

EAST ASIA'S RELATIONS WITH A
RISING CHINA

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Konrad
Adenauer
Stiftung

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- 7** 1. Introduction: China and East Asia's Mutual Accommodation
Lam Peng Er, Narayanan Ganesan and Colin Dürkop
- 43** 2. China's Accommodative Diplomacy towards East Asia
Li Mingjiang
- 71** 3. China's Image:
Citizens in Southeast Asia Viewing a Rising Power
Wang Zhengxu and Ying Yang
- 101** 4. North Korea's Relations with China:
From Alignment to Active Independence
Kim Sung Chull
- 145** 5. South Korea and the Rise of China:
Perception Gap between the Public and Elite
Choo Jaewoo
- 181** 6. Japan: What Future with China?
Satoh Haruko
- 217** 7. Indonesia-China Relations in the Post-New Order Era
Syamsul Hadi

-
- 243** 8. Malaysia-China Relations: Domestic and Structural Imperatives
Narayanan Ganesan
- 277** 9. Singapore: Balancing among China and Other Great Powers
Lye Lian Fook
- 325** 10. Between the Eagle and the Dragon: Issues and Dilemmas in
the Philippine Foreign Policy of “Equi-balance”
Renato Cruz De Castro
- 365** 11. Thailand: Bending with the (Chinese) Wind?
Pavin Chachavalpongpun
- 407** 12. Vietnamese Perspective of China’s Rise
Khong Thi Binh
- 445** 13. Myanmar’s Relations with China:
From Dependence to Interdependence?
Tin Maung Maung Than

EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER ONE
INTRODUCTION

China and East Asia: Mutual
Accommodation

Lam Peng Er, Narayanan Ganesan and Colin Dürkop



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China and East Asia: Mutual Accommodation

Lam Peng Er and Narayanan Ganesan

The economic rise of China is an intriguing question for both scholars of international relations and practitioners of statecraft: what are its implications for the global political economy and the regional pecking order in East Asia? Will China's rise underpin a more prosperous and stable East Asia and nascent regionalism, or usher in greater uncertainty, contentious territorial disputes with its neighbours, and big power competition and conflict with the US and its ally Japan? Will Beijing become a contented, responsible, cooperative and amicable power which has successfully harnessed international norms and institutions of our contemporary world (despite their Western origins) to its own advantage? Or will it seek to unilaterally remake the "rules of the

game” and forge a Sino-centric order in East Asia? Is Beijing’s professions of a “peaceful rise” believable to its neighbours?

In the midst of the unprecedented global financial crisis triggered by the US sub-prime mortgage problem in 2008, China is a rare major economy which is seeking to achieve an impressive growth rate of at least eight percent in 2009 (though below the phenomenal double digit growth rates of the previous few years).¹⁾ It may well be the first major country in the world to enjoy a strong economic rebound. Indeed, the Chinese mainland is poised to overtake the stagnant Japanese economy within the next few years and emerge as the second largest economy in the world. Simply put,

1) There is the perception that China needs a minimum economic growth rate of 8 percent to provide employment and resource distribution to ensure social stability. However, a case can be made that the law and order capacity of the Chinese state appears adequate to snuff out and prevent any local protests from snowballing across major cities and provinces even if economic growth were to dip below 8 percent. Insofar as a majority of its population believe that the system in China holds the prospect of a better life for themselves and their offspring, it is unlikely for any nation-wide movement to emerge and challenge the rule of the Chinese Communist Party (CCP). Moreover, the CCP has never allowed any alternative and autonomous organizations to emerge as a potential challenger to its rule. Whether it is the quasi-religious Falungong or the pro-democracy movement of Tiananmen in 1989, they have been ruthlessly nipped in the bud. Apparently, the CCP has the iron will, confidence, resources and coercive capacity to rule in the years ahead.

Despite the erosion of its Marxist-Maoist ideology, the CCP underpins its mandate to rule through the economic delivery of goods to the masses, appeal to Chinese nationalism, provision of better governance (not necessarily liberal democracy), and the incorporation of its former class enemies (including entrepreneurial capitalists) into the nominally communist party. Arguably, the post-Mao CCP has been pragmatic at home and abroad despite its revolutionary origins. In the years ahead, the CCP may well morph further to become, in reality, the Chinese Capitalist Party which maintains an authoritarian regime while contradictorily keeping Mao as its historical icon. The Chinese leadership downplaying of Maoist ideology has gone down well with the non-communist regimes in East Asia and Chinese “communism” is no longer a barrier to better relations and a source of suspicion between Beijing and its non-communist neighbours.

China will become the number one Asian economy within a decade. Conceivably, Beijing will have more resources to undergird its political and cultural diplomacy, foreign aid, and military capabilities to reclaim its preeminent position in East Asia before the traditional Sino-centric order was destroyed by Western and Japanese imperialism. Indeed, a strong case can be made that China was the once and future great power in the region.

Notwithstanding the myriad of domestic problems faced by China such as rising social inequality (among coastal and inner regions, urban and rural areas, and occupational groups), environmental degradation, unrest among ethnic minorities in Tibet and Xinjiang, endemic corruption, and weak observance of law and regulations, the country appears to be rising inexorably, at least in the economic dimension. With the advent of a KMT presidency (which does not favour *de jure* independence for Taiwan), the danger of brinkmanship and war in the Taiwan Strait appears increasingly remote. In this regard, the avoidance of conflict in the Taiwan Strait is also in the best interest of China by allowing it to concentrate on economic growth, address its own domestic challenges and seek diplomatic success abroad. Apparently, Beijing pays more attention to East Asia and ASEAN than the US superpower which appears to be distracted by problems in the Middle East, especially Iraq and Afghanistan. After all, East Asia is China's historical, geographical, economic, political and cultural backyard.

Washington's focus on East Asia was further distracted by the US subprime triggered-global financial crisis --- the worst

recession faced by the world since the Great Depression of the 1930s -- to the advantage of Beijing. This unprecedented crisis where a globalized world sinks into a synchronized recession has severely dented the credibility of the Anglo-Saxon model of market “fundamentalism” and its assumptions of unfettered market efficiency, deregulation and privatization (the so-called Washington Consensus of the US-dominated IMF, World Bank and US Treasury). The severity of this crisis will probably not only erode the “soft power” of the US in the eyes of many but will bolster the so-called Beijing Consensus which privileges a strong, regulatory and developmental state, innovation, economic nationalism and self-determinism.²⁾ The state-centric approach of the “Beijing Consensus” will probably be more attractive to less developed East Asian countries which enjoy no level playing field in the capitalist jungle where often only the fittest, strongest and meanest can survive and thrive. Additionally, such a model favours incumbent regimes and collapses the distinction between state interests and regime interests that appears to be characteristic of developmental states in East Asia.

While the Obama Administration is preoccupied with rescuing its own big banks and insurers such as Citigroup and AIG and has little time for Southeast Asian economies, Beijing announced a

2) In actuality, it was post-war Japan which successfully spearheaded the state-led economic developmental model which was subsequently emulated by the NIEs (Newly Industrializing Economies) in East Asia. Ironically, former Prime Minister Koizumi Junichiro embraced the “market fundamentalism” associated with Ronald Reagan and Margaret Thatcher and pushed for “structural reforms”, privatization and deregulation in Japan.

thoughtful, helpful and impressive package for ASEAN to surmount the global financial crisis. Prime Minister Wen Jiabao originally planned to make a three-point proposal at the abortive ASEAN summit in Pattaya, Thailand in April 2009. Despite the cancellation of the summit in Pattaya due to the unrest and accompanying violence in Thai domestic politics, Wen pledged the following:³⁾

- First, put countering the financial crisis at the top of the East Asian cooperation agenda and focus on addressing the most pressing issues facing this region;
- Second, seize the opportunity of the crisis to make cooperation (sic) in all areas more substantive and robust and advance regional integration; and
- Third, bear in mind common, long-term interests, unswervingly advance East Asian integration and promote regional peace and prosperity.

Simply put, the global financial crisis has presented a golden opportunity for China to woo Southeast Asia at the expense of the US superpower and Japan. It would be useful to quote at length some of the concrete Chinese proposals to underscore the seriousness of Beijing's diplomatic intent:⁴⁾

- China plans to establish a China-ASEAN investment cooperation fund totalling US\$10 billion to promote

3) Wang Xiaolong, "China still believes in ASEAN partnership," *Straits Times* (Singapore), 21 April 2009. Wang is Minister-Counsellor and deputy Chief of Mission at the Chinese embassy in Singapore.

4) Ibid.

infrastructure development to enhance the connectivity between China and ASEAN nations;

- Over the next three to five years, China plans to offer US\$15 billion worth of credit to ASEAN countries, including US\$1.7 billion in concessional loans to fund cooperation projects;
- China also plans to provide US\$39.7 million in special assistance to Cambodia, Laos and Myanmar to meet urgent needs, contribute US\$5 million to the China-ASEAN Cooperation Fund, and donate US\$900,000 to the ASEAN Plus Three Cooperation Fund;
- China proposes to strengthen cooperation in promoting development in the Greater Mekong sub-region, the East ASEAN growth Area and Indonesia-Malaysia-Thailand Growth Triangle;
- China will provide 300,000 tons of rice to the emergency East Asian rice reserve to improve food security in the region. It also proposes to implement a China-ASEAN grain production capability enhancement action plan, which entails the establishment of high-quality, high-yield crop demonstration farms in ASEAN countries and agro-technical training courses;
- China will offer, over the next five years, an extra 2,000 government scholarships and 200 master's scholarships for public administration students from developing countries in ASEAN;

- China will host training programs to share with ASEAN countries its experiences in dealing with natural disasters; and
- China will continue to strengthen dialogue with ASEAN defence academics, and enhance cooperation on combating trans-boundary crimes by holding relevant training courses.

How then does East Asia respond to such Chinese goodwill for closer political, economic and cultural ties? Do they buy Beijing's mantra that a "friend in need is a friend indeed"? Will the Japanese raise the stakes to match the Chinese overtures in the region?

East Asian Responses to China's Rise

In the literature on international relations, one influential and perennial view is that the rise of great powers is potentially destabilizing and may lead to armed conflict because it threatens the established great powers which have benefited from the status quo and will, therefore, resist the upstarts to preserve their own interests. The great Greek historian Thucydides identified the fundamental cause of the Peloponnesian War: "What made war inevitable was the growth of Athenian power and the fear which this caused in Sparta".⁵⁾ Contemporary scholars such as Robert Gilpin and Paul Kennedy have argued along similar lines: that the uneven rate of growth in power capabilities among nations often leads to envy,

5) Thucydides, *The Peloponnesian War* (Harmondsworth, Middlesex: Penguin, 1983), p.23.

fear, competition, tension and conflict.⁶⁾

While it can be anticipated that the US will probably behave like a typical status quo great power with misgivings of the “new Chinese kid in town”, it is hard to confidently and accurately predict the future trajectory of a rising China. East Asian states do not necessarily behave like the US superpower towards Beijing because none of them, including Japan, has sufficient weight to single-handedly balance against a rising China. Moreover, the two Koreas and the eleven Southeast Asian countries do not appear to hold any aspirations to lead East Asia. Simply put, China has no peer competitor in the region besides Japan for political leadership. And it is rather difficult for Japan to perform a balancing or competitive role when it is tied to the US superpower. The possibility of a different concert of major powers challenging China appears remote as well.

Conceivably, there are a number of strategies for regional states to adopt in the wake of Beijing’s ascendancy. Some of these strategies are not mutually exclusive and may overlap with one another. They include:

1. The traditional balance of power and a containment policy through the forging of military alliances against Beijing;
2. Diplomatic and political “soft-balancing”, engagement and hedging; maximizing relations with the US, India and the EU too i.e. “soft-balancing” *among* great powers rather

6) Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: random House, 1987) and Robert Gilpin, *War and Change in International Politics* (New York: Cambridge University Press, 2000).

than *against* China per se;⁷⁾

3. Bilateral and multilateral cooperation, “partnership”, “friendship” and the construction of an incipient East Asian Community; strengthen ASEAN (Association of Southeast Asian Nations) for regional order; promote the APT (ASEAN Plus Three), ARF (ASEAN Regional Forum) and the EAS (East Asian Summit); and co-opt, embrace, enmesh and socialize China as a core member in these regional institutions, processes and norms;⁸⁾
4. Accommodation: Be mindful of the core interests of and not to give unnecessary offense to Beijing, accept the One-China Principle that Taiwan is a part of China, and flexibly make adjustments to preserve and enhance one’s own independence and interests;
5. Appeasement and “Finlandization”: the weak necessarily yielding and bending to the strong; give up military exercises and abrogate alliances with other powers especially the US, close down US military bases in the country, and opt for formal neutrality;⁹⁾

7) The term “soft-balancing” may be ambiguous but we use it to mean political balancing without resorting to the forging of military alliances against a third party. Conceivably, smaller countries can sometimes take advantage of great power rivalries and be wooed by them. Conversely, small states can also suffer from a condominium of great powers which structure a regional order most beneficial to themselves .

8) In this scenario, the ASEAN Lilliputians band together with South Korea and Japan to welcome the Chinese Gulliver into an imagined community, and if necessary bring in India to East Asian multilateral fora to balance the heft of China. As China rises inexorably, it is not inconceivable that the ASEAN states would welcome the US and Russia to join the EAS and an expanded APT in the future.

6. “Bandwagoning”: Its basic logic for smaller states is that “if you can’t beat them, join them”. In East Asia, it would mean that a weaker state is obliged to jump from the US bandwagon to the Chinese one and make the best out of an emerging Pax Sinica;
7. Become a formal military ally and subaltern to China;
8. Client or satellite states: acceptance of tributary status in an emerging Sino-centric order, and Chinese sphere of influence, suzerainty and hegemony in East Asia.

To be sure, although systems of alliances exist in post-Cold War East Asia, such as the bilateral ones between the US and the following Asian countries --- Japan, South Korea, the Philippines and Thailand, they are institutional legacies of the Cold War forged *before* the economic rise of China. Even though it is not unthinkable that some of these alliances may be deployed against China in the future (if the latter is perceived to be threatening), the US and its allies have neither stated that their common enemy is China nor conducted war games against the latter. Indeed, Washington and the East Asian states, despite their ambivalence towards a rising China, have not viewed the latter with hostility and as an enemy yet. Moreover, other

9) The term “Finlandization” may have the pejorative meaning of a weaker country caving in to a stronger one. To be fair to Finland, it had to yield to the geo-political realities of existing next to the Soviet superpower. While it had to remain neutral and obliged not to be unfriendly towards the Soviet Union, Finland remained sovereign, democratic and capitalist. However, Finland was forced to give up its claims for formerly Finnish territory lost to the Soviet Union in their wars between 1939-40 and 1941-44. In a sense, Finlandization is a lesser evil for a small country than for it to lose its independence totally to a great power. In the final analysis, Finland has outlasted the Soviet Union after the latter’s implosion.

than the US superpower, no East Asian state or combination thereof can possibly balance militarily against a nuclear China.

Some analysts perceive that most East Asian states are accommodating China today.¹⁰⁾ David C. Kang argues that not only do they not balance militarily against Beijing, they also accommodate the Chinese mainland for their own interests.¹¹⁾ Kang believes that a strong China at the apex of an Asian hierarchy of power has historically led to a stable region and also provided material benefits to its neighbours. He suggests that Beijing will possibly play this role again. Besides power and interests, Kang also acknowledges the roles of ideas, images and identity -- East Asian states simply do not perceive China to be an enemy state and, as such, have not behaved in a hostile manner towards the latter. China has also reciprocated such gestures by not threatening the East Asian states and has maintained friendly ties with them. In fact, it is arguable that Beijing has embraced most Asian multilateral organizations that are not inspired or dominated by the West and in particular the US.

The exceptions to this general pattern of accommodation are Japan (which appears to lean towards hedging against China by forging a closer alliance with the US) and North Korea (an ally since the Korean War which is dependent on Chinese largesse including

10) See David C. Kang, *China Rising: Peace, Power, And Order in East Asia* (New York: Columbia University Press, 2007), Robert S. Ross, "Balance of Power Politics and the Rise of China: Accommodation and Balancing in East Asia," *Security Studies*, Vol.15, No.3, July-September 2006 and Michael Yahuda, "The Evolving Asian Order: The Accommodation of Rising Chinese Power" in David Shambaugh (ed.), *Power Shift: China and Asia's New Dynamics* (Berkeley: University of California Press, 2005).

11) Kang, *Japan Rising*.

food and oil). However, if the East Asian states are “under-balancing” against China, there is another plausible reason: in the East Asian hierarchy of states, the US is still number one and is maintaining a substantial military, political, economic and cultural presence there.¹²⁾ If the East Asian states are not unduly alarmed about the rise of China, it is plausibly due to the continual credibility of the US at the top of this regional hierarchy and order. However, it may also be owing to China not moving in a threatening manner against its neighbours and, thus far, conducting accommodative diplomacy towards them.¹³⁾ Unlike the US, China has not maintained or sought any military bases beyond its borders in East Asia, and presumably this approach has been reassuring to its neighbours.

East Asian states today have neither forged military alliances with each other nor with the US for the singular purpose of balancing against China (option one above). More specifically, Thailand’s alliance with the US is not meant to be directed against China today. Although Manila may hope that its alliance with Washington may dissuade Beijing from encroaching on Filipino territorial claims in the South China Sea, the latter’s main security concerns are with the separatist Moro Islamic Liberation Front (MILF), terrorism and banditry in Mindanao, and the Marxist New People’s Army rather than an imminent threat from China. To Japan, North Korea with its

12) Evelyn Goh, “Hierarchy and the role of the United States in the East Asian security order,” *International Relations of the Asia-Pacific*, Vol.8, No.3, 2008, pp.353-377.

13) China will, of course, not smile if any East Asian state were to deviate from the One China Principle of not accepting Taiwan as a sovereign state or if the Japanese Prime Minister were to visit the Yasukuni Shrine, the symbol of Japanese imperialism to the Chinese and Koreans.

missile tests, nuclear ambitions and abduction of its citizens appears to be more problematic than China. To South Korea, another US ally, China is a facilitator to the Six Party Talks to ensure stability in the Korean peninsula rather than a potential military threat.

In their self-conceptualization, identity and behaviour, East Asian countries do not perceive themselves to be satellites and client states of China (option 8); none (besides North Korea) are military allies of the Chinese (option 7); no allies (Japan, Thailand, the Philippines and South Korea) or quasi-allies (Singapore) of the US have abandoned the US wagon and jumped into the Chinese one (option 6); and arguably, none has become the “Finland of the East” to China (option 5). Thus, the behaviour of East Asian states since the end of the Cold War has spanned primarily the middle ground of hedging (option 2), bilateral and multilateral partnership (option 3) and accommodation (option 4) with China. The unravelling of the Cold War, the reduced importance of ideology in international relations, and broad-based domestic political and economic developments in many Asian countries has further embedded this trajectory.

The Purpose and Approach of this Study

The aim of this volume is to examine how East Asian states behave in the wake of a rising China. Whether Beijing’s ascendancy in the East Asian hierarchy of states will be a smooth and peaceful one will depend not only on the acceptance of the US superpower but also the consent and cooperation of its East Asian neighbours.

Given their historical memories, geographical proximity, close economic ties, and asymmetrical power capabilities, they do not behave like the US superpower towards the Chinese mainland. The US is a hegemon whose material, military and technological capabilities are in its own league, and a “Western” nation in its values of liberal democracy. In this regard, while the US has the capability to balance China, the East Asian states by themselves do not.

This edited work focuses on three Northeast Asian countries (Japan and the two Koreas) and seven ASEAN countries (Vietnam, Thailand, Burma/Myanmar, Malaysia, Singapore, Indonesia and the Philippines) and their interactions with China. Case studies of ten East Asian countries provide good sampling size, detailed empiricism and an antidote to sweeping generalizations on how East Asian nations behave towards a rising China. These case studies will show that there are different nuances and emphasis among the ten countries in their strategies to cope with China because of varying historical experiences, geographical proximity, regime types, political leadership and domestic demands.

A caveat must be lodged at this stage. For analytical purposes, we are examining how these East Asian states are responding to China’s recent rise. In reality, many of these countries have interacted for more than a millennium with China and certain memories and patterns of interaction have been forged long before the Chinese mainland’s present economic resurgence. Moreover, though these countries may be physically smaller than China, it is not necessarily the case that they are always reacting to China. As will be

shown in the subsequent chapters, China also responds to the initiatives and actions of its neighbours. In this regard, the foreign policy of even major powers remains very much an interactive process.

Another feature of this edited volume is that the contributors are indigenous scholars from the country of their case studies. The assumption is not that they necessarily represent the mainstream view within their country of study but that they are sensitive to the history, domestic politics, and debates of their own country of origin towards China and great power politics, interests and identity in the region. While no attempts are made to impose a paradigmatic or methodological orthodoxy on their mode of analysis, the contributors were asked to consider a few broad questions:

1. How has your country of analysis responded to the rise of China? What is the strategic approach adopted by your country towards China? To what extent has it evolved and changed in the post-Cold War era?
2. What are the domestic sources of policy towards China in your case study?
3. Does China exercise “soft power” towards your case study?
4. What are the challenges and prospects of bilateral relations between your country and China?

Chapter outlines

Chapters two and three broadly examine China’s relations, especially its “soft” power towards East Asia. In the second chapter,

Li Mingjiang presents a Chinese perspective on the impact of China's rise on East Asia. Li observes that China appears to have superseded Japan in terms of regional influence, at least in the perception of Southeast Asian public opinion. Li re-examines David Shambaugh and Joseph Nye's claims that China's soft power in the region is relatively weak. Li then argues that the conventional approach is to interpret soft power as the ability to get what you want through attraction rather than coercion or payments. Moreover, the mainstream's view of China's soft power in East Asia is usually in reference to the diffusion of Chinese culture, cuisine, calligraphy, cinema, art, acupuncture, herbal medicine and fashion.

However, Li believes that the appeal of Chinese culture, philosophy and ideology should not be exaggerated. If there is anything "soft", attractive or influential about China's approach to the region, it is less the magnetism of Chinese culture or values per se but the diplomatic strategy and savvy of China to be moderate, reasonable, conciliatory, non-threatening, reassuring and accommodating towards its smaller neighbours. In a sense, Li has turned David C. Kang's argument (that East Asian states accommodate China) on its head: China accommodates its East Asian neighbours and not simply the other way round. This shrewd and friendly policy to accommodate its neighbours, Li implies, makes its "peaceful rise" process and goal less alarming and more acceptable to East Asian states. In actuality, both Li and Kang's views are two sides of the same coin: both China and East Asia practice mutual accommodation in a virtuous circle which underpins regional peace and order.

In chapter two, Wang Zhenxu and Ying Yang evaluate China's image from the viewpoint of Southeast Asian citizens. Unlike the subsequent chapters which are single country case studies, Wang and Ying adopt a societal approach based on the Asia Barometer cross-national data set to compare the similarities and differences among Southeast Asian citizens in their views towards China. Their major finds are: Southeast Asians generally view China positively --- better than the US but not as well as Japan; and Muslim Southeast Asians tend to view China less favourably than non-Muslim Southeast Asians. They conclude that claims of China exercising considerable soft power in Southeast Asia are exaggerated. The Southeast Asian view about Chinese soft power is, therefore, different from the Chinese one (see Li Mingjiang's earlier chapter) that China is exuding considerable soft power in the region.

That Japan is ranked ahead of China in terms of public diplomacy at least in the eyes of Southeast Asians may be startling. But Japanese soft power (including its popular culture such as *anime* and *manga*, and gadgets like Sony's play station), and decades of generous foreign aid have given Tokyo a head start over Beijing in Southeast Asia. Moreover, Muslim Southeast Asians may have projected their negative sentiments towards the ethnic Chinese domiciled in their countries (often perceived to rapaciously dominate the local economy in Southeast Asia) and extended them to Mainland China. Additionally, the Bush government's policies towards the Middle East that included the invasion of Iraq and substantive leeway towards Israel have coloured the perceptions of Muslims the world

over. This chapter by Wang and Ying is a good antidote to the sanguine view that East Asians have accepted China at the apex of the Asian hierarchy. Apparently, China has yet to truly win the hearts and minds of the Southeast Asians as a natural leader in the region.

The next three chapters are Northeast Asian country perspectives of a resurgent China. Kim Sung Chull examines how North Korea has shifted from a close alignment with China to active political independence despite the former's reliance on its Chinese neighbour for material assistance. Indeed, North Korea's perception towards China has changed drastically from "blood ally to betrayer". Kim's central argument is that for North Korea, a rising China is merely an expedient partner for regime survival but not an attractive soft power which Pyongyang eagerly tries to learn from and to associate with. The dilution of Marxist ideology in post-Mao China is certainly unattractive to Pyongyang, the last totalitarian regime on earth. Moreover, just as Beijing continues to pursue balanced relations with Pyongyang and Seoul, so Pyongyang has continued to explore relations with Washington and Tokyo and cautiously hedges against Chinese influence.

Kim also suggests that North Korea's strategy of seeking space to manoeuvre between China and the US is similar to its earlier approach to maximize its advantage by moving between the Soviet Union and China during the Cold War era. While most East Asian states have accommodated China, it is quite ironical that Pyongyang, a country so dependent on the Chinese for food, energy and diplomatic support and erstwhile "brother in arms" during the

Korean War, has refused to accommodate Beijing's desire for no further nuclear proliferation and provocative missile tests by the North. In this regard, China's influence on North Korea appears rather limited. Even though China is often viewed as a rising power, North Korea's disregard for its sponsor raises the question whether this is the case of the "tail wagging the (top) dog".

Choo Jaewoo argues that there is a perception gap between South Korea's political elite and public opinion towards a rising China. Rather than hedge against a rising China, many Korean political elites prefer closer ties with Beijing to hedge against Washington. Ironically, some of these elites view their US ally as adopting a hard line stance against Pyongyang and undermining the South's "Sunshine" policy towards the North. In contrast, China is often perceived to be a stabilizer in the Korean peninsula by supporting the Six Party Talks and inter-Korean dialogues. However, Korean public opinion harbours certain negative sentiments towards China because of its alleged attempts to distort Korean ancient history of Koguryo, clashes between Chinese and Koreans during the Beijing Olympics torch relay ceremony in Korea, territorial dispute over fisheries, and anger over Chinese exports of tainted food to the Koreans. Moreover, questionnaire surveys reveal that while the Korean public is cognizant of China's rise, they also feel that Beijing is potentially a greater threat than Washington or Tokyo. Not surprisingly, South Korea's response to the rise of China is a mixed one: taking advantage of greater bilateral economic ties and Chinese diplomacy to deal with North Korea, while harbouring reservations over various issues including Chinese

nationalism and food safety standards.

Korean public opinion is also not very enthused by Chinese soft power including its popular culture. Not only do Koreans rank American and Japanese soft power higher, they also are not attracted to the Chinese political system deemed to be weak in respecting human rights and the rule of law. Choo notes that despite the widespread belief that China will emerge as a superpower, it has yet to win the hearts and minds of its Asian neighbours including the Koreans. On the one hand, negative Korean public opinion towards China may place some brakes on Seoul's tilt towards Beijing; on the other hand, South Korea may become increasingly dependent on China regardless of sentiments. Simply put, whether the Koreans like it or not, they will have to cope and live with a rising China.

In the next chapter, Satoh Haruko argues that Japan has yet to come up with "New Thinking" in its strategy towards China. While the rightwing nationalists may be intimidated by China's rise and are vociferous about a potential China threat, they have not been able to construct any practical policy to deal with China. Absent in the Japanese domestic debate about China, Satoh opines, is a regional perspective in which a historical reconciliation with China is deemed necessary for the benefit of East Asian integration. She also identifies new trends in Sino-Japanese relations. First, relations between the two neighbours are not just about political interactions between two capitals: Tokyo and Beijing. That the relationship has also broadened at the societal/ consumer level for the better or worse is poignantly revealed by two incidents: poisonous Chinese dumplings at the

Japanese dinner table; and Japanese rescue teams among the first to be deployed from abroad in aftermath of the devastating Sichuan earthquake of 2008. Second, political relations have also become “sober” after 2006 because Japanese Prime Ministers after Koizumi Junichiro have eschewed visitations to Yasukuni Shrine, the symbol of Japanese militarism to many Chinese and Koreans.

While bilateral relations have improved at the elite level, the Japanese public appears indifferent to China. Satoh wryly notes that there is no magic “Panda Diplomacy” from China that could melt the hearts of the Japanese public. There are, therefore, limits to Chinese soft power to the Japanese. Satoh believes that a situation should be averted where the US chooses to contain China and drags Japan into the fray. It is in the region’s interest for Washington to accommodate Beijing as a responsible stakeholder in world politics and for Tokyo to support this position. She concludes on a hopeful note that US bases in Japan should be downsized in the post-Cold War era and China should spend less on its military, and that it would be in the best interest of Japan to share this vision with China and the US.

The next seven chapters are case studies from Southeast Asia. On Indonesia’s relations with China, Syamsul Hadi argues that it is essentially driven by regime and leadership changes in Jakarta, and in certain cases, the Indonesian state and society’s treatment of its ethnic Chinese minority. Simply put, Indonesian domestic politics is a key driver in Jakarta’s relations with Beijing rather than the economic rise of China per se or the allure of its soft power. Bilateral relations were ruptured after the Indonesian military alleged that

Beijing sponsored the PKI (Indonesian Communist Party) which was implicated in the assassination of a number of generals in an abortive coup in 1965. Relations only began to thaw from the mid-1980s, in part, due to President Soeharto's ambitions for his country to become the chair of the Non Aligned Movement which necessitated an improvement in Jakarta's relations with Beijing. Since 1989, China in turn sought better ties with Indonesia to avoid international isolation after the Tiananmen Incident and also because Indonesia is a pivotal player in ASEAN and Southeast Asia.

The collapse of the authoritarian Soeharto regime in 1998 ushered in democratization in Indonesia. Rather than being alarmed by the rise of China, President Abdurrahman Wahid sought to improve ties with China and India to balance against the US, the sole superpower of the world. Indonesia under President Susilo Bambang Yudhoyono forged a strategic partnership with China which included strategic and military cooperation. Despite warming ties between Jakarta and Beijing, Symsul Hadi argues that this positive change is not due to the magnetism of Chinese soft power but realistic assessment of the Indonesian political elite that is cognizant of a rising China in the international arena. He argues that Indonesia is a Muslim majoritarian country with closer emotional ties with fellow Muslim countries and issues in the Middle East than with China in Northeast Asia. Moreover, a rising and increasingly affluent China is not really novel to many Indonesians. After all, the ethnic Chinese community has been in Indonesia for more than a hundred years and has thrived economically. While Jakarta pragmatically adjusts to a

rising China, it will not yield to Chinese leadership in the region. Indonesia hopes to bind China in multilateral processes especially the APT, EAS and ARF. Even in the post-Soeharto era, Indonesia continues to see itself playing a leadership role within ASEAN and hope that ASEAN, rather than China, will be the driving force for East Asian regionalism. In this regard, Indonesian aspirations for regional pre-eminence in Southeast Asia pose an interesting challenge for China in its search for an approach to accommodate both countries.

Narayanan Ganesan argues in the next chapter that Malaysia's relations with China improved after the latter ended its support to the subversive Malayan Communist Party. Relations with Beijing further improved when Prime Minister Mahathir Mohamed launched his "Look East" policy to avoid a post-colonial dependence on the West. Malaysia today accepts China as a great power and is comfortable with Beijing acting within a concert of Asian powers. And Chinese soft power is a welcome change from the era when Beijing supported the communist insurgency in Malaysia. Whereas China was branded a threat to Malaysia before, that is no longer the case today. Ganesan's central argument is that Malaysia's relations with China are shaped by two key factors: structures of the international system and domestic politics. Even though the ruling ethnic coalition is predicated on Malay dominance and participation by ethnic Chinese and Indians, the Malay political leadership established diplomatic relations with Beijing, in part, to assuage the significant domestic Chinese constituency in Malaysia. Despite overlapping territorial claims with China over the Spratly islands in the South China Sea, Kuala Lumpur

also shares ideational values with Beijing over regional governance especially a nascent East Asian regionalism for Asians. Indeed, it was Prime Minister Mahathir who first proposed an East Asian Economic Group (EAEG) that was later downgraded to an East Asian Economic Caucus (EAEC), in the face of Indonesian resistance, with China, Japan and ASEAN as its hub, much to the chagrin of the US and Australia.

Ganesan opines that Malaysia is unlikely to prefer a Pax Sinica because it may upset its domestic ethnic politics based on Malay political supremacy. In actuality, it prefers a balance of power in the region. Malaysia is likely to accommodate changes in the calibration of power that involves a more powerful China (especially if such power is exercised softly) while remaining close to Japan as an extension of its Look East Policy.

In the next chapter, Lye Lian Fook argues that Singapore has adopted two broad strategies towards a rising China: to engage China in mutually beneficial ways; and, to develop its relations with Beijing alongside other major powers. Lye notes that, thus far, it is Singapore and its successful developmental model which have exercised soft power on China rather than the other way around. While Singapore has extensive political, economic and cultural ties with China, the city-state, with a Chinese ethnic majority, is very careful not to project an image that it is a Third China because that will offend its Malay neighbours (Malaysia, Indonesia and Brunei) and also undermine the multiculturalism and inter-ethnic peace in Singapore. Indeed, Singapore has maintained excellent relations with the US, Japan and India too.

Lye also examines the Suzhou Industrial Park (SIP), the flagship undertaking for Singapore to transplant its management “software” in China. Its purpose is more than commercial: it is an opportunity for Singapore to strengthen its relations with China, and to establish *guanxi* (inter-personal relations) between the political leaders, officials and business people of both sides. Besides the SIP, both countries are also cooperating in the Tianjin Eco-city project in which Singapore will help China in the new areas of green buildings, green technologies, waste management, water treatment and environmental protection. Singapore also provides management training to thousands of Chinese officials. According to Lye, the SIP, Tianjin Eco-city project and programs to train Chinese officials in Singapore are evidence of Singapore exercising soft power on China. However, Singapore has invited Tokyo to establish a Japan Creative Center in 2009 in the city-state to promote Japanese soft power including its popular culture such as *manga* and *anime* in Southeast Asia. Thus, Singapore is not simply responding to Chinese soft power but also exercises soft power on its own towards China, and simultaneously plays the balancing game by offering itself as a hub for Japanese soft power in the region.

In the following chapter, Renato Cruz De Castro argues that the Philippines seeks an “equi-distance” between the US and China to gain benefits from both. While Manila has indeed obtained certain benefits from China and its US ally (which fears that Mindanao and Southeast Asia may become the second front in the war on terror after September 11), Renato is concerned that rather than adroitly

taking advantage of Sino-US rivalry, the Philippines may eventually succumb to great power *realpolitik*, forced to take sides and abandon its “equi-distance” strategy. Renato’s pessimistic view is informed by his understanding of international relations that small states such as the Philippines are vulnerable to the dictates of the strong --- be it China or the US. Mindful of Beijing’s encroachment in the disputed waters of the South China Sea and occupation of Mischief Reef in 1995, Manila perceives that the US military presence is important in maintaining the balance of power in Southeast Asia. A closer security relationship with the US will also secure American assistance to modernize the ill-equipped Armed Forces of the Philippines.

However, the Philippines has also signed a “Joint Statement on Framework of Bilateral Cooperation in the 21st Century” with China to cooperate in defence, trade and investment, science and technology, agriculture, education, culture and other areas. The Philippines, China and other claimant states in Southeast Asia have also signed the Declaration on the Code of Conduct of the Parties in the South China Sea which has reduced tension arising from this territorial dispute. In this regard, Beijing has accommodated the fears of the smaller Southeast Asian claimant states by agreeing to a multilateral rather than a bilateral approach to the South China Sea territorial dispute.

Renato perceives that China’s growing influence in East Asia is expressed mostly in economics such as trade, investments and aid rather than cultural and public diplomacy or the spread of Chinese political values and institutions. Moreover, being a former American colony, Filipino state and society embrace the soft power

of the US rather than China's. In addition, Chinese soft power on the Philippines may not be totally benign. It may be used by Beijing as part of its diplomatic arsenal to gradually pry the two allies, Manila and Washington, apart, and to constrain Manila from supporting Washington in the eventuality of a crisis or conflict that may involve Beijing in East Asia.

In the next chapter, Pavin Chachavalpongpun argues that Thailand's strategic culture to survive and thrive in international relations is to pragmatically and flexibly "bend with the wind". Imbued with historical memories of being the only Southeast Asian country to skilfully escape Western colonialism and subsequently Japanese occupation during World War Two, Thailand has honed its antenna to sense the wind of change in global and regional politics. In this regard, Thailand will adjust to the rise of China for its own interest. Moreover, Thailand (Siam) has centuries of interaction with China whether it was waxing or waning. Pavin argues that "bending with the wind" is basically making a virtue out of necessity: "What are other choices for Thailand in its dealing with bigger powers, including China?" Bangkok has signed a historic Joint Action Plan on Thailand-China Strategic Cooperation which provides a blueprint for extensive cooperation in areas such as military, security, trade and investment, agriculture, transport, energy, culture, education, medical science and tourism. But Bangkok has not abandoned its alliance with Washington either. It regularly conducts the US-Thai Cobra Gold military exercises, the largest in the region. Thailand also dispatched 443 soldiers to assist the US in Iraq as a gesture of support to the latter when its international

credibility and leadership was weak, and its intentions questionable.

Pavin argues that while soft power may be useful to China, the main allure to Thailand is actually economic benefits. He also notes that China has an image problem in Thailand: the disregard for democracy, corruption and lack of good governance, support for the brutal regime in Myanmar, and a lack of proper regulations to ensure food safety. To protect its consumers, the Thai government ordered the burning of large quantities of imported Chinese food products tainted with the toxic chemical melamine. Despite such problems, the Thai government has sought to maintain good relations with its powerful neighbour. While many in the world were outraged by Chinese reprisals against Tibetan protestors, Prime Minister Samak Sundaravej vowed to arrest those who planned to interrupt the torch relay ceremony as the Olympic flame passed through Bangkok. Pavin concludes that insofar as China rises, Thailand will bend with the Chinese wind for its own interest.

