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**SINGAPORE'S REACTION TO RISING CHINA:  
DEEP ENGAGEMENT AND  
STRATEGIC ADJUSTMENT**

**Evelyn Goh**

**Institute of Defence and Strategic Studies  
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## ABSTRACT

This paper examines how Singapore has reacted to the rise of China in the last fifteen years. Arguing that Singapore's perspective on strategic security in the Asia-Pacific is shaped by its economic imperative, its search for strategic relevance and a preference for American preponderance, it identifies two prongs in Singapore's approach in dealing with China. Most obviously, the island state has unhesitatingly – and successfully – sought the 'deep engagement' of China through bilateral diplomacy, exchanges, economic cooperation, as well as multilateral regional institutions. More quietly, Singapore has increased its military capabilities by means of force modernization and through systematically strengthening its security relationship with the United States. The paper suggests that in the post-September 11 structural context, structural adjustment for Singapore necessitates the continuation of deep engagement with China, but also deeper engagement with the US, in the strategic as well as diplomatic and political-economic realms.

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**Evelyn Goh** (PhD, Oxford) is Assistant Professor at the Institute of Defence and Strategic Studies, Nanyang Technological University, Singapore. Her main research interests lie in the areas of US foreign policy, US-China relations, and the security and international relations of the Asia-Pacific. She is the author of *Constructing the US Rapprochement with China, 1961-1974: From Red Menace to Tacit Ally* (Cambridge University Press, forthcoming), and has published articles on the diplomatic history of US-China relations; contemporary US foreign policy; US strategy in the Asia-Pacific; and environmental security in East Asia. She is currently engaged in research for a project examining the role of the US in the security strategies of Southeast Asian states. Other ongoing research include a paper on US-China relations and regional order in East Asia; and a new book project on the evolution of US ideas of engagement towards China in the 1990s.



# SINGAPORE'S REACTION TO RISING CHINA: DEEP ENGAGEMENT AND STRATEGIC ADJUSTMENT

## Introduction

Singapore is a minute island-state that has managed to punch above its weight in the regional and international arena because of its remarkable economic achievements and its active diplomacy. In terms of strategic security in the Asia-Pacific, Singapore's perspective and thus its attitude towards China, is shaped by four factors:

### *1. The economic imperative*

In the rapidly developing Southeast Asian region, Singapore's influence derives from its capacity to attract foreign trade, investment and finance, and to invest in turn in its neighbours. Continued economic development and wealth is also a vital prerequisite and foundation for stability within Singapore.

Thus, national interest is more often than not defined by the economic imperative. Regarding China, as Khong notes, the critical issue for Singapore is "how to 'manage' China's growing power such that peace and stability, the prerequisites of rapid economic growth, can be maintained in the Asia Pacific".<sup>1</sup> Viewed through this lens, a rising China is regarded by Singapore leaders as both an opportunity (particularly in terms of the China market and China's potential as the new, massive engine for regional economic growth) as well as a challenge (consider Chinese competition for foreign direct

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<sup>1</sup> Yuen Foong Khong, 'Singapore: A Time for Economic and Political Engagement', in Alastair Iain Johnston & Robert S. Ross, eds., *Engaging China: The management of a Rising Power* (New York: Routledge, 1999), p.109.

investment in the manufacturing, financial and even technologies sector; and potential Chinese revisionism towards the strategic status quo).

## 2. *Strategic relevance*

Singapore's foreign policy elite operates out of an acute awareness of its limited size and international significance. As a direct consequence, they have forged an activist foreign policy, particularly in response to perceived potential changes in the international system. In the wake of the Cold War, the fear of American withdrawal from Southeast Asia and concerns about potential Chinese hegemony have combined with a certain frustration with the perceived introspection of its Association of South East Asian Nations (ASEAN) partners to produce a sustained bout of diplomatic activism from Singapore. As a strong proponent of both the ASEAN Regional Forum (ARF) and APEC, Singapore has tried, through the aegis of ASEAN, to retain influence over the nature of the emerging regional security architecture. In this battle to reaffirm Southeast Asia's strategic relevance, the engagement of the major powers is a vital element. Singapore has used regional institutions to capture and justify great power interest and involvement in the region; to promote security dialogue between them; and to highlight the important facilitating role smaller regional states have to play in developing regional confidence and diplomacy. In this sense, Singapore is a prime practitioner of middle power activism.<sup>2</sup>

## 3. *Preference for US preponderance*

The Singapore government has a positive assessment of the US role in region, and a marked preference for a regional security structure guaranteed by American preponderance of power. The Prime Minister (PM), Goh Chok Tong has, in various

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<sup>2</sup> On the potential for middle powers to affect the regional security community in East Asia, see Paul Dibb, *Towards a New Balance of Power in Asia* (London: IISS, 1995); K. Moller, 'How Much Insecurity in East Asia', *Pacific Review* 9(1), pp.114-124.

speeches, declared the US a “reassuring and stabilising force” in Southeast Asia and the American presence a “determining reason for the peace and stability Asia enjoys today”.<sup>3</sup>

In a 2001 speech in Washington, he said:

The US' involvement has had a profound impact on this history of East Asia's development. America maintained an 'open-door' to China, twice transformed Japan, and spilt blood to hold the line against aggression and communism. The US constructed and maintained the post-World War II international order that allowed East Asia to flourish. America's victory in the Cold War and its technology driving the new economy are continued influences. In the strategic sense, therefore, the US is very much a part of East Asia. It has been, and still is, a positive force for stability and prosperity.<sup>4</sup>

At a concrete level, Singapore has acted upon this rhetoric by offering to host the American naval logistics command centre (WESTPAC LOGCOM) and increasing access to American vessels and aircraft, after the closure of US bases in the Philippines in 1992. Additionally, Singapore has built a new naval base at Changi that can accommodate US aircraft carriers (the USS Kitty Hawk was the first foreign warship to dock there in March 2001), and Singapore also cooperates with US forces in military exercises.

