing, the prime mover of regional order in Asia is the relationship among the major powers, especially itself, the United States and Japan. The ASEAN-led ARF cannot by itself guarantee the peace and security of the region.

This view is neither surprising nor exceptional. Most members of the ARF share the perception that multilateralism cannot by itself ensure security order in Asia, at least not in the foreseeable future. However, China's position, as that of the US, is critical to the success of multilateralism. For their part, Southeast Asian countries have tended to

⁵⁶ Amitav Acharya, "ASEAN and Conditional Engagement", in James Shinn, ed., *Weaving the Net: Conditional Engagement with China* (New York: Council on Foreign Relations, 1996), pp.220-248.

⁵⁷ Tan See Seng, Ralf Emmers, Mely Caballero-Anthony, Amitav Acharya, Barry Desker, and Kwa Chong Guan, *A New Agenda for the ASEAN Regional Forum: A Report on the IDSS Project on the Future of the ASEAN Regional Forum*, IDSS Monograph, No 4 (Singapore: Institute of Defence and Strategic Studies, 2002), p.46.

⁵⁸ Desmond Ball and Amitav Acharya, *The Next Stage: Preventive Diplomacy and Security Cooperation in the Asia-Pacific Region* (Canberra: Strategic and Defence Studies Centre, Australian National University, 1999).

accommodate Chinese stipulations about the ARF. In debates involving China and Western middle powers such as Canada and Australia, ASEAN has sided with Beijing, out of concern that a Chinese pullout from the ARF would render the forum irrelevant.

Despite these limitations, the acceptance of ARF by China (considering its initial hostility towards multilateralism⁵⁹) represents an important turning point in Asia Pacific security relations. The ARF enables a continuous process of dialogue with China. While the ARF remains a limited instrument of regional order, it also compensates for the risks and uncertainties associated with exclusive reliance on a balance of power approach, anchored on US strategic hegemony and its forward deployed forces.⁶⁰ These risks include growing domestic resentment against US military presence, as evident in Japan and now in South Korea, the reduced rationale for a US forward presence in the event (however unlikely it might seem now) of reunification of the two Koreas, and the growing military disparity between the US and its Asian allies which makes interoperability problematic and increases the political risks of alliances to the weaker side by rendering them even less equal than before. ASEAN states and the US also diverge on the Taiwan question, which is critical to China. ASEAN states follow their “One-China” policy less ambiguously than Washington. They are unlikely to back Washington’s military support for Taiwan in the event of a Sino-US war in the Taiwan Straits should the war be prompted by a Taipei declaration of sovereignty. At the same time, most ASEAN states will oppose an unprovoked Chinese military takeover of Taiwan. The growing American unilateralism also contributes to greater political opposition to US-led alliances in Asia.

Moreover, China’s limited enthusiasm for the ARF does not necessarily mean unequivocal opposition to multilateral security concepts and approaches in general. In the past decade, China has shown a preference for a different type of multilateralism, exemplified by its role in the development of the Shanghai Cooperation Organization.⁶¹ The SCO has developed confidence-building measures aimed at reducing tensions along the common borders, especially between China and Russia. Another facet of the SCO’s

⁵⁹ *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order* (London and New York: Routledge, 2001), ch.6.

⁶⁰ Amitav Acharya, “Regional Institutions and Asian Security Order: Norms, Power, and Prospects for Peaceful Change”, In Muthaah Alagappa, ed., *Asian Security Order: Instrumental and Normative Features* (Stanford: Stanford University Press, 2002), pp.210-240.

⁶¹ Shiping Tang, “The Future Of The Shanghai Cooperation Organization”, *IDSS Commentaries*, October 2002.

security agenda, the development of common measures against the threat of “terrorism, separatism and extremism” (the SCO has established an anti-terrorism centre and undertaken a significant amount of information-sharing on these threats) might also be relevant to the development of China-ASEAN security relations.

The recent development of the ASEAN Plus Three (APT) framework (comprising the 10 ASEAN members and Japan, China and South Korea) suggests the relevance of another type of multilateral approach in shaping China-ASEAN relations.⁶² The APT is unlikely to evolve into a security forum.⁶³ China has taken a noticeable interest in the APT (in contrast to Japan’s less enthusiastic attitude towards the grouping),⁶⁴ which could allow it to influence the future direction of East Asian regionalism. This could stimulate competition from Japan. If united, ASEAN stands to benefit from this competitive wooing, especially at a time of its economic weakness.⁶⁵

Conclusion

China’s relations with ASEAN states defy easy dichotomous categorization, such as “centre-periphery”, or “hegemon-client”. Similarly, ASEAN’s response to Chinese power cannot be accurately described by using traditional security concepts such as “balancing versus bandwagoning”, or “enmity versus alignment”.

China’s relations with Southeast Asia have been, and will continue to be marked by a mix of competition and collaboration. In the short-term, ASEAN states will seek to accommodate China and try to benefit from economic linkages with China’s booming economy. At the same time, China’s rising power will remain a concern, and ASEAN will seek avenues for dealing with a security challenge from China through a mix of deterrence and cooperative security approaches. The long-term prognosis is more challenging. Many pessimistic scenarios concerning China-Southeast Asia security relations, including those which bear on economic security, need careful examination, since, as noted throughout

⁶² Richard Stubbs, “ASEAN Plus Three: Emerging East Asian Regionalism?”, *Asian Survey*, vol.42, no.3 (May/June 2002), pp.440-455.