Khong Thi Binh analyzes in the next chapter the Vietnamese perspective of China's rise. She asserts that historical memory, geographical proximity and asymmetrical power have shaped Vietnam's relations with China. While current Sino-Vietnamese relations have been the best ever in a long time, it is still marked by territorial disputes over fishing and maritime boundaries. Nevertheless, both countries have succeeded in demarcating their land borders. Deeply engrained in the collective memory of the nation is the one thousand years of Chinese rule during which the Vietnamese people fought against Chinese domination and struggled

for independence. In Vietnam's patriotic education, young school children learn about national heroes who resisted Chinese occupation. The rise of China today and the challenge it poses to the Vietnamese is, according to Khong Thi Binh, to a large extent similar to what their ancestors had experienced before.

Vietnam has been at the receiving end of both Chinese hard and soft power. For a millennium, China has exerted profound cultural, ideological and religious influence such as Confucianism, Taoism and Buddhism. Today, China's economic reforms are a useful model for Vietnam and can be interpreted as a source of Chinese soft power. That relations with China have also improved is, in part, due to China's soft and accommodative approach towards its neighbours to avoid international isolation after the 1989 Tiananmen Incident. Negative regional reactions to Chinese structures on the disputed Mischief Reef in the South China Sea and missile tests in the Taiwan Straits resulted in China adopting a "peaceful rise" approach to reassure its neighbours.

Hanoi's present strategy towards Beijing is to develop friendly relations while protecting its independence. While adopting a pragmatic and friendly approach to a rising China, Vietnam also seeks to develop good relations with all major powers in the region. Hanoi also cooperates with China in various multilateral and regional processes such as APT, APEC, ARF and EAS. Vietnam typically analyses Sino-Vietnamese relations within a wider context. In the perception of many Vietnamese policy makers and scholars, there is a regional hierarchy of power but China is not ranked first. At the apex of this

hierarchy remains the US, but other powers such as China and India will also play an important role. This distribution of power between now and 2020 will provide breathing space for Vietnam to further modernize. But how will Vietnam deal with a rising China beyond 2020? Khong Thi Binh's answer is that the Vietnamese will simply learn from history as a guide to the future. And insofar as China's rise is peaceful, the prospects of Sino-Vietnamese relations are good.

In the final chapter, Tin Maung Maung Than examines how Myanmar is seeking to reduce its dependence on China and avoid being a client state. After the West's ostracism of the military junta in 1988, Myanmar became dependent on China for diplomatic and material assistance, and military hardware. But in recent years, the junta is engaging India and Russia to diversify its sources of international support. Nevertheless, China still plays the role of a powerful protector shielding the junta against Western sanctions for human rights abuses and international pressure for political liberalization. Myanmar reciprocates by explicitly supporting China on the Taiwan issue, the bombing of the Chinese embassy in Belgrade and the US spy plane incident.

While some analysts believe that China has geo-strategic interests to build ports with listening posts in Myanmar to give it access to the Bay of Bengal and also energy pipelines to Yunnan, the junta has always denied any Chinese military presence in Myanmar or establishing a strategic alliance in China's favour. The junta is now diversifying its weapons purchases beyond China. According to Tin Maung Maung Than, "given Myanmar's high

regard for self-reliance, independent action, ethnic pride underpinning its strategic culture, it is very unlikely that highly nationalistic Myanmar would allow itself to be drawn into China's orbit to the extent that it may be regarded as a satellite or client". Despite their asymmetry of power, China and Myanmar accommodate each other in a relationship not bothered by issues of human rights and democracy. The regime also hedges and plays off China and India by capitalizing on their mutual rivalry and demand for natural resources, especially energy. Implicit in Tin Maung Maung Than's analysis is that, besides tangible material benefits, the junta is also attracted to China's approach of not interfering in its domestic politics and imposing its ideological values on Myanmar, unlike the West. If China does exude soft power towards Myanmar, it is probably not culture, ideas, values and institutions but a reassuring kindred spirit that rejects Western liberal democracy. Nevertheless, such attraction with the attendant asymmetry in the relationship is insufficient to warrant falling within a Chinese orbit.

Summary of Findings

First, it is perhaps too glib to say that East Asian states have simply accommodated the rise of China and accepted a new regional hierarchy of power with Beijing at its apex. From our case study of ten East Asian countries, none are prepared to accept Pax Sinica. Even in the most likely cases of North Korea and Myanmar which are dependent on China for material and diplomatic support, they

neither perceive nor behave as Chinese client or satellite states. While some East Asian states have security relations with China, none have accepted Chinese military bases on their soil. Conversely, China appears not to have asked for such facilities.

Second, China has also accommodated its East Asian neighbours by adopting the “peaceful rise” approach to reassure its neighbours, accepts a multilateral approach to territorial disputes over the Spratlys in the South China Sea, and actively participates in regional processes such as the APT, ARF, APEC and EAS. While it is true that most East Asian states have accommodated China, the converse is also true. Simply put, it is not a one-sided accommodation of China by helpless and hapless East Asian countries. Rather, it is an interactive process that involves mutual accommodation with shared benefits.

Third, it is not apparent to the East Asian states that China is at the apex of a new Asian regional hierarchy. While all of them acknowledge the importance and rising eminence of China and wish to be on good terms with Beijing, they are also cognizant that the lead country remains the US and not China. Moreover, India is also on the rise. Not surprisingly, Japan, South Korea, the Philippines, Thailand and Singapore remain formal or quasi-allies of the US and continue to engage in military cooperation with the US. It is unlikely that they will abrogate their defence treaties or arrangements with the US in the near future because the continuation of this existing policy provides some insurance against potential strategic uncertainties in the next few decades.

Fourth, Chinese soft power will probably grow in East Asia

but should not be exaggerated. The US and Japan continue to exercise considerable soft power in East Asia too. Even a middle power like South Korea is exuding soft power in its popular culture in Japan and Southeast Asia. In a counter-intuitive case, tiny Singapore can also extend soft power to China. The mutual benefits of economic interdependence between China and the region are probably more attractive than Chinese soft power per se to many East Asian states and societies. To the Southeast Asian countries with a large Muslim population and a significant Chinese ethnic minority (Indonesia, Malaysia and Brunei), they are not necessarily mesmerized by Chinese soft power. Arguably, many East Asian intellectuals who have been educated in the West or are attracted to liberal values or democratization in their own country will probably find an authoritarian and nominally communist China to be rather unappealing. This authoritarian nature of the Chinese regime might turn out to be its Achilles heel and will have little appeal in East Asia beyond North Korea, Laos, Vietnam and Myanmar. There are other limits to Chinese soft power. South Korea, Vietnam and Japan have assimilated Chinese culture over the past millennium. But national interests and politics often trump culture. The desire by East Asian nations to create a reasonably discrete and distinct culture from China's is also a natural extension of national pride.

Fifth, while no East Asian states perceive China to be an enemy or wish to forge military alliances to contain China, they have adopted various strategies to deal with a rising China: bolster good relations with the US, Japan and India; strengthen ASEAN as a

regional institution and partner China in multilateral endeavours such as the ARF, APT, EAS and APEC. Thus East Asian states seek to be a partner and friend of China based on mutual respect but not a subservient client or a vassal state.

There are, of course, imponderables ahead. What if the US is no longer at the apex of the East Asian hierarchy of states? Will China remain peaceful after it has arisen? Is the region able to forge an East Asian Community based on shared values, common interests, mutual accommodation, and joint leadership including China? Will China become more acceptable to other East Asian states and societies as a regional leader if it were to become politically more pluralistic, with better governance based on the rule of law in the next two decades? Any attempts to answer these questions will be subjective and speculative and best left for future analysis. In the meantime, the best and most likely scenario is one of mutual accommodation between China and its neighbours in East Asia while enjoying the fruits of economic interdependence and multilateral cooperation. Barring unexpected or extremely negative developments, the current trajectory of mutual accommodation appears set to continue into the foreseeable future.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER TWO

China's Accommodative Diplomacy
towards East Asia

Li Mingjiang



Konrad
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China's Accommodative Diplomacy towards East Asia

Li Mingjiang

The rise of China is palpable and its influence increasingly felt globally. As the “factory of the world,” the Chinese mainland has accumulated national reserves of US\$1.9 trillion and can possibly move financial markets given its considerable holdings of US dollars and treasury bills. It is the only Asian country which is a permanent member of the United Nations Security Council. Presumably, China will climb higher up the international hierarchy of power in the 21st century.

However, estimates of Chinese political influence in East Asia vary significantly. Some scholars believe that the mainland is “repositioning itself both as a (and some believe the) central actor in the region.”¹⁾ A public opinion survey in six Southeast Asian countries by

the Japanese Foreign Ministry concludes that China's influence in Southeast Asia has surpassed that of Japan.²⁾ Some analysts claim that Beijing is now the preeminent power in Southeast Asia.³⁾ Others believe that China now enjoys extensive soft power influence in the region.⁴⁾

In contrast to such rosy readings of the situation, a study by the Chicago Council on Global Affairs and the East Asia Institute in South Korea reveals that China's influence in Southeast Asia, as measured in the areas of economics, culture, human capital, diplomacy and politics, still ranks "well below" that of the United States.⁵⁾ Similarly, Sheng believes that "for the foreseeable future, China will lack the economic, social and strategic bases" to change the strategic balance in the region. China is still far behind Japan and the United States as a political player in Southeast Asia.⁶⁾ Both Shambaugh and Nye argue that Beijing has a very weak soft power base in the region-with the term soft power being defined by the influence of philosophies or ideologies, popular or high culture, sports, fashion, and role models.⁷⁾

1) David Shambaugh, ed., *Power Shift: China and Asia's New Dynamics*, University of California Press, California, 2005, p.2.

2) Chen Xiangyang, "Dui dong meng yingxiangli zhongguo yi chaoguo riben" [Chinese influence in ASEAN surpasses that of Japan], *China Youth Newspaper*, July 23, 2008. (Editors' note: The Asia Barometer survey cited by Wang and Ying in the next chapter reached a different conclusion).

3) Joern Dosch, "China and Southeast Asia," paper presented at the Second Global International Studies Conference in Ljubljana, July 24, 2008.

4) Joshua Kurlantzick, *Charm offensive: how China's soft power is transforming the world* (Yale University Press, 2007); Eric Teo Chu Cheow, "China's Rising Soft Power in Southeast Asia," *PacNet*, number 19A, May 3, 2004, Pacific Forum CSIS.

5) Christopher B. Whitney and David Shambaugh, "Soft Power in Asia: Results of a 2008 Multinational Survey of Public Opinion," Asian Soft Power Survey 2008, The Chicago Council on Global Affairs in partnership with East Asia Institute.

6) Sheng Lijun, "China in Southeast Asia: The Limits of Power," *Japan Focus*, August 4, 2006.

These contrasting assessments notwithstanding, most observers would not dispute the fact that China has gained diplomatic weight in East Asia and is emerging as a great regional power.⁸⁾ Instead of debating the exact extent of Chinese influence in East Asia relative to other great powers, a more interesting and meaningful question is: how has China made these inroads, and whether its influence in this region is sustainable in the future?

This chapter attempts to address these two questions. Answers to the first question will provide some foundation for our discussion of the second question and some clues for China's future standing in East Asia too. I argue that it is not Nye's "soft power" or public diplomacy per se that has facilitated Beijing's influence in the region: it is really a "soft" diplomatic approach - moderate and accommodating Chinese foreign policy -- in East Asia that has underpinned the mainland's political rise and acceptance by the region. Following that, I analyze the major factors -- mostly the requirements of the Chinese state -- that have shaped Beijing's accommodative approach towards its neighbours. These factors will continue to shape China's policy towards its neighbourhood in the foreseeable future. Next is a case study on the South China Sea to illustrate how Beijing has changed its diplomatic posture and the intrinsic imperatives of the Chinese state to adopt an accommodative path. I conclude that Beijing

7) David Shambaugh, ed., *Power Shift: China and Asia's New Dynamics*, University of California Press, California, 2005, introduction; Joseph S. Nye, Jr., *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004), p. 88.

8) Jean A. Garrison, "China's Prudent Cultivation of "Soft" Power and Implications for U.S. Policy in East Asia," *Asian Affairs: An American Review*, Spring 2005, Vol. 32 Issue 1, p25-30.

is likely to continue to pursue accommodative diplomacy in East Asia for its own interests in the next two to three decades.

China's "Soft" Diplomatic Approach in East Asia

The term "soft power" is often defined as the ability to get what you want through attraction rather than coercion or payments.⁹⁾ According to Nye and others who have popularized the term, soft power emanates primarily from the allure of culture, values, and foreign policy style.¹⁰⁾ Elsewhere, Nye mentions that the ability to persuade and set the agenda in international institutions is also a source of soft power.¹¹⁾

Many authors have analyzed China's soft power influence in East Asia.¹²⁾ It is claimed that Chinese culture, cuisine, calligraphy, cinema, curios, art, acupuncture, herbal medicine, and fashion fads have played an important role in expanding that country's soft power influence in Southeast Asia.¹³⁾ Culture may be relevant in Beijing's foreign relations in the region but one should not exaggerate its impact. There is little conclusive evidence that Chinese culture, values

9) Joseph S. Nye, *Soft power: The means to success in world politics* (Public Affairs, 2004), p. x.

10) Joseph S. Nye, *Soft power: The means to success in world politics* (Public Affairs, 2004), p. 11.

11) Joseph S. Nye, Jr., *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, Inc., Publishers, 1990); Joseph S. Nye, Jr., "Soft Power," *Foreign Policy*, Fall 1990.

12) Mingjiang Li, *Soft Power: China's Emerging Strategy in International Politics* (Lexington-Rowman & Littlefield, 2009); Joshua Kurlantzick, *Charm offensive: how China's soft power is transforming the world* (Yale University Press, 2007); Raissa Robles, "Mainland's 'soft power' makes friends and influences partners," *South China Morning Post*, October 30, 2006.

13) Eric Teo Chu Cheow, "China's Rising Soft Power in Southeast Asia," *PacNet*, number 19A, May 3, 2004, Pacific Forum CSIS.

and traditions have significantly boosted Beijing's regional influence in the post-Cold War era. Arguably, the so-called "Beijing consensus" --- political authoritarianism coupled with market economy -- hardly appeals to East Asia's political elites (many of whom are educated in the West), with the exception of the Indochinese states and Myanmar. As the negative aspects of Chinese development (such as appalling pollution, rampant corruption, and widening socio-economic disparity) become more obvious, developing countries in Asia do not necessarily desire to emulate the mainland's approach.

What explains the rise of Chinese influence in East Asia is not the allure of "soft power" but a pragmatic, moderate, conciliatory, and accommodating manner in Beijing's regional policy in the past decade or so.¹⁴⁾ This "accommodative diplomacy" can be observed from several angles. These include: conscious efforts in adapting to the existing regional system, a non-confrontational approach to its relations with other major powers in East Asia, reassuring neighbouring states of its peaceful rise, solving border disputes with the vast majority of its neighbours and endeavouring to maintain a peaceful and stable environment in its

14) Many authors have described the new pattern in China's policy in East Asia, David Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security*, Vol. 29, No. 3 Winter 2004/05; Avery Goldstein, "The Diplomatic Face of China's Grand Strategy: A Rising Power's Emerging Choice," *The China Quarterly*, 2001; Evan Medeiros and M. Taylor Fravel, "China's New Diplomacy," *Foreign Affairs*, Vol. 82, Iss. 6, Nov/Dec 2003; David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security*, Vol. 27, No. 4 Spring 2003; Morton Abramowitz and Stephen Bosworth, "Adjusting to the New Asia," *Foreign Affairs*, Vol. 82, No. 4 July/August 2003; Kokubun Ryosei and Wang Jisi, eds., *The Rise of China and a Changing East Asian Order*, Japan Center for International Exchange, Japan, 2004; Zhang Yunling and Tang Shiping, "China's Regional Strategy," in David Shambaugh, ed., *Power Shift: China and Asia's New Dynamics*, University of California Press, California, 2005.

immediate neighbourhood, active participation in multilateralism, shelving disputes that are temporarily intractable, and pursuing mutually beneficial deals in its economic activities in the region.

The past decade has been a golden age in Beijing's relations with its neighbouring states since the foundation of the People's Republic of China in 1949. The mainland's sour relations with Japan and Taiwan a few years ago (which many observers had regarded as evidence of China's die-hard position in East Asia) have now improved with a Sino-Japanese strategic partnership in the making and warmer relations across the Taiwan Strait. Land border disputes, which have plagued China's ties with many neighbours, have largely been resolved with the exception of India. According to one study, Beijing has made substantial compromises in territorial negotiations.¹⁵⁾ On the North Korean nuclear issue, China has been playing an effective mediating role.¹⁶⁾ Beijing has also exercised self-restraint over the East China Sea dispute (including the Diaoyu/ Senkaku islands) with Japan, and the disputes over territories in the South China Sea with a few Southeast Asian states.¹⁷⁾ That Beijing recently signed the in-principle agreement with Tokyo on joint development in the East China Sea is evidence of this moderate approach in Chinese foreign policy.¹⁸⁾

15) M. Taylor Fravel, "Regime Insecurity and International Cooperation: Explaining China's Compromises in Territorial Disputes," *International Security*, Vol. 30, No. 2, (Fall 2005), pp. 46-83.

16) Denny Roy, "China's Reaction to American Predominance," *Survival*, Vol. 45, no. 3, Autumn 2003.

17) Zhang Yunling and Tang Shiping, "China's Regional Strategy," p. 61; Evan Medeiros and M. Taylor Fravel, "China's New Diplomacy."

18) Frank Ching, "East China Sea deal eases Sino-Japan tension," *The Business Times* (Singapore), July 2, 2008.

In recent years, China has also found that its active participation in multilateralism reassures neighbouring states of its goodwill even while it becomes more powerful. Now Beijing is not only a member of almost all regional institutions and fora but also actively sets the agenda on regional political, economic, and security issues. Its presence and participation are quite remarkable at various ASEAN-related fora and mechanisms since the mid-1990s. These include the ASEAN Regional Forum(ARF), ASEAN Plus Three(ASEAN and China, South Korea, Japan), ASEAN Plus One(ASEAN and China), the free trade agreement with ASEAN, several documents signed with ASEAN in the field of non-traditional security issues, Joint Declaration on Strategic Partnership for Peace and Prosperity with ASEAN, accession to ASEAN Treaty of Amity and Cooperation in 2003, and participation in the East Asian Summit(EAS). In addition, China has participated in almost all non-official track-two security dialogues concerning East Asia.

Gradually, many East Asian states have regarded China as an engine of economic growth and a stabilizer for the region. Indeed, Beijing did not devalue the *yuan* during the 1997-1998 Asian Financial Crisis. *Such a move* could have sparked a vicious cycle of competitive currency depreciation in East Asia. Trade between China and other Asian countries has played an instrumental role in cementing the former's relations with the rest of the region. In 2007, Chinese exports to other Asian trading partners accounted for 46.6 percent of the mainland's total exports. And its imports from the rest of Asia accounted for 64.9 percent of the national total. Among the mainland's ten largest trading partners, six are located in Asia,

including Japan, ASEAN as a whole, Hong Kong, Taiwan, South Korea, and India.¹⁹⁾ China's participation in trade and investment in East Asia have contributed to economic interdependence and economic growth in the whole region.

In recent years, Beijing has emerged as one of the major ODA contributors to a few Southeast Asian countries. Take for example its assistance to Cambodia and the Philippines. In Cambodia, China provided at least US\$800 million in 2005 and 2006, with most of the money being used for infrastructure and hydropower projects.²⁰⁾ China has proffered US\$ 1,8 billion to the Philippines on various development projects and will provide US\$ 6 to 10 billion in loans over the next three to five years to finance infrastructure projects in the country.²¹⁾

Beijing has also taken an active role in East Asian maritime affairs.²²⁾ In the past decade or so, the People's Liberation Army has made notable progress in engaging the militaries of many other countries, particularly in the form of joint search and rescue exercises on the seas. In recent years, China has conducted such exercises with many countries including India, South Korea, Japan, the US, Australia and New Zealand. Beijing is no longer an outsider in East Asian maritime cooperation, particularly in some of the concrete projects,

19) Data collected from the Chinese Ministry of Commerce, <http://zhs.mofcom.gov.cn/tongji2007.shtml>, accessed on 25 July, 2008.

20) Elizabeth Mills, "Unconditional Aid from China Threatens to Undermine Donor Pressure on Cambodia," *Global Insight*, 7 June, 2007.

21) BusinessWorld, Manila, 3 January 2008.

22) For some of the details, see Mingjiang Li, "China's Gulf of Aden Expedition and Maritime Cooperation in East Asia," *China Brief*, Volume IX, Issue 1, January 12, 2009.

such as joint oceanic research, environmental protection, management of offshore areas, information exchange, seismic information and technology, countering terrorism, drug trafficking, and human trafficking in Northeast Asia. At the broader international level, China has been participating in the United Nations Environment Program' Global Meeting of Regional Seas, the Global Program of Action for the Protection of the Marine Environment from Land-based Activities, the East Asian Seas Action Plan, and the Northwest Pacific Action Plan.

It is Beijing' s proactive and friendly engagement in Asia that has brought it much influence in the region. The essence of China' s new regional posture is a set of strategies and tactics to reassure regional states of its intent to rise peacefully. China is now largely seen in almost all East Asian nations as a viable partner to facilitate their own economic development. Conversely, the popularity of the "China threat" theory has dwindled. Political elites in many countries in this region are more inclined to believe that Beijing is likely to remain a benevolent power in the near future.²³⁾

The State, National Interests, and China' s New Regional Posture

What has led to China' s proactive engagement in Asia? It is not altruism but national interests that have led Chinese decision

23) Michael A. Glosny, "Heading toward a Win? Win Future? Recent Developments in China' s Policy toward Southeast Asia," *Asian Security*, vol. 2, no. 1, 2006, pp. 24?57.

makers to adopt these accommodating and engaging policies. It is a result of Chinese leaders' shrewd calculation of the costs and benefits for their state --- a comprehensive and sober assessment of their domestic needs and the realities in international politics.

To gauge the sustainability of Beijing's "soft diplomacy," one then has to look at the major factors that have shaped its new regional posture and examine whether these factors would continue to play a role in shaping Chinese foreign policy in the future. In the section below, I argue that the country's national interest have largely been derived from the fact that it is a developmental state, a trading state, and a "politically alienated" state. China is a "politically alienated" state in the sense that many Western democracies still harbour reservations about its one-party state (even though it is only nominally communist today), the Tiananmen Incident, human rights record, and management of Tibetan separatism and ethno-religious differences in Xinjiang. It was the nature of the Chinese state (in these three dimensions) and the reality of international political structures that have compelled it to embark on this accommodative approach towards East Asia.

The grand reform that was initiated by paramount leader Deng Xiaoping at the end of the 1970s gradually transformed the Chinese political regime from a revolutionary state to a developmental state. The top priority of the post-Maoist party-state became rapid socio-economic development. It was this reorientation in domestic political economy that almost completely overhauled Beijing's foreign policy in the 1980s. "Peace and development" became the foreign

policy slogan and guideline. Good relations with its neighbouring states were essential in ensuring peace in China's surrounding regions and create conditions for its domestic development program. With the deepening of reform and "opening up" to the world especially in foreign investments and trade, the official ideology began to lose its attractiveness, prompting the ruling elites to depend on economic performance for political legitimacy. When numerous thorny socio-economic problems began to emerge in the 1990s, popular political pressures on the party-state to deliver economic benefits further intensified. Economic development became literally the most crucial factor in maintaining social and political stability and the ruling position of the Chinese Communist Party (CCP).

Chinese leaders, from Deng Xiaoping, Jiang Zemin, to Hu Jintao, understood very well that maintaining a peaceful external environment was the precondition for the success of China's reform program. In the wake of the 1989 Tiananmen Incident, facing diplomatic isolation and economic sanctions from various Western countries, Beijing sought to avoid international isolation, partly for its political standing in the world, but more importantly to maintain a favourable external environment to keep the domestic reform program ongoing. The establishment of diplomatic ties with South Korea, Indonesia, and Singapore was part of these efforts to avoid international isolation and ostracism.

From the mid-1990s, Beijing intensified its efforts in proactively engaging its neighbouring states. With the exception of the Mischief Reef incident²⁴ with the Philippines and Taiwan Strait crises, a

“good-neighbourly” policy was adopted. The political motivation for such a “good-neighbourly” policy was to create a stable and peaceful regional environment so that the ruling elites could concentrate on domestic economic growth. This kind of strategic thinking has been unequivocally articulated in some of China’s most important political documents. The political documents of the 15th CCP Congress in 1997, for instance, described the country as still lagging far behind the developed world and reaffirmed that economic development had to take centre stage in the foreseeable future. Chinese leaders understood that a good-neighbourly policy should be Beijing’s long-term strategy, emphasizing that contentious issues with its neighbouring countries should be solved through peaceful means or shelved if they are too intractable.²⁵⁾ Five years later, the 16th CCP Congress Report further emphasized the link between foreign and domestic agendas. The new CCP leadership emphatically highlighted “the important period of strategic opportunity” for their country’s modernization drive. Beijing vowed to strengthen regional cooperation and further consolidate relations with regional states.²⁶⁾ Hu Jintao, at one internal meeting, stressed that all senior leaders had to be sober-minded about the “two grand contexts” (*liang ge daju*) -- domestic and international contexts - and unequivocally admonished his foreign policy team that they had to scrupulously create international conditions to serve the interests of

24) The Mischief incident took place in 1995 when the Philippines discovered China was doing construction work on the island, which both China and the Philippines claim as their own.

25) Jiang Zemin, *Report to the 15th CCP Congress*, 12 September 1997.

26) Jiang Zemin, *Report to the 16th CCP Congress*, 8 November 2002.

domestic political economy.²⁷⁾

Developmental requirements determined China's overall approach to its foreign policy, especially a more moderate approach in international relations. Trade and economic interests were obviously very important in prompting the country to reach out to its neighbouring states and maintain a proactive posture in regional affairs. This was so because Beijing chose a modernization approach that placed much premium on international economic exchanges and trade.²⁸⁾

In fact, apart from domestic socio-economic reforms, an equally important part of China's reform program was the "opening up" policy. Deng and his colleagues learnt from the success stories of the four Asian "little dragons" that export-oriented growth would be effective in boosting the Chinese economy. Deng believed that this developmental strategy required foreign capital, technology, and managerial expertise. With the increasing economic interactions with the outside world, China gradually became a trading state. The bold move of concluding a free trade agreement with ASEAN in 2002 is a good case in point. Being a trading state can be observed from several angles: foreign direct investment (FDI) into the mainland, international trade, the reduction of tariffs, and Chinese corporations venturing abroad.

27) Hu Jintao, Speech at the Central Foreign Affairs Conference, 23 August 2006, *Xinhua News Agency*.

28) David Zweig, "China and the World Economy: The Rise of a New Trading Nation," paper presented at the Second Global International Studies Conference in Ljubljana, July 24, 2008.

For many years, the mainland has been the largest recipient of FDI in the world. FDI has played an enormous role in boosting its economy during the reform era. It was the numerous foreign-invested companies that increased the mainland's trade and helped employ millions of labourers. Foreign capital accounted for 11.3% of China's gross fixed capital investment for 1990-2000, as compared to East Asia's average of 8.9%, and 9.3% average for all developing economies.²⁹⁾ In the past three decades, China's international trade has grown by 15-17 percent annually, much higher than the 7 percent world average during the same timeframe.³⁰⁾

In response to Western apprehension that China might become a revisionist state in the world system, Chinese officials and analysts frequently state that their country has been the largest beneficiary of the world system, especially the economic system. And they argue that Beijing has no incentive to undermine the contemporary international system. In the 1990s, China continuously lowered its tariffs to as low as 6 percent.³¹⁾ To become a WTO member, Beijing made further concessions on tariffs and opened up to significant foreign economic presence in the country.

In recent years, Chinese companies have started to invest overseas, often galvanized by the central government's "going out"

29) UNCTAD, *World Investment Report*, 2007, available at http://www.unctad.org/en/docs/wir2007_en.pdf.

30) Eswar Prasad, ed., *China's Growth and Integration into the World Economy* (Washington, DC: Occasional Paper No. 232, International Monetary Fund, 2004).

31) Nicholas R. Lardy, *Integrating China into the Global Economy* (Washington, DC: Brookings Institution Press, 2002).

strategy. Part of the reason for these companies going out, and as a matter of fact much of the country's overseas investment, is to secure a stable supply of various energy resources and raw materials to sustain its manufacturing machine. According to one estimate, the total Chinese consumption of aluminium, copper, nickel and iron ore, accounted for 7 percent of the world total in 1990, 15 percent in 2000, and 20 percent in 2004. And in the foreseeable future, Chinese demand for these materials is likely to continue to increase at a phenomenal rate.³²⁾ According to the World Investment Report, 2007 (UNCTAD), China's outflows increased by 32% to \$16 billion in 2006, and its outward FDI stock reached \$73 billion, the 6th largest in the developing world.³³⁾

China's reforms in the past three decades essentially took place in the economic sector. Politically, there have been some readjustments, but overall, the Chinese state remains an authoritarian regime. Political authoritarianism puts China sharply in the spotlight of political discourse and the growing trend dominated by Western liberalism. Largely because of differences in political system and values, the West has looked at Beijing with suspicion and apprehension. No doubt, there is of course profound strategic rivalry among the major powers in East Asia. The US, the only superpower in the post-Cold War era, plays a very important role in creating a

32) Andy Rothman, *China Eats the World: The sustainability of Chinese commodities demand*, Credit Lyonnais Securities Asia, March 2005.

33) United Nations Conference on Trade and Development, World Investment Report 2007, p. 44, available at http://www.unctad.org/en/docs/wir2007_en.pdf, accessed 12 December 2008.

strategic environment that constantly puts China on the defensive.

Despite frequent public pronouncements by American leaders that the US welcomes a prosperous and strong China, Chinese political elite have a deep-rooted suspicion of the US' true intentions. They are constantly vigilant of the possibility of a US-led coalition to contain or constrain China.³⁴⁾ Top CCP leaders believe that the US always intends to politically "westernize" the mainland by interfering in its domestic affairs and "splitting" the country by blocking the reunification of Taiwan and meddling in Tibetan affairs.

According to mainstream strategic thinking in China, the US is a hegemonic power that continues to seek to preserve and expand its global dominance.³⁵⁾ Beijing has closely watched the US strategy of maintaining preponderance in East Asia, particularly the strengthening of American military power to the West Pacific in recent years and Washington's efforts in strengthening or creating strategic alliances with powers that also have stakes in East Asia --- Japan, Australia, and India. This was most conspicuous in the concept of a four-power "arch of democracy" (US, Japan, India, and Australia). Beijing also noted that Washington has in recent years expanded its defence and security ties with some Southeast Asian nations, including Singapore, Thailand, the Philippines, Indonesia, and Vietnam, albeit in the name of anti-terrorism. Many Chinese analysts believe that these strategic

34) Philip C. Saunders, "China's America Watchers: Changing Attitudes towards the United States," *The China Quarterly*, No. 161, 2000.

35) Yong Deng, "Hegemon on the Offensive: Chinese Perspectives on U.S. Global Strategy," *Political Science Quarterly*, Vol. 116 (November) 2001.

moves are part of an American conspiracy to forge a “hidden containment” against China.³⁶⁾ Former President Jiang Zemin, in an internal meeting, explicitly pointed out that the US, although a country far away from China’s neighbourhood, was a crucial player in China’s security environment in East Asia.³⁷⁾

Chinese political elite understood very well that maintaining a stable relationship with the US and other major powers in a stable and peaceable external environment is necessary for the reform program to succeed. Beijing reckoned that to forestall the possibility of a potential US-led containment policy, it must adopt an accommodative diplomatic approach towards its Asian neighbours. A confrontational or heavy-handed approach in international affairs would only backfire and invite a backlash from the US and other Asian countries.

The Case of the South China Sea³⁸⁾

The above analysis presented the broad context of Beijing’s imperative for a “soft diplomatic” approach. This section elaborates on a specific case study: the changes in the country’s policy toward the South China Sea dispute. Its policy and behaviour

36) Lin Limin, “Assessment of China’s Current Security Environment in the Surrounding Areas” (dangqian zhongguo zhoubian anquan huanjing pingxi), *Contemporary World* (dangdai shijie), vol. 4, 2005.

37) Jiang Zemin, *Selected Works of Jiang Zemin*, vol. 3 (Beijing: People’s Press, 2006), p. 318.

38) Part of this section is extracted from Li Mingjiang, “Security in the South China Sea: China’s Balancing Act and New Regional Dynamics,” *RSIS Working Paper*, 11 February, 2008.

in that territorial dispute since the mid-1990s have been described as one of “considerable restraint.”³⁹⁾ On one hand, Beijing, like other disputants, never explicitly abandoned its sovereignty claim. On the other hand, there have also been important changes in its approach, which include gradually engaging in multilateral negotiations in the late 1990s, greater willingness to push for the proposal of “shelving disputes and joint exploitation,” and accepting mutual restraints on the South China Sea issue.

China also engaged other disputants bilaterally. In November 1994, for instance, Beijing and Hanoi agreed to set up a joint work team to handle their bilateral disputes over the Spratlys. Both countries issued a joint statement in 2000 which pledged to seek a durable solution acceptable to both sides through negotiations. They also agreed to cooperate on issues of environmental protection, meteorology, and disaster prevention in the South China Sea.

The same cooperative approach was adopted towards the Philippines. After the Mischief Reef incident in March 1995, Beijing and Manila held talks a few months later. The talks concluded with an eight-point joint declaration, which constitutes a “code of conduct” between the two claimant countries. The agreement included confidence-building measures and abstinence from the use of force or the threat of force in solving disputes. In March 1999, during the Sino-Philippine meeting on “confidence-building

39) Shee Poon Kim, “The South China Sea in China’s Strategic Thinking,” *Contemporary Southeast Asia*, March 1998; 19,4.

measures in the South China Sea,” the two sides agreed to further expand their military dialogue and cooperation and undertake measures to avoid conflicts. At the third meeting in 2002, both countries reached ten points of understanding and consensus, confirming their willingness to build confidence measures.

China and Malaysia also agreed on some principles in 1994 to solve the Spratly dispute. In the framework paper on bilateral future cooperation signed by both countries in May 1999, they pledged to cooperate to maintain peace and stability in the South China Sea. In a nutshell, the imperative of domestic economic development, the collective pressures from ASEAN, and strategic presence of other major powers, particularly the US, effectively restrained Beijing from being too assertive in the South China Sea.

First of all, less assertive behaviour in the South China Sea in the past decade or so reflected Beijing’s overall concern of creating a peaceful and stable immediate environment.⁴⁰⁾ This consideration is evident in official Chinese pronouncements. For instance, in June 1986, during then Philippine vice president Salvador Laurel’s visit to Beijing, Deng Xiaoping proposed to him that “the South China Sea issue can be put aside at the moment. We will not allow this issue to hamper [our] friendly relations with the Philippines and other countries.”⁴¹⁾

40) For the linkage between domestic reforms and foreign policy, see Mingjiang Li, “China’s Proactive Engagement in Asia: Economics, Politics and Interactions,” *RSIS Working Paper*, No. 134, July, 2007.

41) Wang Chuanjun, “Zhong fei yue dapo jiangju kaifa nanhai” (China, the Philippines, and Vietnam break the deadlock to jointly exploit the South China Sea), *Huan qiu shi bao* (Global Times), March 16, 2005.

Beijing's policy in the South China Sea adhered to one of the pillars in its international strategy in the post-Cold War era -- "basing upon Asia-Pacific and stabilizing the neighbourhood" (*lizhi yatai, wending zhoubian*). In the 1990s, Chinese leaders realized that the South China Sea issue had become a potential flashpoint in Asia-Pacific security and also a contentious issue in its relations with ASEAN. Chinese analysts cautioned that their country should be sober-minded and objectively evaluate the situation and contingencies in the South China Sea. They argued that Beijing had to properly handle the South China Sea issue and reduce tensions with other claimant states to create and maintain a peaceful environment in the surrounding areas and in the Asia-Pacific.⁴²⁾

Economically, Southeast Asia is also an important partner for China's modernization. For many years now, ASEAN has been the mainland's fifth largest trading partner. Up to 2005, ASEAN countries had invested in 26,000 projects in the mainland, involving some \$38.5 billion in total investments.⁴³⁾ Southeast Asia could be a very important source of energy and other resources for China's economic sustainability.⁴⁴⁾ Apparently, Beijing came to realize that

42) Hou Songling, *Southeast Asia Studies*, issue 5/6, 2000; Guo Yuan, "Cong mulin zhengce kan zhongguo zai nanhai wenti shang de lichang he zhuzhang" (China's posture and positions on South China Sea seen from the good-neighbour policy), *China's Borderland History and Geography Studies*, Dec 2004 Vol, 14 No. 4).

43) Wang Qing, "Zhuanjia: zai dong nan ya xiujian xin de nengyuan yunshu tongdao" (Expert opinion: building a new energy transportation line in Southeast Asia), *First Financial and Economic News Daily*, October 31, 2006.

44) Li Jicheng, "Zhongguo yu dongmeng nengyuan hezuo de xianzhuang yu qianjing" (the state and prospect of China-ASEAN energy cooperation), *Around Southeast Asia*, 2004, issue 9.

having a good relationship with ASEAN countries would be more conducive to the national interest than an aggressive irredentist policy in the South China Sea.⁴⁵⁾

A multilateral approach was reached in November 2002 when the Declaration on the Conduct of Parties in the South China Sea (DOC) was signed. Arguably, this “soft diplomacy” was adopted to cement good relations between Beijing and the claimant states in Southeast Asia. Chinese analysts maintain that by signing the DOC, Beijing demonstrated its political sincerity to act as a responsible major power and an antidote to the “China threat” thesis.⁴⁶⁾

After the signing of the DOC, Vice Foreign Minister Wang Yi proclaimed that “signing the declaration is positive in that it sends a clear signal to the outside world: parties in the region are completely capable of properly handling their existing differences through dialogue and maintaining peace and stability in the South China Sea region through cooperation.”⁴⁷⁾ Through these actions, confidence-building measures, improving relations with members of ASEAN, and openly supporting the freedom of navigation, Beijing aimed at giving no excuse for any American intervention and sending a political signal to Washington that the claimant states can peaceably address the territorial dispute without extra-regional “help.”⁴⁸⁾

45) Tian Xinjian and Yang Qing, *zhongguo haiyang bao* (China ocean newspaper), June 14, 2005.