Senior Minister Lee Kuan Yew, in a 1996 speech in Washington DC, referred to a “fallback position should China not play in accordance with the rules as a good global citizen”, and suggested that the US position would be to father a new alliance of Japan, Korea, ASEAN, Australia, New Zealand and Russia.<sup>5</sup> Some analysts have suggested that this reflects the likely choice for Singapore if the crunch comes too: it would choose the US side.<sup>6</sup>

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<sup>3</sup> Goh Chok Tong, ‘ASEAN-US Relations: Challenges’, speech to the Asia Society, New York, 7/9/00, <http://www.asiasociety.org/speeches/tong.html>.

<sup>4</sup> Goh Chok Tong, keynote address to US-ASEAN Business Council annual dinner, Washington DC, reprinted in *The Straits Times*, 15/6/01.

<sup>5</sup> Lee Kuan Yew, ‘How the United States Should Engage Asia in the Post-Cold War Period’, acceptance speech on receiving the Architect of the New Century Award, Nixon Center for Peace and Freedom, Washington DC, 11/11/96, reprinted in *The Straits Times*, 13/11/96.

<sup>6</sup> Khong, ‘Singapore’, p.121.

#### 4. *Realism and soft institutionalism*

Singapore's foreign policy elite concentrates on great power *realpolitik* and the calculation of national interest based on power. However, in spite of this apparently realist outlook, there is also a real belief in the value of dialogue in and of itself, as an integral part of 'confidence building measures'; and an attendant preference for informal relations over formal institutions. Singapore is a key proponent of the 'Asian way' of engagement, which is fundamentally based on the hope of socialization through 'soft' institutionalism.<sup>7</sup>

Thus, unlike other states such as the US, the Singapore government has hardly paused to grapple with the debate about whether China is a rising revisionist power that ought to be contained, or a potentially constructive member of international society that should be engaged with.<sup>8</sup> Singapore recognizes that its relationship with China contains elements of opportunity for mutual cooperation and gain, as well as economic competition and conflicting strategic aims. There is grave uncertainty about Chinese intentions in the medium to long term, but also the fundamental conviction that China shares the economic imperative and wants to concentrate on domestic development. Thus, Singapore leaders think that there is time to develop a constructive relationship with Beijing while guarding against the possibility of a revisionist regime in the longer-run. Hence, Singapore's China policy consists of a combination of 'shaping' and 'hedging' strategies.<sup>9</sup> On the one hand, Singapore emphasizes economic and political engagement with Beijing; while on the other, it is modernizing and augmenting its

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<sup>7</sup> A positive assessment of ASEAN's institutional style this is found in Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and The Problem of Regional Order* (London: Routledge, 2001).

<sup>8</sup> See Richard Bernstein & Ross Munro, 'The Coming Conflict with America'; Robert S. Ross, 'Beijing as a Conservative Power', in *Foreign Affairs* 76(2) (March/April 1997), pp.19-44. Re-considerations of the engagement-containment debate can be found in Gerald Segal, 'East Asia and the "Constrainment" of China', *International Security* 20(4), (Spring 1996), pp.107-135; and more recently in David Shambaugh, 'Sino-American Strategic Relations: From Partners to Competitors', *Survival* 42(1), (Spring 2000), pp.97-115.

<sup>9</sup> The terms belong to Richard Weitz, 'Meeting the China Challenge: Some Insights from Scenario-Based Planning', *Journal of Strategic Studies* 24(3), (September 2001), pp.19-48.



military strength and cultivating closer security relations with the US.<sup>10</sup> In pursuing and developing this two-pronged policy, Singapore has used its central role in ASEAN to try to cultivate cautious deep engagement as the broad Southeast Asian approach to China as a whole.<sup>11</sup>

### **China's Approach to Southeast Asia**

China's approach to Southeast Asia is under-girded by its desire to maintain stability in its surrounding regions, which would allow Beijing to concentrate on economic development.<sup>12</sup> China's strategy towards Southeast Asia may be described as one of "counter-hedging" and 'counter-engaging'.<sup>13</sup>

At the most basic level, Beijing wants to ensure that there are no conflicts with Southeast Asia which would compromise Chinese sovereignty, territorial integrity and national security. In this regard, the South China Sea (SCS) disputes are an important element of tension. China wants to resolve the issue with as much advantage to itself as possible, and has made firm but cautious moves to stake claims in the SCS.<sup>14</sup> This opportunism has been combined with calculated openness to negotiations. Southeast Asia perspectives vary, with the Philippines and Vietnam most worried, but there is an almost determined effort to stress progress in ASEAN dialogue to resolve the issue, and the conviction that China will not go to war over these islands.<sup>15</sup> After much wrangling over the scope of a potential code of conduct, China and ASEAN signed a 'Declaration

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<sup>10</sup> See Khong, 'Singapore', *passim*; Andrew Tan, 'Force Modernization Trends in Southeast Asia', IDSS working paper no. 59, January 2004.

<sup>11</sup> See Yong Deng, 'Managing China's Hegemonic Ascension: Engagement from Southeast Asia', *Journal of Strategic Studies* 21(1) (March 1998), pp.21-43; Ian James Storey, 'Living with the Colossus: How Southeast Asian Countries Cope with China', *Parameters* (Winter 1999-2000), pp.111-125.

<sup>12</sup> Michael Leifer, 'China in Southeast Asia: Interdependence and Accommodation', in David Goodman & Gerald Segal, eds., *China Rising: Nationalism and Interdependence* (London: Routledge, 1997).

<sup>13</sup> C. P. Chung terms China's strategy one of "counter-hedging" – see Chung, 'China's Engagement with Southeast Asia: A "Counter-hedging Strategy"', EAI working paper, forthcoming.

<sup>14</sup> On Chinese opportunism, see Ang Cheng Guan, 'The South China Sea Dispute Revisited', *Australian Journal of International Affairs* 54(2), (2000), pp.201-215.

<sup>15</sup> See, for instance, Shee Poon Kim, 'The South China Sea in China's Strategic Thinking', *Contemporary Southeast Asia* vol.19, No.4 (March 1998), pp.369-387.

on the Conduct of Parties in the South China Sea’ on 4 November 2002 at the ASEAN summit in Phnom Penh. While this has signified progress, Beijing has not withdrawn its territorial claims in principle to the whole of the SCS, and other disputed islands such as the Paracels are not included in the declaration.<sup>16</sup>

Beyond that, Beijing also wants to ensure that Southeast Asia is not alienated to another power antagonistic to China (that is, the US or Japan). Thus, as Chung suggests, Beijing has adopted a “counter-hedging” strategy towards Southeast Asia which emphasizes the weakening of regional support for the US-Japan security alliance and other American bilateral alliances; and the opposing of any heightening of Japan’s security role in the region and of the deployment of Theatre Missile Defence system in or around Japan. Recently, Beijing’s concern has been expanded due to Australia’s announcement in December 2003 that it would join the American missile defence shield programme.