⁶³ Ali Alatas, “ASEAN Plus Three Equals Peace Plus Prosperity”, *Trends in Southeast Asia*, no.2 (Singapore: Institute of Southeast Asian Studies, January 2001), pp.2-3.

⁶⁴ “East Asia’s Puzzling Regionalism”, *Far Eastern Economic Review*, 12 July 2001.

⁶⁵ Amitav Acharya, “An Opportunity Not to Be Squandered”, *The Straits Times*, 12 November 2002.

this paper, the evidence is far from conclusive and the opportunity for misinterpretation ever present. The forces that shape China-Southeast Asian security relations remain in a state of flux. The key drivers for the long-term relationship, aside from China's domestic evolution, are the nature of Sino-US rivalry, the structure of regional economic interdependence, and the evolution of cooperative security norms in the region. Southeast Asia can have some role in shaping the last two forces, but this requires greater unity and sense of purpose in ASEAN than has been evident since the 1997 Asian economic crisis.

Appendix

DECLARATION ON THE CONDUCT OF PARTIES IN THE SOUTH CHINA SEA

The Governments of the Member States of ASEAN and the Government of the People's Republic of China,

REAFFIRMING their determination to consolidate and develop the friendship and cooperation existing between their people and governments with the view to promoting a 21st century-oriented partnership of good neighbourliness and mutual trust;

COGNIZANT of the need to promote a peaceful, friendly and harmonious environment in the South China Sea between ASEAN and China for the enhancement of peace, stability, economic growth and prosperity in the region;

COMMITTED to enhancing the principles and objectives of the 1997 Joint Statement of the Meeting of the Heads of State/Government of the Member States of ASEAN and President of the People's Republic of China;

DESIRING to enhance favourable conditions for a peaceful and durable solution of differences and disputes among countries concerned;

HEREBY DECLARE the following:

1. The Parties reaffirm their commitment to the purposes and principles of the Charter of the United Nations, the 1982 UN Convention on the Law of the Sea, the Treaty of Amity and Cooperation in Southeast Asia, the Five Principles of Peaceful Coexistence, and other universally recognized principles of international law which shall serve as the basic norms governing state-to-state relations;
2. The Parties are committed to exploring ways for building trust and confidence in accordance with the above-mentioned principles and on the basis of equality and mutual respect;
3. The Parties reaffirm their respect for and commitment to the freedom of navigation in and overflight above the South China Sea as provided for by the universally recognized principles of international law, including the 1982 UN Convention on the Law of the Sea;
4. The Parties concerned undertake to resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force, through friendly consultations and negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law, including the 1982 UN Convention on the Law of the Sea;
5. The Parties undertake to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability including, among

others, refraining from action of inhabiting on the presently uninhabited islands, reefs, shoals, cays, and other features and to handle their differences in a constructive manner.

Pending the peaceful settlement of territorial and jurisdictional disputes, the Parties concerned undertake to intensify efforts to seek ways, in the spirit of cooperation and understanding, to build trust and confidence between and among them, including:

- a. holding dialogues and exchange of views as appropriate between their defense and military officials;
- b. ensuring just and humane treatment of all persons who are either in danger or in distress;
- c. notifying, on a voluntary basis, other Parties concerned of any impending joint/combined military exercise; and
- d. exchanging, on a voluntary basis, relevant information.

6. Pending a comprehensive and durable settlement of the disputes, the Parties concerned may explore or undertake cooperative activities. These may include the following:

- a. marine environmental protection;
- b. marine scientific research;
- c. safety of navigation and communication at sea;
- d. search and rescue operation; and
- e. combating transnational crime, including but not limited to trafficking in illicit drugs, piracy and armed robbery at sea, and illegal traffic in arms.

The modalities, scope and locations, in respect of bilateral and multilateral cooperation should be agreed upon by the Parties concerned prior to their actual implementation.

7. The Parties concerned stand ready to continue their consultations and dialogues concerning relevant issues, through modalities to be agreed by them, including regular consultations on the observance of this Declaration, for the purpose of promoting good neighbourliness and transparency, establishing harmony, mutual understanding and cooperation, and facilitating peaceful resolution of disputes among them;

8. The Parties undertake to respect the provisions of this Declaration and take actions consistent therewith;

9. The Parties encourage other countries to respect the principles contained in this Declaration;

10. The Parties concerned reaffirm that the adoption of a code of conduct in the South China Sea would further promote peace and stability in the region and agree to work, on the basis of consensus, towards the eventual attainment of this objective.

Done on the Fourth Day of November in the Year Two Thousand and Two in Phnom Penh, the Kingdom of Cambodia.

Signatories:

Brunei Darussalam

People's Republic of China

Kingdom of Cambodia

Republic of Indonesia

Lao People's Democratic Republic

Malaysia

Union of Myanmar

Republic of the Philippines

Republic of Singapore

Kingdom of Thailand

Socialist Republic of Viet Nam

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