46) Nu Anping, *Zhongguo canjing xinwen bao* (China industrial and economic news), March 2, 2004.

47) Li Jinming, *Dong nan ya* (Southeast Asia), 2004, issue 3.

48) Shi Jiazhu, “Nanhai jianli xinren cuoshi yu quyu anquan” (confidence-building measures in South China Sea and regional security), *Guoji guancha* (international observation), 2004, issue 1.

Conclusion

China has adopted a “soft” approach in its regional diplomacy. The term “soft” does not imply that Beijing is weak-kneed in its foreign relations but rather, it is being accommodative to smaller East Asian countries even as it is becoming stronger. Simply put, China seeks to be a good neighbour in East Asia to ensure the long-term success of its domestic development. To be sure, problems still remain between Beijing and neighbouring states such as unresolved territorial disputes and economic competition but it is undeniable that China’s relations with its neighbours have improved remarkably over the past two decades.

Some Western scholars have predicted that a rapidly growing economy will underpin China’s emergence as a hegemonic power in East Asia and “a stronger China is likely to undermine peace in the region.”⁴⁹⁾ Thus far, this scenario has not unfolded, and is unlikely to happen as well. Instead, we appear to be witnessing just the opposite --- an accommodative rather than a threatening China towards its neighbours. But what about the future of the region when Beijing becomes even stronger? There is the view that a hegemonic China will be a strategic stabilizer in an East Asian order.⁵⁰⁾ But seeking hegemony will only derail its accommodative

49) See for example, Denny Roy: “Hegemon on the horizon,” *International Security*, Vol. 19, No. 1 (Summer, 1994).

50) Joern Dosch, “China and Southeast Asia,” paper presented at the Second Global International Studies Conference in Ljubljana, July 24, 2008.

diplomatic stance --- which has been successful thus far --- and will only alienate the US and Asian powers, both big and small. Cognizant of this, Beijing is unlikely to pursue hegemony in the foreseeable future even if its capabilities, both “hard” (military and economic resources) and “soft” (public diplomacy and culture) were to grow.

In the foreseeable future, China will still need to focus on economic development. At best, it will be a solidly middle income nation on a per capita basis two decades hence. Its economic interdependence with East Asia and the rest of the world will further deepen and broaden but its authoritarian political regime will remain at odds with the ideology and values of Western powers. But it is not unthinkable that the Chinese political system may gradually become more pluralistic when its elites and ordinary citizenry (with a rising urban middle class) become better educated, well travelled abroad and more demanding for good governance in the next two to three decades. Even as it rises, Beijing still has to tread carefully in its international relations. Unless some dramatic events take place such as the formation of an explicit US-led containment policy, it is unlikely that China will abandon its accommodative diplomacy in East Asia for mutual benefits. And it is unlikely for East Asian countries to join any future containment scheme against China because the latter is not only powerful but also friendly and beneficial to their interests.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER THREE

China's Image:
Citizens in Southeast Asia Viewing
a Rising Power

Wang Zhengxu and Ying Yang



Konrad
Adenauer
Stiftung

China's Image: Citizens in Southeast Asia Viewing a Rising Power

Wang Zhengxu and Ying Yang

China's rapid rise has appears to have caused unease in some parts of the world. Shortly after Beijing's forceful crack-down in Tibet, a public opinion survey in five major European nations identified China as the "biggest threat" to global stability. Similarly, 31 percent of respondents in the US named China as the greatest threat to the world, surpassing Iran and North Korea as well.¹⁾ China's rise is directly affecting its neighbours in multi-faceted ways. In recent years, for example, with the US superpower increasingly distracted in the Middle East and confronted by financial

1) Ben Hall and Geoff Dyer, "China seen as biggest threat to stability," *Financial Times*, 15 April 2008.

problems at home, there is a perception that China is filling the leadership vacuum and emerging as the dominant power in Southeast Asia.

Unlike most chapters in this volume, we adopt a societal and comparative approach to view a rising China in this region. Simply put, perceptions of a rising China cannot be based on state and elite opinion alone. Whether China is succeeding or not in its public diplomacy or soft power is, in part, contingent on the outlook of the general public in Southeast Asia. Based on data from a cross-national survey conducted between 2006 and 2008, we examine China's image among citizens in several Southeast Asian societies: Thailand, Vietnam, the Philippines, Singapore, Indonesia, and Malaysia. We then compare Southeast Asian mass opinions towards China, the US and Japan. We also look into some within-country variations: how citizens of different backgrounds may perceive China differently.

The chapter proceeds as follows. We first discuss the international context of China's rise, and how Southeast Asians might perceive China. Following that, we describe and explain our data sources. Next, we present our major findings based on the survey data. Southeast Asians generally view China positively -- better than the US but not as well as Japan. Muslim Southeast Asians also tend to view China less favourably than non-Muslim Southeast Asians. We conclude that claims of China exercising considerable soft power in Southeast Asia are exaggerated. In fact, Japan has a better image than China among the citizens of this region.

Southeast Asia and a Rising China

There are at least two competing views of China's rise. On the one hand, China is positively perceived as a stabilizer --- a major source of global economic growth, and a benevolent actor and balancer vis-à-vis the West in global politics. On the other hand, China is negatively viewed as a challenger to the existing international system and alarms many who benefit from the status quo. According to the positive view, China is an engine for global economic growth, and the factory of the world. Developing countries have benefited from rising Chinese demand for their raw materials and natural resources, and Chinese investments and overseas projects have created jobs and stimulated the local economies. For developed countries, the availability of cheap and good Chinese products has kept inflation low for their consumers.²⁾ Beijing has also sought to play "a more responsible and cooperative role" in international affairs, free trade, nuclear non-proliferation, and even environmental protection.³⁾

However, the negative view states that China is a potential security threat in East Asia. Moreover, China is a culprit in global warming due to its rising green house gas emissions.⁴⁾ Beijing also lacks democracy and a good human rights record, and its structural

2) According to one account, cheap imports from China have saved American consumers more than \$600 billion in the past decade. Fareed Zakaria, "Does the Future Belong to China?" *Newsweek*, May 9, 2005.

3) Bates Gill and Yanzhong Huang, "Sources and Limits of Chinese 'Soft Power' ," *Survival*, vol. 48, no. 2 (Summer 2006), p.23; also see Evan S. Medeiros and M. Taylor Fravel, "China's New Diplomacy," *Foreign Affairs* Vol. 82, Iss. 6 (November/December 2003), pp.22-35.

corruption (including the sale of poisoned foodstuff) has tarnished its image abroad. China is also perceived to be a supporter of authoritarian regimes around the world.

As a region in close geographical proximity to China, Southeast Asia is a litmus test for Beijing's peaceful rise today. Shortly after the founding of Communist China, Vietnam, Myanmar, and Indonesia were among the first countries in the world to recognize the People's Republic. However, other Southeast Asian countries viewed China as a potential threat then because of its support for communist insurgent movements. Indeed, ASEAN (Association of Southeast Asian Nations) was first formed, among other things, to defend Southeast Asia against Communism.⁵⁾

During the 1970s, improvements in Sino-US relations and Chinese opposition to the Vietnamese attempt to dominate Indochina led to better ties between China and ASEAN. By the 1980s, China had stopped its support to communist movements in the region, and encouraged overseas Chinese to naturalize citizenship in their countries of residence. After the 1989 Tiananmen Incident, Beijing sought better ties with Southeast Asia as it was ostracized diplomatically by the West.⁶⁾ In 2000 and 2001, Beijing proposed a

4) Various sources report that China has replaced the US as the world's largest emitter of greenhouse gases. See, for example, "China overtakes U.S. in greenhouse gas emissions," *Bloomberg* June 20, 2007. For China's challenges to global energy security and climate change, see, for example, Margret J. Kim and Robert E. Jones, "China's Energy Security and the Climate Change Conundrum," *Natural Resources & Environment*, Issue 3, Winter 2005.

5) Leszek Buszynski, "Southeast Asia in the Post-Cold War Era: Regionalism and Security," *Asian Survey*, Vol. 32, No. 9 (September, 1992), p.830.

6) Diplomatic relations between China and several countries were normalized during this period, including Indonesia, Singapore, and Vietnam.

Free Trade Agreement with Southeast Asia and the latter accepted it.⁷⁾ An observer argued that, with the US increasingly distracted in the Middle East, China has deepened its roots in Southeast Asia through extended engagement and economic diplomacy.⁸⁾

However, relations between China and the Southeast Asian countries have not always been smooth. Territorial disputes in the South China Sea and the “China Threat” theory have raised suspicion among Southeast Asian countries about China’s strategic intentions.⁹⁾ The fear of a Chinese-dominated East Asia has led to counter-balancing measures against China, such as the East Asian Summit that included India, Russia, and Australia.

The ABS Data: Methodology

The Asian Barometer Survey (ABS) provides an invaluable dataset to analyze how the citizens of Southeast Asia perceive a rising China. The ABS is a cross-national survey on citizens’ attitudes

7) The 10+1 Dialogue, ASEAN-China Free Trade Agreement, and China’s signing of the Treaty of Amity and Cooperation (TAC) with ASEAN, and the Greater Mekong Regional Cooperation projects all seemed to contribute to China-ASEAN cooperation. On China and Southeast Asia’s regional and economic cooperation, see, Yuan, pp.16-22. For the ASEAN-China relationship from the late 1990s, see Saw, Swee Hock, Lijun Sheng, and Kin Wah Chin, eds, *Asean-China Relations: Realities and Prospects*, Singapore: Institute of Southeast Asian Studies, 2005.

8) Sheng, Lijun. "Is Southeast Asia Becoming China’s Playpen?" *YaleGlobal*, 11 Jan 2007. Also see Chapter One in Saw, Sheng, and Chin (2005).

9) Yuan, p.1, pp.3-6. China and Vietnam are involved in disputes regarding the right to explore seabed oil resources in certain areas. See “China-Vietnam Dispute Revives Regional Fears,” *International Herald Tribune*, 14 April, 1997, and “China warns Exxon over Vietnam deal-newspaper,” *Reuters*, 20 Jul, 2008.

towards democracy and governance, political participation, modern and traditional values, and social and political attitudes. The first stage began in 2001-2002, and the second stage (conducted 2005-2008) covered virtually all major societies in East Asia.¹⁰⁾ The surveys in each society are based on a national probability sample that gives every citizen in that country an equal chance of being selected for interview. Samples were drawn either using census household lists or a multistage area approach, and the samples were either stratified or weighted to ensure coverage of rural areas and minority populations in their correct proportions. As such, Asian Barometer samples represent the adult, voting-age population in each country surveyed.

A standard questionnaire instrument was employed in the survey, while questions specially designed for individual countries are allowed but kept to a small number. Every respondent was interviewed face-to-face in his or her home or workplace in the language of his or her choice. In multilingual countries, considerable attention was paid to the vexing challenge of questionnaire translation. Local language translations were prepared with the goal of accommodating every language group whose members constitute at least five percent of the population. To check for accuracy, the local language versions were screened through blind back-translation by a different translator and any discrepancies were corrected. Interviewers were required to record contextual information on the situations encountered during the interview.¹¹⁾

10) The data from each country were collected by individual country teams.

This paper analyses the ABS data of six Southeast Asian countries: The Philippines, Thailand, Indonesia, Singapore, Vietnam and Malaysia. Table 1 shows the time in which the data was collected, and the sample size of each survey. (The Cambodia survey did not ask the questions we are examining; hence Cambodia is not included in this study.)

Table 1, Sample Sizes and Survey Times of the ABS Data

Country	Data Collecting Period	Sample Size
Indonesia	November 2006	1598
Malaysia	July-August 2007	1218
Philippines	November-December 2005	1200
Singapore	August-December 2006	1012
Thailand	April-May 2006	1546
Vietnam	October-December 2006*	1200

*Data of the Vietnam survey was collected in late 2006 although on official record the survey was completed at a much later time.

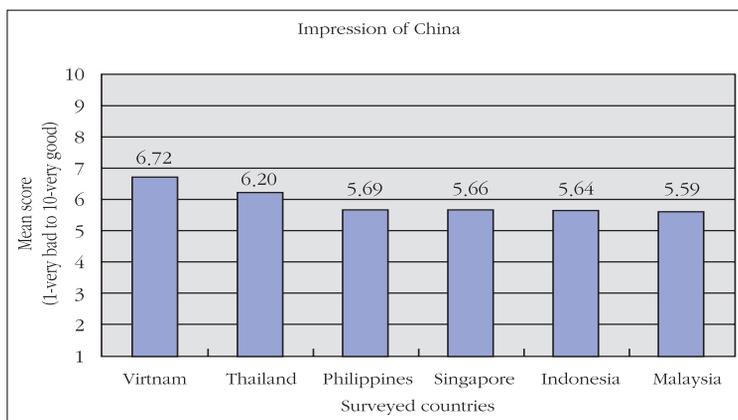
China, Japan, and the US as Perceived by the Southeast Asians

The question in the survey that we are examining is: “Please let us know about your impressions of the following countries. Give it a grade from 1 to 10, 1 being very bad and 10 very good.” This question was designed to gauge how positive or negative an image the respondent has regarding these individual countries.

After being asked this question, the interviewee was shown a scale of “1” to “10,” with the left end of the scale (“1”) marked with the words “very bad,” and the right end of the scale (“10”) marked with the words “very good.” Then the interviewee was asked to give his or her rating of each of several major countries, including China, the US, and Japan.

Figure 1 shows the mean score of the respondents’ impression of China for each of the six countries. Generally, Vietnamese seem to view China most positively, while Malaysians the least so. As the people in every country gave a mean score of their impression of China above 5.5, the middle point of the scale, one can conclude that China’s image is overall positive with all six countries. In other words, on average, none of the countries’ citizens has a very negative impression of China.

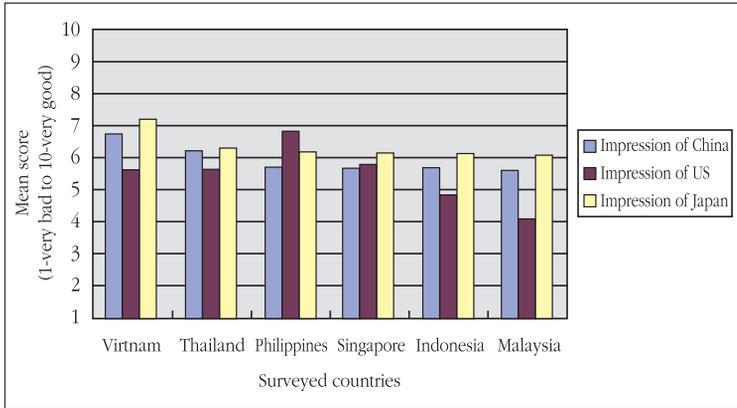
Figure 1 China’s image in six Southeast Asian countries



Source: Asian Barometer

We compare China's image with those of the US and Japan. Overall, Japan appears to have a better image than China, as each country gave a higher score to Japan than China.¹²⁾ The image of the US is better than China in the Philippines and Singapore, but not so in the other four countries (Figure 2).

Figure 2 China, US, Japan as perceived by people in six Southeast Asian countries



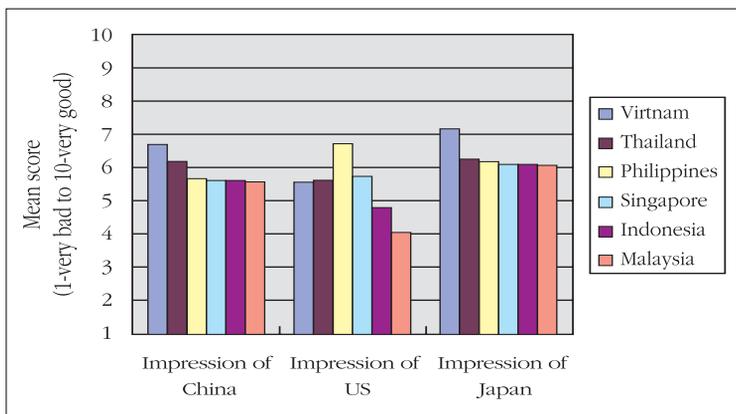
Source: Asian Barometer

We could also look at the variation pattern of the images. As shown in Figure 2, Japan has the most positive image in Vietnam, while its images in the other five countries are at a similar level. The US has

11) The survey depended upon the effectiveness of field operations, especially the training of interviewers, supervisors and fieldwork managers. Guidelines were codified in instruction manuals that spell out procedures for the selection and replacement of samples, the validation of interview records, and the etiquette of conducting interviews. For more information about ABS, see <http://www.asianbarometer.org/newenglish/Introduction/>.

the most positive images in the Philippines (an ex-US colony) but the least in Indonesia and Malaysia (both Muslim majoritarian countries).

Figure 2a Impressions of China, the US, and Japan: Another look.



Source: Asian Barometer

Figure 2a presents another angle of looking at the data. Japan’s image shows a similar pattern to China’s image in that Vietnam gave the highest score, followed by Thailand, and the other four gave similar scores. The image of the US is more complicated,

12) That Japan has a better image than China in Southeast Asia may appear surprising. However, Southeast Asia was occupied by Imperial Japan for only three and a half years (1942-45); Southeast Asian governments have also not harped on the Japanese occupation in their history textbooks; and many young Southeast Asians like various aspects of Japanese popular culture including manga and anime. Tokyo has also offered generous ODA (Official Development Assistance) to Southeast Asia in the past few decades and has also rejected militarism in its foreign policy. In many Southeast Asian countries, the ethnic Chinese domiciled there are often viewed negatively by the indigenous people. Conceivably, these negative sentiments towards the Chinese minorities in their own countries may be extended to China. In the case of Japan, an “Overseas Japanese” problem does not exist in Southeast Asia.

with the highest score from the Philippines (6,7) and a low score from Malaysia (4,1). The gap between the highest and lowest score is 2,7 for the US, but only 1,1 for China and Japan, indicating that the image of the US in the region bears a rather large degree of variation. It may be worth noting that there are only two scores below 5,5, both of which go to the US: Indonesia's and Malaysia's impressions of the US (4,8 and 4,1, respectively), point to the negative image of the US in these two Muslim countries.

Image of China: Within-Country Variations

The above analysis only provides country-level perceptions of China, which is far from enough: we need to look at within-country differences. For example, how do Singaporean Chinese view China compared to Singaporean Malays? How do Northern Vietnamese (who live closer to China and lived longer under the Vietnamese communist regime) view China compared to Southern Vietnamese? In this section, wherever possible, we examine the within-country differences in terms of gender, age (generation), income, and education level. We will also look at other factors such as the experience of travelling abroad and the degree of internet usage. Regional differences within countries will also be examined when there is sufficient information.

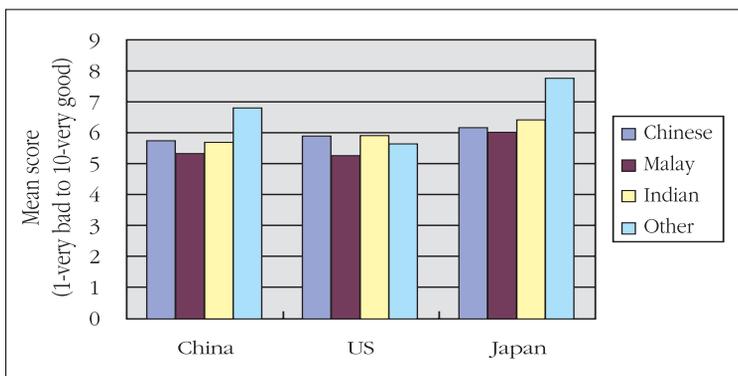
Ethnicity

All six are multi-ethnic countries, with some providing home

to a sizable overseas Chinese population. It is of great interest to look at whether different ethnic groups in these countries perceive China differently. It is especially interesting to examine how overseas Chinese in these countries perceive China compared to other ethnic groups. But some of these country surveys either did not record the respondent's ethnic information, or the proportion of overseas Chinese in the sample was too small for valid analysis. Nevertheless, the Singapore data provided an opportunity to look into this question.

Figure 3 shows the image of China among the different ethnic groups in Singapore: Chinese, Malay, Indian, and "Others."¹³⁾ Among the two main ethnic groups in Singapore, the Chinese have a better impression of China than Malays. Regression results show these differences are statistically significant. Singaporean Chinese, however, seem to have a slightly better impression of the US, and an even better impression of Japan.

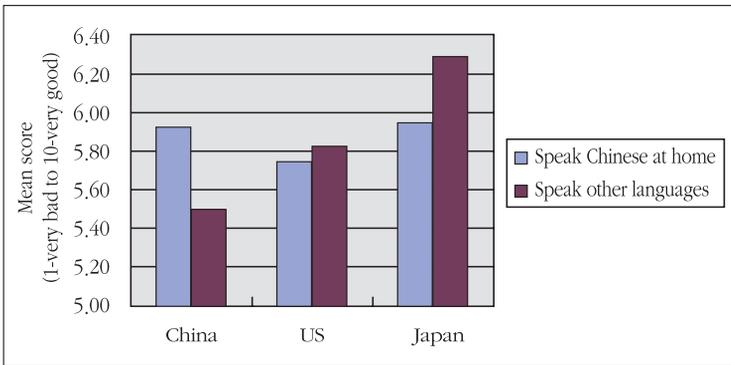
Figure 3 Different Ethnic Groups' Impression of China, US, and Japan.



Source: Asian Barometer

Another nuanced question is whether the language one speaks at home affects Singaporeans' impressions of China. The corporate world and the government in Singapore adopt English as a working language, but most people speak their own ethnic languages at home. Some ethnic Chinese families, however, have also adopted English as their daily language spoken at home. Hence it is interesting to see whether speaking Chinese at home affects a person's impression of China.

Figure 4 Linguistic background's impact on a Singaporean's view of China



Source: Singaporean data of the Asian Barometer.

Figure 4 shows clearly that Singaporeans who speak Chinese (Mandarin or Chinese dialects) at home have a much better impression of China, compared to Singaporeans speaking other

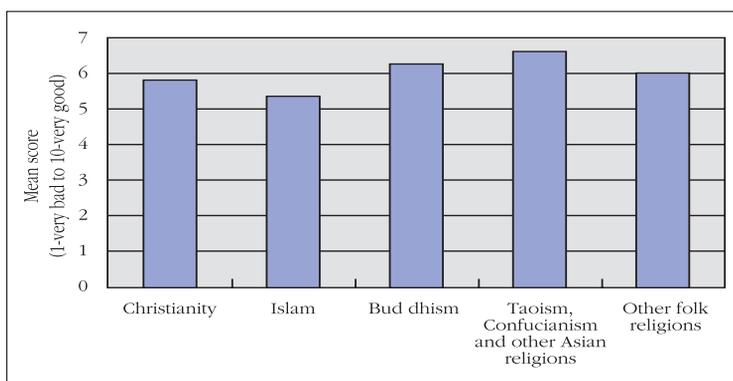
13) As of 2007, the ethnic make-up of the Singaporean population is: Chinese, 75.0%, Malay, 13.7%, Indian, 8.7%, and Others, 2.6%, calculated by the authors from *Yearbook of Statistics Singapore 2008*. In our sample, the proportion of each ethnic group is: Chinese, 72.8%, Malay, 17.4%, Indian, 9.2%, and Others, 0.6%.

languages at home (English, Malay, Tamil, and others). Interestingly, the pattern is reversed for the impression of Japan: Singaporeans speaking Chinese at home have less favourable impressions of Japan. The impression of the US shows some small difference in the figure, but that difference is insignificant in statistical terms.

Religions

Huge religious diversities exist in Southeast Asia. Besides Islam, Buddhism, and Christianity, the survey records more than twenty other religions, including many folk religions. To some extent, religion parallels ethnicity: In Malaysia and Indonesia, for example, followers of Islam, Christianity, and Buddhism can more or less be separated along ethnic lines. In Figure 5 we look at the differences in people's perceptions of China according to their faiths.

Figure 5 Southeast Asians' Impression of China by Faith



Source: Asian Barometer

Throughout Southeast Asia, the respondents believing in Buddhism and those believing in Taoism, Confucianism and other Asian religions have the most positive impression of China. China is viewed least favourably among the Muslims, while Christians' view of China appears to be in the middle. This pattern holds within each country.¹⁴⁾ This tendency on religion, ethnic and linguistic backgrounds is consistent to Goldsmith's findings that socialization factors contribute to the forming of impressions of another country.¹⁵⁾

Generational Differences?

Because China's relationship with Southeast Asian countries has changed rather significantly since the founding of the People's Republic of China in 1949, one could hypothesize that Southeast Asians who grew up in different times may have different perceptions of China. For example, it is probably safe to assume that in Indonesia's local media, during Suharto's time (post 1967); China was portrayed differently compared to during Sukarno's time (in the early to mid 1960s). Have such historical changes resulted in lasting effects on how different generations view China?

We hypothesized that two points in the history of China may have had important effects on China's image. The first is 1971, in

14) That is, with the exception of Thailand. Although a largely Buddhist country, in Thailand the Christians view China most favourably, followed by the Buddhists, and then by Muslims. But this might be due to the small number of Christians in the Thai sample-of the 1546 respondents, only five were recorded as Christians, amounting to a mere 0.03% of the total.

15) Goldsmith, Horiuchi, and Inoguchi, "American Foreign Policy and Global Opinion."

which year China resumed its membership of the United Nations. The second is 1978, in which year China formally began its “opening up to the outside world” process. We hypothesized that Southeast Asians born after 1971 should view China more positively compared to the people born before China’s formal acceptance by the international community (i.e. resuming the UN membership). We also hypothesized that Southeast Asians born after 1978 should view China more positively compared to elder generations.

But the data indicates very little generational differences marked by these time points. Only in Vietnam did we observe some meaningful differences between the pre-and the post-1971 generations. As for the 1978 time point, the data shows that in Thailand, Vietnam, and Malaysia, post-1978 generations hold a slightly more positive view of China. But these differences did not pass tests of statistical significance. Hence we conclude that there are no solid differences between pre-and post-1971 generations, or between pre-and post-1978 generations, in their impression of China.

Country Histories That Matter

Nevertheless, we do find some generational patterns in Singapore, in which the older respondents have a better impression of China, while the younger respondents have better impressions of the US and Japan. This pattern is consistent whether we measure age by years or we break Singaporean respondents into age groups (younger than 30, 31-40, 41-50, 51-60, etc.). This is related to the

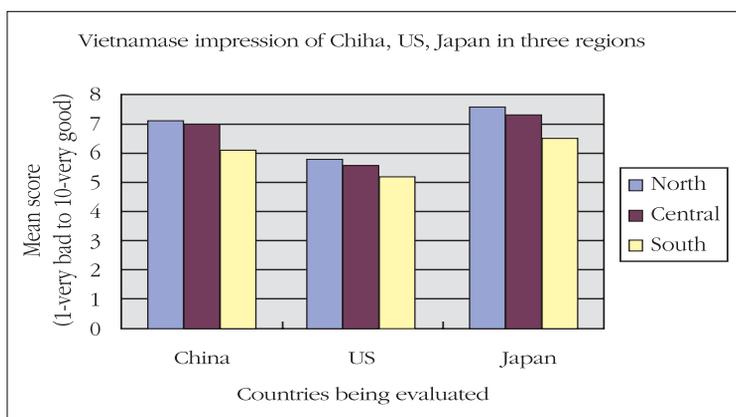
history of Singapore's nation building: older generations of Singaporeans (mostly ethnic Chinese) lived in Singapore in their younger years feeling they were Chinese, while the younger generations of Singaporean acquire an increasingly Singaporean identity. In fact Singaporean Chinese born before 1965 (the year in which Singapore became an independent nation) have a much more positive view of China than the post-1965 generations.¹⁶⁾

Vietnam may present an even more interesting case of historical impacts. Until unification in 1975, the northern and southern parts of the country were ruled under different political systems. Furthermore, the country's different regions (i.e. the north, the centre, and the south) bear rather different cultural heritages. Northern Vietnam was historically much closer to China, geographically, culturally, and politically. During the North's war against the US occupying forces in the South, Communist China provided significant economic, military, and political support to the North. We hence hypothesized that Vietnamese in the North have a more positive impression of China than those in the South.

We compare the mean score of these three regions, and find that people living in the northern and central parts of Vietnam have better impressions of China than those living in the south (see Figure 6). Interestingly, Vietnamese in the North seem to have a better image of the US and Japan as well.

16) On the other hand, the image of the US and Japan is more positive in the post-independence generation.

Figure 6 Vietnamese Impression of China, US and Japan in three Regions



Source: Vietnamese data of the Asian Barometer.

We then divided the Vietnamese respondents into pre- and post-unification generations. At first glance, it appears that no difference exists between Vietnamese born after 1975 and Vietnamese born before 1975. But after controlling for the region variable, it was found that the post-unification generations have a better impression of China. Indeed, when we cross-tabulated region and generation, we found that the pre-unification generations in the South have the least favourable impression of China, while the post-unification Vietnamese in the North have the most favourable (Table 2). Regression analyses confirmed this generational-regional difference.

Table 2, Vietnamese impression of China in different regions and generations

	North	Central	South
Pre-unification generations (born before 1975)	7.00	7.11	5.95
Post-unification generations (born after 1975)	7.21	6.63	6.42

Source: Vietnamese data in the Asian Barometer.

It appears, then, that Vietnam's pre- and post-unification history still has an effect on how different generations of Vietnamese perceive China. People who were born in the South before the South was unified by the Communist North still seem to perceive China less favourably.¹⁷⁾

Multivariate Analyses

After examining various factors' impact on Southeast Asian citizens' perception of China, in this section we present the results of multivariate analyses. We include the various factors in regression analyses, to see which individual factors are most salient when other factors are controlled. We conduct regression analyses first on

17) On the other hand, as the Vietnam-China relationship was most troubled during 1979-1992, we hypothesized that the Vietnamese who grew up during 1979-1992, (i.e. those who were 10-20 years old, or born during 1959-1982) would have a more negative impression of China. The data, however, do not support this hypothesis. Hence, one may conclude that the 1979-1992 interlude's impact on Vietnamese perceptions of China seems less lasting.

individual country data, and then on the pooled data that included all six countries. The factors we examined included personal backgrounds such as gender, age, income level, and education. We also examined several exposure variables, such as the experience of travelling abroad, whether the person follows events in other countries closely, and how often the person uses internet. Religion being a very important variable, we included the various faiths as dummy variables. Then in the pooled-data regression, we included country dummies that helped to account for country-level differences. The regression results are reported in Table 3.

Table 3, Multivariate Regressions

Dependent variable: Impression of China							
	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	All Countries
(Constant)	6,949*** (1,179)	6,474*** (0,531)	4,248*** (1,192)	5,851*** (0,444)	3,807*** (0,472)	6,601*** (0,407)	5,540*** (0,206)
Male	-0,063 (0,111)	-0,272* (0,118)	-0,054 (0,148)	-0,289** (0,110)	-0,050 (0,139)	-0,264* (0,124)	-0,167*** (0,050)
Age	0,000 (0,005)	-0,004 (0,005)	0,004 (0,005)	0,012* (0,005)	0,012* (0,005)	-0,006 (0,004)	0,002 (0,002)
Education	0,040 (0,029)	-0,038 (0,035)	-0,022 (0,036)	0,001 (0,035)	0,070+ (0,042)	-0,011 (0,034)	0,014 (0,013)
Income group	-0,016 (0,043)	0,092 (0,061)	0,115 (0,091)	-0,099+ (0,053)	0,189** (0,071)	-0,014 (0,049)	
Following foreign events	-0,032 (0,045)	0,122* (0,050)	0,090 (0,063)	0,012 (0,051)	0,192** (0,073)	0,164** (0,056)	0,079*** (0,022)
International travel	0,027 (0,095)	-0,045 (0,047)	-0,019 (0,098)	0,095* (0,044)	0,111 (0,076)	0,060 (0,091)	0,019 (0,025)
Internet usage	0,042 (0,064)	0,031 (0,037)	-0,023 (0,060)	-0,038 (0,037)	-0,022 (0,057)	0,055 (0,047)	0,009 (0,018)
Christianity (Folk religion=0)	-0,228 (1,145)	-0,209 (0,405)	1,084 (1,099)	-0,366* (0,186)	1,668 (1,254)	-0,443+ (0,232)	-0,192 (0,134)
Islam (Folk religion=0)	-1,482 (1,129)	-1,171** (0,371)	1,678 (1,229)	-0,566** (0,187)			-0,917*** (0,127)

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	All Countries
Buddhism	0,788	0,047		-0,059	0,597*	0,216	0,130
(Folk religion=0)	(1,384)	(0,389)		(0,169)	(0,250)	(0,184)	(0,123)
Asian Religions ^a	0,526	0,028		-0,164		0,285*	0,241*
(Folk religion=0)	(1,183)	(0,404)		(0,203)		(0,144)	(0,119)
Indonesia							0,834***
(Singapore=0)							(0,114)
Malaysia							0,349***
(Singapore=0)							(0,098)
Philippines							0,206
(Singapore=0)							(0,131)
Thailand							0,490***
(Singapore=0)							(0,110)
Vietnam							0,858***
(Singapore=0)							(0,112)
N	1340	1116	893	876	963	934	6368
F	7,461***	10,083***	0,751	4,269***	5,677***	3,679***	31,608***
R-square	0,058	0,091	0,008	0,052	0,051	0,038	0,069

Entries are unstandardised coefficients from OLS regression (standard errors in parentheses)

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$; + $p < 0.1$ (two-tailed test).

^a “Asian Religions” includes self-reported Taoism, Confucianism, and other Asian religions

Source: Asian Barometer

Measurement:

“Education”: 10 point ordinal scale from “1-no formal education” to “10-postgraduate degree.”

“International travel”: 5 point ordinal scale from “1-never,” to “5-a few times a year.”

“Internet usage”: 5 point ordinal scale from “1-never” to “6-almost daily.”

“Income group”: measured by quintile within each country as 1 for

the lowest quintile and 5 for the top quintile.

“Christianity,” “Islam,” “Buddhism,” and “Asian religions” are dummy variables scoring 1 if the respondent believed in the respective religion, and 0 if otherwise.

Gender, Age, Income, and Education

In terms of *gender*, females in Singapore, Vietnam, and Malaysia view China more positively than males. In the other three countries, there appears to be no difference between males and females. But when this factor was analyzed in the all-country pooled-data, it *does* appear that females in general view China more positively. This is probably a common pattern in terms of how people view a different country: females are likely to be less nationalistic and therefore view other countries more positively.

In terms of age or generational patterns, in Thailand and Singapore, older people seem to view China more positively, but this pattern is not found in any other countries. Nor is it found in the all-country analysis.

In individual country analysis, we included an individual’s *household income* group (ranging from 1: low to 5: high). It appears a person’s socioeconomic status in the society does *not* matter much to his or her perception of China-only in Thailand did we find that richer people view China much more positively.¹⁸⁾ In Singapore, rich people hold a slightly less favourable impression of China.¹⁹⁾ Another indicator of a person’s socioeconomic status, *education*, has

little impact: only in Thailand did we find that education slightly changes a person's perception of China.

Exposures: Travel, Foreign Events, and the Internet

Only in Singapore does frequency of *international travel* influence an individual's perception of China: Singaporeans who travel abroad more frequently have better impressions of China. But similar effects are not found in the other countries.²⁰⁾ Nor does *internet usage* have a significant impact on a person's perception of China.

In contrast, if a person follows events in other countries more closely, he or she is much more likely to perceive China more favourably. The effect was found in five of the six countries, and is statistically significant in three of them: Malaysia, Thailand, and Vietnam. In the all-country analysis, this effect is also clearly significant.

Religion

Earlier we showed that people of different faiths are likely to view China differently, with Muslims probably having the least

18) This is probably because first, the rich people in Thailand are disproportionately more Chinese, and second, rich people in Thailand see China more favourably as an economic opportunity.

19) This is probably because richer people in Singapore are more likely to receive an English-based education, to have studied in the US or the UK. In fact, lower-income Singaporeans are much more likely to only consume Chinese-language information in their daily life.

20) Our analysis also failed to find an across-the-board effect regarding whether a person who has more personal contacts with foreigners will have a different perception of China.

favourable perception of China, and Asian religions, such as Taoism and Confucianism, the most favourable. This pattern was confirmed in the multivariate regressions. Believing in Islam means the individual views China less favourably: this effect was found in three of the four countries where such analysis was possible. In two of these three countries, as well as in the pooled-data analysis, this negative effect was statistically significant.

Taoism, Confucianism, and other Asian religions' positive impact on a person's perception of China was found in several countries as well, and was significant in the pooled-data analysis. Buddhists and Christians seem to be in a neutral position, except in Singapore (where Christians view China less favourably) and Thailand (where Buddhists view China more positively).

Country Differences

This paper's empirical section began by showing that at the country level, Vietnam views China most favourably, and Malaysia least so (Figure 1). After we controlled the individual-level variations, the patterns of country-level differences have slightly changed. In the lower panel of Table 4, we included one dummy variable for each country, comparing against Singapore.

It appears that, other things being equal, a Vietnamese still has the most favourable impression of China, followed by an Indonesian, a Thai, and a Malaysian, in that order. The Filipinos and the Singaporeans, it appears, view China least favourably.