In positive diplomatic terms though, Beijing hopes to cultivate benign perceptions of China in Southeast Asia. It is aware of existing suspicions about Chinese intentions and sensitive to suggestions about ‘the China threat’. Thus, an important part of China’s Southeast Asia strategy is to engage with the region through bilateral and multilateral dialogue; a very conscious cultivation of a benign image of China’s role in the region; the articulation of a cooperative attitude to a range of regional issues such as trans-national crime; an emphasis on mutual benefits in China’s economic development and the idea of China acting as an engine of economic growth and putative financial backer for the region; and the occasional play of common anti-western sentiments.

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<sup>16</sup> For contending assessments of the significance of the Declaration, see Mely Anthony, ‘Major Milestone in ASEAN-China Relations’; Ralf Emmers, ‘ASEAN, China, and the South China Sea: An Opportunity Missed’, IDSS Commentaries, 2001.

## Singapore's Approach to China

Acting from the realist assumption that small states might well be dispensable in the international system, Singapore's policy makers constantly try to make the country 'useful' to the major powers in their quest for security. Thus, the middle levels of the Singaporean foreign policy establishment are wont to emphasize the importance of Singapore as an 'interlocutor' for China, particularly vis-à-vis the US. The idea is that the Chinese apparently recognise that Singapore – while possessing close military ties with the US – is a fairly 'independent', 'objective' voice in international relations. Thus, it provides a useful bridge between the 'Asian way' and the 'western style' of diplomacy and politics, and acts as an 'honest broker' and even 'interpreter' for the two sides. This view perhaps somewhat over-states Singapore's influence in both Beijing and Washington. However, it is true that Beijing has come to regard ASEAN in general as a trusted forum, and the 'Asian way' as a comfortable and not too taxing method of international engagement.<sup>17</sup>

At a more mundane political level, China seems to be interested in learning from Singapore's experience in aspects of effective governance, such as fighting corruption, running grassroots organisations and even state regulation of prostitution. Chinese delegations routinely visit Singapore on fact-finding missions. In economic terms, the Singapore leadership thinks that Beijing has a lot to learn from Singapore in terms of development strategy, managerial systems and investment. Deng Xiao-ping was reputed to have glimpsed China's economic future during a visit to Singapore in 1979; Singapore was an ideal model because it showed that rapid economic growth was not inconsistent with tight central government control. Singapore has been playing advisory and investment roles in China's economic modernization since the 1980s. Goh Keng Swee, who devised Singapore's economic strategy, was appointed special adviser to two special economic zones in China, and the Singapore government built an industrial township in Suzhou in 1993, though with limited success because of competition from a nearby

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<sup>17</sup> Rosemary Foot, 'China in the ASEAN Regional Forum: Organizational Processes and Domestic Modes of Thought', *Asian Survey* XXXVIII(5), (May 1998), pp.425-440.

development. It has since been invited to undertake a similar project for a technology park in Xian, in Beijing's drive to develop the inland western provinces.<sup>18</sup>

Economically, China is motivated by larger concerns of wanting to engage with Southeast Asia for two reasons: first, to maintain a stable periphery and so safeguard its economic development; and second, to pursue Southeast Asia as a critical economic constituency which would expedite China's economic reforms and development. Singapore leaders believe that these motivations are secured by a new generation of Chinese leaders who are essentially technocrats (like themselves), more open and who want to learn from Singapore. As Goh Chok Tong put it, this younger generation "does not have a communist mindset. They have taken to heart Deng Xiaoping's dictum: 'To get rich is glorious'.<sup>19</sup>

Essentially, Sino-Singaporean engagement has been successful because of the coincidence of interests on both sides. Singapore has a real economic interest in China, and the Singapore government believes that by giving China a stake in the economic and institutional processes in the region, Beijing might be socialized into accepting the prevailing norms and acting as a responsible major player in the region. Thus, Singapore has been particularly active in arguing the need for engaging China in regional fora and mitigating perceptions of the China threat.

Singapore's hope is first for a developing, prosperous and internally-stable China that may act as a regional economic growth engine, enjoying co-operative and mutually-beneficial economic ties with its neighbours. In this sense, recent developments, including the agreement to establish a China-ASEAN FTA within 10 years, and Hu Jintao's message in his April 2002 visit to Malaysia and Singapore, have struck exactly the right cords. Hu assured his audiences that China's economic expansion is "a positive force for making for an economically stronger and more stable Asia". He promised that with World Trade Organisation (WTO) membership, China would provide its trading

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<sup>18</sup> Chua Lee Hoong, 'S'pore Invited to Build Tech Park', *The Straits Times* 13/4/00; 'Govt will help private investment in inland China', *The Straits Times* 27/4/00.

<sup>19</sup> Goh, address to US-ASEAN Business Council.

partners with opportunities worth at least US\$1.5 trillion over the next five years, and open its services to more foreign investment.<sup>20</sup> Singapore and Thailand have pushed for those members of ASEAN who are ready to go ahead and sign trade pacts with China, and in June 2003, Thailand signed an FTA for fruits and vegetables with China.

Second, it wants to see China enmeshed in regional norms, acting responsibly and upholding the regional status quo. As PM Goh put it, “If China grows, and plays by international rules on such issues as weapons proliferation, international trade, freedom of navigation and environmental protection, it can become a constructive player”.<sup>21</sup>

Finally, it places great importance on China becoming a second benign great power in the region, balanced tacitly by, and enjoying a *modus vivendi* with, the benign superpower. Singapore is realistic about the potential effects of China’s growing power. PM Goh conceded that since “a corollary of strong economic growth is strengthened strategic weight”, with China’s growth, “some reconfiguration of the regional order, therefore, seems inevitable.”<sup>22</sup> But it is not too sure about future Chinese intentions, and so it retains a firm belief in balance of power to constrain China. PM Goh affirmed, “I believe it is in everyone’s interest if East Asia remains in balance even as China grows. The US can help to provide this balance. Balance does not mean confrontation. It means that as China grows and becomes stronger, other countries in Asia too should grow and become stronger, buttressed by a strong US presence. It does not mean conscribing China’s growth or containing its power. It means mutually beneficial growth”<sup>23</sup>

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<sup>20</sup> ‘China boom “will boost region’s prosperity’, *The Straits Times* 25/4/02.