If we compare:

Before controlling individual-level factors:

**Vietnam, Thailand, the Philippines, Singapore,
Indonesia, Malaysia (i)**

After controlling individual-level factors:

**Vietnam, Indonesia, Thailand, Malaysia,
the Philippines, Singapore (ii)**

The most important difference between (i) and (ii) is the positions of Indonesia and Malaysia. Before controlling individual-level factors, the publics of these two countries view China least favourably among the six. Once individual-level factors are controlled, their positions move from the fifth and the sixth to the second and the fourth, respectively. The reason is clearly due to the large impact of an Islamic religious background: the majority of population in these two countries is Muslim, which resulted in the poor impression of China when the religion factor is not controlled. On the other hand, once the religion factor is taken into account, the average Indonesian or Malaysian's perception of China is not dramatically different from someone in another country.

Conclusion

It appears the concern that China is becoming a dominant power in Southeast Asia is greatly exaggerated - at least from a "soft power" perspective. Although China has a largely positive image among the people of Southeast Asia, it is far from being the most

embraced great power there. China's image in Southeast Asia is probably better than the US, but not as good as that of Japan. Furthermore, Continental Southeast Asia seems to view China more favourably than Maritime Southeast Asia: in our analysis we found that the public in Vietnam and Thailand view China more favourably than those in Singapore, Malaysia, and Indonesia.

At an individual level, education, and income do not seem to have a clear effect except in one or two countries. International exposure seems to have a clear impact, as people who follow events in other countries view China more positively. This is similar to Johnston's finding that Chinese citizens more exposed to international events tend to have a more positive view of the US.²¹⁾ Becker *et al.*'s finding that Americans who understand the complexity in another country tend to view that country more positively also echoes here.²²⁾ Hence one conclusion is that international exposure does facilitate mutual understanding between nations, and reduces self-centred nationalism and xenophobia.²³⁾

Using Singapore as an example, we found that overseas

21) Johnston and Stockmann, "Chinese Attitudes toward the United States and Americans."

22) Lee B. Becker et al., "U.S. Public Opinion About Arab States: Examining the Differences in National Images," in *Annual Conference of Midwest Association for Public Opinion Research* (Chicago: 2007).

23) But we found that international travel experiences and having personal interaction with foreigners have no significant effects on an individual's view of China. The same is true for an individual's usage of the internet. More data are probably needed in order to tease out such image-forming of China in Southeast Asia. For example, in terms of international exposure it is probably necessary know whether the individual has travelled to China or not and whether he or she has met people from China or not. Similarly, for internet usage it is probably necessary to analyze the kinds of website or information sources the individual consumes when he or she goes online.

Chinese view China more positively than other ethnic groups. This analysis was not performed on other countries because either the ethnic Chinese populations in these countries are too small for statistical analysis, or the sample's ethnic information was not recorded by the survey. Similarly, we found those who speak Chinese at home have a more positive impression of China than others. In other words, it is possible overseas Chinese who received English-language schooling from a young age may view China differently from those who learned Chinese from a young age and kept using it at home. Similarly, Muslims in Southeast Asia view China less favourably than people of other faiths.²⁴⁾

We did find some historical impacts on how China is perceived today. In Vietnam, people who were born in the South before the 1975 unification view China least favourably, and older generations of Singaporeans seem to hold a more positive view of China. This may reflect the complicated history between China and Southeast Asian countries. In the Singapore case, this trend harkens to the early divide between the Chinese educated and the English educated locals when the PAP government came into power. The former category often felt marginalized by the state and hence aggrieved as well.

Nevertheless, China's image in Southeast Asia, and probably in other parts of the world as well, is more a creation of recent events. The past can have an effect, but image by definition is short-lived and

24) According to Goldsmith's studies, Muslims around the world are also less supportive of US international policies. See Goldsmith, "Regime Type, Post-Materialism, and International Public Opinion About US Foreign Policy: The Afghan and Iraqi Wars.," Goldsmith, Horiuchi, and Inoguchi, "American Foreign Policy and Global Opinion."

is constantly subject to change. People in the 1980s may perceive China differently from those in the 1970s, and people today may view China differently than those in the 1990s. Hence how China is perceived by the international community is more likely to depend on China's own approaches to international affairs, and to a probably lesser degree on China's own ability to project a favourable image abroad. And in Southeast Asia, this means China needs to improve its ability to project a positive image among Muslims and those who mainly gather information from English language sources. Domestic media, opinion leaders, and policy makers in Southeast Asia, meanwhile, can also foster a more comprehensive and balanced view of China by presenting China in less simplistic ways and facilitating people-to-people exchanges and understandings. It is argued that people who understand the social complexities of another society tend to view that society more rationally, and have stronger ability to appreciate another people's perspectives.²⁵⁾ Such people-to-people understanding will greatly enhance international trust and cooperation.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER FOUR

North Korea's Relationship with China:
From Alignment to Active
Independence

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North Korea's Relationship with China: From Alignment to Active Independence

Sung Chull Kim

For the past several years, a rising China has played an important diplomatic role to ease the tension centred on the nuclear crisis in the Korean peninsula. While China (or People's Republic of China: PRC) has propped up the existing Kim Jong Il regime in North Korea (the Democratic People's Republic of Korea: DPRK), it has made serious efforts to restrain the troubling neighbour and induce it to the multilateral negotiation mechanism, the Six-Party Talks. The seemingly friendly, cooperative relationship between the two countries, however, has harboured discords and grudges since the end of the Cold War. This chapter will examine the ways in which North Korea has coped with China, particularly in its pursuit of an independent path to the balance of power. It will show

that North Korea continues to use its old tactic of survival between powers, even if temporarily relying on China economically.

The central argument of this chapter is that for North Korea, a rising China is a pragmatic partner for regime survival, but not really an attractive power whose path of economic transition Pyongyang eagerly tries to follow. In the eyes of North Korea China is no longer a “blood ally” or “lips and teeth” comrade. In 1991, China supported South Korea (or the Republic of Korea: ROK), as well as North Korea, to join the United Nations, a move that contradicted its long-time commitment regarding the DPRK as the only legitimate state on the Korean peninsula. Since then, North Korea has pursued independent diplomacy and sought ways to survive the hardship caused by the death of its founding father Kim Il Sung and the famine in the 1990s. The nuclear crises in 1993-94, 2002-06, and 2009 occurred during North Korea’s isolation from the international community, a situation that the country made desperate efforts to overcome. The crises were in a sense diplomatic overtures through which this isolated country aimed to demonstrate its existence to, and eventually engage with, the United States. A rising China is of value to North Korea particularly in framing a peaceful resolution to the nuclear issue. But Pyongyang is no longer interested in entrusting its political asset to Beijing. Just as China continues to pursue balanced relations with North and South Korea and between the US and North Korea, so North Korea has continued to explore new relations with the US and cautiously counterbalance Chinese influence. Furthermore, a rising China is not really an attractive soft power to guide North Korea and to provide a

demonstration or socializing effect for reform and market transition. The North Korean style of economic management, whether it might be called reform or economic adjustment, differs from the Chinese path of market transition.

The first section in this chapter shows changes in the North Korean perception about China particularly amid the thawing of the Cold War tension; the second section explores Pyongyang's independent path in its relationship with Beijing in the particular juncture of two nuclear crises; the third section explains why the Chinese model of economic transition has little demonstration or socializing effect for North Korea; the fourth section questions whether Chinese economic influence dominates the North Korean economy; and finally the conclusion will identify the implications of the changed China-DPRK relations in juncture with the fluctuating DPRK-US relationship.

Changed Perception about China: From Blood Ally to “Betrayer”

In post-World War Two history, there has been perhaps no other case than that of China and the DPRK that maintained a friendly relationship for such a long period of time since their state-building. It was rarely known that even before the outbreak of the Korean War in 1950, bilateral military cooperation evolved into a solid alliance. During the period of the civil war in the continent from 1945 through 1949, North Korea, under the Soviet Red Army's administration at first

and as an independent state later, supported the communist China of Mao Zedong to fight against Chiang Kaishek's nationalist forces. North Korea allowed the communist forces to cross its northern border and connect logistic lines in combating the nationalist forces; furthermore, North Korea supplied food and other transportation means for the communist Chinese forces. The Red Army first watched the situation with folded arms because of its commitment to the nationalist China-Soviet Union Treaty of Friendship and Alliance signed in Moscow on August 14, 1945, but later it began to provide the communist forces with moral and material support.¹⁾

The Korean War (1950-53) further strengthened the China-DPRK alliance and helped establish the "lips and teeth" comradeship whereby the one cannot survive without the other. Because of the reluctance of Josef Stalin in providing air defence against the American aerial carpet bombing, China lost tens of thousands of its soldiers while crossing the Yalu River, which runs through the border between China and North Korea. Even Mao Zedong's son Mao Anying who participated in the war as a Chinese-Russian interpreter lost his life in the American air bombing.²⁾ The participation of the Chinese People's Voluntary Army could not bring victory to the

1) The treaty aimed at postwar collaboration between the nationalist China and the Soviet Union. Even if a clause covering the withdrawal of the Red Army from Manchuria was not included in the treaty, Stalin in the talks with the nationalist government negotiator pledged to do so completely in three months in maximum after the capitulation of Japan. With the turnaround of the civil war situation particularly in the northeastern China, the Soviet Union not only delayed the withdrawal of its forces there but also provided war booties to the communist forces. "China, Soviet Union: The Treaty of Friendship and Alliance," *American Journal of International Law*, vol. 40, no. 2 (April 1946), 51-63.

North but saved the disrupted North Korean forces in retreat after General MacArthur's successful landing operation at Incheon, which turned around the war situation in favour of the allied forces helping South Korea. In the critical situation, the Chinese veteran revolutionary Peng Dehuai not only led the Chinese army but also took command of the combined forces, composed of Chinese and North Korean forces. Also, the Chinese army's size should not be ignored. When the war ended, Chinese soldiers accounted for 1.35 million, three times that of the North Korean army at 0.45 million.³⁾

The Chinese participation in the Korean War left a lasting impact on China-DPRK relations. China along with the DPRK became the co-signer of the Armistice Agreement with the United States, which practically ended, if not legally terminated, the war. The Chinese contribution in the war came to counterbalance North Korea's dependence on the Soviet Union. Before the war, the Red Army had an enormous effect on state-building in the northern part of the peninsula after disarming the Japanese forces; during the Korean War, the Soviet Union not only provided weapons and supplies to both Chinese soldiers and North Korean forces but also sent aircraft to defend a certain strategic corridor in the North while avoiding a direct confrontation with the American air force. However, China's massive involvement and the ensuing high casualty rate rendered the China-DPRK relationship a unique and special one.

2) Lee Jong Sok, *Pukhan-Chungguk kwan'gae, 1945-2000* [North Korea-China Relations, 1945-2000] (Seoul: Chungsim, 2001), 156, 165.

3) Lee Jong Sok, *Pukhan-Chungguk kwan'gae*, 191.

Moreover, Chinese forces were stationed in North Korea to provide post-war rehabilitation assistance until 1958; this assistance provided North Koreans, both leaders and the general public, with a deep impression that China would remain a “blood ally.”

There were a couple of frictions between the allies, but the alliance relationship survived the entire Cold War period. When Kim Il Sung purged the Chinese-faction leaders and Soviet-Koreans amid the domestic power struggle in August 1956, Beijing and Moscow, each of which had connections with one faction in Pyongyang, sent Peng Dehuai and Anastas Mikoyan respectively and strongly protested the purge. In response, Kim Il Sung resolved this issue in a modest way, acknowledging his hurried decision to expel those old comrades from the party.⁴⁾ (In 1958, however, Kim led another round of purges to consolidate his power, particularly targeting the Chinese faction.)⁵⁾ Also, when the Red Guards’ denouncing of Kim as a “fat revisionist” during the Cultural Revolution strained the bilateral relations, Chinese premier Zhou Enlai visited Pyongyang in April 1970 and eased the tension and restored the traditional relationship.⁶⁾

More important, the China-DPRK alliance endured the China-US rapprochement and China-Japan normalization in 1972 and its aftermath. Owing to the strong ties between China and the DPRK,

4) Andrei Lankov, *Crisis in North Korea: The Failure of De-Stalinization, 1956* (Hawaii: University of Hawai'i Press, 2005), 138-142.

5) Dae-Sook Suh, *Kim Il Sung: The North Korean Leader* (New York: Columbia University Press, 1988), 149-157.

6) Robert A. Scalapino and Chong-Sik Lee, *Communism in Korea: The Movement*, vol. 1 (Berkeley and Los Angeles: University of California Press, 1972), 641.

leaders of both countries exchanged information about the rapidly changing international environment and undertook prior coordination in relation to Korean affairs. For instance, right after the US National Security Advisor Henry Kissinger made a secrete tour to Beijing in July 1971 in order to pave the way for President Richard Nixon's visit the following year, Chinese premier Zhou Enlai visited Pyongyang to brief Kim Il Sung on Kissinger's visit and coordinated the peninsula-related issue. It is noteworthy that Zhou's visit occurred prior to Nixon's July announcement of his plan about the 1972 China-U.S. summit.⁷⁾ With the coordination between the allies, Zhou later presented Nixon and Kissinger the DPRK position, which was intended to undercut the U.S. and the ROK position in the international realm in general and in the United Nations in particular.

In the Deng Xiaoping's reform era, the alliance between China and North Korea underwent a marginal schism in relation to the path of socialism. While defining Chinese development as an elementary stage of socialism, Deng forged the reform policy that was adopted at the 3rd Plenum of the 11th Central Committee in the Chinese Communist Party in 1978. But Pyongyang continued to chant the so-called Three Great Revolutions (in ideology, technology, and culture), which was launched in the early 1970s and extended to the mid-1990s, and did not show any sign of changes in its autarchic and command economy. The fact that North Korea stuck to the old economic system was closely related to the

7) Lee Jong Sok, *Pukhan-Chungguk kwan'gae*, 253-261.

preparation of the father-to-son power succession in Pyongyang; the existing political and economic systems were defended in the name of “continuous revolution through generation to generation” under the slogan of the Three Great Revolutions.⁸⁾ If this type of revolution was not the same as the Cultural Revolution in China, it was a justification of the power succession between Kim Il Sung and his son Kim Jong Il, the present North Korean leader.

The fall of communism, which occurred right after the 1989 Tiananmen incident, provided a watershed in China-DPRK relations. Not only because of the shrunken investment by Western firms owing to the tarnished image of China’s violent crackdown at Tiananmen but because of the rapidly thawing mood in the international environment, China began to open new relations with the ROK, the sworn enemy of the DPRK, to attract investments from South Korean firms. Already awakened by the Soviet Union’s normalization with the ROK in September 1990, Kim Il Sung made an informal visit to China to meet the general secretary of the CCP Jiang Zemin and the powerful senior leader Deng Xiaoping, in an attempt to dissuade the apparently imminent China-ROK normalization. In 1991, however, China allowed the simultaneous admission of the ROK and the DPRK at the United Nations, disregarding the longstanding opposition to the two Koreas on the Korean peninsula; in August 1992, China eventually opened normalized relations with

8) Choson Nodongdang Chulpansa, ed., *Chinaehanun chidoja Kim Jong Il dongjiui munhonjip* [Collected Works of the Dear Leader Kim Jong Il] (Pyongyang: Choson Nodongdang Chulpansa, 1992), 91-92.

the ROK. These events marked culmination in the transformation of Chinese foreign policy toward the peninsula: from a one-Korea de jure/ two-Koreas de facto to two-Koreas de facto and de jure.⁹⁾

While the ROK successfully made use of the thawing Cold War environment and achieved diplomatic openings with the Soviet Union and China, the DPRK failed to achieve tangible result in the normalization talks with Japan, with even no hope of accessing the United States, as discussed in the following section. To North Korea, China's shift to a balancing policy toward the two Koreas was a detrimental strategic loss rather than a simple betrayal.¹⁰⁾ The stark schism in the allies, particularly owing to the China-ROK normalization, was so deeply embedded in the bilateral relations that the China-DPRK summit was suspended for seven years after the Chinese State President Yang Sangkon's 1992 visit to Pyongyang. Suspension of the summit for such a long period had never happened previously in the history of China-DPRK relations.

Moving toward Active Independence

Amid the increasing diplomatic isolation, North Korea made desperate efforts for survival per se by approaching Japan. While opening a high-level channel of inter-Korean dialogue, Pyongyang

9) Samuel S. Kim, "Sino-North Korean Relations in the Post-Cold War World," in Young Whan Kihl and Hong Nack Kim, eds., *North Korea: The Politics of Regime Survival* (Armonk, New York: M. E. Sharpe, 2006), 184.

10) Chae-Jin Lee, *China and Korea: Dynamic Relations* (Stanford: Hoover Press, 1996), 128; Don Oberdorfer, *The Two Koreas: A Contemporary History* (New York: 1997), 229-248.

simultaneously intensified its diplomacy to open normalization talks with Tokyo. Japan also swiftly and proactively moved to seek a chance for normalization, which was one of its last unresolved post-World War Two diplomatic issues. Kanemaru Shin, a kingmaker in Japanese politics, led a group of politicians, composed of Diet members from the Liberal Democratic Party (LDP) and the Japan Socialist Party (JSP), to Pyongyang in September 1990. At the conclusion of the visit, the Workers' Party of Korea (WPK), the LDP, and the JSP laid out the "Joint Declaration of Three Parties."¹¹⁾ While the declaration became the basic document with which eight rounds of DPRK-Japan normalization talks were held between January 1991 and November 1992, the normalization talks were unable to bring about any tangible result, owing to the controversy surrounding the alleged abduction of Japanese nationals by North Korean agents and the clandestine nuclear program in North Korea.

Pyongyang made its best efforts to improve its relations, if not normalize, with Washington also. Its underlying reason for the improvement was to resolve the tension caused by the national division, the US-imposed economic sanctions, and the US military presence in the South. On 26 September 1991, Kim Il Sung stated that North Korea wanted to end adversarial relations with the US if the latter would abandon its confrontational stance.¹²⁾ Kim stated that it would

11) For the details of the visit, see Tanabe Makoto, "Yato gaiko no rekisiteki seika: Niccho kankei no atarasii jyuuritsu" [The Historic Diplomatic Achievement by the Opposition Party: Establishment of a New Era in the Japan-DPRK Relationship], *Gekkan Shakaito* [Monthly Japan Socialist Party] (December 1990).

12) *Nodong Simmun*, November 11, 1991.

be necessary to normalize the US-DPRK relations and that North Korea was prepared to cooperate with the US to resolve bilateral concerns such as the repatriation of the remains of American soldiers and third party inspection of the controversial nuclear program.¹³⁾ Just as the case of the DPRK-Japan talks, the North Korean overtures toward the US were complicated by different views on the nuclear program.

Feeling helpless and further isolated, Pyongyang came to consider the nuclear program as a valuable asset to break the diplomatic impasse. The DPRK had harboured nuclear ambitions for a long time, perhaps from 1956 at the earliest.¹⁴⁾ But escalation of the tension centered on the nuclear program was attributable to the diplomatic isolation in general and the betrayal by China in particular. To respond, North Korea tried to strike a deal with its primary enemy the US, and Kim Il Sung used nuclear brinkmanship. In defiance to the International Atomic Energy Agency's demand for inspections of the nuclear facilities, North Korea declared withdrawal of its membership from the Treaty of Nuclear Nonproliferation in 1993.

At this critical juncture of "the first nuclear crisis", it is known that China played a low-key role. Former US president Jimmy Carter's visit to Pyongyang in June 1994-and the international broadcasting of his talks with Kim Il Sung on a boat on the Taedong river running through

13) *Nodong Sinmun*, April 18, 1992.

14) Balazs Szalontai and Sergey Radchenko, "North Korea's Efforts to Acquire Nuclear Technology and Nuclear Weapons: Evidence from Russian and Hungarian Archives," Woodrow Wilson International Center for Scholars, Cold War International History Project, Working Paper 53, August 2006; Joel S. Wit, Daniel B. Poneman, and Robert L. Gallucci, *Going Critical: The First North Korean Nuclear Crisis* (Washington DC: Brookings Institution Press, 2004), 2.

the capital of this clandestine country-featured a dramatic moment in the thawing of the crisis. Behind this improving situation, there was Beijing's inducement of Pyongyang to go on talks with Washington; in turn, this role accompanied Washington's offer to ease sanctions on Beijing which was applied in relation to the Tiananmen incident.¹⁵⁾

There seemed to be a couple of reasons, other than the receiving of the US offer to lift sanctions, that stimulated China to play such a positive role in relation to the North Korean nuclear crisis. First, Beijing might have aimed to demonstrate its influence on critical regional issues to Washington. Second, China did not want any possibility of the use of force by the US. Indeed the US prepared the scenario for a pre-emptive strike on the nuclear facilities.¹⁶⁾ If the US scenario was realized, China was unsure of the safety of the DPRK, which still retained a certain strategic value for China.

During the national crisis in North Korea from the middle to the end of the 1990s, owing to Kim Il Sung's death and the famine, China was one of the most generous providers of food aid. There is no official statistics to show the exact amount of food that trickled into North Korea; however, it is said that China annually provided North Korea with more than one million metric tons of grain products, either through export or humanitarian aid, in the second half of the 1990s (In 1996 and 1997, the amount reached two million tons each year).¹⁷⁾ This amount was equivalent to one-fifth of the

15) James Mann, *About Face: A History of America's Curious Relationship with China, from Nixon to Clinton* (New York: Vintage Books, 2006), 288.

16) Oberdorfer, *Two Koreas*, 311-316.

food consumption minimally necessary in North Korea. A notable point is that despite China's food supply, there was little evidence that the bilateral relations improved significantly. North Korea came to request Chinese assistance more and more, whereas China demanded that North Korea adopt policy reform in agriculture, which in turn would lower China's economic burden to sustain the crippling neighbour.¹⁸⁾ There was tension between the unmet North Korean request and the Chinese demand; as early as 1996, the tension between the two countries escalated to the level that North Korea threatened to use the sensitive Taiwan card by initiating talks about the opening of Pyongyang-Taipei air links and in response China threatened to halt food aid.¹⁹⁾ Even though the tension abated as North Korea stopped the talks, the development certainly reflected Pyongyang's discontent and distrust toward Beijing.

The China-DPRK relations slightly warmed up at the end of the 1990s, although there was no sign of returning to the level that had been seen in the period of Mao Zedong and Zhou Enlai in China and Kim Il Sung in North Korea. Kim Yong Nam—who was second to Kim Jong Il and was the nominal state representative (the Chairman of the Standing Committee of the Supreme People's Assembly)—visited Beijing in June 1999 to mend the deteriorated relations. This visit was

17) Imamura Hiroko, *Chugoku kara mita Kitachosen keizai zijo* [North Korean Economic Situation, Chinese Perspective] (Tokyo: Asahi Shimbunsha, 2000), 154.

18) You Ji, "China and North Korea: A Fragile Relationship of Strategic Convenience," *Journal of Contemporary China*, vol. 10, issue 28 (2001), 390.

19) Andrew Scobell, "China and North Korea: From Comrades-In-Arms to Allies at Arm's Length," Monograph, Strategic Studies Institute of U.S. Army War College, March 1, 2005, 5.

the first one by a high-ranking North Korean official on or above the prime-minister level in eight years. The background of the visit were, first, Pyongyang's attempts at securing Beijing's continuous support before accommodating Seoul's engagement approach toward the North, called "Sunshine policy," and second, Beijing's efforts to deliver Pyongyang a message of providing continuous care and attention. The DPRK's efforts of befriending China again, and vice versa, ostensibly contributed to Kim Jong Il's visit to China in May 2000, a month before the historic inter-Korean summit. The visit occurred seventeen years after his unofficial trip there in June 1983, when he was the heir apparent to his father Kim Il Sung. In addition to coordination of the political issue, Kim surveyed Chinese reform in general and the advancement of the information technology industry in particular, weighing its feasibility for his own country.

Under the surface of North Korea's friendly overtures toward China, there existed Kim Jong Il's continuous dream of a nuclear state. At the occasion of US envoy James Kelly's visit to Pyongyang in October 2002, Pyongyang allegedly admitted-even if it rejected the admission later-its development of an enriched uranium program, another nuclear program that brought about "the second nuclear crisis" on the Korean peninsula.

China did not stand in defence of North Korea over this renewed crisis. In February 2003, China turned off the pipeline delivering oil to North Korea for three days for a technical reason. Observers viewed this incident as China's deliberate act to deliver a warning message to Pyongyang and to evince its possession of a

political leverage to Washington in relation to the North Korea policy. At the same time, the Chinese leadership started tightening border control by deploying 150,000 PLA forces in the northeastern provinces neighbouring the North Korean border in September 2003.²⁰⁾ Furthermore, China and North Korea, presumably with the Chinese side's demand, concluded the Border Control Agreement in June 2004.²¹⁾ China apparently wanted to prevent any unpredictable situation, such as a massive influx of refugees from its neighbour, during this critical juncture of escalating tension on the peninsula.²²⁾ North Korean refugees have already caused a major border problem since the famine in the mid-1990s. The UNHCR estimated that 100,000 North Koreans resided in China in 2003. Any instability of the regime in North Korea may cause a rapid increase in the number of refugees to the level that the Chinese local government is unable to control. The Chinese government tightened the border control since the Beijing Olympics in 2008, so that the number of North Koreans who successively crossed the border dropped significantly.²³⁾ At any rate, Beijing's efforts to enhance the border control apparently deepened Pyongyang's mistrust of its old supporter.

On the other hand, the rising China, both in economic and

20) Gregory J. Moore, "How North Korea Threatens China's Interests," *International Relations of the Asia-Pacific*, vol. 8, no. 1 (2008), 8-9; Scott Snyder and Joel Wit, "Chinese Views: Breaking the Stalemate on the Korean Peninsula," United States Institute of Peace, Special Report 183, February 2007, 6-7.

21) *Yonhap News*, July 2, 2004.

22) International Crisis Group, "Perilous Journeys: The Flight of North Koreans in China and Beyond," *Asia Report* 122, October 26, 2006, 10.

23) *Yonhap News*, January 5, 2009.

diplomatic senses, started a “conflict management role” between the DPRK and the US in order to resolve the nuclear crisis.²⁴ In April 2003, China arranged direct talks in Beijing between the two adversaries for the first time after the eruption of the second nuclear crisis. Since stakes concerning the North Korean nuclear issue were not limited to the three countries but extended to Japan, Russia, and South Korea, China developed the three-way talks to the Six-Party Talks in August 2003 and has continued to chair the new negotiation mechanism.

Despite the diplomatic mediation, China took a strict stance on North Korea’s destabilizing behaviour. When North Korea launched seven missiles over the north of the East Sea (or the Sea of Japan) in July 2006, China considered this act detrimental to the Six-Party Talks, through which it aimed at both maintaining its influence on the peninsula in particular and instituting its “peaceful rise” in international relations in general. China, along with Russia, did not exercise its veto at the United Nations Security Council (UNSC) but participated in the concluding the U.S. and Japan-initiated UNSC Resolution 1695, which condemned the provocative behaviour and called all the UN member countries to prevent the transfer of missile-related technology and products to North Korea. While not referring to Chapter 7 of the UN Charter, which authorizes the use of force in enforcing sanctions, the resolution amounted to the sternest warning to North Korea probably since the Korean War.

24) Samuel S. Kim, “China’s New Role in the Nuclear Confrontation,” *Asian Perspective*, vol. 28, no. 4 (2004), 151; Andrew Scobell, “China and Inter-Korean Relations,” in Samuel S. Kim, ed., *Inter-Korean Relations: Problems and Prospects* (New York: Palgrave, 2004), 85.

North Korea conducted an underground nuclear test in October, only three months after the missile firings. The test was apparently aimed at protection of the country from a possible use of force by the US, in general, and to coerce the US into lifting the financial sanctions on North Korean bank accounts at the Banco Delta Asia in Macao, in particular.

The nuclear test was a grave shock to China. North Korea defied China's repeated advice to refrain from conducting the test. Moreover, Pyongyang offered the minimum diplomatic gesture to Beijing in relation to the notice of the test. While Russia was informed of the test two hours beforehand, China was given only twenty minutes warning about the test. In view of the fact that the nuclear test site in the northeast in North Korea is located only 130-150 kilometres from the Russian border station Khasan, earlier warning to Russia was understandable.²⁵⁾ But the short notice to China, as well as the rejection of repeated Chinese advice, was an apparent indicator of Pyongyang's discontent with and distrust of Beijing. This interpretation was confirmed by the fact that Kim Jong Il refused to meet ten Beijing delegates to Pyongyang, led by Vice Premier Hui Liangyu and Vice Foreign Minister Wu Dawei, just before the critical voting in the UNSC on 15th July in relation to the missile launches.²⁶⁾

The DPRK's nuclear test had a directly damaging effect to the interests of a rising China. The Chinese fear did not lie in North

25) Leszek Buszynski, "Russia and North Korea: The Dilemma of Engagement," in Sung Chull Kim and David C. Kang, eds., *Engagement with North Korea* (Albany: State University of New York Press, 2009 forthcoming).

Korea's possession of nuclear capability per se, but in the expectations of Japan's proactive moves with regard to security affairs: possible nuclear armament and the strengthening US-Japan alliance. Indeed, leading conservative politicians in Japan tried to fuel public debates about a need for nuclear armament. LDP Policy Research Council Chairman Nakagawa Shoichi and Foreign Minister Aso Taro became forerunners of calling for the public debates.²⁷⁾ While the debates were unable to invoke extended domestic attention not only because of vivid memories of the Hiroshima-Nagasaki atomic-bombing experience but also because of the repeated US guarantee of the nuclear umbrella for Japanese security,²⁸⁾ deliberations on a nuclear future in the Tokyo's policy circle came to be no longer taboo.²⁹⁾ To make the case worse in Chinese eyes, the Japanese government came to expedite cooperation with the US for the ship-based missile defence system, which was already a critical issue in the China-Japan security dilemma.³⁰⁾ Also, the Japanese government, in accordance with the American posture of initiating the

26) Frank Ching, "North Korea's Waning Respect for China," *Japan Times*, July 28, 2006; B. C. Koh, "North Korea's Missile Launches and the Six-Party Talks," Nautilus Institute, Policy Forum Online 06-72A, August 30, 2006. <http://www.nautilus.org/fora/security/0672Koh.html#sect2>.

27) *Japan Times*, October 29, 2006.

28) Liu Lin, "The North Korean Nuclear Test and Its Implications," Central Asia-Caucasus Institute, Silk Road Studies Program, Silk Road Paper, November 2006, 25-26.

29) Emma Chanlett-Avery and Mary Beth Nikitin, "Japan's Nuclear Future: Policy Debate, Prospects, and U.S. Interests," CRS Report to Congress, May 9, 2008. <http://www.nautilus.org/fora/security/08058CRS.pdf>.

30) Thomas J. Christensen, "China, the U.S.-Japan Alliance, and the Security Dilemma," in G. John Ikenberry and Michael Mastanduno, eds., *International Relations Theory and the Asia-Pacific* (New York: Columbia University Press, 2003), 35-45.

Proliferation Security Initiative, started an inquiry into the feasibility of applying to North Korea the War-Contingency Laws³¹⁾ and examined whether or not it should adopt a special law for interdiction and inspection of North Korean vessels in international waters.³²⁾ Therefore, there is no doubt that Pyongyang's nuclear test was a serious defiance against Beijing that was already concerned about Tokyo's extended security posture in the international arena.

There was another reason why the DPRK's nuclear test would complicate Chinese interests. Pyongyang's nuclear development proceeded at the expense of its economic recovery. If North Korea would continue the nuclear development, then it must bear the brunt of economic sanctions by the US-led coalitions while being unable to induce any meaningful international aid. Then, the worsening economy and the ensuing political and social disorder would probably burden China. A huge number of North Korean refugees crossing the 1,400-kilometer border into Chinese territory would create a devastating humanitarian situation; this situation in turn would put Beijing in a dilemma of how to handle the relations with the countries retaining major concerns in this regard.³³⁾ That is,

31) The Diet enacted the War-Contingency Laws in 2003 and 2004. The laws, supplementing a set of three laws enacted a year earlier, were intended to facilitate cooperation between Self-Defense Forces and U.S. forces and to permit Japan's execution of certain domestic measures in case of an emergency.

32) Mark J. Valencia, "Maritime Interdiction of North Korean WMD Trade: Who Will Do What?" Northeast Asia Peace and Security Network, Policy Forum Online, November 3, 2006, <http://www.nautilus.org/fora/security/0698Valencia.html>.

33) Zhenqiang Pan, "DPRK Nuclear Crisis in the Changing Northeast Asian Environment," in Korea Institute for National Unification, ed., *The Vision for East Asia in the 21st Century and the Korean Peninsula* (Seoul: KINU, 2008), 86-87.

North Korean nuclear development would not limit to a simple economic burden to China but extend to humanitarian and diplomatic problems and even jeopardize the security environment.

The Chinese response to the North Korean nuclear test was swift and determined. Only two hours after the test China issued a statement characterizing it as “brazen.”³⁴⁾ Then, China joined the United States and Japan for the introduction of a punitive resolution against North Korea. At the initial stage of drafting a UNSC resolution, China refused to accept Japan’s insistence on quoting Article 42 of UN Charter 7 that stipulates the use of force.³⁵⁾ China, however, supported the UNSC Resolution 1718, which included unprecedented coercive provisions, such as inspection of vessels and financial sanctions in order to prohibit transfer of WMD-related materials and an export ban on luxury goods in order to pressure North Korean elite.³⁶⁾ Furthermore, the Chinese government made it clear that it was not ready to lift the UNSC-led sanctions even when the Six-Party Talks produced some progress on North Korea’s denuclearization in 2007 through 2008. For example, Chinese ambassador to the UN Wang Guangya suggested in July 2008 that Beijing should not propose an end to the sanctions on Pyongyang until the end of the

34) International Crisis Group, “North Korea’s Nuclear Test: The Fallout,” Asia Briefing 56, November 13, 2006, 9.

35) The United States and Japan coordinated the sanction issue in early October 2006, on the occasion of Japanese vice foreign minister Yachi Shotaro’s visit to Washington DC. They already discussed about a possibility of applying Chapter 7 of the UN Charter, which stipulates military options as well as economic sanctions, in case North Korea would go ahead with a nuclear test. *Japan Times*, October 6, 2006.

36) *Yomiuri Shimbum*, October 16, 2006.

year.³⁷⁾ Wang's suggestion indicates that China became more careful and cautious in dealing with North Korea than ever before.

It is noteworthy that China came to reassess the value of the DPRK, concerning the question of whether North Korea is a "strategic asset" or "liability."³⁸⁾ Differing views with regard to this question has merged to reach the following points: on the one hand, a rising China has no other way but to prop up North Korea in order to avoid the costs of an implosion or explosion of the regime;³⁹⁾ on the other, China is no longer obliged to follow old commitments, such as the China-DPRK security treaty that has been effective since 1961.⁴⁰⁾ It seems that a preliminary consensus spins around the position that China does not have to be constrained by the article of automatic engagement in case of war. The best strategic choice for Beijing would be to retain *ambiguity* on this point in order to maximize the utility of Chinese leverage over the North Korea issue: Beijing would neither officially refute the effect of the treaty nor reiterate its commitment to the treaty. The Chinese government would make its utmost efforts for a peaceful solution to the nuclear issue and work with the US for the solution, but probably it would not need to challenge, in the worst case, a US pre-emptive military action over the

37) Jung Ha-won, "China Backs off on Easing Sanctions on the North," *JoongAng Ilbo*, July 7, 2008.

38) Snyder and Wit, "Chinese Views: Breaking the Stalemate on the Korean Peninsula," 1-2.

39) International Crisis Group, "China and North Korea: Comrades Forever?" Asia Report 112, February 1, 2006, 29-30.

40) Bonnie Glaser, Scott Snyder, and John S. Park, "Keeping an Eye on an Unruly Neighbor: Chinese Views of Economic Reform and Stability in North Korea," United States Institute of Peace, Working Paper, January 3, 2008, 8-9.

nuclear facilities at Yongbyon in North Korea, Beijing would counter Washington on the Taiwan issue, but it would not be able to shield North Korea at the sacrifice of national interests.⁴¹⁾ On the other hand, China would not have to state that the treaty no longer obtains. As soon as the end of the treaty is declared, the value of China would have dropped significantly. The declaration may provide the wrong message that North Korea is being abandoned by China and that the US is safe in taking military action against the North.

As to the China-DPRK security treaty, the North Korean side has employed strategic ambiguity more adroitly than China has done. Perceiving it partly “convenient fiction” and partly “convenient fact,” North Korea has never suggested revision nor attempted to abrogate it.⁴²⁾ More important, as the U.S.-DPRK relations centred on the nuclear issue have improved particularly by the February agreement at the Six-Party Talks in 2007, which stipulates initial steps of dismantlement of the nuclear program; changes in North Korea’s attitude toward China and the United States have irritated the Beijing leadership. Despite no open diplomatic provocation against China, North Korea has intended to limit Chinese influence in the future process of stabilization of the Korean peninsula. There is a remarkable example: at the joint

41) It is clear that significance of the North Korean issue to China cannot be comparable to the Taiwan issue, which China considers the top “domestic” issue that may not be exchanged with anything. Yiwei Wang, “China’s Role in Dealing with the North Korean Nuclear Issue,” *Korea Observer*, vol. 36, no. 3 (Autumn 2005), 470.

42) Samuel Kim, “Sino-North Korean Relations,” in Young Whan Kihl and Hong Nack Kim, eds., *North Korea*, 188.

statement declared as an outcome of the inter-Korean summit between Kim Jong Il and Roh Moo Hyun on October 4, 2007, a statement was included that “The South and the North have also agreed to work together to advance the matter of having the leaders of the three or four parties directly concerned to convene on the peninsula and declare an end to the war.”⁴³⁾ The statement reflected South Korea’s strong desire for a legal end to the Korean War and for the replacement of the existing armistice agreement with a peace treaty. Then, what does it mean by the “three or four” parties? In the case of three, the statement is meant to include the two Koreas and the United States but exclude China, whereas in case of four, it accommodates China as well. It seems that the skilfully worded statement reflected North Korea’s strategic deliberation. Considering the Roh administration’s efforts for notching up the China-ROK relations, South Korea had no reason to exclude China in any future multilateral talks to legally end the war.⁴⁴⁾ No doubt the Chinese side protested against the inclusion of the curious phrase.⁴⁵⁾

China-DPRK relations were further soured by North Korea’s second nuclear test on May 25, 2009. To North Korea’s rocket launch, an alleged ballistic-missile test, on April 5, China stood in defence of North Korea that insisted on freedom of space development. Owing to Chinese lenient position, the UNSC simply adopted a president’s

43) *People’s Daily Online*, October 4, 2007.

44) *Chosun Ilbo*, October 8, 2007.

45) Fei-Ling Wang, “Looking East: China’s Policy towards the Korean Peninsula,” in Sung Chull Kim and David Kang, eds., *Engagement with North Korea*.

statement instead of a legally stronger UNSC resolution. However, the Chinese position about North Korea's nuclear test in May was determined. Right after the test, the foreign ministry released a statement that "the Chinese government is resolutely opposed to it."⁴⁶⁾ Echoing this statement, Ma Xiaotian, deputy chief of general staff of the PLA, stated that: "Our stand on the issue is consistent. We are resolutely opposed to nuclear proliferation."⁴⁷⁾ Furthermore, the Chinese government has taken actions of distancing its relationship with the North; it stopped sending its own government officials and receiving North Korean officials, a measure that was followed by North Korea's suspension of imports of some PRC-made computers and televisions.⁴⁸⁾ With the second nuclear test, North Korea apparently aimed at renewing the attention of the United States, whereas it ignored ramifications of the test over the Chinese national interest. Is North Korea eventually intended to achieve an equidistance strategy toward the United States and China, similar to the one that North Korea took toward the Soviet Union and China during the Cold War? As time passes, it will become clearer.

Learning Chinese Reform, Not Following It

When North Korea undertook economic adjustment measures in July 2002, there were speculations that this clandestine

⁴⁶⁾ *People's Daily Online*, May 25, 2009.

⁴⁷⁾ *Asian News*, May 30, 2009, <http://www.asianews.it/view4print.php?l=en&art=15390>.

⁴⁸⁾ *Yonhap News*, May 31, 2009.

socialist country would follow the path that China had adopted since 1978. However, from the Chinese perspective and other observers' viewpoints, the North Korean measure still remains insufficient to be called a Chinese-type market transition. North Korea has studied and learned from the Chinese reform for more than twenty years, but it has not emulated or adopted it as a policy with which Pyongyang models economic growth and national development.

North Korea's learning, particularly Kim Jong Il's surveying, of the Chinese path may be traced back to his unofficial visit to China in 1983—three years after the Sixth Congress of the WPK where he officially rose next to his father Kim Il Sung and became the heir apparent. During Kim Jong Il's visit, Hu Yaobang, then the general secretary of the Chinese Communist Party, had suggested that North Korea promote its nascent tourist industry. While Hu regarded the tourist industry as the first trial of opening-up of the clandestine country to the world without any large initial investment, Kim was impressed by the profitability of the industry, particularly an influx of foreign currency like U.S. dollars.⁴⁹⁾

Taking Hu Yaobang's advice, Kim Jong Il envisioned a limited opening in the geographical sense. Kim intended to open up some specific areas, that is, to create special economic zones. While pointing out the difference in territorial size between China and North Korea, he outlined a plan for the opening-up of a few spots,

49) Choe Un Hui and Sin Sang Ok, *Kim Jong Il Wangguk* [The Kingdom of Kim Jong Il] (Seoul: Dong-A Ilbosa, 1988), 244-245.

such as Chongjin City and Kwangwon Province. Kim was quoted as saying that unlike the Chinese case, the North Korean territory is so small that it could be easily “contaminated” by outside influences. Kim considered particularly the South Korean effect a major threat in view of the half-century long national division, military confrontation, and competition between the two Koreas.⁵⁰⁾

The “limited opening-up” underwent tests in the 1980s and 1990s. First of all, North Korea adopted the Law for Joint Venture in September 1984 to attract foreign capital without the risk of debt, from which North Korea had suffered in the second half of the 1970s. The law apparently imitated the Chinese law enacted in 1979 and was surprisingly progressive in a sense. The law permitted overseas Koreans, particularly Korean residents in Japan, to be potential partners in the joint venture projects, while the Chinese law contained no such provision. The North Korean law allowed a wide range of joint ventures including construction, transportation, science, technology, and tourism, whereas the Chinese law favoured those foreign technologies and facilities that could meet Chinese demand. While adopting the law, North Korea, however, tried to warn of the negative effects of the opening-up, propagating anti-capitalist slogans. Immediately after passing the legislation, a series of articles in *Nodong Sinmun* (WPK’s daily newspaper) in September and October stressed dangers of “capitalist influence” and “imperialist reactionism” and

50) Sung Chull Kim, *North Korea under Kim Jong Il: From Consolidation to Systemic Dissonance* (Albany: State University of New York Press, 2006), 134.

placed priority on economic relations with socialist allies.⁵¹⁾ Consequently, the number of joint ventures established, the number of countries involved, and the size of joint ventures initiated did not measure up to the expectations of the top leaders. Most of the foreign partners belonged to the DPRK-affiliated Korean residents in Japan.⁵²⁾

Another trial for the limited opening-up was observed in the early 1990s. When the United Nations Development Program announced in 1991 the Tuman River Area Development Program, involving Russian Far East, northeastern China and the northern corner of North Korea, the North Korean government responded swiftly. Decreeing the establishment of a free trade economic and trade zone in the Najing-Sonbong area, it called for the opening of three cities as international free ports: Najin, Sonbong, and Chongjin. North Korea apparently wanted to take an advantage of the reforming China and the access to the resources of the Russian Far East. Among the measures North Korea took for the opening-up, the most significant was the adoption of the Law for Foreigners' Investment in October 1992. This law was the first legal arrangement laying down overall principles and rules of investment and complementing the 1984 joint venture law.⁵³⁾ This particular initiative, however,

51) *Vantage Point*, August 1984, 20.

52) Tetsuo Murooka, "Prospects of Economic Cooperation between North Korea and Japan," in Center of North Korean Economy Study, Korea Development Institute, *Conditions for Investment in North Korea and Policy Considerations for Economic Cooperation between Two Koreas* (Seoul: KDI, 1993), 148.

53) Young Namkoong and Ho-Yeol Yoo, "North Korea's Economic System," in Tae Hwan Ok and Hong Yung Lee, eds., *Prospects for Change in North Korea* (Center for Korean Studies, Institute of East Asian Studies, University of California, Berkeley, 1994), 134-35.

concluded with North Korea's proclamation of "Socialism of Our Own Style," which was another variant of the official doctrine *Chuch'e* idea presented by Kim Il Sung and systematized by Kim Jong Il. Socialism of Our Own Style stressed uniqueness of North Korea in the development of socialism, critically analyzing the previous socialist countries' adherence to economic growth and the introduction of political pluralism.⁵⁴⁾ While Socialism in Our Own Style might be a defensive response in times of decaying world socialism, it raised doubts among observers whether the North Korean participation in the Tuman River program, particularly opening its northeastern ports, might result in any concrete outcomes.

Expectations about North Korea's learning from the Chinese path revived as the China-DPRK relationship was restored with Kim Jong Il's visit to Beijing and as the expectation about the development of inter-Korean relations heightened in 2000. Reflecting such attempts, North Korean media delivered a message that science and technology, in addition to ideology and military power, were an important impetus for the strong state.⁵⁵⁾

Kim's follow-up visit to China in January 2001 confirmed the North Korean interests particularly in the information technology industry. North Korea began to use the phrase "tanbon toyak" (leap once and for all), which was a skip-over strategy in kind. At that

54) Han S. Park, *North Korea: The Politics of Unconventional Wisdom* (Boulder and London: Lynne Rienner Publishers, 2002), 28-29.

55) "Let Us Uphold the Spirit of Valuing the Sciences and Build the Strong State," *Nodong Sinmun* and *Kulloja* on July 4, 2000.

visit, among the places Kim visited in Shanghai and Pudong New Area were Shanghai GM Automobile Company, Shanghai Huahong NEC Electronic Company, the Shanghai Stock Exchange, and Zhangjiang High-Tech Park. The dramatic development of these areas after the 1983 trip so much impressed Kim that he termed the change “a creation of earth and heaven,” meaning a cataclysmic change in eighteen years.⁵⁶⁾

In this context, the launch of the July 1 economic adjustment measures in 2002 brought a flurry of speculations about the path of the North Korean economy. The measures were considered reformist in a sense, which was intended to officially accommodate those elements already present in unofficial spheres. The government not only raised salaries by 18 to 25 times and increased the price of goods about three-fold on average, reflecting the actual price in the black market, but also introduced a responsibility method in the production and service sectors.⁵⁷⁾ Inasmuch as the July 1 measures were adopted after opening the border to the South Korean conglomerate Hyundai Asan for the building of the Kaesong industrial complex and the expansion of the Mt. Kumgang tourism project, observers generally regarded the development in North Korea as an initial stage of Chinese-type reform accompanied by an opening-up. However, the heightened expectations about the North Korean economic reform abated soon. The price rise was of no use at the official level, as inflation hit because

56) Sung Chull Kim, *North Korea under Kim Jong Il*, 190.

57) Remarkably the price of rice experienced a 550-fold increase. *Joong-Ang Ilbo*, July 19, 2002; *Korea Herald*, July 23, 2002.

of the limited supply of food and raw materials.⁵⁸⁾ The rudimentary form of responsibility method only survived to contribute to the production of daily necessities and the trading of them in a limited number of officially-approved markets as well as in black markets.⁵⁹⁾ But unlike the initial stage of the Chinese reform, subsequent measures to handle such deficiencies in the process of transforming the economy were hardly found in the North Korean case.⁶⁰⁾

Kim Jong Il's unofficial visit to China in January in 2006 renewed the speculation that North Korea might launch substantive reform measures. Kim's itinerary including Wuhan, Guangzhou, Zhuhai, and Shenzhen-which reminded observers and the media of Deng Xiaoping's historic southern tour in 1992-backed up the speculation.⁶¹⁾ In retrospect, however, the primary concern for Kim was to secure Chinese economic assistance and political support amid the US financial sanctions on North Korean bank accounts locked in the Banco Delta Asia.

In sum, the DPRK has learned reform and opening-up from China for more than two decades, but it has hesitated to extensively apply the learning to its own situation. Maintaining the perception of

58) Stephan Haggard and Marcus Noland, *Famine in North Korea: Markets, Aid, and Reform* (New York: Columbia University Press, 2007), 176-180.

59) Institute for Far Eastern Studies, "Pyongyang Residents Resort to Market Trading," NK Brief, March 13, 2007.

60) Bonnie Glaser and Chietigj Bajpae, "Inside North Korea: A Joint U.S.-Chinese Dialogue," United States Institute of Peace, USIPeace Briefing, January 2007.

61) Wonhyuk Lim, "Kim Jong Il's Southern Tour: Beijing Consensus with a North Korean Twist?" Brookings Institution, Korea-China Forum, February 13, 2006, http://www.brookings.edu/~media/Files/rc/articles/2006/0213china_lim/lim20060213.pdf.

being besieged by enemies, such as South Korea, the US and Japan, the DPRK has insisted on its own economic path. This stance was best illustrated at the inter-Korean summit held in October 2007, when Kim Jong Il strongly protested the ROK government's use of the terms "reform" and "opening."⁶²⁾ Indeed, all projects in North Korea, either planned by Kim Jong Il or South Korean business partners, have been undertaken in the "caged" format. Both the Mt. Kumgang tourism project and the Kaesong industrial complex-and the aborted plan of the Sinuju special administration region⁶³⁾-have been operating in confined spaces and with selected workers loyal to the regime.

China as Economic Sanctuary in Times of Sanctions

In examining the trend of Sino-DPRK relations, one may address the question whether Beijing is gaining a dominant position in Pyongyang's external economic relations. In trade and investment, the Chinese share has significantly increased since the early 2000s, undercutting that of Japan in particular. On the background of the increased Chinese share, there are Beijing-Pyongyang converging interest, international sanctions on Pyongyang, and Pyongyang's own efforts to increase commercial trade.

62) *Korea Times*, October 3, 2007.

63) For building a Hong Kong-type special administrative region just below the China-DPRK border, Kim Jong Il gave a full credence to the Chinese-Dutch free-wheeling broker Yang Bin, who proposed replacement of original residents with specially selected skilled workers to the region. But with the detainment of Yang by the Chinese police for the charges of tax evasion and corruption, the plan collapsed in October 2002, some weeks after its announcement. *Japan Times*, October 13, 2002.

The trend of North Korea's economic dependence on China is apparent. The China-DPRK trade volume has gradually increased in the 2000s, and the total volume in 2006 reached about 3.5 times that of 2000. What should be noted is that North Korea's trade with China has produced a significant deficit annually (see Table 1). A large portion of the deficit stems from the import of energy, that is, crude oil, more than 90 percent of which originated from China (In 2003, 2005, and 2006, all oil imports came from China!). In 2006, the oil import took 28.21 percent of the total amount of imports from China; the import of machinery and electronic items followed next, taking 14.7 percent. Notably the import volume of the oil and machinery and electronic items gradually increases and contributes to the rise of trade deficit.⁶⁴⁾

Table 1. North Korea's Trade with China

	(Thousand US\$)			
	Export	Import	Total	Balance
1998	57,313	355,705	413,018	-298,392
1999	41,709	328,660	370,369	-286,951
2000	32,214	450,824	488,038	-413,610
2001	166,797	570,660	737,457	-403,863
2002	270,685	467,309	737,994	-196,624
2003	395,344	627,583	1,022,927	-232,239
2004	585,703	799,503	1,385,206	-213,800
2005	499,157	1,081,184	1,580,341	-582,027
2006	467,718	1,231,886	1,699,604	-764,168

Source: Korea Trade-Investment Promotion Agency, <http://english.kotra.or.kr/wps/portal/dken>; Korea Industry and Trade Association, <http://www.kita.net>.

There are two reasons for the rise of import volume of machinery and electronic items. First, the import from China replaced those from Japan. Japan was traditionally a major supplier of those items to North Korea; however, the replacement took place as the Japanese government expanded trade sanctions on North Korea. The sanctions started with the revelation of the abduction issue and reached the level of embargo after the missile firings and the nuclear test in 2006. Second, the increase in the import of machinery and electronic items is partly attributed to the expansion of Chinese investment in North Korea, as discussed below, on the ground that the investment brings introduction of those items as production-related equipment in factories and mines.

The increasing Chinese economic influence lies also in the rapidly climbing investment in North Korea, particularly in the mining industry. The total amount of investment soared up to reach \$9 million in 2004, \$54 million in 2005, and \$59 million in the first half of 2006.⁶⁵⁾ As the fast economic growth in China trails increasing demands of mineral resources, North Korea becomes a target state for many Chinese enterprises especially those from the three northeast provinces: Heilongjiang, Jilin and Liaoning. While the investment scale in mineral mines still remains low-profile, the impact of investment in the North Korean economy grows.⁶⁶⁾ As

64) Choi Soo Young, *Pukchung kyongje kwangye hwakdae wa taeung pang'an* [The Increase in the DPRK-China Economic Relations] (Seoul: Korea Institute for National Unification, 2007), 31-32.

65) Choi Soo Young, *Pukchung kyongje kwangye hwakdae*, 49.

opposed to the North Korean state-owned enterprises equipped with old facilities and suffering from energy shortage, the government-supported or independent Chinese enterprises armed with advanced technology and capital have aggressively expanded investment in North Korean mines (see Table 2).

Table 2. Chinese Investment in North Korean Mines

Chinese Investor	DPRK Partner	Mineral Type	Cooperation Type	Contract
China National Metals and Minerals Import and Export Corporation	Ryongdung Coal Mine	Coal	Joint venture	October 2005
Development and Reform Committee of Jilin	Youth Copper Mine	Copper	Barter between electricity and mining rights	
Tonghua Iron and Steel Group Co. Ltd. in Jilin	Musan Iron	Iron ore	Fifty-year mining rights and ten million tons per year; \$900 million investment	February 2005
Guoda Gold Sharing Co. Ltd. of Sandong Province	Committee of External Economic Relations	Gold	Joint exploration and smelting	September 2004
Liuzhou Iron and Steel Company	Hyesan Copper Mine		51 percent stake; 15 year contract; \$26 million investment	January 2006
China National Offshore Oil Corporation		Oil in the Yellow Sea	Joint venture; \$500 million investment	December 2005
Henan Yima Coal Mining Group	Anju Coal Mining Association	Coal	Coal mine and coal-chemical projects	December 2008

66) Li Dunqiu, "DPRK's Reform and Sino-DPRK Economic Cooperation," Northeast Asia Peace and Security Network, Policy Forum Online, August 24, 2006. <http://www.nautilus.org/fora/security/0670Li.html>

Source: Chong Ui Jun, "Choegun Chungguk ui taebuktuja tonghyang punsok" [Analysis of the Trend of the Chinese Investment in North Korea], Issues of Northeast Asian Economy, Korea Development Bank Research Institute, April 2, 2007; Li Dunqiu, "DPRK's Reform and Sino-DPRK Economic Cooperation," Northeast Asia Peace and Security Network, Policy Forum Online, August 24, 2006, <http://www.nautilus.org/fora/security/0670Li.html>; *China Daily*, December 26, 2008.

The diplomatic isolation and economic sanctions, centred on the 2006 nuclear test and the Japanese sanctions, has rendered North Korea more reliant on China economically. However, it is premature to say that the North Korean economy has become dominated by China and its enterprises. Just as it had skilfully avoided dependence, both in economy and diplomacy, on either the Soviet Union or China during the Cold War period, so North Korea will be able to manage to ease the reliance if the US-DPRK relationship improves and in turn the tension abates on the Korean peninsula. In other words, the current trend of North Korea's economic dependence on China is not so significant as to overwhelm North Korea's independent political path.

Conclusion

As China has pursued a "co-manager" of global affairs as well a regional power, it has dealt with North Korea in a way different from that during the Cold War.⁶⁷⁾ With the end of the Cold War, Beijing has considered that a stable Korean peninsula may bring the best to bear on China's rise. China has employed a policy

toward the Korean peninsula for maintaining the status quo, taking a balanced approach to the two Koreas. In this regard, China has played a leading role to make progress in disablement of the nuclear program in North Korea in particular and denuclearization on the Korean peninsula in general, while mediating between the US and North Korea at the multilateral mechanism, the Six-Party Talks.

North Korea's survival strategy has been to explore new opportunities in its diplomacy, especially in the relationship with the US. Instead of giving full trust to China, North Korea has pursued an independent path, adopting even destabilizing means such as missile tests and two nuclear tests in 2006 and 2009. North Korea's provocative behaviour was directly attributable to the US financial sanctions on the North Korean accounts in Banco Delta Asia in Macao and to the UNSC punitive measures. Notably the innate intent of the North Korean provocation lay in the overcoming of diplomatic isolation in the post-Cold War era. For North Korea the *key* solution to its isolation lay in the US; North Korea used a kind of brinkmanship to make a breakthrough in the impasse. Pyongyang could not afford to care about Beijing's status quo policy toward the Korean peninsula at this juncture, but it is true that the North Korean nuclear test brought fallouts on Chinese national interests.

67) Quansheng Zhao, "Moving toward a Co-management Approach: China's Policy toward North Korea and Murooka, Tetsuo. "Prospects of Economic Cooperation between North Korea and Japan," in *Conditions for Investment in North Korea and Policy Considerations for Economic Cooperation between Two Koreas*, edited by Center of North Korean Economy Study, Korea Development Institute, Seoul: KDI, 1993.

To North Korea, China is no longer an ally in a traditional sense but is a pragmatic partner for maintaining the supply line of essential security-related resources, energy and food. For North Korea, China provides an exemplary case of economic development but not a model of reform to faithfully follow. Both China and North Korea still consider each other a valuable partner for their own differing interests. They have taken, however, diverging paths: China continues to rise while pursuing status quo on the Korean peninsula, whereas North Korea seeks survival through exploring new relationships with the US and eventually with Japan. The expansion of the magnitude of the divergence in their paths will be evident over a matter of time.

Whereas for Beijing status quo in the Korean peninsula means peaceful coexistence of the two Koreas, for Pyongyang it means a losing game in all sense. The empowered South Korea both economically and diplomatically is perceived by the North as a threat to its security, particularly of the regime under the ailing leader Kim Jong Il. In particular, the engagement policy taken in the past decade by the South Korean government has contributed to gradual, informal bottom-up transition of the society.

North Korea seems to have started harbouring an equidistance strategy toward the US and China, similar to one that North Korea took toward the Soviet Union and China during the Cold War period. This strategy will become a reality if the Obama administration undertakes normalised relations with the DPRK in conjuncture with the latter's denuclearisation. Will such change have a damaging effect on China? A viable and independent North Korea between China and the

US—even if this situation differs from the status quo at present—would not be considered harmful but rather beneficial to Chinese pursuit of a peaceful Korean peninsula and of regional cooperation in East Asia.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER FIVE

South Korea and the Rise of China:
Perception Gap between the Public
and Elite

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South Korea and the Rise of China: Perception Gap between the Public and Elite

Choo Jaewoo

The bilateral relationship between China and South Korea is often sanguinely viewed by many as excellent. However, the reality is that the relationship is fraught with problems. Since the two nations formally recognized each other in 1992, many analysts have extolled their burgeoning relations. Admittedly, their high marks were initially plausible until the perception gap between the South Korean public and state towards China widened in recent years.

The rosy view of bilateral ties can be attributed to at least two factors. First, Seoul's tacit acceptance of Beijing's principle of "separation of economics and politics" allowed South Koreans to open only one eye on growing economic relations while closing the

other on difficult political issues. Second, occasional high level exchanges and the ensuing rhetorical branding of the relationship as a partnership have given it a positive spin but the reality is that close political cooperation is still limited especially towards North Korea.

Nevertheless, challenges and difficulties in bilateral ties became more apparent in the new millennium. Chinese attempts to distort ancient Korean history of Koguryo, for instance, are claimed by the Beijing government not to have been concocted by the state, but rather by academics. Another example is the irresponsible and immoral practice of suspect food safety by Chinese manufacturers and exporters. Frequently, Chinese agricultural and fishery products are unsafe for human consumption, and often contaminated with the residue of chemicals and pesticides, and sometimes poisonous substances have been added to food products to make them heavier for higher prices and profit.¹⁾ Violent incidents that erupted also injured Korean public sentiments towards China.²⁾ An example was the physical clash between some Chinese and Koreans during the Beijing Olympics torch relay ceremony in Seoul. To rub salt to injury, Beijing's Ministry of Foreign Affairs spokesman claimed that

1) In addition to recent Melamine incident, food safety related incidents have been frequent in South Korea's relations with China. It first started out with one in which Korean customs discovered frozen crabs loaded with lead in August, 2000. Ever since then, fish stuffed with lead and other illegal substances, vegetables covered with residues of pesticides and insecticides, and parasites found in imported Chinese food product are some salient examples that would have a damaging effect on South Korea's public sentiment towards China.

2) An American observer treated these issues as a possible source for conflict. Timothy L. Savage, "South Korea-China Relations and the Future of North Korea," *Journal of Peace Studies*, Vol. 9, No. 4, 2008, pp. 395-407.

Chinese violent behaviour was legitimate for the right cause: protecting the “sacredness” of the torch.³⁾ Another case would be illegal fishing in Korean waters by Chinese fishing boats.⁴⁾ Pursuit of these intruders by the Korean coastguard often results in physical injuries and even deaths of Korean coastguards.⁵⁾

While these incidents invariably drew negative responses from the Korean public, the government in Seoul has refrained from taking any countermeasures to ameliorate the situation, which also drew much public criticism. The cross-effect of the contrasting attitudes by the public and the government is evidenced in the growing gap in their perception of China and its rise. From the public’s perspective, irrational and immoral Chinese behaviour can only be understood in the context of China’s ascent, assertiveness and arrogance. In the eyes of the Korean public, such disturbing behaviour is perceived to be the direct consequence of China rising. From the government’s perspective, it is not being passive but prudent in managing stable relations with Beijing. After all, Korean economic prosperity is now

3) In the Chinese version, the spokeswoman statement from 29 April 2008 press conference of the Chinese Ministry of Foreign Affairs, legitimizing the violent Chinese behaviour in Seoul was not read. The statement is available at <http://www.fmprc.gov.cn/chn/xwfw/fyrth/t430205.htm>. However, in a report by the Korean press, the Chinese spokeswoman’s legitimization was quoted. The Korean reporter was present at the press conference and the question on the Chinese government’s position on the incident was raised by a reporter from BBC. See, Jang Se-jong, “China’s double measuring of violence,” *Joong-ang Ilbo* (Joong-ang Daily), 1 May 2008.

4) Over the past four years (2004-08), 2000 Chinese illegal fishing boats were detained by the Korean Coast Guard, Shirong Chen, “China Acts in Water Disputes,” *BBC News*, 17 October 2008.

5) The latest incident with results of physical injuries for Korean coastguard’s occurred on September 23 and 25, 2008. One coastguardsman was killed and eight others were injured. Korea Coast Guard News, 2 October 2008 http://kcg.news.go.kr/kcg/jsp/kcg1_branch.jsp?_action=news_view&_property=&_id=155316641&currPage=1&_category=briefing_news (accessed: January 13, 2009)

dependent on the Chinese mainland. Therefore, public sentiment cannot overrule Korean national interest even if China's rise is perceived to be intertwined with heightened Chinese nationalism which fuelled the violence during the torch relay in Seoul.⁶⁾

Both the Korean state and society agree that Chinese influence is indeed rising. It is felt in all walks of life in South Korea as evidenced by statistics ranging from tourism to trade, from transportation to investment. Lately, Beijing's influence and hard power is further bolstered by the growth of its soft power. China's increasing influence is not necessarily welcomed by the Korean public. In contrast, the Korean government has taken a rather lenient approach, which is basically supported by the optimism shared by many in policymaking circles and academics. Contrasting views held by the Korean public and government on the rise of China and its soft power raise a serious set of questions: How will these views affect the future development of the bilateral relationship? Will the public's critical view have any impact on the outcome of the government's dealings with China? How much will public opinion matter? For public opinion to have any impact, it has to be consistent. Does the Korean public have a consistent view towards China? If not, why is it easily swayed from one end of the spectrum to the other? What are the causes behind this swing in opinion?

6) Editorials of major Korean newspapers expressed such views and concerns following the incident. See editorials in *Hankook Ilbo* (Hankook Daily) and *Joong-ang Ilbo* (Joong-ang Daily), 29 April 2008. In addition, many writers of Korean major newspapers also observed the Chinese violent behaviour in the same vein.

To answer these questions, this chapter will first review the significance of China to South Korea in historical and statistical context to substantiate the depth of the public's feelings towards China. Following that, empirical studies on the successive governments of the past decade are used to explain how much Seoul value the relationship with Beijing, and therefore, to suggest how tolerable the governments have been in relation to the aforementioned negative incidents, to the dismay of the Korean public. Then there will be a review of surveys with focus on the issue in question, i.e. China's rise and the Korean public's perception, followed by an analysis to see if there is a divide between members of the Korean epistemological community. If such a gap does indeed exist, to what extent does it exist and what is the impact of this gap on Seoul's China policy. In addition, there will be an attempt to identify significant implications arising from the changing discourse in Korean public perception of China.

Meaning of China to South Korea

To South Korea, an open and reformed China is indeed very appealing. Geographically, Korea is a peninsula off continental China, and historically a main gate to the Asian continent. Strategically, while the peninsula functions as China's buffer zone against maritime powers (e.g. the US and Japan), China's military forte and diplomatic influence still remain vital factors to the peace and stability of the peninsula. In the early years of the Cold War

period, China's military might effectively balanced against the US, and in later years against the former Soviet Union in conjunction with the US. In the post-Cold War era, an open China has learned how to sufficiently leverage its influence against the surrounding big powers to achieve a similar end, albeit not through hostile confrontation, but via promoting constructive engagement and cooperation.

Political ties

Such a change in Beijing's approach to international relations in general and Korean peninsula affairs in particular paid off dividends in its relations with Seoul. Hence, the bilateral relationship has blossomed since formal recognition in 1992. Within the span of fifteen years, Beijing has upgraded Seoul from a "good neighbour" to a "strategic cooperative partner" in its diplomatic lexicon.

Such a rapid development witnessed in the change of labels can be attributed to the following factors. First, the success of summit diplomacy made leaders of the two nations realize their growing importance to their mutual interests. All six heads of state (i.e. two Chinese and four Korean presidents) during the past decade or so have visited each other. Apart from reciprocal state visits by the head of state, the top leaders met frequently and held summit meetings on numerous occasions at various multilateral fora (e.g. APEC, ASEM, ASEAN+3) and other international venues (e.g. UN, G-20, Doha Forum, and Boao Forum). Second, frequent summits resulted in many high-level official meetings as a consequence of follow-up measures of the summits. Of all, the most noteworthy are strategic dialogues

launched in 2008, and economic ministerial meetings. High-level political exchanges and visits had positive effect on the promotion and development of the bilateral relationship in the political realm.

Military ties

Moreover, high-level military exchanges also contributed to a more comprehensive and balanced relationship. Military exchanges culminated with the first-ever visit by the Korean Defense Minister in 1999 and the reciprocal visit by his Chinese counterpart in 2000 to Beijing. Reciprocal visits were only possible after 1999 when Beijing claimed its relations with Pyongyang had “normalized.” The North Korean factor played a critical role in impeding the development of military relations, and it was explicitly stated so by Luo Bin, then Director, Chinese Defense Ministry’s Office of Foreign Affairs. Luo commented on bilateral military relations: “While (South) Korea can be active in promotion, China would like its development to be gradual and to be limited in a way not to provoke North Korea.”⁷⁾ Hence, prior to the ministerial visits, military exchanges were virtually limited in levels (i.e. working level) and content (e.g. policy discussions). While Korean high-level military personnel visited Beijing on a yearly basis from 1995-1998, China was able to send its counterpart to Seoul only on two occasions, 1996 and 1998. In 1996 the Chinese defence ministry dispatched its Foreign Affairs Bureau Director and in 1998, Deputy Chief of the General Staff.

7) Guen-ha Choi, “Proposals for Korea-China Military Exchanges and Cooperation,” Research Paper, (Seoul: Joint Staff College, Korea National Defense University, 2004), p. 44.

Since the ministerial visits in 1999 and 2000, military interactions have expanded despite China's alliance with North Korea. A few more visits by high-level military officials are noteworthy. The Korean defence minister visited Beijing in 2001, in addition to the Korean Navy Chief of Staff's visit in 2000, Army Chief of Staff in 2001, and Air Force Chief of Staff in 2002. The Chinese Air Force Commander returned the visit in the same year. The President of Korea National Defense University (KNDU) also visited China for the first time in 2002 and received a reciprocal visit by his Chinese university counterpart in the same year. Korea's defence minister visited China again on two more occasions in 2005 and 2007, while his Chinese counterpart made a reciprocal visit in 2006. The Chinese deputy assistant chief of the General Staff of the People's Liberation Army (PLA) also visited Seoul in 2003 and 2007, while the assistant chief of the General Staff did it in 2007.

Korean naval vessels visited China (i.e. Shanghai) for the first time in October 2001 and Chinese naval vessels reciprocated with a historical visit to Incheon in May 2002. A Chinese Air Force cargo plane made a historic landing in Korea in September 2002. In the education sector, Chinese National Defense University, for the first time, dispatched a group of students to their Korean counterpart in May 2000. Following this meaningful visit, China dispatched two more groups on two different occasions in 2001. Furthermore, China sent a delegation of military education officials to Korea in January 2002, and agreed to the education of its four officers at KNDU beginning in the second half of 2002. The military exchanges became

all-around and took a more comprehensive form after the visit by a PLA's logistics department officer (Chinese Deputy Director of General Logistics Department) in 2001.⁸⁾ Spill-over effect of high-level visits was obviously witnessed in the logistics sector. Moreover, Seoul and Beijing decided to hold the first South Korea-China diplomacy and military dialogue in October 2002 in the Chinese capital. In 2005 during President Hu Jintao's visit to Seoul, the leaders agreed to hold an annual dialogue regularly, and in June 2006, the second one was held in Seoul and the third in May 2007.

Establishing a military hotline became an official item for discussion during Premier Wen Jiabao's visit to Korea in April 2007 and was introduced the following year. The two nations also agreed to jointly exercise 'Search and Rescue (SAR)' missions, and when held, it will be the first joint exercise with significance in military terms. All these developments seemingly confirmed exclamations on their contribution to the quick transformation of bilateral relations into a "normal," more "comprehensive" and "balanced" one.

Economic ties

Economically, an open and modernizing China has been a boon to the South Korean economy. The total trade volume is indeed spectacular. One of the most used indicators to explain this phenomenon is often found in the total trade value, which made a

8) Do Hyung Ha, "Study on the Expansion of Korea-China Defense Exchange and Its Restrictive Factor: Focusing on the Factor of Korea's and China's Understanding toward North Korea," *Modern China Studies*, Vol. 9, No. 2, pp. 21.

quantum leap from \$6.4 billion in 1992 to \$145 billion in 2007, with an average annual growth rate of 30.46%.⁹⁾ The fast-surging increase in trade profoundly changed Korea's trade portfolio. In 2003 China surpassed the US as Korea's largest export market, and in the subsequent year, it displaced the US again as Korea's top trading partner. To date, China has remained a source of Korea's largest trade surplus.

What is more noteworthy is how fast it took to break the \$100 billion mark in 2006 after surpassing \$50 billion barely two years earlier. It is now anticipated that the \$200 billion mark will be realized before the original timeline of 2012. While the Chinese mainland is the largest destination for South Korean overseas investment, Korea is the fifth largest investor in China. China is host to more than 700,000 Korean workers and their families. As of 2007, there were more than 64,000 Korean students studying in China,¹⁰⁾ the largest among foreign students in that country. Of the people holding Chinese nationality and staying long-term in South Korea, 220,000 are ethnic Korean Chinese people.¹¹⁾ Flights by both nations' airlines connect 7 cities in Korea and 33 in China, and the number of shuttles counted is 830 flights per week (on a round-trip basis). The frequent flight schedule implies growing consumer

9) Institute for International Trade, Korea International Trade Association, "Korea-China Relations: Korea-China Trade Relations," available at http://kita.net/newtri2/china/relation/relation_01.jsp accessed on 2 January 2009, p. 1-2.

10) Korean Students Studying Abroad Supporting Team, 2008 Korean Students Overseas Survey (Seoul: National Institute for International Education, October 2008), p. 2.

11) China Briefing available in the homepage of Korean Embassy in China, accessed 2 January 2009.

demands, and can also account for the 4,78 million Koreans visiting China and 1,07 million Chinese visiting South Korea.¹²⁾

As can be read in <Table-1>, Korea's actual investment totals \$5.23 billion in 2007. Up to 2007, Korea's accumulated investment amounted to \$22.54 billion. China is the biggest destination for Korean investments. The total number of investments in China is recorded at 2,111, taking up 37.5% of Korea's total global investments. The total investment of 5.124 billion dollars makes up 25.6% of Korea's external investment total in 2007.

Table-1 Korea's global and China direct investment by number of projects and total amount and China's share in Korea's global investment, 2002-2007 (in actual terms).

Year	World		China		China's Portion	
	No. of projects	Investment amount (in \$ million)	No. of projects	Investment amount (in \$ million)	No. of projects (%)	Investment amount (%)
2002	2,492	3,708	1,384	1,033	55.5	27.9
2003	2,808	4,059	1,676	1,655	59.8	40.8
2004	3,767	6,003	2,146	2,309	57.0	38.5
2005	4,390	6,500	2,242	2,631	51.1	40.5
2006	5,188	10,773	2,300	3,336	44.3	31.0
2007	5,631	20,351	2,111	5,214	37.5	25.6

(Source: www.koreaexim.go.kr, recited from Institute for International Trade, Korea

12) Institute for International Trade, Korea International Trade Association, "Korea-China Relations: Korea-China Human Exchanges," available at http://kita.net/newtri2/china/relation/relation_01jsp accessed on 2 January 2009, p. 1.

International Trade Association, "Korea-China Relations: Korea-China investment," http://kita.net/newtri2/china/relation/relation_01.jsp accessed on January 2, 2009, p. 1.)

Embracing Chinese soft power at the national level

Since 1998, President Kim Dae Jung and his successors have been friendly towards China. Seoul's position can largely be attributed to changes in domestic politics and international relations. First, the outlook of both the Seoul and Beijing governments began to converge on a number of strategic concerns driven by their belief that such regional issues as the 1997-1998 Asian financial crisis, Korean peninsula peace question, the advent of the second North Korean nuclear crisis, and peaceful solution of international conflict in general, should be solved peacefully via diplomatic means (e.g. cooperation and engagement). Second, the US was a catalyst to the forging of a consensus in the strategic thinking of Korea and China. Washington's dramatic shift in its East Asian strategy to that of hardliner from engagement decisively contributed to the consensus-building process between Seoul and Beijing.

The advent of the Kim Dae Jung Presidency led Seoul to adopt the reconciliatory Sunshine Policy towards Pyongyang to forge perpetual peace in the Korean peninsula. In contrast to Washington and Tokyo, Beijing immediately offered its full support to the Sunshine policy. Furthermore, China also supported Korean reconciliation including the inter-Korean summit in June 2000.¹³⁾

Another factor that further contributed to the consensus-building in the strategic outlook of Seoul and Beijing was the American hard-line policy adopted with President George W. Bush's first term in the White House. Bush initially labelled China a strategic competitor, and North Korea a member of the Axis of Evil, along with Iran and Iraq. Washington adopted a hard-line policy towards Pyongyang in stark contrast to Seoul's Sunshine policy. Such a hard-line policy strained Korea-US relations and acted as an obstacle to Seoul's desire for peaceful solution of the nuclear crisis via the Six-party talks.¹⁴⁾ South Korea's perception was evidenced in the public survey conducted in 2006, for instance. A large majority of the public (73%) agreed that the North Korean nuclear problem should be solved peacefully through such diplomatic efforts as the six-party talks. A majority of them (55%) opposed American military measures to prevent the North from having nuclear weapons, albeit 44% did not oppose it either.¹⁵⁾

Chinese support for the Sunshine Policy resulted in warmer political relations between Seoul and Beijing. The latter's extensive support triggered "New Thinking" in South Korea's

13) Xiaosong Li, "Ten Years of China-South Korea Relations and Beijing's View on Korean Reunification," *Journal of East Asian Affairs*, Vol. 16, No. 2, Fall 2002, pp. 315-351.