<sup>21</sup> Goh, address to US-ASEAN Business Council.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

## Singapore's Assessment of China's Impact on Southeast Asia

The following aspects of Chinese policies are viewed as potentially destabilizing for the region:

1. *China's military modernization and development programme.* As part of their hedging strategy, Southeast Asia states have also engaged in arms procurement and modernization. The 1997 financial crisis has slowed down these programmes though, in most countries, except for Singapore.
2. *The South China Sea disputes.* China and Vietnam had clashed over some Spratlys reefs in the late 1980s, but Beijing really worried its Southeast Asia neighbours when it laid claim to the whole of the SCS in 1992. Thereafter, the Chinese occupied and built structures on reefs claimed by Vietnam and the Philippines (Mischief) in 1992, 1995 and 1999, the latter of which led to diplomatic confrontations and military tensions. Not being directly involved, Singapore holds an optimistic view of Chinese intentions and attempts to use the ASEAN forum to encourage dialogue and mediation. Initially, Beijing preferred bilateral talks – a medium widely seen to increase its bargaining power – but in the last few years, it has submitted to having the issue discussed in ASEAN-China dialogue meetings. In spite of the Declaration of Conduct, there remain internal divisions within ASEAN on the issue, and Vietnam and the Philippines continue to be wary of Chinese encroachment. Still, many analysts of Southeast Asia appear to agree that all sides perceive a shared interest in maintaining stability in order to concentrate on economic development.<sup>24</sup>
3. *US-China relations.* As PM Goh told Hu Jintao in April 2002: “. . . the US-China relationship is crucial. If this relationship is stable, it will have a calming effect on

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<sup>24</sup> Optimistic analyses may be found in Joseph Y. S. Cheng, 'Sino-ASEAN Relations in the Early Twenty-first Century', *Contemporary Southeast Asia* 23(3), (December 2001), pp.424-5, 439-443; Yong Deng, 'Managing China's Hegemonic Ascension: Engagement from Southeast Asia', *Journal of Strategic Studies* 21(1), (March 1998), pp.31-33; Qingxin Ken Wang, 'In Search of Stability and Multipolarity: China's Changing Foreign Policy towards Southeast Asia after the Cold War', *Asian Journal of Political Science* 6(2), (December 1998), pp.73-74.

the entire region. If it is upset, it will unsettle the region”.<sup>25</sup> Basically, Sino-American tensions will upset Southeast Asia because this will disrupt the working premise of the 1990s that all major powers in the region shared an interest in maintaining regional stability. It will diminish ASEAN’s role and room for manoeuvre in the region, and worse, might force Southeast Asia to take sides. Of course, many Southeast Asia states have moved towards closer security relations with the US since the early 1990s, but Southeast Asia leaders are loathe to have to be too explicit about their choices.

4. *Taiwan*. Southeast Asia watches the Taiwan Straits carefully, as the main ‘hotspot’ of Sino-American tensions. Singapore, in the form of Senior Minister Lee Kuan Yew, has tried to play the role of interlocutor between China and Taiwan, and Singapore hosted the first official cross-Straits talks in 1993. However, Singapore cooled notably towards Taipei since Lee Teng Hui’s presidency, as his attempts to raise Taiwan’s international profile were regarded as unnecessarily provocative.<sup>26</sup> It would seem that Singapore officials continue to see Taipei, rather than Beijing, as the potential trouble-maker in this issue.
5. *Japan*. China’s adamant opposition to a greater role for Japan in regional security is seen as another potential problem in US-China relations that will affect regional stability. Southeast Asia worries about potential conflict between a strengthened Japan and China, although thinking on this issue appears to be muddy at the moment. On the one hand, Southeast Asia does not want to have to be forced to choose between China and Japan. On the other hand, a resurgent Japan would serve the purpose of balancing China, and hedging against future reductions in US interest in the region. Indeed, ASEAN has welcomed the recent limited expansion of the Japanese role, particularly involvement in peacekeeping operations and cooperation against piracy. Aware of the need to maintain close US-Japan alliance relations, Southeast Asian countries have also been relatively reticent in expressing concerns

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<sup>25</sup> ‘Stable US-China ties crucial for region’, *The Straits Times* 27/4/02.

<sup>26</sup> Leifer, *Singapore’s Foreign Policy*, p.117.

about the Japanese government's decision to deploy troops to Iraq in 2004. Fundamentally, there is significantly less concern in Southeast Asia minds about possible Japanese remilitarization, for historical reasons, and also because of an implicit faith in the restraining power of the US-Japan alliance.

On the other hand, Chinese policies are seen to promote regional stability in two key ways:

1. *Regional institutions.* China appears to have taken an increasingly positive approach towards regional institutions since the early 1990s. China became ASEAN's 'consultative partner' in 1991, and was promoted to 'full dialogue partner' in 1996. Sino-ASEAN cooperation was institutionalised with the creation of five dialogue mechanisms in the areas of political, scientific, technological, economic and trade consultations. In the second half of the 1990s, China began cooperating with ASEAN in its Mekong Basin development Cooperation, on a range of issues including the control of illegal migration, drug trafficking, the spread of AIDS and developing transport links in the basin which brings together China and mainland Southeast Asia. In 1994, China joined in setting up the ASEAN Regional Forum, in which it has participated in security dialogue (co-hosting the 1997 inter-sessional working group on confidence building measures in Beijing, publishing a Defence White Paper in 1995). In 1997, China, together with Japan and South Korea, inaugurated a new framework for regional cooperation in the ASEAN+3 summit track. In general, concrete positive steps include China's signing of the protocol to make Southeast Asia a nuclear-free zone (ZOPFAN) in 2001, its willingness to negotiate the Spratlys dispute through ASEAN, and its formal subscription to the ASEAN treaty of amity and cooperation in 2003.
2. *Economic policies.* For Southeast Asia, the 1997 financial crisis remains the key regional turning-point of the post-Cold War period, and China's reactions at the time contributed greatly to improving perceptions of Beijing's positive regional role. Its US\$1 billion aid package to Thailand, assurances not to devalue the *yuan*, extension



of trade credits and offers of humanitarian aid were all welcomed as signs of Beijing's earnest desire to play a constructive leadership role in the region. ASEAN hopes that China will continue to open its market to help enhance the slackening demand for ASEAN exports. With Beijing's successful bid for the 2008 Olympic Games, its healthy economic growth and its entry into the WTO, ASEAN states have considerable expectations of China contributing to their economic well-being. In this regard, Beijing appears to be fulfilling these expectations in its agreement to pursue a China-ASEAN FTA, and in Hu Jintao's reassurances about China acting as ballast for Southeast Asia economic growth.