14) The negative effect of Bush administration's hard-line policy to North Korea on the latter point was also observed by some Chinese analysts, Zhu, "*Liufang huitan yu chaoxian qihe* (Six-party talks and North Korea's denuclearization), p.158.

15) Sook-jong Lee, et al, "East Asia Institute (EAI), Global Views 2006 (1): Korean Views on the World," *EAI Public Opinion Briefing*, No. 2, 13 December 2006 at <http://www.eai.or.kr/korean/project/mainscr/projectDBView.asp?SEQ=261>, p.10. Accessed on 1 December 2008.

strategic outlook. It basically offered Seoul an opportunity to pursue a “hedging” strategy in its national security planning. The prospect for this new strategic thinking seemed feasible then because of the heightened anti-Americanism in 2002 and 2003 in South Korea. Hence, the Roh Moo-hyun government seriously began to consider harnessing China as a potential hedging power against the US in East Asia. Such thinking literally served as the base line for the Roh government’s desire to transform the peninsula into a hub in both economics and commerce for Northeast Asia, as well as in a strategic sense. Furthermore, South Korea’s efforts to move closer to China were, in part, due to its wishful thinking of becoming a “balancer” in Northeast Asian affairs. Such wishful thinking was further reinforced by persistent anti-Americanism and favouritism towards China in the policy making circles within the Roh government.

Such sentiment was also prevalent in the 17th National Assembly when the ruling party captured the parliamentary majority in 2004.¹⁶⁾ The ruling Uri Party won 152 seats against the opposition Grand National Party’s (GNP) 121. Hence the distribution of the seats did not show much difference, and therefore, when asked about the ideology orientation that they held, the answers given by the surveyed Assemblymen can be somewhat misleading. As seen in <Figure-1>, of the 243 members surveyed, 46.3% regarded

16) According to a survey conducted in April 2004 among the ruling party Assemblymen, 63% of the ruling party representatives identified China as the nation to pay the most attention to, whereas 26% thought it was the US. “The Ruling Party Members’ Favor of China Drops to 12% from 63%,” *Maeil BusinessNewspaper*, 20 September 2004.

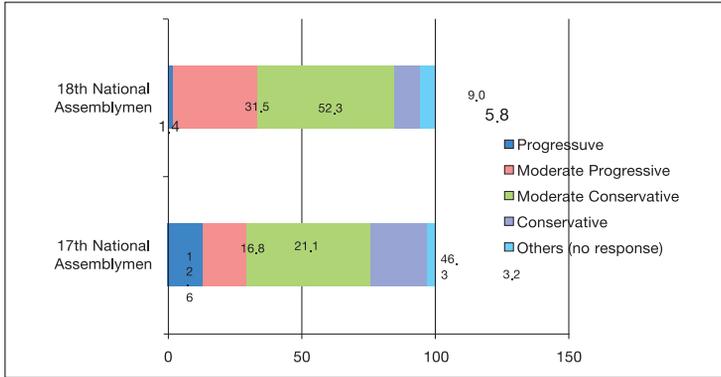
themselves as moderate conservatives. Only a moderate increase was witnessed in the survey results of the 18th National Assembly in April 2008; when 116 (52.3%) of the 220 correspondents regarded themselves as moderate conservatives, 70 members (31.5%) as moderate progressive, 20 (9%) conservative, and only 3 members (1.4%) assessed to be progressive.

These variations however do not seem to affect the views of those surveyed on the question of the most influential nation on the Korean peninsula. The majority in both assemblies seemed to agree that it would be the US. In particular, 137 members in the 18th National Assembly regarded the US to be the most influential nation on the future of the Korean peninsula, while 81 took note of China.

However, surveys within the party would show otherwise. When the newly elected 152 members of the former ruling party in the 17th Assembly - most of whom regarded themselves as progressives -- were asked to pick a nation that their country should focus with foremost priority, a large majority (63%) chose China, followed by the US (26%).¹⁷⁾

17) ASEAN was ranked third in importance, getting recognition from 5% of the ruling party members in the 17th Assembly and followed by EU with 3% and Japan 2%. "Foolish question by Open Woori Party," *Joong-ang Ilbo* (Joong-ang Daily), 7 May 2004.

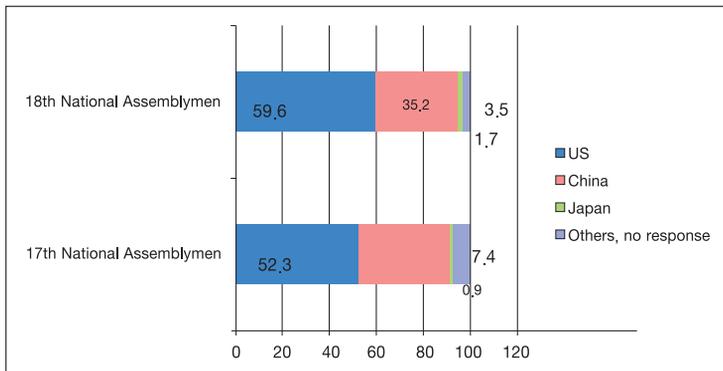
Figure-1 Ideological inclination of the 17th and 18th National Assemblymen (%)



(Source: *Dong-A Ilbo*, April 15, 2008)

(Note: When surveyed the 18th National Assemblymen, the term ‘moderate’ was omitted.)

Figure-2 Country that will have most influence on the future of the Korean peninsula (%)



(Source: *Dong-A Ilbo*, April 15, 2008).

Basically a dichotomy in South Korea's strategic thinking revolved around political parties --- conservative party (i.e. Grand National Party) and the progressive party (i.e. Uri Party, which is now renamed Democratic Party in 2007). In terms of their respective perceptions, it is also divided between China and the US as the progressives perceived the former as benign and beneficial to the South's interests whereas some conservatives have reservations about China.

The fundamental policy line in Korea's China policy consistently adopted by successive Presidencies from 1998-2007 might well change in tandem with a new conservative Presidency in December 2007. Lee Myong-bak, the new President, wanted to strengthen relations with the US. Presumably, China had to be concerned with the strategic implications of improved Korea-US relations. First, Beijing does not wish to see the US-South Korean alliance to be similarly upgraded like the US-Japan alliance. Secondly, Beijing is also concerned about South Korean participation in the US-led Proliferation Security Initiative (PSI) and the Theater Missile Defense (TMD) system. During the past two governments, Korea had strong reservations about all these military measures initiated by the US.¹⁸⁾ However, as early as during his presidential campaign period in 2007, President Lee already made it explicit that he will reconsider

18) China enjoyed South Korea's reservation over the TMD issue over the past decade. A study reveals China's concerns on the issue began as early as 1998. Heung-ho Moon, "China's Korean peninsula policy in the 21st century and Korea-China relations," *Korea Journal of International Studies*, Vol. 39, No. 2, 1999, p. 74.

them on the grounds that they were not given proper consideration as they were viewed to be provocative to North Korea, with potential to hamper inter-Korean relations. The Lee government has already decided in favour of limited participation in the PSI, and started its TMD review.

Last but not least, South Korea's shift towards the US is widely perceived by many in China in a "zero-sum" way.¹⁹⁾ Despite President Lee's denial that better relations with the US is at the expense of China, Beijing still holds the view that Lee's US-oriented policy will end up sacrificing Korea-China relations. Lee has emphatically made it known during and after the presidential election campaign that he cannot envisage such thinking in his government's policy towards Beijing. Lee defended his stance on the basis of his wholehearted acknowledgement on China's importance to South Korea as the relationship now with the Chinese mainland is indescribable without such adjectives as "biggest," "most," "best," and similar terms.²⁰⁾ President Lee is also well aware of the relative importance of cooperation with Beijing in pursuit of Pyongyang's denuclearization as well as preserving peace and stability on the Korean peninsula.

19) Interpretation by many Chinese that the notion of zero-sum game to the Lee government's efforts to focus more on relations with the U.S. will be at the cost of Korea's relations with China was denied and explained by the Korean Ambassador to China in May, 2008. *Yeonhap News Agency*, 8 May 2008.

20) Lee's China value was reiterated at his meeting on December 22, 2007 with the former Chinese Ambassador to Korea after getting elected to the presidency. *Chosun Ilbo* (Chosun Daily), 23 December 2007.

Although Lee has made it public that he values China's cooperation very much on the North Korean problems including the nuclear issue, his current stance on the subject seems to contradict his words. He reiterated that the foremost precondition for any improvement in ties with Pyongyang for his government must accord with full denuclearization of the North.²¹⁾ Lee's policy on Pyongyang did not receive much support from Beijing. The Lee government initially refused to provide humanitarian aid to the North even though the US resumed its assistance program to the North. Furthermore, Lee's apparent shift away from the Sunshine Policy has only increased inter-Korean tension--- the highest level in about a decade. Moreover, Seoul now seems to be heading in the opposite direction of Beijing's policy towards the Korean peninsula in general and the North's nuclear crisis in particular. The question remains how far the South will go in accommodating the US as a means to "re-strengthen" the alliance. If and when Seoul decides to fully serve the strategic and military interests of Washington, poorer ties with both Beijing and Pyongyang can be expected. Consequently, it will undermine the trust and confidence China and the North have in the South.

21) Such preconditions are well witnessed in President Lee Myong-bak's North Korean policy known as "Reform, Opening, and 3000." The fundamental logic behind this policy is articulated in the causal relationship between the North's complete and verifiable denuclearization and the South's full commitment to the North's economic building process with aims to achieve US\$3,000 per capita income level within a period of ten years hence after assisting the North with economic reforms and opening of the country. *Dong-a Ilbo* (Dong-a Daily), 21 December 2007.

South Korea's Public Perception

While successive Korean governments seem to appreciate the economic benefits of engaging China, the Korean public in recent times has increasingly thought otherwise. In the eyes of the Korean public, the rise of China is becoming a double-edged sword: it has brought along both economic benefits as well as assertive Chinese nationalism. Nationalism can surge as a political instrument either when a state is weak and bullied or when it gets stronger and wants to restore its lost pride and past glory. The Chinese case is obviously the latter. As Beijing gets stronger and aggregates more power through the success of its open door policy and economic reforms, it now has acquired sufficient material power and influence in international relations.

With the growing hard power at hand, Beijing naturally has shifted the focus of its power development program to soft power. However, a critical question remains in this process: Whether Chinese soft power will be tainted by its nationalism. Chinese nationalism is rooted in the history of China, a national sentiment to discharge China from the history of humiliation and shame experienced at the gunpoint of the West. It is also interest-driven. The Beijing leadership is harnessing nationalism as a political instrument to rally people's unity for the cause of social stability and order, and as a legitimizing substitute for its obsolete communist ideology.²²⁾

22) How soft power is debated in the Chinese media, public, and academic circles is well studied in Young Nam Cho and Jung Ho Jeong, "China's Soft Power: Discussions, Resources, and Prospects," *Asian Survey*, Vol. 48, No. 3, 2008, pp. 458-61.

As Beijing becomes a regional power, Chinese nationalism is displaying another characteristic: Revival of Sino-centrism spurred by growing nationalism is a cause of great concern to the neighbouring states of China. The consequence of this phenomenon is Beijing becoming more assertive and aggressive in affirming what it conceives is “China” and “Chinese” in the past.²³⁾ A strong China with rising soft power based on nationalism is a great concern to the regional order, regional structure, and history and sovereignty of regional states in East Asia. But there are limits to Beijing’s soft power despite the Korean assimilation of Chinese civilization in the past millennium. Take for example the Koguryo controversy. In the eyes of the Korean public, China is not very much better than Japan over historical facts after it was disclosed in June 2004 that the Chinese has been distorting and expropriating Korea’s ancient history of a kingdom known as Koguryo.²⁴⁾ Indeed, the Koguryo controversy has tarnished the image of China among many ordinary Koreans.²⁵⁾

Korean Public’s Attitude regarding the Relationship

23) Edward Cody, “China Gives No Ground in Spats Over History,” *Washington Post*, 22 September 2004, p. A25.

24) Kim Jung-yong, “Korea’s position on the distortion of history by China and Japan,” 29 September 2006, http://www.korea.net/News/Issues/issueDetailView.asp?board_no=13648&menu_code=A, accessed on 29 September 2006.

25) For detailed studies on Korean concerns toward China’s intent to distort the ancient history of Korea, refer to the followings: Jaewoo Choo, “Northeast Asia regionalism and China: From an outside-in perspective” in Wang Gungwu and Zheng Yongnian (eds), *China and the New International Order* (London: Routledge, 2008), pp. 226-30 and Peter Hay Gries, “The Koguryo Controversy, National Identity, and Sino-Korean Relations Today,” *East Asia: An International Quarterly*, Vol. 22, No. 4, 2005, pp. 3-17.

Negative public sentiments towards China were revealed in a September 2004 survey, conducted only three months after the Chinese attempt to rewrite Korea's ancient history. The Korea Broadcasting System (KBS), in collaboration with Media Research, surveyed the public's perception of the relationship with China to commemorate the 12th anniversary of the normalization of bilateral ties. Asked how the Korean public would define the bilateral relationship with China, surprisingly enough, 79.8% perceived it to be that between competitors. Moreover, 40.4% of them answered that they held favourable attitudes towards China whereas 58.2% did not.

When it was asked where Korea's external relations should be focused with emphasis on its economic interests, close to a majority (49.8%) agreed on China. However, 58.6% of South Koreans still value the US as the most for its security and diplomatic ties while only 28.7% found such a value in China.²⁶⁾ On the issue-specific front, priorities in the bilateral relationship with China were perceived to be in the order of economics and trade (49.0%), history distortion problem (20.2%), the six-party talks and Pyongyang's nuclear issue (12.7%). With regards to the question on the proper way of handling the history distortion problem on the Chinese part, only 26.6% sided with the government's posture on resolution via academic debates and compromise, whereas 69.7% disagreed and believed in the need for the government to undertake more assertive

26) "80% of the Koreans think 'China is not a partner but a competitor,'" *Yeonhap News*, 13 September 13, 2004.

action such as a legally binding agreement with China. If the history problem continues to worsen with the Chinese, 85.9% of the public saw a strong countermeasure necessary in solving the issue at all costs including diplomatic and economic conflicts.²⁷⁾ Koreans' attitude toward the history problem with China effectively proves the negative impact it had on Korean perceptions. Arguably, Korean nationalism has also mirrored Chinese nationalism over the Koguryo controversy. Simply put, the Koreans will not yield to the Chinese on this emotive historical dispute whether China is rising or not.

On the question of China's rise in relation to its economic impact on South Korea, a mixed sense of optimism and discomfort was particularly noticeable. According to the East Asia Institute of Korea's survey in collaboration with the Chicago Council on Global Affairs on the rise of China, 59% of Koreans see the rise of China on the economic front as mainly positive (mainly negative at 41%).²⁸⁾ A majority of the public (61%) believed that China's economy would eventually grow to be as large as that of the US while only 37% believed that the US economy will always stay larger than China's. 61% of Koreans do not trust Beijing to act responsibly in the world. Koreans rate China's influence as at 6.7 on a 10-point scale, compared to Japan's 6.5 and US at 8.5. Most Koreans think relations with China are either stable (47%) or getting better (38%). They showed fairly warm feelings about China and the US, 57 and 58 percent, respectively,

27) Ibid.

28) East Asia Institute and The Chicago Council on the Global Affairs, *Global Views 2006* (Seoul: East Asia Institute, 2006), p. 37.

and favour free trade with China (66%), higher than those who support such pacts with either the US (54%) or Japan (50%).²⁹⁾

Half of those surveyed in South Korea (50%) exhibited negative attitude towards Chinese influence, slightly lower than that towards the US (54%); 59% expressed negative sentiments towards Japan.³⁰⁾ In this regard, many South Koreans are wary of all great powers --- East or West. On the economic front and China's growing influence, when Koreans were asked how they viewed the prospect of Chinese economic influence on their own economic development, 57% of them expected it to have bad influence.

Beijing's Potential as a Threat

Regarding the prospect of China's rise and its consequent potential to become a threat to the national security of Korea, the aforementioned survey results showed that a large majority of the Koreans (68%) saw China's military rise as negative. Moreover, 88% of the public said it was either very likely (40%) that the growth of Chinese military power will be a potential source of conflict between

29) The Chicago Council on Global Affairs and World Public Opinion, *World Public Opinion 2007: Globalization and Trade, Climate Change, Genocide and Darfur, Future of the United Nations, US Leadership, and Rise of China*, 25 June 2007, available at http://www.thechicagocouncil.org/UserFiles/File/POS_Topline%20Reports/POS%202007_Global%20Issues/WPO_07%20full%20report.pdf p. 82.

30) So-hee Kwak, "Majorities hold negative views in Korea, US, and Japan on China's international influence," *EAI Latest News*, April 2, 2008, available at http://www.eai.or.kr/korean/project/pjBBS/pjbbbsView02.asp?seq=829&blockNum=1&pageNum=1&searchType=&searchText=&cat1_code=&cat2_code=, accessed on January 5, 2009, p. 1. The article was released as in the 4th Announcement of BBC

major powers in Asia or somewhat likely (48%). When asked about the development of Beijing as a world power as a potential threat, 49% of the public perceived it as a critical threat.³¹⁾ On the question of their trust in China to act responsibly, the majority of South Koreans (61%) said they trusted China “not at all” or “not very much,” surpassing that of the American response which was 58%. Nevertheless, 53% of Koreans still opted to have faith in China’s role in solving key problems in Asia.³²⁾

According to the findings of another survey, nearly 75 percent of Korean respondents said Beijing was likely to pose a military threat to Seoul, far higher than the same concerns regarding Tokyo (66 percent), or Washington (49 percent). Three-quarters of Koreans said they believed that China would become Asia’s leader, but 77 percent still said they felt “uneasy” about China rising to superpower status.³³⁾ Such a feeling was confirmed when 81% of the Koreans responded that the growth of Chinese military power will be a potential source of conflict between major powers in Asia.³⁴⁾ More recent survey results indicated that 74% of the public saw China as a potential military threat. At the same time, 43% of the Koreans also

31) East Asia Institute and Chicago Council on the Global Affairs, *Global Views 2006* (Seoul: East Asia Institute, 2006), p. 38.

32) *Ibid.*, p. 39.

33) “Korea’s soft power edges that of China in new poll,” *Joong-ang Ilbo*, 18 June 2008.

34) CCGA Media Advisory, “Asians Comfortable with Rising China, But Still Want U.S. in Region Despite Low Trust,” listed with Press Release by East Asia Institute, 11 October 2006, available at http://www.eai.or.kr/english/project/pjbbs/pjbbsView02.asp?seq=37&blockNum=1&pageNum=1&searchType=&searchText=&cat1_code=&cat2_code= (accessed 14 January 2008).

viewed the US in the same category. However, this was “not indicative of a sense that the US will attack the country, but rather that the US might take action detrimental to their national (security) interests.”³⁵⁾

South Koreans’ Perception of Chinese Soft Power

While a large majority perceive that China’s influence will grow and it will emerge as a regional leader, most South Koreans did not feel too comfortable with these trends. Evidenced in the recent survey in 2008, 58% of the public saw Chinese regional influence in Asia as either “very” or “somewhat” positive, 78% expects Beijing to be the leader of Asia in the future.³⁶⁾ However, Koreans expectation and their attitude toward the idea on the actual realization of China’s regional leadership are contradictory. 77% of the respondents expressed that they are “somewhat” or “very” uncomfortable with the idea.³⁷⁾

However, Koreans did not rate very highly Chinese soft power in terms of cultural heritage, values, diplomatic influence, and political persuasion. Respondents rated the influence of Chinese popular culture - including music, clothing, and cuisine- slightly

35) Conference proceedings on “Soft Power in East Asia,” that was organized by the Brookings Institution in collaboration with The Chicago Council on Global Affairs, and The East Asian Institute and held on 17 June 2008 at the Carnegie Endowment for International Peace, Washington, D.C., p. 12.

36) Christopher B. Whitney and David Shambaugh, *Soft Power in Asia: Results of a 2008 Multinational Survey of Public Opinion* (Chicago: The Chicago Council on Global Affairs, 2008), p. 4.

37) *Ibid.*, p. 5.

higher than the mean score (4.6) on a 0 to 10 scale at 4.8. It is below the Japanese rating of 5.1, and far below than that of Indonesia (6.5) and Vietnam (7.6).³⁸⁾ On the same scale of rating, Koreans also gave a low rating to the question of whether China builds trust and cooperation among Asian countries (4.9), levelling with that of Japan (4.6) but far off that of Americans (3.5).³⁹⁾ Respondents also rate Chinese political soft power lowly at 4.5. The mean score on this particular issue was 5.1.⁴⁰⁾

Nevertheless, there is one common finding noticeable from different survey results in comparative terms of Chinese soft power against others. China significantly lags behind the US in soft power competitiveness. China scored 58.4 on a 100-point scale whereby scores were given to the degree of influence felt by those surveyed in the areas of politics, economics, culture, diplomacy, and human capital. China's score was far behind that of the US (71.1) and Japan (68.4), according to the June 2008 survey. From Korean perspectives, however, several interesting findings can be noted. A significant portion of the respondents who regard Chinese influence on the Korean economy to be significant as China received 83 points, not far off the score the US received (85 points) from the Korean public. At the regional level, South Koreans also think that the US and China have the greatest influence on the regional economy as they gave them a score of 84 and 81, respectively. On

38) *Ibid.*, p. 5.

39) *Ibid.*, p. 5.

40) *Ibid.*, pp. 5-6.

the political soft power front, however, respondents do not feel that the Chinese political system respects human rights and rule-by-law as they gave a score of 45, and think that the political system does not serve the people's demand as they gave it 51 points.

On Chinese cultural influence on Korean culture, Koreans think that China has the least influence among other neighbouring states like the US and Japan. The same pattern of order was also found on the intellectual front. In the end, Korean attitude proved to be surprising in that they do not perceive China to be a sufficient alternative to the US in terms of national interest yet. What is controversial about the attitude is that while South Koreans feel very much concerned about the rise of China, and to an extent "threatened," however, they do not believe that China has sufficient soft power (i.e. trust, cooperation, appeal, and leadership) to become a leader, either at the regional or global level. From a long-term perspective, a significant majority of the Koreans (74%) are concerned about Beijing's potential to become a military threat, far surpassing their perception of Tokyo (66%) and Washington (49%). Another concern that is found in the public opinion is the prospect of Chinese leadership in Asia (74% foresee it) and their uncomfortable attitude to this prospect (77%). South Koreans' concern for this prospect in return justified the role of an American military presence in securing regional stability as 72% agreed to this strategic logic.⁴¹⁾

Despite the widespread belief that China will be the next global superpower, the country has yet to win the hearts of its Asian peers, not to mention the Koreans, as the poll results indicated. A

significant number of South Koreans, like other surveys, recognized China as a threat rather than a partner, based on trust, cooperation, attractiveness and leadership, as the basic components of soft power.

Conclusion

Ambivalence and reservations characterize the Korean public's perception of the rise of China and its soft power.⁴²⁾ Apparently, there is a great divide between the policy making elite and the general public in their respective views of China. Many elites still view relations with Beijing with great importance. As policy makers, the elites must consider China's rise and its soft power in the context of national interest. Hence, their views tend to differ from those expressed in the popular opinion. A critical question to this chapter's assertion naturally arises: To what extent are public perceptions accounted for in Seoul's foreign policy-making? It is difficult to answer because it can only be inferred from the mechanism and structural process of decision-making in Korea, which is not within the scope of this study. Furthermore, it is philosophical in that the perceptual gap arises because of the differences in values. The common people have different values and their decisions and the way

41) Sook-jong Lee, "US-China Power Game in Korea: American Power and China Alternative," EAI Latest News, 17 June 2008, available at http://www.eai.or.kr/korean/project/pjbbbs/pjbbbsView02.asp?seq=874&blockNum=1&pageNum=4&searchType=&searchText=&cat1_code=&cat2_code=, accessed on January 5, 2009, p. 1. The article was released as in the 4th Announcement of BBC and EAI International Issues Survey Results.

42) Jae Ho Chung, *Between Ally and Partner: Korea-China Relations and the United States* (New York: Columbia University Press, 2007), p. 102.

they will correspond to survey questions will be subject to the values by which they are influenced. Nevertheless, we can safely refer to some precedents - the most recent and prominent case being the beef issue and the Korea-US free trade agreement - and conclude public opinion does matter in the decision-making process of South Korean foreign policy. In the case of Seoul's China policy, however, public opinion matters to a much lesser degree.

Public opinion towards the government's handling of the Chinese history distortion case, for instance, substantiates this notion in an effective way. Despite the public's strong demand for the matter to be dealt with at the state and governmental level, the Korean government has not yielded to such demands, and rather has taken a consistent stance with the Chinese counterpart's insistence to leave the responsibility of solving it to the hands of historians and academics from both nations. If history entails any significant meanings and lessons, South Koreans' anti-Americanism could serve as a precedent whereby South Korea's fear of an assertive China could affect the outcome of policy-making decisions. Given this precedent, South Korea may be at a crossroads: Its relations could be seriously strained by the public mood of discomfort with China's rise and its soft power, and therefore, will try to sustain the status quo in the regional power structure and configuration. On the other hand, it will have to look for a sufficient and effective partner(s) in its surrounding regions to become capable of employing a hedging strategy against China, which may not be feasible, because Korea's dependence on China will persist, regardless of circumstances.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER SIX

Japan: What future with China?

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Japan: What future with China?

Haruko Satoh

What kind of a future do the Japanese envisage with China? This is the main question this essay asks in order to take stock of contemporary Japanese views about China and, hopefully, demonstrate that the loudest voice - in recent years that of the right-wing alarmists - is not necessarily the most representative.

It should be said at the outset, however, that this exercise may only illuminate Japanese confusion, fear and anxiety about the neighbour that has woken up after nearly two centuries to reclaim its historical position as the region's most powerful state. Japan had occupied this position for the last 150 years, and some feel that this position is now being threatened. It is not unreasonable for Japanese (and, for that matter, Chinese) to think that there only needs to be

one leader in the region. Those who understand present Sino-Japanese relations in the 1972 normalization framework are wont to refer to the “anti-hegemony” clause to remind each other that neither country will seek to dominate the region alone. But this kind of thinking is unhelpful because it is focused on Sino-Japanese (past) rivalry, which is only one facet of today’s bilateral relationship. It overlooks the vastly changed world and its driving forces, especially social and economic factors that are as important as, if not more than, traditional balancing of power between states.

Japanese thinking about relations with China is still old and that nothing comparable to Beijing’s “New Thinking” has emerged. This is in part to do with the domestic political impasse, with the conservative Liberal Democratic Party (LDP) still in charge but with considerably less power and increasingly out of touch with public mood. Crucially affecting Japan’s foreign relations is the Japanese conservative establishment’s narrow understanding of the world politics, diversifying concept of power, and the inability to grasp the nature of globalization that makes foreign relations increasingly an extension of domestic politics. The Japanese public is suspicious of both the Japanese government that cannot manage relations with China and the enigmatic China. With no strategy to speak of and yet intimidated by China’s rise, the hawkish right-wing and nationalists in Japan’s opinion circles have become especially vociferous about the Chinese threat (as if it diminishes Japan’s status as a pacifist, economic power), and pragmatic arguments about engaging with China have been difficult to construct. Missing in Japanese debates in the last

decade about China has been a regional perspective. The significance of historical reconciliation with China for the benefit of East Asian integration has sadly been overlooked in the battle of identity politics.

This essay meanders through the points mentioned above. It looks at the present reality, and then examines the impact of China's rise as both a historical experience in Japan's modern history as well as the in the more immediate post-Cold War context on Japan's thinking about its power and purpose. Japan is at a historical crossroads, where it is in Japan's power to influence the US and to draw China into creating a better regional system of peace and prosperity. The problem is that the Japanese themselves have yet to believe that.

New realities

Sino-Japanese relations opened in 2008 with the not-so-good news of poisonous dumplings from China. Frozen dumplings produced in a Chinese factory under contract with Japanese firms were contaminated with pesticides, and consumers - many children - who ate them fell ill. The incident appeared to cast a dark shadow over the planned visit of President Hu Jintao to Tokyo, which was promised during Wen Jiabao's charm-offensive tour of Japan in the spring of 2007. Hu's visit took place as planned and ended with the affirmation of working toward "a mutually beneficial relationship based on common strategic interests,"¹⁾ even though investigations carried out by the police in both countries remained inconclusive and

left a bitter taste between the concerned parties. No sooner than Hu returned to China, Sichuan province was struck by a massive earthquake that devastated the region, taking thousands of lives, many of them school children. Three days later, Beijing asked Tokyo before it asked any other country to send the Japanese emergency rescue team to help search for possible survivors buried under the rubble.

These two events tell much about Sino-Japanese relations today. One is that the two have become inter-dependent in more ways than what ordinary Chinese or Japanese realize. The two peoples are connected at the level of everyday life. Chinese factories and farms produce things that go on the Japanese dinner table; Japanese rescue teams are arguably the best trained when it comes to earthquake disasters, and they happen to be close by. Sources that inform and shape perceptions and images (good or bad) about the other lie closer to home, visibly and tangibly in the form of the food they eat, the clothes they wear, the Internet sites, magazines, and television programmes they follow, the bosses and workers they meet and so on. This means that Sino-Japanese relations are also about two (consumer) societies and not just about the two capitals, Beijing and Tokyo.

Another is that the political relations have become sober in recent years. Only a few years back during Japanese prime minister Koizumi Jun'ichiro's tenure (2001-2006), diplomatic relations were suffering possibly the worst fallout since normalization in 1972 due to

1) Joint Statement released in Tokyo, 7 May 2008 (<http://www.mofa.go.jp/region/asia-paci/China/joint0805.html>).

Koizumi's repeated visits to the controversial Yasukuni Shrine where some 2.5 million souls of Japan's war dead are honoured as patriotic heroes. China has been taking issue with the fact that 14 Class-A war criminals convicted at the Tokyo tribunal, including war leader Tojo Hideki, are also enshrined at Yasukuni. Since Koizumi left office, Beijing and Tokyo have re-set their mindset to focus on the future rather than the past. To this end, the two capitals have agreed on the joint study of the history of the last war, the joint development of the gas fields in the East China Sea, and to co-operate on energy development and energy efficiency. Moreover, the first China-Japan-South Korea summit took place on 13 December 2008 in Daizaifu. Daizaifu is in the outskirts of Fukuoka, which is the historical port city that has been one of Japan's traditional gateways to the Korean Peninsula and China. There three Northeast Asian leaders gathered independently from other multilateral gatherings, such as ASEAN plus 3 for the first time. They agreed to continue the summit meeting in "common recognition that the tripartite cooperation will be guided under the principle of openness, transparency, mutual trust, common interest and respect for our diverse cultures." As the first concrete step, the three agreed on the creation of a joint disaster relief mechanism and tripartite co-operation for the region's economy to weather the world-wide financial crisis triggered by the collapse of Lehman Brothers two months earlier.²⁾

Compared to Koizumi's days, when the bilateral relationship was "hot economically, cool politically," no Japanese prime minister since Koizumi has ventured to visit Yasukuni and risk

regional political isolation.

On the other hand, the Japanese public appears indifferent to the “positive” developments in diplomatic relations. The image of China took a nosedive in Japan 2004, when anti-Japan riots broke out in Chinese cities, and it has not improved since. The latest Cabinet Office survey from October 2008 reveals that 71.9 percent of the respondents think that the relationship is not going that well and 66.6 percent do not feel affinity toward China.³⁾ These figures, on the whole, may reflect the cumulative effect in recent years of Chinese incidents that involve food safety as well as pirating and copyrights, and last but not least the double-digit growth in military expenditure.⁴⁾ The news of over-use and misuse of pesticides and chemicals in agricultural products in China have been widely covered by the Japanese media because most of these products are for the Japanese market. The use of melamine in powdered milk came less as a shock to the Japanese than perhaps to the rest of Asia or the world, because

2) Japan-China-ROK Trilateral Summit, Joint Statement: <http://www.mofa.go.jp/region/asia-paci/jck/summit0812/partner.html>; “Trilateral Joint Announcement on Disaster Management Cooperation”: <http://www.mofa.go.jp/region/asia-paci/jck/summit0812/disaster.html>; “Joint Statement on the International Finance and Economy”: <http://www.mofa.go.jp/region/asia-paci/jck/summit0812/economy.html>.

3) Cabinet Office Survey results can be found at: <http://www8.cao.go.jp/survey/h20/h20-gaiko/images/>. Compared to the previous year, the percentage of those who feel affinity toward China dropped from 47.9 percent to 37.6 percent; for those who do not feel affinity toward China went up from 48 percent to 58.2 percent (<http://www8.cao.go.jp/survey/h20/h20-gaiko/images/z10.gif>; accessed 25 January 2009).

4) In a joint survey conducted by Japan’s *Yomiuri Shimbum* and China’s *Xinhua News Agency* before the Beijing Olympic Games, nearly 60 percent of the Japanese saw China as an expanding military power, nearly 80 percent do not trust China, and 38 percent saw the impact of China’s economic development on Japan in negative terms. The Japanese survey was conducted 12-13 July; the Chinese survey 11-16 July. 4 August 2008, *The Yomiuri Shimbum*.

the Japanese consumers had already been baptized several times by dangerous food from China in recent years.⁵⁾

One might also add, although as conjecture, that the Japanese public understand that even though the bickering over modern history has temporarily quietened down, history remains the core of disagreements so long as the two states - or, one could even say, the two ruling parties, the Communist Party and the LDP - retain their particular views about World War II. The mainstream narrative of the last war for the Japanese has long been one that began with Pearl Harbour and ended with atomic bombs on Hiroshima and Nagasaki; the history of colonization of and war in Asia has not figured largely in post-war Japan's understanding of itself and the world as an ally of the United States. The fact that some conservative leaders still cling on to the view of Japan's acts of aggression in Asia as a war of liberation of Asians is illustrative of the selective amnesia in the conservative narrative of Japan's Asian past. The Chinese understand the last war as one that began earlier in 1931 with the Manchurian Incident, and the war of resistance against Japan has played a formative role in the forging of modern Chinese national identity. This longer war is only beginning to gain recognition in

5) The tendency for consumers to avoid "produced in China" foodstuff has hurt Japanese producers, importers and honest Chinese producers because, as in the dumpling case, any mention of China drives the customers away, especially if they have a choice to buy "produced in Japan." That said, the other problem is that Japan's food self-sufficiency is at an all-time low at below 40 percent, and not only is home-grown produce more expensive but Japan has to rely on import. This situation, in turn, has led to Japanese producers faking labels for things like bamboo shoots and eels, selling them as domestically produced when they are actually imported from China.

Japan after the ideological meltdown, but this view of history has yet to negotiate a position of wider public recognition against the rising tide of parochial nationalism in the last decade or so.

It should be remembered that Koizumi's open defiance of China's meddling in what he (and many Japanese) considered a domestic matter found support among those in Japan who were beginning to feel tired of apologising to a thankless Chinese regime that propagates anti-Japan sentiment among its people and then waves historical justice against Japan to claim moral superiority at the same time to keep the flow of economic aid from Japan. Yet, when things began to go out of hand, that is when anti-Japan riots broke in Chinese cities and the Yasukuni visits began to hurt business relations, the public began to question the wisdom of the Yasukuni visits and to cast a critical eye toward Koizumi's lack of diplomatic sense. This is a demonstration that with the end of the Cold War and China's renaissance, the two countries have come to relate to each other as states existing in a world of global capitalism and that time has begun to flow between the two nations separated by memories of war and ideology for more than six decades. Reconciling two points of view that have each grown over the years into popular conventions that have shaped perceptions about each other is not an easy task. Furthermore, the two countries have been under prolonged single-party rule, and changing the narrative means challenging the two nation's post-war identity. Japan's forgetfulness about its Asian past and China's anti-Japan bent played a part in different legitimizing the rule of the two parties in the aftermath of the war, and the clash over

history is all the more intense (and reconciliation that much more difficult) because it rocks the foundation of the LDP's and the Chinese Communist Party's claim to legitimacy.

This discrepancy in the temperature between high politics and public opinion indicates that the relationship can no longer be orchestrated by the political leaders. There is no magic "Panda diplomacy" that could melt the hearts of the Japanese public nor a Wen Jiabao-style "meet the people" charm offensive that can instantly change public perception about China for the better. But this is not so tragic if the leaders are aware that the relationship is now more difficult to destroy than to improve.

Forget 1972

It is no longer possible for Japan to ignore China or to treat it as an enigma with which it would rather not deal with. Even though China and Japan normalized ties in 1972, China's rise since the 1990s in a globalizing world has altered the context and the substance of the relationship forged back then, rendering the past mode of ties unsustainable. As Kokubun Ryosei reflected on the occasion of the thirtieth anniversary of Sino-Japanese normalization, the relationship established in 1972, "based on pathos, of endlessly toasting to 'friendship,' swallowing down what was really troubling their minds must come to an end."⁶⁾

In 1972, both countries were not the China and Japan that the world knows and talks about today. China was in the throes of

revolutionary turmoil and Japan was not yet the economic power that it became in the 1980s. They were not powerful enough to be in control of their destinies, let alone influence those of others, especially the two Cold War superpowers, the US and the Soviet Union. The more significant event globally at the time was Sino-American rapprochement that aligned Washington and Beijing (and Tokyo) against Moscow. At this point, Cold War in Asia began to assume a different form from that in Europe; some even say that it began to end.⁷⁾ Japan could not have normalized ties with China without this shift in US strategy, and even after 1972 what mattered was to be cordial relations with a communist regime as part of the Cold War *détente* between the three.