### Multilateralism

Singapore's assessment of regional multilateralism is overwhelmingly positive because it has been the prime mover for Chinese participation in these institutions. It is critical to bear in mind that in trying to assess China's role in regional institutions, Singapore leaders are simultaneously writing the report cards for the success of a key tenet of their regional strategy. Ostensibly, it is an attempt at 'hegemonic entrapment', or, less antagonistically, a strategy to 'socialize' China into adopting regional norms and by giving it a stake in regional goals and stability. This strategy accords well with ASEAN's 'comprehensive security' concept, which emphasizes a multi-level and multi-issue approach to security concerns at the intra-states, intra-ASEAN and ASEAN-and-the-rest-of-the-region levels.<sup>27</sup>

From Singapore's particular perspective, however, these multilateral engagement policies derive from two basic needs. First, in order to downplay the element of ethnic affinity in Singapore-China relations, Singapore prefers to engage China through a wider

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<sup>27</sup> James Shinn, ed. *Weaving the Net: The Conditional Engagement of China* (New York: Council on Foreign Relations, 1996); Alastair Iain Johnston, 'Socialization in International Institutions: The ASEAN Way and International Relations Theory', in G. John Ikenberry & Michael Mastaduno, eds., *International Relations Theory and the Asia-Pacific* (New York: Columbia University Press, 2003); Pauline Kerr, Andrew Mack & Paul Evans, 'The Evolving Security Discourse in the Asia-Pacific', in Andrew Mack & John Ravenhill, eds., *Pacific Cooperation: Building Economic and Security Regimes in the Asia-Pacific Region* (Boulder, CO: Westview, 1995), p.250-254.

Southeast Asia or Asian forum. It remains acutely aware of its neighbours' sensitivities on this point, and wants to avoid any identification with China and Chinese interests on the basis of ethnicity. Second, Singapore leaders possess an unusually broad world-view, in the strategic sense. In its vigorous promotion of regional institutions, Singapore looks firmly beyond its Southeast Asia neighbours to the ambitious aim of wanting to engage the interest and involvement of the major powers whose attitudes and policies have critical bearing on the region. The United States, China, Japan and now India, are obviously the key players, but Singapore has also looked to engage Europe for its economic influence. In judging the efficacy of fora such as the ARF in engaging China, Singapore officials tend to be positive, partly because, as discussed before, China has become more comfortable and forthcoming in the forum; but also because the primary expectation was that the ARF would act as a confidence-boosting 'talk-shop' for China and ASEAN, and, more importantly, for China and the US.

Indeed, the second key aim of the ARF, from Singapore's point of view, was to provide a constructive basis for continued US involvement in the region. PM Goh spoke candidly about this to an American audience in 2001:

America's status as a key ASEAN dialogue partner entrenches US presence in the region . . . ASEAN has changed the political context of US engagement in Southeast Asia. The Post-Ministerial Conference, in which the US Secretary of State regularly participates, and the ARF are forums created and sustained by ASEAN. The Southeast Asian countries have exercised their sovereign prerogative to invite the US to join them in discussing the affairs of Southeast Asia. As long as this is so, no matter what other shifts may occur in the region, no one can argue that the US presence in Southeast Asia is illegitimate or an intrusion into the region.<sup>28</sup>

Currently, the ARF is experiencing some sense of drift, for it appears that the forum has not been able to move beyond the first stage of confidence building towards the further step of preventive diplomacy.<sup>29</sup> However, the most notable development in the area of Chinese participation in regional frameworks is the ASEAN+3 forum. It is

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<sup>28</sup> Goh, address to US-ASEAN Business Council.

<sup>29</sup> Simon, Sheldon (2002) 'The ASEAN Regional Forum Views the Councils for Security Cooperation in the Asia Pacific: How Track II Assists Track I', *NBR Analysis* 13(4); Evelyn Goh, 'The ASEAN Regional Forum in United States East Asian Strategy', *Pacific Review* 17(1), 2004, pp.47-69.

essentially the grouping that was proposed by Mahathir as an anti-western East Asian Economic Caucus in the early 1990s, but rejected at the time in favour of APEC by Southeast Asia states like Singapore. The ASEAN+3 forum, consisting of annual summit meetings, was spawned during the 1997 financial crisis, and is regarded as a reaction to the perceived lack of support from the US and western institutions. The most immediate outputs were the Chiang Mai agreement on regional monetary cooperation, a human resources action plan and the Greater Mekong development project. The forum is still relatively new and the members are concentrating on studying various channels of economic cooperation and coordination, particularly a regional monetary fund and exchange regime, regional institution building on economic and financial cooperation, and ways to strengthen regional identity. Its key substantial cooperative efforts in the form of the Chiang Mai Initiative currently consist of a series of bilateral currency swaps and the prospects for closer monetary integration in East Asia is still contested.<sup>30</sup>

At a political level, ASEAN+3 is interesting because it is the first broad attempt by Southeast Asia to engage with the key players in Northeast Asia, to the exclusion of western powers. In one sense, it is an attempt to gain bargaining power and influence for Southeast Asia states, to deal with the west from a position of strength on economic issues such as protectionism, in contrast to their haplessness during the financial crisis. From the Singaporean view, this East Asian engagement may also be interpreted as a warning to Washington that the US risks being left out in the region's developing strategic structure. As PM Goh warned in 2000, in the wake of the financial crisis, the US risked losing goodwill in the region, which would affect its political and economic interests.<sup>31</sup> There appears to be some recognition in Washington that the US risks being left out of East Asia by recent developments. James Kelly, the Assistant Secretary for East Asia, remarked on 4 April 2002:

Americans have always been strong supporters of ASEAN, but now the time is ripe to do more . . . Americans must realise that ASEAN countries have options –

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<sup>30</sup> Melina Nathan, 'The Chiang Mai Initiative', paper presented at 'The Emerging Economic and Security Architecture of Asia', IDSS-Asia Pacific Policy Program, JFK School of Government Forum, Singapore, 9 May 2002; Natasha Hamilton-Hart, 'The Origins and Launching of the Chiang Mai Initiative and the Prospects for Closer Monetary Integration in East Asia', paper presented at INSEAD-ASEF conference on Regional Integration in Europe and Asia', Singapore, 7-8 July 2003.

<sup>31</sup> Goh, 'ASEAN-US Relations'.

one big one being China – and to maintain our influence in the development of commerce and industry in ASEAN, we must participate to the fullest extent at every opportunity.<sup>32</sup>

The Chinese, on their part, were probably motivated to join ASEAN+3 as part of their goal of undermining the US attempt to ‘contain’ or ‘encircle’ China through close bilateral security relations with Southeast Asia states. This ties in with what appears to be a quiet strategy of making the major powers recognise the strategic importance of Southeast Asia and urging some degree of competition between them for influence in the region.

China now appears to be particularly keen on promoting ASEAN+3 as the premier Asian regional institution. On the other hand, Japan and South Korea, being US allies, are naturally concerned with Washington’s opinion about ASEAN+3, while Southeast Asia states equally do not wish to see the process undermining US commitments in the region. Thus, in spite of occasional, pre-existing play on Asian solidarity (such as the Bandung Declaration on human rights), even proponents like Malaysia and Singapore have tried to play down the significance of ASEAN+3 and to emphasize instead the ‘ASEAN plus’ principle of general “open regionalism” which is “not an attempt to shut out Washington”. In fact, this pooling together of North- and South-east Asia reflects a growing East Asian identity which would enhance peace and stability in the region.<sup>33</sup>

Singapore’s subtle message to Washington was made clear in Goh’s key policy speech in 2001. He first emphasized ASEAN’s unique role as an acceptable interlocutor in East Asia, reminding America that “. . . the very sensitivity of their current relationships means that China, Japan and Korea could only come together in the context of ASEAN”. However, “ASEAN alone has insufficient strategic weight to indefinitely maintain this equilibrium. Particularly as it tries to renew itself, it needs the help of friends and partners”, especially the US. PM Goh told his policy audience that basic US

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<sup>32</sup> James Kelly, ‘Some Issues in US-East Asia Policies’, address to The Asia Society, 4/4/02, <http://www.asiasociety.org/speeches/kelly2.html>

<sup>33</sup> ‘Two big ideas to boost East Asia’, *The Straits Times* 24/11/00.

interests were at stake, because “if US attention on Northeast Asia causes Washington to neglect Southeast Asia, sooner or later, the centre of gravity of the ASEAN+3 process will shift northwards”, that is, towards Chinese dominance. The message was clear: without decisive US engagement in the multilateral process, Chinese influence in the region will grow, at Washington’s expense. However, the positive part of the message was that Southeast Asia and the US shared a common interest against this outcome. Thus, the “strategic importance” of the US remained in the region, and lay in its role as the only power with “the strategic weight to maintain equilibrium between the two component parts of East Asia”.<sup>34</sup>

### The Economic Imperative

Economic development is the major consideration in the region: in this respect, China’s rise presents opportunities as well as challenges. The shared economic imperative is regarded by Singapore and Southeast Asia as a key binding force for peace and a critical common interest that buys time for the process of engaging and socializing China. Indeed, economic engagement between China and Southeast Asia has gained a momentum of its own and in recent years, Singapore has used the instrument of negotiating bilateral and regional FTAs as a means by which to stimulate a great power contest for influence in Southeast Asia.

Nevertheless, on the negative side of the ledger, Southeast Asia worries primarily about China siphoning off foreign investments in the region: in the last few years, China has been attracting 50-70% of the FDI in Asia (excluding Japan), as opposed to the 20% which ASEAN gets.<sup>35</sup> (ST, 25/4/02; ST, 26/9/01) Even though it is arguable that the drop in the level of FDI flowing to ASEAN may have more to do with the fallout of the 1997 financial crisis than direct competition from China, this perception remains a significant worry in the region. In addition, ASEAN faces Chinese competition in sectors

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<sup>34</sup> Goh, address to US-ASEAN Business Council.

<sup>35</sup> ‘China boom “will boost region’s prosperity’, *The Straits Times*, 25/4/02; John Wong, ‘Turning a rising China into positive force for Asia’, *The Straits Times*, 26/9/01.

like textiles, electronics and telecommunications. Businesses generally see China as a huge seamless market, while ASEAN is still regarded as a fragmented market of 10 separate countries. However, there are variations in the impact of China's economic growth on the different Southeast Asia states.

China and ASEAN (excluding Singapore), at their present stages of economic development, tend to be more competitive than complementary in FDI and manufactured exports in the developed-country markets. The rapid expansion of China's non-traditional exports such as machinery, electronics and other high-tech products is having the most disruptive impact on Indonesia, Thailand, Malaysia and the Philippines. Compared to ASEAN, China possesses a much larger pool of both skilled as well as non-skilled labour. Furthermore, it has a large domestic market to take advantage of the economies-of-scale effect. With lower marginal and average costs, China is thus able to enjoy a tremendous cost advantage over ASEAN. The average labour cost per hour in Malaysia and Thailand is about US\$2, compared to only US 50 cents in China. These ASEAN countries need to address the real issue of restructuring and cost-cutting.<sup>36</sup> China's WTO membership will further expand its competitive advantage.

Singapore (like Japan, South Korea, Taiwan and Hong Kong) has been losing to China its comparative advantage in labour-intensive manufactured exports. But it can also capture the benefits of the growing Chinese economy by exporting high-tech products and by investing more in China to maintain their market shares. Singapore has certainly done so, and looks likely to eventually become more closely integrated with China's economy.