Nearly 40 years since, China and Japan have developed into powerful states in their own ways. China has taken off economically and militarily, and Japan has yet to relinquish its position as the world's second largest economic power. They are globally significant powers, capable of influencing the destiny of other smaller states in the region. Even though US presence and the US-Japan security treaty continue to be important to East Asian security, the US does not have decisive influence on how China and Japan conceive their relationship nor can it shape the region alone.

6) Kokubun Ryosei, "*Kokko seijika 30 nen: 1972 nen taisei wo koeta nicchu kankei wo motomete*" [30th anniversary of normalisation: searching for Sino-Japanese relations beyond the 1972 system], *Gaiko Forum* (October, 2002).

7) Ogata Sadako, *Normalization with China: A Comparative Study of U.S. and Japanese Processes* (Berkeley: 1988), translated by Yoshihide Soeya, *Sengo Nicchu Beichu kankei* (Tokyo, 1992).

As a region, East Asia has entered the era of tripartite co-operation, competition and conflict between Beijing, Tokyo and Washington.

Yet, one thing must be made clear. China and Japan are very different powers that think and behave differently. China is a more conventional power in that military might counts as much as other sources of power, such as economic or “soft” power. It is also a nuclear power and holds one of the five permanent seats on the UN Security Council. Japanese power, on the other, has qualities that cannot be measured by the number of gun boats and missiles alone. Japan is, above all, an economic power that can influence international politics without itself using force. As such they are states of mismatched status that express power in different ways. This is a dangerous concoction for the region if competition for status and prestige is the defining character of Sino-Japanese relations. China and Japan can be complementary powers in a resourceful way for regional stability and prosperity, as Tamamoto opined once over the tsunami relief back in 2005: “States possess comparative advantages that can be used toward the general good. Cash-rich Japan can play a meaningful role in the tsunami relief effort. But Japan is relatively powerless when it comes to solving the North Korean nuclear question, which is where China holds leverage and plays a critical role.”⁸⁾ One might recall the Asian financial crisis of 1997 to realize that the success of region-wide initiatives can be

8) Tamamoto Masaru, ‘After the Tsunami, How Can Japan Lead?’ *Far Eastern Economic Review*, 21 January 2005, p.10.

difficult when China and Japan are at odds with each other.⁹⁾

The problem is how Japan, or Japan long ruled by the LDP, understands its power and purpose. When Japan's chequebook diplomacy was criticized after the Gulf War, the LDP's interest to revise the post-war constitution was reignited. The ensuing obsession to address security policy in the narrow framework of the constitutional debate has contributed to Japan's strategic inertia in preserving, as it were, the original reactions and points of contention to Article 9 that forbade the use of force as a state instrument, even though Japan had actually overcome the initial worry about national security by entering into an alliance with the U.S. While the world has changed greatly since 1945, and the concept of power diversified, where the role of military force has diminished, mainstream Japanese thinking has largely remained stuck in the past.¹⁰⁾ Recognition of Japanese "soft power" has been slow in coming in policy circles, even though Japanese popular culture, such as manga (comics), animation and games, has enjoyed world-wide audience for some time. This reflects a narrow understanding about Japan's own power and purpose when power is at issue.

9) Take, for example, the case of the Asian financial crisis in 1997, when Japan floated the idea of an "Asian Monetary Fund." The idea did not take off at the time because Japan could not win support from the U.S. and China.

10) It is only in recent years that the Japanese government has begun to see Japanese popular culture as a potential goldmine. Prime Minister Aso Taro has been a strong proponent of promoting Japanese manga as part of Japanese cultural power when he was foreign minister. Manga, animation and games are no longer dismissed as in the past as sub-culture cottage industry inferior to the high-brow, traditional cultural promotion items, such as Noh and Kabuki.

Moreover, since the economic bubble burst in the early 1990s and Japan entered a prolonged recession, Japan's confidence as an economic power has also declined. Even though China and Japan appeared ready to lock horns over regional leadership, the level of confidence between the two countries has been markedly different in the past decade. China has been striding out as a rising power while Japan has been less than sure of itself because the prolonged economic recession and pressure from the US to play a more active role in the security alliance had been eroding the very source of Japan's identity as a pacifist, economic power. A joint survey conducted by Japan's *Yomiuri Shinbun* and China's *Xinhua News Agency* just before the Beijing Olympic games revealed an extraordinary degree of Japan's low self-esteem that appears to be affecting public perception toward China's rise. Asked to choose what describes Japan, only 40 percent of Japanese respondents said the country was economically rich, whereas over 70 percent of the Chinese respondents saw Japan as a rich country. Moreover, over 55 percent of Chinese saw China's economic development as having positive effects on Japan. Polls are momentary snapshots of the public psyche about any given issue, and at survey time nearing the Beijing Olympic Games, the Chinese were clearly more optimistic compared to the Japanese.¹¹⁾

In such a moment of low national esteem, increasing talks about constitutional revision alarmed Japan's neighbours, as it was

11) The Japanese survey was conducted 12-13 July; the Chinese survey 11-16 July. 4 August 2008, *The Yomiuri Shinbun*.

obvious that Article 9 was what the LDP wanted to change and make a break from the post-war state does not recognize military force in a “normal” way. Naturally, fears of Japan’s return to military expansionism raised their heads. Clashes with China over the history of World War II also raised doubts in the region about Japan’s sensitivity toward regional feelings and willingness to confront the legacies of its past, as witnessed in the Yasukuni debacle that unfolded with Beijing during Prime Minister Koizumi Jun’ichiro’s tenure. What the LDP and advocates of revision appear to have not understood was that the pacifist state orientation, as expressed in the constitution, was reassuring to Asians not because Japan was perceived to have repented and changed, but because Japan was allied to the US. At least, the Chinese understanding was that Americans would keep Japan from returning to militarism. Smaller Asian nations, particularly in Southeast Asia, took a more pragmatic stance because they were reliant on both Japan and US, and tended to avoid the historical issue from becoming a political hotspot. Nevertheless, a hawkish Japan speaking loudly about revising the constitution was regarded with caution.

It is not enough to be cash rich, as Japanese leaders correctly assess, but the extra political mileage comes not by contriving to change Article 9, but rather recognizing the values - democracy, liberty, capitalism - that made Japan powerful and acting to protect the international system that support them, in order to be trusted by its neighbours. In the latest Nye-Armitage report, *The U.S.-Japan Alliance: Getting Asia Right through 2020*, the emphasis is on enhancing Japan’s economic role, rather than military. Japan is expected to continue with

its economic reform and liberalisation but also overcome the history problem from becoming a political issue, in order act together with the United States to guide China to make “choices that lead it down a path of peaceful integration and benign competition.”¹²⁾

The historical impact of China’s rise

For Japan, the challenge to enter into a relationship of regional political significance with China is also historical. Japan has historically conceived itself as the bridge between the Eastern world and Western world, although such self-characterization has not matched Asia’s experience with and view of Japan. In the past, the “bridge” was an expression of what Japan had internalized culturally when it chose to modernize in order to survive against the encroachment of Western powers in the nineteenth century; it soon became a society torn between the nativist instinct for preservation and the compulsion to modernize and Westernize. As such, Japan understood Asia in the image of itself, and the disastrous outcome was the imposition of the Japanese design of the East Asian Co-prosperity sphere that led to region-wide war. After the defeat in the Second World War, Japan withdrew from playing power politics, and has not since sought to actively lead in shaping the region. Japan had no inclination to do so during the Cold War, because it was busy pursuing economic success while the US did the strategic thinking to

12) Armitage and Nye, *The U.S.-Japan Alliance*, CSIS Report, February 2007, p. 6.

protect the free world in Asia, including Japan. Japan was also not equipped to influence regional power relations because it had forfeited the right to maintain armed forces to such an end.

In such an historical context, a powerful China is an utterly new experience for modern Japan. It brings a new yardstick by which Japan measures its rank and status, because Japan had long considered its success as *sui generis* in the modern world that was created and dominated by the Western powers. Geopolitically Japan is an Asian power, and that fact is unalterable. But Japan's partners and competitors have long been in the West, and that condition did not change even after World War II. Moreover, having developed under American tutelage and protection, post-war Japanese identity became increasingly tied to the "West" - meaning both the Western alliance during the Cold War and the Western world - and (re)-building a regional identity after 1945 became a relatively neglected affair.

Regrettably, Japan and China were separated ideologically after the last war and the two nations did not go through the time-consuming but necessary process to reconcile with each other. Tanaka Kakuei, the Japanese prime minister who normalized diplomatic ties with mainland China back in 1972, described the post-war difficulties with re-establishing ties with China as "a domestic problem... a cancer that is not good for Japan."¹³ More recently, a

13) Tanaka Akihiko, *Nicchu kankei 1945-1990* [Sino-Japanese relations: 1945-1990], (Tokyo: 1991), pp.74-7. "Of course, Nixon did not change everyone's views or behaviour as rapidly as he 'changed the world' (with his surprise visit to Beijing). For Japan, 1972 was the year of power change. And, Sino-Japanese normalization was the first problem of domestic politics that the new cabinet had to tackle."

Japanese scholar, Tamamoto Masaru noted: “At the moment, Japan does not have a workable formula to maintain the security relationship with the United States and foster cordial relations with China.”¹⁴⁾ The inability to manage relations with both China and the US is, as in Tanaka’s days, still a domestic problem. The problem - or what makes it a “cancer” - is that relations with China still sharply divides opinion in Japan. One tends to be either antagonistic toward China or friendly toward it China. There is no middle ground, or at least, it has been difficult to find one, because the Japanese have yet to arrive at a clear purpose for forging closer ties with China.

In fact, expressing views about China, especially if they are for forging closer ties, can still be like stepping on a landmine in Japan. For one, the Cold War habit to see relations with China through the lens of the security alliance with the US has been surprisingly hard to erase; if one is sympathetic toward China then one’s view toward the alliance with the US is naturally suspect. If you are against the alliance then you must be a leftist, and if you are a leftist then you must be an idealist pacifist, cocooned in lukewarm peace and refusing to see the importance of Japan’s becoming a “normal country” by revising Article 9 of the post-war constitution. So goes a typical labelling (usually) by the die-hard right-wingers and conservative nationalists. Unhelpful in holding a balanced - and realistic - debate about relations with China in the last 15 years or so has been China’s rise itself, and how China was

14) Tamamoto Masaru, ‘After the Tsunami, How Can Japan Lead?’ *Far Eastern Economic Review*, 21 January 2005, p.10.

seen to be flaunting its newly acquired power to challenge Japan's regional platform, notably during Jiang Zemin's tenure.

The paranoid

Japanese opinion circle has been split between those who see it as nothing more than a hegemonic threat and others arguing that Japan should engage more productively with China. But in the last decade, the "China as threat" view and the "declinist" theory that see China's mesmerising economic growth as eclipsing the status of Japan as the economic superpower have tended to conflate and confuse issues in Japan's foreign policy debates that should be treated separately. One is about making Japan a more assertive, active and responsible international player. The other is about how to co-exist with a powerful China. China looms large in the minds of policymakers, commentators and pundits who fail to recognize that sound Sino-Japanese relations is a significant contribution toward regional stability, prosperity and ultimately, peace.

It must be said that for the China alarmists the habit of thinking about regional relations in bilateral terms is evidently hard to shake off; missing is a strategic view of the region's complex interplay of economics and politics with security conditions. The two main Cold War security architectures led by the US that survived the Cold War, namely the North Atlantic Treaty Organization (NATO) and the US-Japan Security Treaty continue to function as pillars of order and stability; at the very least, war is highly unlikely between

members the former Western alliance. However, the rising new powers, such as China, India, and a resurgent Russia bring new uncertainties to how the world might be organized. To say that the region is simply returning to the age of balance-of-power ignores the impact of globalization on the international system. For one, power no longer is measured by the number of gun boats or nuclear warheads alone. Concepts about power vary, so do the way they are applied for influence. The characteristic of globalization for countries like China and India is that while they are independent-minded and sovereignty-conscious, with a high priority on strong national defence that adds to their prestige, they are aspiring to become major economic powers as well. Moreover, there is a historical tectonic plate that influences today's international politics. Regional conflicts, civil wars and international terrorism are violent manifestations of the desire for recognition and respect by the peoples hitherto marginalized in the last 200 years while their world was being organized and ruled first by Western imperialism and then by the superpowers during the Cold War. The rising powers also desire to have a say in how the world will be organized.

Asia is a region where both of these historical forces shape the mindsets of the countries' leaders and their peoples. Sino-Japanese relations represent the fissure between the status quo and forces of reconfiguration of this status quo, because China and Japan have always been on the opposite sides when the world began to be organized by the West. Moreover, one's rise was at the expense of the other. First, Japan belonged to the imperialist group and played a part

in breaking up China. Post-war Japan became part of the rich capitalist, free West while China pursued a revolutionary vision of communism and an economic disaster. It has been difficult to perceive thus far an East Asia where the two countries are not see-sawing.

However, the “China as threat” paranoia is deep among those who, for some reason, cannot think of such a scenario. Suspicions about China’s intention to rise peacefully are understandable given the present lack of transparency in China’s military policy. China can certainly do more to improve it. Yet it is different matter for members of the Japanese opinion circle to express their alarmist views about China or Japan’s China policy in a certain manner that only deepens China’s suspicion about the grip of right-wing thoughts and chauvinistic nationalism in Japan. The smear campaigns by the “China as threat” advocates against the pragmatists who understand that China is here to stay and that Japan has to think anew about East Asian political economy and security are especially unhelpful.

For example, a right-wing journal, *Seiron*, under the same publisher as right-wing daily, *Sankei Shinbun*, edited a special issue entitled, “Confronting military expansionist China [*gunkaku chugoku to no taiketsu*]” in January 2005. Some contributors had been known to espouse ‘nationalist’ or hawkish views on foreign policy, such as the Takubo Tadae, Sakurai Yoshiko (freelance journalist), Kasai Yoshiyuki (President, Japan Railway Tokai), and Ishihara Shintaro (governor of Tokyo). One scholar slashed the conciliatory tone of a diplomat who opined that Japan has an “unhealthy anti-China nationalism” that gets in the way for Japan to engage productively with China: “I can only

see him as a spokesman for China... This kind of view demands Japan to constantly serve China. It is deplorable for the Japanese national interest that such a person should be in the foreign ministry.”¹⁵⁾

The same year, Komori Yoshihisa of *Sankei Shinbun* and the aforementioned Takubo Tadae, formerly with *Jiji Press*, co-authored a volume that gives an idea about what goes against the right-wing nationalist grain. *Bunka-jin no Tsushinbo* [school report of the cultured intellectuals] listed four common categories by which to measure and cut down contemporary public intellectuals: (a) the degree of affinity toward China, (b) the degree of distortion of view toward the US, (c) the stance toward Yasukuni, and (d) SDF dispatch to Iraq. Komori resides in Washington, D.C. as special correspondent for *Sankei*; Takubo also worked in Washington in the early 1970s for the *Jiji Press*. The two had already published a pro-US volume, *Hanbeiron wo utsu* [shooting down anti-U.S. opinion]¹⁶⁾ in 2003 in the effort to “point out the rubbish proliferating among the intellectuals about the U.S. and world affairs to differentiate it from reality.”¹⁷⁾ Even Sakakibara Eisuke, the former finance ministry official and ‘Mr. Yen’ did not escape

15) Okada Hidehiro, “Ichii-taisui no genso wo suteyo [get rid of the illusion of being connected by the same river],” *Seiron Extra* (No. 1, January 2005), p. 106. The diplomat in question was Tanaka Hitoshi, who orchestrated Koizumi’s visit to Pyongyang in 2002. Tanaka was speaking of the need for an East Asian community, which he put into three points: “First, bringing down the barriers to the flow of capital, goods and labour is in the middle- and long-term interest of Japan; second, there is a need to create a system in which we can cooperate with China; third, there is an extremely unhealthy nationalism in present Japan, and the community would be a constructive way to absorb such sentiments.”

16) Komori Yoshihisa & Takubo Tadae, *Hanbeiron wo utsu* [shooting anti-U.S. opinion], (Tokyo: Kobun-sha 21, 2003).

17) Komori Yoshihisa & Takunbo Tadae, *Bunka-jin no Tsushinbo* [school report of intellectuals], (Tokyo: Fuso-sha, 2005), p. 15.

Komori's venom. Citing Sakakibara's suggestion of "strategic pragmatism of simultaneously pursuing pro-US, pro-China track, using the China card against the U.S., and the America card against China," which he wrote in *Sankei Shinbun* (2 May 2004), no less, Komori wrote:

He is basically saying, "cosy up with China and don't be so close to America" ... by this he is putting the U.S., which is Japan's ally, and China, which is inherently an enemy, on the same boat. He is ignoring the fact that the U.S. is part of Japanese security, which reflects his lack of consideration for Japan's national defence. Moreover, he treats the free and democratic America and the single-party rule China as equals, which means that he has no conception of political values.¹⁸⁾

Strategic pragmatism is based on the reality that: (a) It is not in Japan's power nor interest to influence power politics between China and the United States, (b) the Japanese economy needs both the United States and China, and (c) America is not going to support a Japan that cannot sort out the history problem's negative impact on Japan's regional standing. Japan has no choice but to balance relations with both countries.

Seikei bunri is impossible

More than ever, Sino-Japanese reconciliation over the last war has become politically crucial for the region's future peace and

18) Komori Yoshihisa & Takunbo Tadae, *Bunka-jin no Tsushinbo* [school report of intellectuals], (Tokyo: Fuso-sha, 2005), p. 254.

prosperity as Franco-German reconciliation has been for European integration. But there is little to suggest that Japan is holding up the bilateral relationship in such a historical light. With no strategy to speak of, Japan has sent out different signals to China from one prime minister to in the past three years: Abe Shinzo sought to befriend India and Australia as democracies while Fukuda Yasuo focused on cultivating ties based on the common cultural heritage between China and Japan. Aso Taro has so far taken things on the stride, as he hosted the first tripartite summit between China, Japan and South Korea in December 2008, the gathering that Abe had rejected but Fukuda accepted and prepared for. China under Hu Jintao has already made a shift in its thinking toward Japan, recognizing the tenet of the “New Thinking” that argued for the need to work with Japan rather than harping on history. On the other hand, the Japanese leadership has yet to show political resolve to squarely confront the past and to end the war legacy from hampering Japan’s relations with Asians. Quite worryingly, there has been no noticeable reappraisal of Japan’s long-held China policy principle, *seikei bunri* (separating politics and economics) that might be comparable to Beijing’s embrace of the “New Thinking.”

Abe Shinzo had reaffirmed *seikei bunri*, the mantra of Japanese conservative policy toward China in his pre-election political pamphlet, *Toward a Beautiful Country*. But *seikei bunri* reflected a policy stance of a Japan that was still weak. It guided Japanese policy toward the PRC, as post-occupation Japan first normalised relations with Taiwan in 1952. The idea was to keep a window of opportunity

to restore pre-war economic ties with mainland China open. Politically, it proved to be a prudent choice to avoid getting trapped in the Cold War ideological crossfire. Japanese decision-makers then had no inclination 'to be part of transforming relations between states or the balance-of-power politics.'¹⁹⁾ Moreover, they were particularly weary of the possible entanglement in Sino-Soviet rivalry.²⁰⁾ After normalisation, *seikei bunri* enabled to circumscribe the impact of the occasional political tension - and consequently fluctuating Japanese domestic opinion toward China - from other aspects of the relationship, particularly development assistance that began in 1979.

Today, *seikei bunri* is more rhetoric, tending to obscure the reality that even in Sino-Japanese relations foreign policy is becoming increasingly an expression of domestic opinion and politics. Facts speak volumes of the deepening interdependence of the two economies, and the economy's growing influence on political relations. Trade between Japan and the PRC increased thousand-fold since official trade resumed in the 1960s, to over 100 billion dollars annually. Volume of trade with China exceeded that with the US for the first time in 2004, reaching 189.4 billion dollars, making China Japan's largest source of import, and the second largest export market. Today, the figure is over 200 billion dollars and remains above trade with the United States.²¹⁾ Trade with China has been

19) Ogata Sadako, *Normalization with China: A Comparative Study of U.S. and Japanese Processes* (Berkeley: 1988), translated by Yoshihide Soeya, Sengo Nicchu Beichu kankei (Tokyo, 1992), p. 178,

20) *Ibid.*, pp. 173-188.

21) For the latest trade figures, see the JETRO (Japan External Trade Organization) website, <http://www.jetro.go.jp/en/news/releases/20080229066-news>.

crucial for Japan's economic recovery. Furthermore, interaction has made the two societies more integral. There are over 460,000 Chinese students and workers in Japan, Japanese television news is filled daily with how Japanese businesses are venturing into China's emerging consumer society, from fast food chain stores to vending machine manufacturers. The voices of the business community are increasingly hard to ignore politically. Their presence in and dealings with China make them most vulnerable to swings in the political relationship, and its impact on public mood. After the anti-Japan riots in Chinese cities in the spring of 2005, deeply alarmed by the situation, Keidanren, the association of Japanese businesses, took an unusual step to ask Koizumi to refrain from visiting the shrine.

Furthermore, the government's aid policy has been changing with the relative decline of Japan's economic power and some rethinking about using economic resources more effectively, against the backdrop of the prolonged economic recession during the 1990s.²²⁾ Conceived originally in exchange for being let off the hook about war reparation, when Mao Zedong waived China's right in 1972, financial aid has been the backbone to Japan's conciliatory policy toward China. But with swelling evidence of misuse and abuse in recent years, the growing suspicion that Japan was helping China's military growth, combined with the lack of appreciation from China, not to mention constant hampering on the history

22) Japan's general aid policy began to tighten from the late 1980s to early 1990s in response to various criticisms—from the high level of tied aid to the questionable projects that did not serve Japan's national interest.

problem,²³⁾ the Japanese public became critical toward this traditionally generous position. China's nuclear test in 1995 was pivotal in turning aid policy into a political prong, as grants were suspended for the first time since 1979.²⁴⁾ Aid to China has since become subject to annual review rather than every 5 years.

What kind of power?

There are higher levels of association of states based on common interests, at the United Nations or in various international accords and treaties, such as the Non-Nuclear Proliferation Treaty (NPT) the Comprehensive Test Ban Treaty (CTBT), and the Bretton Woods institutions, where Japan has been and still is one of the global players. Talks in Japan about increasing international contribution actually envisage improving Japan's role in these multilateral institutions, because Japan's strength and status during the Cold War evolved and were defined within this higher tier of what is now generally understood to be international society, rather than in the international system of sovereign states. Japan long

23) From around 2000, the rightist daily, *Sankei Shimbun*, reported on various cases of misuse of Japanese ODA in China. Not only did these reports questioned to the role of Japan's ODA in supporting China's military growth ('Japan's aid to China: supporting military power,' *Sankei Shimbun*, 8 October 1999), but shed light to the problem of Chinese government's deliberate censoring of the fact that many public works were financed by Japanese aid. In 2000, a plaque in the new terminal in Beijing airport publicly acknowledged Japanese aid for the first time (*Sankei Shimbun*, 12 April 2000).

24) Grants to China were not resumed until 1997, after China announced a moratorium on tests and signed the Comprehensive Test Ban Treaty (CTBT) the year before. In less than a decade, the amount of aid to China has more than halved from around 2000 million dollars in 1998.

floated in a non-geopolitical, functional space of international society, while security was guaranteed by America's nuclear umbrella. After the war Japan lost the habit of thinking geopolitically, of constructing the world from the regional base.

As a state, Japan has been advancing and protecting national interest by the wilful submission of sovereign rights to international norms and rules, which is something that sovereignty-conscious states like the US or China often defy. Some (though very few) has assessed this Japanese state that evolved under the constitutional restraint positively, as sharing characteristics with European states. British diplomat Robert Cooper wrote in *Breaking of Nations* that, “[Japan] has self-imposed limits on defence spending and capabilities. It is no longer interested in acquiring territory not in using force. It would probably be willing to accept intrusive verification. It is an enthusiastic multilateralist.”²⁵⁾ In his understanding, the problem of Japan's security condition as it influences the nature of the Japanese state is that, in spite of America's nuclear umbrella that allowed Japan to shed the characteristics of a modern, nation-state during the Cold War, it is now surrounded by modern states “locked in an earlier age.”²⁶⁾ Such a regional environment of conventional power politics led by a rising China, to whom power projection capability is still central, could push Japan to “revert to defensive modernism.”²⁷⁾

On the other hand, the region is not simply plunging into a

25) Robert Cooper, *Breaking of Nations*, p. 41.

26) Ibid., p. 41.

27) Ibid., p. 41.

balance-of-power politics defined by traditional security concerns. Rather, there are non-traditional security issues, such as climate change, infectious diseases, or energy security that require regional policy co-ordination and negotiation. The post-Kyoto Protocol on global climate change a pressing case in point. In such a regional context, Japan needs, as ever, to engage with regional states as a regional power. But if it is to take the initiative to create a regional environment that best serves Japan's national interest and in which Japan's power serves the interest of others, Japan on balance needs to enhance its moral authority - or trust - in the region and rather than its military function. Abe Shinzo's attempt to promote Japan's values diplomacy and the "Arc of Freedom and Prosperity" sounded vacuous and failed to take off because they came from a man who showed contempt for the post-war constitution and little respect for history. The issue at the core of the region's lack of trust in Japan, of course, is the legacy of World War II.

The end of the nationalist tide?

With the abrupt resignation of Abe, Koizumi's successor and arguably the most nationalistic prime minister since Nakasone Yasuhiro, has also ended a decade of nationalistic revival since the mid-1990s. Oguma Eiji attributes this rise to "the movement opposing the rapid succession of formal objections and lawsuits from various Asian countries, which came at the occasion of the fiftieth anniversary of the end of the Pacific War."²⁸⁾ In that same year, 1995, the Japanese

Diet also adopted a resolution to renew Japanese commitment never to repeat the past on the occasion of the fiftieth anniversary of World War II. The government was then under the Socialist prime minister, Tomiichi Murayama, and the resolution was meant to be a major statement of Japanese remorse over the last war by the post-war state. But the passage of the eventually watered-down resolution revealed sharp division over the interpretation of the last war. As in the controversial high school textbook whitewashing, some revisionist politicians opposed the use of the word, "aggression." The Shinshinto (New Frontier Party), led by Ozawa Ichiro and now part of the Democratic Party of Japan (DPJ), even abstained from voting.²⁹⁾

Japanese right-wing nationalism in the conservative establishment is a curious breed of inherent contradiction, in that they are anti-US and as pro-alliance at the same time. The root of post-war nationalism in Japan is the post-war settlement symbolized by the constitution's Article 9 that effectively made Japan an American protectorate. Without China's renaissance, this inherent contradiction would not have been so problematic because Japan would not be feeling threatened or sandwiched by the US and

28) Oguma Eiji, "Recent Trends in Right-Wing Historical Revisionism in Japan," *Social Science Japan* (December 2004), pp. 8-10.

29) See Takayama Yoshibumi, *The Postwar Conservative View of Asia: How the Political Right Has Delayed Japan's Coming to Terms With its History of Aggression in Asia* (Tokyo: LTCB International Library Foundation, 1998). The original in Japanese was published in 1995. Wakamiya writes: "In its making, from conception to adoption, the resolution had allowed one politician after another to make public statements (without the speaker's ever realizing it) the conundrum: 'When will the Japanese ever learn?' ... I for one found the fiftieth anniversary of the end of the war to be a shaky and ambiguous milestone," p. 10.

China. What the conservatives and nationalists have long wanted to see was constitutional revision to regain the freedom of state. Abe was the clearest manifestation of this line of nationalist thinking to emerge from the conservatives since Nakasone Yasuhiro, as he called to cast off the post-war regime. By this, he did not mean the alliance, but the constitution.

That said, Nakasone's and Abe's nationalism are not the same. Nakasone was clearly more sensitive toward Asian feelings about Japan's past, while Abe demonstrated that he was not a humble student of history. As chief cabinet secretary to Koizumi's last cabinet, he questioned the viability of the Tokyo war crimes tribunal as victor's justice, raising the point that just because the tribunal persecuted the war-time leaders, it does not mean that they are war criminals by Japanese law.³⁰⁾ He was also a firm believer in the prime ministerial visit to the Yasukuni Shrine. As prime minister, he questioned the former Imperial Army's involvement in organizing brothels and coercing women to serve as "comfort women" during the war due to lack of decisive evidence, and was roundly criticized at home and abroad for his senseless remark.³¹⁾ His kind of revisionist view on history that rose in the 1990s has since become one of the many views. The Japanese Society for History Textbook Reform that started the campaign for a narrative that was not a self-flagellating account of

30) He later expands his views on the Tokyo war crime tribunal and the status of the Class A war criminals in his pamphlet, *Utsukushii kuni e* [toward a beautiful country] (Tokyo: Bungeishunju, 2006). In it he casually dismisses the difference between Class A criminals and Class B and C criminals as "A, B and C only reflects the difference in rank and not the degree of the crime committed. Class A was given to those who were in a leadership position." p. 70.

national history has splintered, and less than 1 percent of schools actually use their new history textbook. Japan is a pluralist society, and even though some voices are louder that does not mean that they reflect everyone's feelings or memories of the last war.

With China and the US

Fukuda Yasuo said in his visit to Beijing in December 2007 that, "China and Japan are facing a big chance and opportunity." But because China and Japan have never been friends in their modern history, one should take into account that the two have become predisposed to be confrontational and suspicious of each other, a mindset that still affects the bilateral relationship even after the ideological divide has dissipated. Coming to terms with the past and reconciling with each other is obviously the most desirable course for the two major powers in the region. However, it takes more than just coming to terms with the recent past history that is the 15-year war after the Manchurian Incident in 1931.

China and Japan need to weave a common narrative of modern history of Asia in order to find out what made them enemies

31) Abe made a remark to Japanese reporters in 1 March 2007: "There was no evidence to prove that the comfort women were forced (by the army). That largely changes what constitutes the definition of coercion." In Japan, his remark angered even those in his party because it defied the Kono Memorandum released in 4 August 1993, in which the government officially admitted that these brothels and comfort women were organized under the order of the military. (<http://www.mofa.go.jp/mofaj/area/taisen/kono.html>); Shinbun Akahata, 13 April 2007, (http://www.jcp.or.jp/akahata/aik07/2007-04-13/2007041307_01_0.html).

and what might make them friends, but such an exercise can only take place when the two countries come to share a sense of purpose in transforming the bilateral relationship from one defined by mutual suspicion - and therefore weak and detrimental to the region as a whole - to one that is based on mutual trust.

China and Japan are capable of taking prudent decisions, pragmatic accommodation of each other and even co-operation on practical issues, such as economic development, energy efficiency and environmental protection. What is so far missing - especially in the Japanese perspective - is a bird's eye view of the bilateral relationship's regional role, which is arguably a more important issue because it is about two powerful states that are capable, each in its own way, to influence the future of the region. Yet, as even recent history of the Asian financial crisis of 1997 demonstrates, it is not in the interest of the region to see China and Japan act separately, or even antagonistically toward each other. The idea of the Asian Monetary Fund floated by Japan at the time but sank by China and the US has resurfaced as the Chiang Mai Initiative, backed by both China and Japan.

As neighbours, as trading partners, and as regional powers with (differing) strategic, political and economic significance for the US, the matrix of the relationship has become complex. For Japan it is a change of scenery from the days when it was the only modern power in Asia. Both countries have been under prolonged single-party rule; there is an inevitable inertia in the way the bilateral relations are conceptualized. The tendency to view each other in confrontational and competitive mode, where Tokyo's allied

relationship with Washington factors greatly, is a reflection of such old habits cultivated during the Cold War. What must be averted is a situation where the US chooses to contain the growth of Chinese power. It is in the region's interest for the US to continue following a balanced course that encourages China to become a responsible stakeholder in world politics, and Japan will be a key player in influencing US decisions.

In the long run, however, Japan is bound to face the question of the future character of the security alliance with the United States. A stable and co-operative tripartite relationship between China, Japan and the United States is not an end but the means to ensuring East Asia's gradual economic integration. Economic integration makes state sovereignty less an issue as borders come down with increased interaction between societies and economies. In such a scenario, it would make little sense for the US to maintain bases in Japan at the present high level because spots of potential armed conflict-such as Taiwan and the Korean Peninsula - would (hopefully) cease to be so potentially dangerous. It would make little sense for China to spend so much on preparing for an enemy that does not exist or a conflict that may not happen. It is in Japan's interest to promote such a development, and in order to pursue this course Japan needs to share this vision with China and the US. This might be the ultimate existential challenge for post-war Japan as it grapples for a future with China.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER SEVEN

Indonesian-China Relations in the
Post-New Order Era

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Indonesian-China Relations in the Post-New Order Era

Syamsul Hadi

Introduction

The fall of Soeharto with his New Order regime in 1998 has had an enormous influence on the directions and choices of Indonesian foreign policy. The rhetoric stressing Indonesia as a successful country in running democratic and peaceful elections in 1999 and 2004 has replaced the pride of the New Order regime which drew on the country's success in economic development. This new trend of Jakarta's diplomacy which emphasizes democratic and human rights issues was partly reflected in the crafting of the ASEAN Charter.¹⁾ Despite the fact that on many occasions Indonesia and other ASEAN members appeared to be clueless when dealing

with the political elites of Myanmar whose poor record in human rights was widely known, a consensus was reached.

Due to the sharp economic decline, many Indonesian experts perceive that Jakarta's foreign policy in the last decade has lost its charm and power when compared to that of the New Order regime, when General Soeharto acted as the country's authoritarian leader.²⁾ They believe that in the past, Indonesia was a highly distinguished country among other ASEAN and developing countries in that its position and voice were strongly considered at least in Southeast Asia.

In examining Indonesia-China relations in the Post-New Order era, I would argue that there are three important factors that should be taken into account, which then will come in handy to better understand the trends, dynamics, and directions of the relations itself. *First*, there have been political changes shaped by democratic reform in the Post-Soeharto era, which led to a better political environment for the ethnic Chinese living in the country. *Second*, even though numerous opinions conveyed the message that the country's leadership of ASEAN has effectively declined, Indonesia still recognizes ASEAN as a main venue for its international role, amidst the dynamics of the Post-Asian Crisis. *Third*, Indonesia's

1) "Indonesian huge influence in the creation of *ASEAN Charter* is mostly in incorporating elements which contains democratic principles and Human Rights enforcement," said Indonesian Minister of Foreign Affairs, Hasan Wirayuda, in his speech on "Indonesia and the ASEAN Charter" in the Department of Foreign Affairs, 8 February 2008.

2) Read, for example, Zainudin Djafar, "Hubungan Indonesia-Malaysia: Memerlukan Perspektif dan Kebijakan Baru?" (Malaysia-Indonesia Relations: a Call for New Policy Perspective?) , in *Jurnal Hukum Internasional*, Vol.3, No. 3 (April 2006).

foreign policy in the Post-New Order era has been directed to reconcile the trust of foreign investors to the Indonesian economy, and whenever possible, increase foreign capital inflow to stimulate its economy which weakened significantly during the long crisis.

This chapter will examine three factors in analyzing the dynamics of Indonesia-China Relations in the Post-New Order Era. I will first describe how political dynamics and more specifically regime changes affected the dynamics of Indonesia-China relations. Following that, I will analyze Indonesia-China relations within the landscape of regionalism in East Asia after the Asian crisis, especially when China was eager to expand its influence at the regional level through the processes of ASEAN+3 and the East Asia Summit. And then I will analyze how economic factors shaped Indonesia-China relations, how Indonesia reacted towards the economic rise of China and its implications for the Indonesian economy. Finally I will summarize the whole discussion and discuss the future of Indonesia-China relations.

Political Changes and the Dynamics of Indonesia-China Relations

Throughout Soekarno's Guided Democracy period, Jakarta's foreign policy was strict, rigid, as well as extensively echoed, mirroring Soekarno's temperament and the hustle and bustle of Indonesian domestic politics at the moment. Notwithstanding these peculiarities, there has always been a constant line that commenced from the time of political independence.³⁾ However, domestic political

developments in which the army played a great role, inflamed Indonesian-China relations. It took place at the end of the 1950s when the Beijing government strongly reacted towards the Indonesian armed forces that prohibited “foreigners” (specifically referring to Indonesian Chinese) to work as small vendors outside big cities.⁴⁾

Following the conflict in Sino-Soviet relations in the 1960s, Indonesia-China relations slowly recovered. This thaw was proven through the Indonesian moves to approach China, and vice versa, that led to the establishment of the *Conference of New Emerging Forces* (CONEFO). This organisation was expected to be the United Nations of poor countries, with headquarters nestled in Jakarta. This development took place during a time when China had not been a member of the United Nations and Indonesia had just walked out from the world organisation.

However, Indonesia-China relations went tense again right after the rise of domestic military forces led by General Soeharto, soon after the tragic incident of September 1965 when seven Indonesian generals were murdered. The army defined the event as a coup d’etat designed by the Indonesian Communist Party. The Indonesian military government then openly accused China of being involved in the coup. Beijing’s up-front response in defending the Indonesian Communist Party and offering political asylum to several members of the party seriously worsened Indonesia-China relations

3) Michael Leifer, *Politik Luar Negeri Indonesia*, (Jakarta: Gramedia, 1983), p. 87.

4) *Ibid.*, p. 101.

at that time. Finally, the relations came to the lowest point in October 1967 when Jakarta decided to break off its diplomatic relations with the Beijing government.⁵⁾

Under the Soeharto regime, Indonesia put its first priority on economic development, wherein political stability was seen as inevitable prerequisite to it. Communism was defined as the biggest threat to political stability and in relation to this, China was seen as a dangerous source of political support for Indonesian communist activists. Hence, during the 1970s, Soeharto took every measure to break up the power of the ex Indonesian communist party, including by cutting all possible links between Indonesian communist activists and the Beijing government. Under Soeharto, Indonesian foreign relations were reoriented towards anti-communist policies, which meant increasing association with the US and its allies. The establishment of ASEAN and Indonesia's active role in the regional organisation could be seen as the country's effort to handle the 'communist threat' in Southeast Asia. Indonesia's invasion of East Timor in 1975-1976 was also widely regarded as an offensive measure undertaken by Soeharto to deter the potential threat of communism in the Indonesian neighbourhood.