On the positive side, though, China is the world's 7<sup>th</sup> largest exporting nation and the top producer of grain, coal, iron, steel and cement. In purchasing power parity GNP terms, it has the second largest economy after the US (although in per capita terms, its GNP is US\$900, compared to Singapore's US\$30,000).<sup>37</sup> China's trade with Southeast

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<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

Asia grew from US\$8 billion in 1981 to US\$41.6 billion in 2001. As the Chinese economy continues to grow, it will increase the demand for exports from ASEAN, particularly in terms of primary commodities and natural resources. Thus, some ASEAN countries, particularly Malaysia and Thailand, are taking the positive view that the rise of China in the long run could operate as a potentially new engine of economic growth for the region. With WTO ascension and the implementation of tariff cuts, Beijing estimates that it will provide extra trading opportunities for Southeast Asia worth US\$1.5 trillion over the next five years.<sup>38</sup> If China's economy keeps growing at 7% a year and the Japanese economy does not pull out of recession, analysts are predicting that China will become a more important market for Asian exports within five years.<sup>39</sup>

At the end of 2001, China and ASEAN moved to begin exploring and expanding these trading opportunities in the form of a regional FTA within 10 years.<sup>40</sup> If successful, the China-ASEAN FTA will be the world's largest free trade zone, comprising 1.7 billion people, a total GDP of US\$2 trillion and total trade exceeding US\$1.2 trillion. It is estimated to have the potential of raising Southeast Asia exports to China by US\$13 billion (48%) and Chinese exports to ASEAN by US\$11 billion (>55%).<sup>41</sup>

The FTA was a Chinese initiative and Beijing has tried to overcome ASEAN leaders' concerns about China's competitiveness by promising to agreed to grant preferential tariff treatment for some goods from Cambodia, Laos and Myanmar. More importantly, China pledged to open up certain key sectors first to give ASEAN countries a head start. This will enable them to beef up their own competitiveness before opening their markets to Chinese competition. For Singapore, a bigger free trade zone means more trading and investment opportunities for manufacturing. But liberalisation in the services sector is another story. China is likely to take a longer time to open this up, as it does not feel ready to take on foreign competition in, say, financial services.<sup>42</sup> In spite of the official endorsement, however, progress on negotiating the FTA is expected to be

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<sup>38</sup> 'China boom "will boost region's prosperity', *The Straits Times*, 25/4/02.

<sup>39</sup> 'China's rise: export boon for SE Asia', *The Straits Times*, 29/4/02.

<sup>40</sup> 'Now for the big one', *The Straits Times* 9/11/01.

<sup>41</sup> 'China's rise: export boon for SE Asia', *The Straits Times*, 29/4/02.

<sup>42</sup> 'Asean, China plan FTA', *ST* 7/11/01; 'Now for the big one', *The Straits Times*, 9/11/01.

slow, as there is divergence in ASEAN on the scope and speed of the process, with various sectoral and domestic economic concerns about market displacement and FDI.<sup>43</sup>

Singapore has been trying to negotiate FTAs with key APEC countries since 1999. Goh has declared support for an APEC-wide FTA eventually, but thinks that: "Those who can run faster should be allowed to run faster. Why should you pull him back just because some critics are not prepared to run?" Singapore was resorting to these agreements because they were the building blocks for freer global trade and investment, and FTAs will accelerate the free trade process.<sup>44</sup> It would seem that this trend towards bilateral FTAs will prevail in the coming decade in Asia, with more than 20 FTAs being discussed in East Asia at the moment.<sup>45</sup>

Singapore seems to have been relatively successful in generating competitive pressures for FTAs. In 2000, the US and Singapore announced talks for an FTA. Shortly after that, China announced a working group to explore a FTA with ASEAN (formally endorsed in June 2001). The China-ASEAN FTA has been presented by both Singapore and China as diversification away from US market. According to Goh, "For us to depend on the US alone as a market for growth for East Asia will be much more difficult in future, because the US economy is going to slow down. So we recognise the need to generate internal dynamism and that we should do it through further cooperation amongst ourselves".<sup>46</sup> Having said that, the Singapore-US FTA was successfully negotiated much faster and signed at the end of 2003.

Singapore has elicited a response from Japan as well. In 1999, Goh advised Japan to "entrench" its relations with ASEAN so that if ASEAN trades more with China, the economic ties between ASEAN and Japan will remain strong. Singapore's success at the

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<sup>43</sup> Helen Nesadurai, 'East Asian Trading Arrangements', paper presented at 'The Emerging Economic and Security Architecture of Asia', IDSS-Asia Pacific Policy Program, JFK School of Government Forum, Singapore, 9 May 2002.

<sup>44</sup> 'PM in favour of APEC-wide free trade pact', *The Straits Times*, 15/11/00.

<sup>45</sup> Nesadurai, 'East Asian Trading Arrangements'; 'Everybody's Doing It', *The Economist*, 26 February 2004.

<sup>46</sup> 'ASEAN lauds freer China trade', 24/11/00; 'ASEAN keen on bolder trade link-ups', 11/6/01; 'A rising China is not a threat', 10/9/01, all in *The Straits Times*.



time in getting Japan to agree to do a study on a possible bilateral FTA was seen as part of the strategy to entrench Japan in the ASEAN region.<sup>47</sup> The FTA – Japan’s first – was signed when PM Koizumi visited Singapore in January 2002. The arrangement has been variously criticized as limited at best, and – by China – as "unfair and biased" at worst because Singapore does not have an agriculture sector and signing the agreement would not affect Japan's agriculture sector. (While Singapore would abolish all tariffs on Japanese goods, Japan would remove tariffs on only 94 per cent of Singapore's exports, with about 2,000 products still taxable.)<sup>48</sup> Goh’s key rationale though, is that Singapore needs to boost Japan’s declining share in regional trade and investment.

The FTA was crucial because “strategically, it will anchor Japan in Southeast Asia”. More importantly, “Japan plays an important role in anchoring the US in East Asia... The US-Japan Security Alliance contributes to regional peace and stability. It provides balance to the important Japan-US-China triangular relationship”.<sup>49</sup> Thus, FTAs are an integral part of the Singaporean strategic tool-kit, serving as a means to facilitate and consolidate regional strategic relationships and stake-holdership. Using the same rationale, the island-state is also in the process of negotiating such agreements with other major powers in the region, namely India and South Korea.

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<sup>47</sup> ‘Japan urged "to entrench" ties with ASEAN’, *The Straits Times*, 10/12/99.

<sup>48</sup> ‘Japan, S’pore sign landmark trade deal’, *The Straits Times*, 14/1/02; ‘China daily slams Japan-S’pore pact’, *The Straits Times*, 17/1/02. On the other hand, proponents point out that the Singapore-Japan FTA not only slashed tariffs on a whole slew of goods, including electrical, electronic and pharmaceutical products, but also opened new doors to services such as telecommunications, finance and tourism. For example, that agreement will enable investment advisers in Singapore to gain access to Japan's public pension fund goldmine, estimated to be worth 150 trillion yen (S\$2.1 trillion). ‘Singapore eyes FTA with Hong Kong’, *The Straits Times*, 20/2/02.

<sup>49</sup> ‘Japan, S’pore sign landmark trade deal’.

## **China and Singapore's Perspective on Southeast Asian Security after 9/11**

The terrorist attacks of 11 September 2001 in the United States, and Washington's subsequent foreign policy postures and actions have led to significant changes in security structures and perceptions around the world. Within Southeast Asia, the threat of terrorism has surfaced to become one of the region's key security preoccupations. Singapore is one of the Southeast Asian states to have taken this issue most seriously, and policy makers there expect that terrorism will be a long-term threat to the region.<sup>50</sup> At the same time, in some ways, the terrorist attacks of September 11 helped to dampen the hostility of the Bush administration towards China. China's support for the 'war on terror' and its toleration of the heightened US military presence in Central Asia led Bush to seek a "constructive relationship" with China and to identify it as a "partner" on some issues.<sup>51</sup> As part of cooperative counter-terrorism efforts, the FBI has opened a liaison office in Beijing, and Washington has also ceased to criticize Beijing's moves to suppress separatist movements in its far western provinces, instead designating the East Turkestan Islamic Movement a terrorist organization. On the other hand, many points of contention between China and America remain, particularly over Taiwan. To realists who focus on how the war on terror has reinforced US power and US relations with China's neighbours, these trends will only serve to deepen existing conflicts between the two countries beyond the short-term.<sup>52</sup>

Singapore's room for manoeuvre has increased recently because of the terrorism agenda and the thawing of US-China relations after 9/11. At the same time, Singaporean perceptions of regional security prospects have also been affected by Beijing's increasingly evident dynamic diplomacy in Southeast Asia. In this regard, President Hu Jintao and Prime Minister Wen Jiabao's "charm offensive" during the ASEAN and APEC summits in the region in October 2003 was widely noted by Southeast Asian

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<sup>50</sup> Andrew Tan, 'Terrorism in Singapore: Threats and Implications', *Contemporary Security Policy* 23(3), December 2002, pp.1-18.

<sup>51</sup> Yu Bin, 'United States-China Relations and Regional Security after September 11', *Issues & Insights* No. 2-02, 2002, Pacific Forum CSIS.

<sup>52</sup> See Aaron Friedberg, '11 September and the Future of Sino-American Relations', *Survival* 44(1), 2002, pp.33-50.

nations.<sup>53</sup> Singaporean policy-makers appear to appreciate these moves, which vindicate their early conviction that China did not and will not seek to disrupt the stability or security of the region because of its current developmental imperative. On the other hand, there is some worry that China's deeper engagement with Southeast Asia will further polarize a region that suffers from inherent differences and divisions. That is, these policy-makers are concerned that some Southeast Asian countries are leaning or will shift too far into China's orbit altogether, thereby destabilizing the regional balance of influence.

For this reason – and also because of their perceived coincidence of interest in the war against terrorism – Singapore is forging closer relations with the US. The Singapore government has publicly declared its support for the American war on terrorism; and it has provided police training and logistical military support for the Bush administration's war in Iraq. During President Bush's visit to Singapore on 21 October 2003, the two countries announced their intention to expand cooperation in defense and security, and to negotiate a Framework Agreement for a Strategic Cooperation Partnership in Defense and Security. This strategic framework agreement will expand upon the scope of current bilateral cooperation in areas of defense and security such as counter-terrorism, counter-proliferation of weapons of mass destruction, joint military exercises and training, policy dialogues and defense technology. Singapore is also trying to persuade Washington to engage more constructively with the region as a whole, so as to help to maintain American influence as a counter-force.<sup>54</sup> The ever-present worry that Washington has little time and attention for Southeast Asia because its focus is traditionally set upon Northeast Asia is nowadays compounded by the concern that the Americans find it difficult to look beyond the terrorism agenda.

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<sup>53</sup> Evelyn Goh, 'A Chinese Lesson for the US: How to Charm Southeast Asia', *The Straits Times*, 31 October 2003; Amitav Acharya, 'China's Charm Offensive in Southeast Asia', *International Herald Tribune*, 8-9 November 2003.

<sup>54</sup> Note that 'balance of influence' is distinct from 'balance of power'. The former refers to political-economic influence, at which China is rapidly developing its capability; while the latter refers to military capability, in which the US is expected to retain its primacy for the medium term at least.

## **Conclusion**

Singapore, like most of Southeast Asia, has been pragmatic in dealing with China in its acceptance that China is intrinsically a part of Southeast Asia, and the challenge is to find ways to live peacefully with it and to develop areas of mutual benefit. Singapore has sought to engage China both politically and economically, and these efforts may be argued to be proving successful, if Chinese actions and attitudes towards the region, in the last few years especially, is anything to go by. However, China is beginning to assert greater diplomatic, political and economic influence in Southeast Asia, and it thus starting to offer significant competition to the American hold on the region. This is occurring at a time when the US is suffering some degree of unpopularity in Southeast Asia because of its unilateral actions, especially in the war against Iraq. Thus, Singapore is maintaining its basic engagement strategy to manage China's growth, but subtly adjusting its hedging policy by more greatly emphasizing the need for the US to develop more broad-based and deeper relations with the region to maintain a balance of influence. While Singapore policy-makers are now more optimistic about the prospects for a peaceful China that is a responsible regional player, they are maintaining the fall-back position of developing their military capabilities and sustaining close ties with the US.

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