Indonesia-China relations moved gradually in a positive direction from the middle of the 1980s. This change was primarily triggered by immense economic pressure coming from the global

5) Read Leo Suryadinata, *Politik Luar Negeri Indonesia di Bawah Soeharto* (Indonesia's Foreign Politics under Soeharto era), (Jakarta: LP3ES, 1998).

recession as well as Soeharto's willingness to play a more prominent role in international diplomacy. As a matter of fact, Soeharto intended to expand the market of Indonesia's oil and natural gas exports worldwide, including to China.

He also planned to advocate Indonesia as the chairman of the Non Alignment Movement. Without initiating a diplomatic relationship with China, it would be hard for Indonesia to convince the allies of China and the Soviet Union about its neutral position in international politics. On the other hand, since the end of the 1980s, following the Tiananmen Incident, China which had been internationally condemned and isolated, seemed to have considerable interest to start normalizing its diplomatic relations with Indonesia that has significant influence in ASEAN. Another factor was that in this era, China also had reformulated its foreign policy regarding Chinese descendants outside the mainland, by firmly stating that Chinese overseas affairs belonged to their residential government⁶⁾.

In reality, the Chinese government could not sit idly when violence occurred towards Chinese descendants in Indonesia⁷⁾. In

6) Christine Susanna Chin, "The Chinese Indonesian's Role in Substantiating Sino-Indonesian Strategic Partnership," in *Indonesian Quarterly*, Vol. 35, No. 4 (2007), p. 337.

7) Soeharto's politics towards ethnic Chinese in Indonesia was coloured by some notable ambivalences. Socially, Soeharto restricted the expressions of Chinese culture in daily life. However, in the economy, Soeharto had close association with many Chinese businessmen such as Lim Sioe Liong (Sudono Salim) and Bob Hassan. Many Chinese businessmen benefited much from their close connection with Soeharto (and other military officials), while Soeharto (and other military leaders) obtained 'political funds' from them, including in engineering the civilian support through GOLKAR. See Syamsul Hadi, *Strategi Pembangunan Mahathir dan Soeharto: Politik Industrialisasi dan Modal Jepang di Indonesia dan Malaysia*, (Jakarta: Pelangi Cendekia, 2005).

April 1994, in reacting towards labour demonstrations that escalated into anti-Chinese riots in Medan, North Sumatera, China's foreign minister pulled out a concern statement and called on Jakarta authorities to appropriately tackle the issue. Indonesian Justice Minister at that time, Utoyo Usman, said that the incident which took place in Medan also occurred in many other places, so that it would be better for the Chinese government to ignore it and focus on its own domestic affairs.⁸⁾

Beforehand, in February 1994, Indonesia-China relations were already tense when Taiwan President Lee Teng-hui visited Bali and met President Soeharto in an informal meeting. China issued a strong warning to Indonesia which later on provoked the anger of the Jakarta government. Many Indonesian political elites regarded that strong warning as China's determination to dictate terms to Indonesia, and some such elites even suggested cancellation of the diplomacy reconciliation between both countries⁹⁾.

The May 1998 riots which happened before Soeharto's fall, when a big number of Chinese descendants became victims of violence, certainly gave rise to a negative image about racial issues that targeted ethnic Chinese in Indonesia. Again, the Beijing government showed its concern and hoped that the Indonesian government had greater political will in protecting the ethnic Chinese citizens in its territory. Not only did this incident leave Chinese residents in

8) *The Jakarta Post*, 22 April 1995.

9) Rizal Sukma, "ASEAN-China Relations and Taiwan Issue: An Indonesian Perspective," in *The Indonesian Quarterly*, Vol. 34, No. 1, First Quarter (2006), p. 14.

Indonesia insecure and painfully traumatized, but also generated a bad image in the minds of mainland Chinese that Indonesia is a dangerous place where their kin were subject to constant jeopardy.¹⁰⁾

Following the fall of Soeharto, when a more open political atmosphere has risen, Indonesian Chinese received better political treatment through certain government policies. The authorities issued a law which eliminates 'native' and 'non-native' categorization (1998), abolished the restriction to use the Chinese language in public events, and stressed an end to the discrimination (1999), that prohibited public events related to China's tradition, beliefs, and religion, (2000), and declared the *Chinese Spring Festival* as an Indonesian national celebration¹¹⁾.

In contrast to what happened during the Soeharto era, under President Abdurrahman Wahid's rules (1999-2001), China was accorded priority in Indonesian foreign policy. Wahid made his way to China in his first overseas presidential visit soon after being elected. On many occasions, he also aired his ideas to improve cooperation between Indonesia, China and India, in an attempt to balance the US position as the only dominant power in international relations. Nevertheless, his grand ideas stopped at simply being a statement. He was then very consumed by numerous conflicts in the coalition government he led until the day he was impeached by the parliament in 2001.

10) Christine Susanna Tjhin, op. cit., p. 342.

11) Ibid., p. 338.

Despite the impeachment, Wahid's visit to China in early December 1999 was noteworthy to be considered as significant enough to improve the two countries' bilateral relations. Beijing was happy to grant as much as US\$ 5 billion and facilitated US\$ 200 million of foodstuff supplies to Indonesia. There were also plentiful agreements on many areas of cooperation like finance, technology, marine sector, tourism promotion, and counter trade in energy by exchanging Indonesia's LNG with China's products.

During Megawati Soekarnoputri's presidency (2001-2004), the foundation of Indonesia and China relations which had been laid in Wahid's period continued in a progressive way. In the APEC meeting in Shanghai in October 2001, President Jiang Zemin revealed his hope that Megawati might follow in the footsteps of her father, Soekarno, to develop close ties with Beijing. During her visit to Beijing on 24-27 March 2002, Megawati signed an agreement with the Chinese government which aimed at improving political and economical relations between Indonesia and China. Agreement has been achieved in the establishment of several new consular generals in a number of cities in China and Indonesia and also the establishment of an energy forum between two countries.

Indonesia-China relations in the Post-New Order era reached its peak when the *Strategic Partnership Agreement* between them was officially signed on 25 April 2005, when President Hu Jintao visited Indonesia. In a declaration signed by President Susilo Bambang Yudhoyono and President Hu Jintao, it was stated that this strategic partnership would be implemented in a neutral and open way to

promote peace, stability, and prosperity. There are three areas covered by this agreement, namely political and security cooperation, economic and development cooperation, and socio-cultural cooperation.

One of the areas of this strategic cooperation is in defence which is described as technical cooperation, such as senior army officer exchange, education and training, and joint cooperation in developing the defence industry. In the period of 2007-2008, for example, the Chinese government offered 21 types of education, trainings, and courses for 23 Indonesian senior army officers in disaster response management.¹²⁾ In law enforcement, a treaty was signed in February 2008 to extradite those suspected of corruption in Indonesia. According to Foreign Affairs Minister, Hassan Wirajuda, this agreement was completed much faster than the one arranged with the Singapore government¹³⁾.

Based on this ongoing positive environment, little wonder that the Indonesian Ambassador to China, Sudrajat, complimented Indonesia and China as having their honeymoon period now.¹⁴⁾ However, this does not mean that there would be no actual or potential factors that may deteriorate the bilateral relationship in the future. It also does not mean that Indonesia is likely to be attracted to China in terms of culture, values and ideas (the so called *soft power* of China). The current appreciation of the situation is more to do with the realistic assessment of the Indonesian political elite who

12) *Suara Karya*, 11 January 2008.

13) *The Jakarta Post*, 13 February 2008.

14) Interview *The Jakarta Post* with Sudrajat, *The Jakarta Post*, 14 April 2008.

acknowledge the phenomenon of a rising China in the international arena. This development in turn implies the necessity for Indonesia to adjust itself to the situation.

There are at least two “social factors” that could explain why Indonesian society would not be so much attracted to China in terms of culture, value and ideas. First, as a country with a majority Muslim population, most segments of Indonesian society has closer emotional ties with the Muslim countries in the Middle East rather than China or other countries in East Asia. They are more attracted with the issues of Palestine, Iran and Iraq, rather than the issue of “a rising China” and related ideas. Secondly, the Chinese population has been living for a hundred years in Indonesia, and economically they have been mostly wealthier than the majority of the indigenous population. Hence, for most Indonesians, the success of Chinese economic development would seemed to be ‘natural’, considering the cultural traits of Chinese descendants living in the country, who in the main tend to be hardworking, tough and business-oriented.

ASEAN and Indonesia-China Relations: The Case of the East Asian Summit

When first established in 1967, ASEAN was an anti-communist organisation directed to encounter external powers which were determined to expand their influence in Southeast Asia, including China. More recently, despite being quite cautious in dealing with Chinese regional and international ambitions, the

majority of ASEAN members choose to be pragmatic by building soft power cooperation with Beijing. Some ASEAN countries, including Indonesia, have even extended its cooperative relations to include security matters, although such cooperation is still limited to technical cooperation and confidence building measures only.

China's relations with ASEAN peaked after the Asian Crisis of 1997-1998. While the crisis occurred, China gained from its positive image for not depreciating its currency. Had it done so, the competitiveness of ASEAN products in the international market would certainly have been affected. In the midst of harsh criticisms towards the IMF for its failed policy which worsened the economic condition of crises-stricken countries, China, as a matter of fact, was seen to be more of a true ASEAN partner with strong endurance against the pressures of the financial crisis.

From China's own perspective, the changes in its diplomatic approach were evident. China started out less enthusiastic about multilateral mechanisms which impacted on the internationalization of Taiwan and Spratly Island issues that in turn weakened its own position. Since the past decade, China appears to look for regional arrangements to soothe Southeast Asian anxiety about the "China threat" while at the same time trying to reduce US influence and isolate Taiwan in regional diplomacy.

In terms of institutions, in 1996 China was positioned as a full ASEAN dialogue partner, and a year afterwards, in 1997, a ASEAN-China High Level Conference was held. This event marked an important historical point, since it was for the first time that the

leaders of China, Japan, and South Korea sat together at one table at a summit level. The ASEAN role as an institution that bridged the political gap amongst the “+3” countries was undeniably crucial.

The notion of high interdependence amongst countries in the East Asian region finally gave birth to the idea of transforming ASEAN+ 3 into an *East Asian Summit*, which was expected to develop into an East Asian Community in the years to come. This statement together with the ASEAN+3 decision to establish an *East Asian Vision Group* (EAVG) in 1998 and the suggestion from President Kim Dae Jung to form an *East Asian Study Group* (EASG) in 2000, were attempts to study the steps and processes needed towards East Asian integration in the future. There were also suggestions to launch an *East Asia Summit*, and the EASG also proposed the establishment of an East Asia Forum and East Asian *Free Trade Area* (EAFTA)¹⁵.

It was interesting that China and Malaysia seemed to be the most enthusiastic ones in realizing the idea of transforming ASEAN+3 to become an *East Asian Community*. China seemed to see this momentum as a chance to play a more prominent role in the political and economic forum at a regional level. On the other hand, Malaysia considered the *East Asian Community* idea as a reincarnation of Mahatir Mohammad’s thought in December 1990 about the establishment of an *East Asian Economic Group* (EAEG) that was not implemented due to the opposition of the United States and some other countries. China’s

15) Syamsul Hadi, “Integrasi Ekonomi di Asia Timur dalam Agenda Politik Luar Negeri Indonesia” (Economic Integration in East Asia in the Indonesian Foreign Politics), in IPS, *Quo Vadis Indonesia*, (Jakarta: IPS, 2005) p. 77.

seriousness is evidenced by its willingness to sponsor and fund the Network of *East Asian Think Tanks* (NEAT), which was expected to hatch progressive ideas about regional integration in East Asia. Malaysia's intention to realize the idea, on the other hand, was shown by its seriousness in hosting the first East Asian Summit in December 2005.

At the beginning of the process, Jakarta demonstrated a kind of passive position that gave an impression that there would no Indonesian moves to hamper the process of transforming ASEAN+3 to the East Asian Summit. Nevertheless, it did not last long, since Indonesia later on realised the danger of turning this idea into an institutional form, which would possibly replace the ASEAN position as the only advanced regional organisation in East Asia. As a matter of fact, since its establishment in 1967, ASEAN has been a regional organisation that became the main vehicle for Indonesia to play its role at the regional and international levels.

Due to its large territory and huge population, Indonesia sees itself as the most important member of ASEAN. Indonesia positioned itself as a *de facto* leader of ASEAN, which can be particularly seen in locating the ASEAN headquarters in Jakarta, the country's capital city. The creation of the East Asian Community, a target of the Asian Summit Meeting in the first place, meant that the significance of ASEAN would decline. The community would simply be bigger and more prestigious, as its membership would include ASEAN members as well as the richer and large "+3" countries.

Aware of this potential negative impact on itself, Jakarta then started to think of "disrupting" the process¹⁶⁾. Based on the

arguments of open regionalism, Indonesia further suggested that Australia and New Zealand, which are geographically located outside the Asian continent, should be invited as participants in the East Asian Summit. Considering the Philippines' proposal, India was then also put on the forum. Indonesia also proposed a principle of ASEAN as *the driving force* to any form of cooperation in East Asia. The principle of ASEAN as the driving force implied the position of the East Asian Summit as merely *an extension of the* ASEAN Summit. Therefore, non-ASEAN or "+3" countries have no right to host the summit. This principle obviously turned out to be a stab for China, which openly proposed to host the second East Asia Summit.

Indonesia's proposal gained firm support from Japan which would not be happy to have China dominating the East Asian Summit. Things grew even more severe since the coordination of the first East Asian Summit in December 2005 took place in the middle of tense China-Japan relations due to PM Koizumi's visit to the Yasukuni Temple that honours Japanese soldiers of the Second World War. Japan and Indonesia which had the same interest in "turning" the direction of the East Asian Summit seemed successful in implementing their agenda. Moreover, at that time, it was decided that the host of the ASEAN Summit, would automatically act as a

16) In regards to the official respond of Indonesian government to the *East Asia Summit* idea, read R.M. Marty M. Natalegawa, "ASEAN+3 versus the East Asia Summit," in *Duta Indonesia and the World*, April 2005. Marty (2005:3) stated, "*Indonesia does not find it appealing that ASEAN+3 Summit should simply be duplicated by an East Asia Summit with the same participants and essentially the same agenda, each co-existing with the other. This would be inefficient and cannot possibly be sustainable in the long run.*"

host of the East Asian Summit, would be the Philippines, the US' traditional ally, which would certainly be more supportive of the political agenda of Indonesia and Japan rather than that of China.

In fact, the discourse on the East Asian Community faded away in the next ASEAN Summit held in Cebu, the Philippines, in January 2007. In the ASEAN Summit closing venue, the Philippine's president, Gloria Macapagal Arroyo, voiced her view that considered China (and India) as serious competitors for ASEAN in attracting global investment. She mentioned that the acceleration of the ASEAN Community from 2020 to 2015 was aimed at strengthening ASEAN competitiveness against China and India.

The case of the East Asian Summit 2005 showed a serious difference in the foreign policy agendas of China and Indonesia, made it hard for both to be thoroughly synchronized. It is as if China was pushed to understand that Indonesia would not want to easily lose its 'traditional' influence, particularly in Southeast Asian diplomacy, which involved ASEAN as the main "regional pillar" of Indonesian foreign policy. It also provides valuable experience for China which has a relatively limited experience in involving itself in regional organisations such as ASEAN.

Economic Aspects in Indonesia-China Relations

Responding to President Hu Jintao's visit to Indonesia in 27-30 July 2005, President Yudhoyono visited China along with Vice President Jusuf Kalla and a group of businessmen from KADIN

(Indonesia's Chamber of Commerce). Generally, large business communities in Indonesia were happy with better prospects in the economic cooperation between Indonesia and China¹⁷⁾. With a growth of 18% per year, KADIN felt optimistic that Indonesian trade relations with China would exceed from just US\$15 billion in 2005 to US\$20 billion in 2008. At the end of the visit, President Yudhoyono and his team brought back trade and investment deals worth as much as US\$20 billion.¹⁸⁾

The trade target in 2008 between the two countries, which counted for nearly US\$20 billion, had already been accomplished by 2007 to the tune of US\$25.01 billion. In 2007, Indonesian imports totalled as much as US\$12.6 billion US dollar while the value of Indonesia's export reached US\$12.4 billion in total.¹⁹⁾ Along with this number, the Indonesian government is optimistic that both countries' trade target that is US\$30 billion in 2010 would be achieved. This positive assessment is in consideration of the fact that the trade growth between two the countries in 2007 rose by 31% compared to 2006.²⁰⁾

As stated previously, Indonesia tried to utilize its foreign policy as an effective means to restore foreign investors' trust in the country. In the context of China, by 2005, China's investment in Indonesia had reached 48 projects in total, with an estimated value

17) Alexander C. Chandra, "Indonesia in the ASEAN-China Free trade Agreement: A Critical Assessment," paper in a seminar titled *ASEAN-China Relations: 15 Years Development and Prospects*, Vietnamese Academy of Social Sciences, Centre for ASEAN and China Studies, Hanoi, 8 December 2007.

18) Ibid.

19) *Suara Karya*, 12 February 2008.

20) Ibid.

of around US\$205 million, ranked as the 8th highest after Singapore, United Kingdom, Japan, Malaysia, Canada, Australia, and the Netherlands.²¹⁾ According to BKPM (Indonesian Investment Coordinating Board) data in 2007, China was positioned as the 15th highest in terms of foreign investment through the January to September 2007 period, with a total value of US\$19.8 million. However, in this period, China still ranked far below Singapore (with US\$3.32 billion), United Kingdom (US\$1.67 billion), and Japan (US\$535.6 billion).

Unlike Japan, China favours foreign trade over foreign direct investment. As widely known, the specialty of China's competitive power does not rely on international or regional production networks, but on far lower prices compared to other countries instead. To a certain limit, this may become a dilemma for Indonesia. On the one hand, Indonesia would not want to lose its chance to benefit from China's booming economy. On the other hand, the economy of Indonesia and China does not complement each other. Moreover, in 2004 The World Bank predicted China as a main competitor for Indonesia's non-oil and natural gas exports, such as textiles products, kids' toys, sport shoes, and similar products. In the international market, Indonesia seems to find it difficult in dealing with Chinese products which are generally similar to Indonesian products in terms of its labour-intensive characteristics.²²⁾

21) *Antara*, 18 May 2007.

22) Zainuddin Djafar, *Indonesia, ASEAN dan Dinamika Asia Timur* (Indonesia, ASEAN, and the Dynamic of East Asia), (Jakarta: Pustaka Jaya 2008) p. 119.

This non-complementary character of both countries' products was one basic reason why Indonesia does not place any interest in conducting bilateral Free Trade Agreements (FTA) with China, in contrast to what already took place in the case of The Economic Partnership Agreement (EPA) between Indonesia and Japan. Indonesian Minister of Trade, Mari Pangestu, said that China-ASEAN FTA is sufficient for Indonesia and it need not to go further through bilateral agreements with China.

In responding to the phenomenon of a rising China in the economic arena, most Indonesian economic constituents viewed China as a tough competitor that would threaten several sectors of the economy. In commenting on the possible effects of the China-ASEAN FTA, the representatives of Indonesian Chambers of Commerce (KADIN) said that even without such an FTA, it is a striking fact that Chinese cheap products are flooding the Indonesian market nowadays²³⁾. In line with this assessment, representatives of Indonesian Farmers Association (HKTI) stressed the necessity for the Indonesian government to raise Indonesian economic competitiveness before involving itself in such a free trade agreement²⁴⁾. Such objections have been supported by the fact that, due to the massive flood of Chinese goods, market sharing of domestic (Indonesian) producers in the textile and related products has decreased from 57 percent in 2005 to 23 percent in 2008. Imported products from China took over around 70

23) Daniel Pambudi and Alexander Chandra, *Garuda Terbelit Naga: Dampak Kesepakatan Perdagangan Bebas Bilateral ASEAN China terhadap Perekonomian Indonesia*, (Jakarta: Institute for Global Justice, 2006), p. 115.

24) *Ibid.*, p. 116.

percent of the domestic market that was previously controlled by Indonesian small and medium enterprises in 2008.²⁵⁾

It was interesting that in 2007, Indonesia and China got involved in a “trade war,” though on a limited scale. It all started when Indonesia’s Surveillance Agency of Foods and Medicine stated that China’s foods, beverages, cosmetics, and toys contains formalin, a substance which endangers human’s health. The Association of Indonesian Children Toys even claimed that 80% of China’s toys are poisonous.²⁶⁾ That announcement was soon followed by massive inspections of foods, beverages, and other Chinese products in Indonesian big cities. That trade dispute finally ended in 2007, after trade team from Indonesia visited China to discuss about foods and non-foods standards.²⁷⁾

In the last five years, Indonesia’s export to China was dominated by Crude Palm Oil (CPO), natural rubber, pulp, paper, copper, and coal. On the other hand, Indonesia’s import from China varied from steel products, sea transport instruments, electronic products, fruits, vegetables, pipe, fertilizer, textile, to shoes.²⁸⁾ Textiles and imported shoes from China, for example, are obviously displayed in grocery centres, mini markets, and other traditional markets in Indonesia. This is certainly a serious blow to similar products made in Indonesia.

25) *Seputar Indonesia*, 22 October 2008.

26) *Seputar Indonesia*, 12 August 2007.

27) Ali Syarief, “Hikmah Konflik Dagang Bilateral Indonesia - China” (The Benefit of Trade Conflict between Indonesia-China), a paper presented in the Inauguration Seminar of Indonesia - China Friendship Association Members, Jawa Barat, Bandung, 7 September 2007.

China's booming economy demands huge resources, including energy. Indonesia is considered important for China in terms of energy security. Previously, the Indonesian government cooperated with Western countries to exploit oil and gas. This tendency has been shifting, little by little, during the last three years. Three of China's large companies in the energy sector are involved in gas exploration and oil production in Indonesia's off-shore oil sources. CNOOC obtained a license to manage 7 blocks, while China's Petroleum & Chemical Cooperation only acquired one block in Indonesia²⁹⁾.

Related to the problem of energy security, China also had significant interest in sea lane security of the Malacca Strait which is nestled between the territories of Indonesia and Malaysia, through which 50 % of the world's crude oil is carried. About 60 % of ships passing the Strait are China's, while 80 % of China's needs of crude oil are carried through this Strait.³⁰⁾ China's increasing dependence on the world oil supply reflects how fragile its energy security really is. This variable would seemingly act as a positive factor in Indonesia-China relations, in the sense that China would tend to secure its economic interests, including in the energy security sector, by keeping and maintaining good relations between the two countries.

28) *Suara Karya*, 4 September 2007.

29) Kim Ngoc, "ASEAN-China Energy Cooperation," in Do Tien Sam (ed), *ASEAN-China: How to Improve Cooperation Effectiveness*, (Hanoi: Vietnamese Academy of Social Sciences, Centre for ASEAN and China Studies (CACs), 2007) p. 119.

30) *Ibid.*, p. 113.

Conclusion

Political changes in the Post-New Order Indonesia have contributed to a significant development of Indonesia-China relations. However, such dynamics are also closely related to the shift of priorities in Soeharto's foreign policy in the end of the 1980s, when he intended to position Indonesia in a more strategic place among the developing countries. In this context, the reconciliation with China which took place in 1990 was a considerably important step. The fall of Soeharto in May 1998, which was soon followed by democratic political reform has left significant space for Indonesian Chinese to pursue their interests and be endowed with their long-awaited social, political, and cultural rights as the country's 'complete' citizens.

Domestic changes marked by a more positive social and political atmosphere for ethnic Chinese in Indonesia was combined with regional dynamics in the Post-Asian Crisis, in which China appeared as a growing economic power with wider access to Southeast Asia, especially through ASEAN. It is clearly in Indonesia's interest in conducting political engagement with China which has become more influential at the global level. Indonesia-China growing relations in the Post-New Order era was marked by the signing of the Strategic Partnership Agreement in April 2005, followed by more intense visits and cooperation among leaders and the business communities of both countries.

Nevertheless, in the East Asian Summit case, the expansion of China's influence through ASEAN has revealed a clash of interest

with Indonesia which still wants to maintain its longstanding regional power within ASEAN. This case left a valuable diplomatic lesson for China to be more informed of the political constellations behind an international organisation such as ASEAN. This case also shows that Indonesia still considers ASEAN as its main diplomatic venue both in the regional and international levels that shall be defended at all cost.

In the economy, Indonesia has been struggling hard to take advantage of China's growing opportunities. The target of trade growth between both countries which was pledged to reach as much as US\$20 billion in 2008 but was exceeded by 2007. However, this rapid growth itself was also distracted by trade disputes in August 2007, when Indonesia's Surveillance Agency of Foods and Medicine conducted a massive inspection of China's products which were accused of containing chemical substances that may harm human health. Indonesian diplomatic efforts to stop the trade dispute with China only took place after the Chinese government cut Indonesian sea products' export to its country.

In trade, China has obviously become Indonesia's main competitor since many of their products have similarities in both types and characters, which are labour intensive. Indonesia's determination to increase investment from China has proven to rather futile, except for oil and gas exploration. Indonesia has to be more aware of China's economic character which, different from Japan, stresses its activities more in international trade rather than foreign investment.

In the years to come, Indonesia-China relations will still be influenced by China's energy security interests, aside from the

regional constellation in East Asia which includes Japan, China, and Indonesia as important players. For Indonesia, maintaining and, in a certain respect, intensifying political relations with China would be viewed as a necessary political adjustment towards the undeniable fact of the increasing influence of China in international relations. In addition to bilateral relations, Indonesia would use multilateral processes through ASEAN Plus Three, East Asian Summit, ASEAN Regional Forum and the Asia Pacific Economic Cooperation forum to 'monitor the international behaviour of China.

As observable with the case of the East Asian Summit, Indonesia would continuously attempt to strengthen ASEAN processes to maintain its leverage at the regional level. In the years to come, Indonesia would still prefer the idea of an ASEAN Community rather than a wider East Asian Community. In line with this thinking, the principle of ASEAN as the driving force for all regional processes in East Asia would always be held dear by the Indonesian government.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER EIGHT

**Malaysia-China Relations:
Domestic and Structural
Imperatives**

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Malaysia-China Relations: Domestic and Structural Imperatives

Narayanan Ganesan

Malaysia's bilateral relationship with China was poor from the time of independence in 1957 until 1973. This bad start in bilateral relations was the function of colonial inheritance, a pro-Western and anti-communist foreign and domestic policy and backlash to Chinese support for the Communist Party of Malaya (CPM). In 1974, Tun Razak normalized diplomatic ties with China, well ahead of Indonesia and Singapore. This turnaround came from China's new status in the international arena and the need to better accommodate the country's ethnic Chinese minority after the 1969 racial riots. China also assisted in creating a better environment through the withdrawal of support for insurgency in 1978 and the eventual disbandment of the CPM in 1989. The person singularly

responsible for better ties with China is Mahathir Mohamed who launched a “Look East’ policy when he became Prime Minister in 1981. His lengthy 22 year tenure in office embedded the policy firmly and brought bilateral relations to new heights. Malaysia no longer considers China a threat and economic and security ties have firmed considerably. There is also far greater convergence on values, ideas and identity in international relations. Malay elite familiarity with ethnic Chinese has helped bilateral relations and more recently, without domestic ethnic dynamics spilling over into foreign policy formulation. China is regarded as a great power and Malaysian elite will be comfortable with China within a concert of Asian and international powers. In this regard, Chinese soft power is a welcome change from the Cold War when China supported communist insurgency in Malaysia. The concept of soft power as utilized in this chapter is the converse of hard power or military capability and might. It refers to cultural and ideational elements that are inherently attractive to nurture a natural following premised on persuasion rather than threat. So for example, countries like Denmark, Norway, Sweden and Switzerland may be characterized as possessing soft power in the international system on the basis of their relatively principled conduct in international affairs in general and dispute resolution in particular. Hard power, even if maintained for defensive purposes, is generally disavowed as a policy instrument.

Malaysia’s bilateral relationship with China has traditionally been strongly determined by international structural arrangements as well as domestic political considerations. The former is a general reference to the impact of the Cold War and the disposition of early elite

to clearly align with the West based on colonial experience, ideology and an active communist insurgency movement that arose immediately after the end of the Second World War. The latter, on the other hand, is a reference to the country's racial arithmetic that included a significant ethnic Chinese minority and agency considerations that moved the country away from its traditional leaning towards the West.

The Prime Ministership of Mahathir Mohamad from 1981 to 2003 was especially significant in reorienting the country's foreign policy away from the West and towards East Asia. In this regard, it may be argued that Mahathir pushed for the establishment of an East Asian community comprising Southeast Asia and Northeast Asia that was consistently opposed by Indonesia and Singapore within ASEAN and Australia, Japan and the United States within the broader Asia-Pacific region. The "ASEAN Plus Three" initiative that came into fruition after the 1997 Asian financial crisis and the subsequent developments that eventually led to the East Asian Summit Meeting in 2005 bear the imprint of Mahathir's initiatives. Hardly surprisingly then, the summit meeting was held in Kuala Lumpur in recognition of Malaysia's steadfast promotion of the idea. A significantly weakened ASEAN and APEC and the rise of China in East Asia against the backdrop of a weakened United States provided structural imperatives that conditioned the birth of the EAC. Since the 1980s, Malaysia has consistently accommodated China's interest in its foreign policy output although domestic imperatives deriving from its own ethnic Chinese minority have significantly waned. In this regard, it should be noted that the linkage between domestic politics and foreign policy

formulation towards China has been significantly weakened. Domestic political calibration, elite infighting and a lowered percentage of the population have accounted for this weakness.

This chapter is divided into six sections. The first of these examines the structural dictates and philosophical disposition of Malaysian foreign policy output. The second section then examines the changes that occurred to the traditional bilateral relationship with China as part of a broader “Look East” policy under the Mahathir administration that took office in 1981. The third section identifies the Malaysian domestic political imperatives that condition policy output towards China while the fourth looks at serious issues in the bilateral relationship and their resolution. The fifth section outlines a possible future scenario for the bilateral relationship while the final section draws the chapter to a close.

Structural dictates and philosophical dispositions

In international relations, it is not uncommon for small countries to shape foreign policy output on the basis of broader structural dictates and historical factors. In this regard, Malaysia fulfilled the classic functions of countries in this category for policy output. The long legacy of British colonization that began in the 18th century was perhaps the most important determining factor shaping policy output during the time of political independence in 1957.¹⁾ Colonization in turn allowed for the country’s external security architecture to be firmly linked to the West. The initial impetus for

this arrangement was the Second World War. The United Kingdom, as the colonial power and early guarantor of Malaysian independence and sovereignty engineered the Anglo-Malayan Defense Agreements (AMDA), a formal alliance that went into effect in 1957.²⁾ Subsequently, when the federation arrangement was expanded to include the North Borneo states of Sabah and Sarawak, and Singapore that was a British crown colony then, AMDA was extended to cover these territories as well.³⁾ In 1971, AMDA lapsed and the Five Power Defense Arrangements (FPDA) that was anchored by the United Kingdom as the head of the British Commonwealth came into effect in 1972. The FPDA brought together the Commonwealth territories of Australia, Malaysia, New Zealand, Singapore and the United Kingdom to consult and if necessary deter external threats to the security of its members. Both AMDA and the FPDA were anchored within Cold War conceptions of threat perceptions that were in turn congruent with those of the United States. In other words, Malaysia's early foreign policy output that was informed by perceptions of external threat was

1) British colonization of the Malay Peninsula is often traced to the Pangkor Engagement and Treaty in 1874 that eventually led to the imposition of the Residential System of government. The system utilized a compliant Malay hereditary monarchy in the 9 states to seek the advice of a British resident in matters pertaining to politics and government. The Malay rulers (Sultans) in turn became sovereign over matters "pertaining to Malay custom and religion" in their respective states. This cultural protection of the Malays that was offered as the moral rationale for colonization would, over time, bind the British to the equivalent of administrative trusteeship of the country on behalf of Malays. See Gordon P. Means "Special Rights as a Strategy for Development: The Case of Malaysia," *Comparative Politics* 5 (1970): 29-61. The Federation of Malaya comprising the 9 states in peninsular Malaysia and the two territories of Malacca and Penang were granted independence in 1957. The Sultans became paramount in their own states and were immune from civil and criminal law. The two territories that were drawn from the Straits Settlements had Governors instead.

2) For an examination of AMDA and FPDA see Chin Kin Wah, *The Five Power Defence Arrangements and AMDA* (Singapore: Institute of Southeast Asian Studies, 1974).

clearly unfavourable towards China.

The communist insurgency after World War Two that attempted to wrest power away from the British led in turn to the declaration of a State of Emergency that lasted from 1948 to 1960.⁴⁾ Since most members of the insurgent CPM were invariably ethnic Chinese, threat perceptions also acquired an ethnic character. Consequently, from the time of independence in 1957 until approximately the mid-1970s, Malaysia's perceptions of external threat were clearly directed towards China. Early Malaysian foreign policy output towards China was conditioned by the structural dictates of the Cold War. At the time of independence in 1957, the Cold War was at its height and Southeast Asia experienced the export of revolutionary communism from China.⁵⁾ This Chinese policy of providing moral and

3) The states of Sabah and Sarawak in the island of Borneo comprised the British North Borneo territories that were administered separately by the British prior to merger with the Malayan Federation. The creation of this new and "artificial" state was one of several reasons that prompted President Sukarno of Indonesia to launch a policy of military confrontation against Malaysia from 1963 to 1966. When the Federation was expanded, the Philippines also severed diplomatic ties with Malaysia and laid claim to Sabah, arguing that it was part of the Sulu Sultanate that extended from Mindanao. On the Indonesian confrontation see Donald Hindley, "Indonesia's Confrontation with Malaysia: A Search for Motives," *Asian Survey* 4:6 (March 1964): 904-913 and Jamie Mackie, *Konfrontasi: The Indonesia-Malaysia Dispute* (Kuala Lumpur: Oxford University Press, 1982). On the Philippine claim to Sabah see Michael Leifer, *The Philippine Claim to Sabah* (Hull: Hull University Monograph Series, 1964).

4) The Emergency is studied in Anthony Short, *The Communist Insurrection in Malaya, 1948-1960* (London: Hurst, 1975) and Richard Stubbs, *Hearts and Minds in Guerrilla Warfare: The Malayan Emergency, 1948-1960* (Singapore: Oxford University Press, 1989). More recently, Chin Peng, the ex-leader of the CPM has published his own account of the insurgency movement. See Chin Peng, *My Side of History* (Singapore: Media Masters, 2003).

5) See Robert O. Tilman, *The Enemy Beyond: External Threat Perceptions in the ASEAN Region* (Boulder, Co.: Westview Press, 1984). Tilman argued that both Malaysia and Indonesia had very clear perceptions of threat that were directed towards China. In both cases such perceptions involved domestic political developments that were in turn perceived as being linked to China's foreign policy.

material support to the Communist Party of Malaya (CPM) was clearly regarded as an infringement of Malaysian sovereignty. The CPM that was active in waging guerrilla warfare against Japanese occupation forces during World War II was initially given a victorious welcome after emerging from the jungle after the War. However, the CPM subsequently became committed to seizing power from the British government through guerrilla warfare. Consequently, both the British authorities and the early post-independence elite regarded China as a potent source of external threat. Malaysia's first Prime Minister, Tunku Abdul Rahman (1957 - 69), expressed a clear policy of alignment with the West in general and the British in particular. His long socialization in the United Kingdom clearly influenced his worldview and he was unabashedly English in many of his ways and, together with Lee Kuan Yew from Singapore, was often described as the finest English gentlemen East of the Suez. However, his pro-Western views were tempered by his liberal inclinations and an aristocratic upbringing that in turn endeared him to the minorities. In this regard, the Tunku often alienated the majority Malays in his ways and was sidelined from power after the outbreak of the 1969 racial riots.⁶⁾

Conventional wisdom regarding Southeast Asian international

6) Following the outbreak of the riots, the Malaysian parliament was suspended and the country was ruled by decree through the National Operations Council (NOC) that was headed by Abdul Razak, the Tunku's deputy. Razak eventually succeeded the Tunku after 18 months when democracy was restored. At the Tunku's insistence, a young firebrand Malay nationalist from Kedah, Mahathir Mohamed, was expelled from UMNO for his extremist views. Subsequently, Mahathir was reinstated in the early 1970s after being rehabilitated by Harun Idris, then UMNO Youth Chief and Razak. An excellent study of the 1969 riots and its aftermath is Karl von Vorys, *Democracy Without Consensus* (Kuala Lumpur: Oxford University Press, 1972).

relations throughout the 1960s and 1970s was that Indonesia and Malaysia harboured external threat perceptions that were directed at China while Thailand and Singapore had such perceptions directed towards Vietnam. The conclusion of the Second Indochina War in 1975 that in turn informed ASEAN threat perceptions on the basis of seeming threats to Thai sovereignty and its new status as a “frontline” state in turn led to the decompression of the Malay Archipelago Complex and the heightened importance of the Indochina Security Complex.⁷⁾ Although ASEAN collectively attempted to respond to Thai security threats through the isolation of Vietnam and denying its occupation of Cambodia international legitimacy, Indonesia and Malaysia continued to treat China with some suspicion as opposed to Thailand that evolved a strategic alignment with China to thwart the perceived Vietnamese

7) A Security Complex refers to a relatively self-contained rank ordering of regional states based on perceptions of power. The most powerful country within the Complex is invariably the regional hegemon as well. Smaller countries within the Complex have to deflect threats from the hegemon to ensure their survival. The Indochina Security Complex brought together the countries of mainland Southeast Asia less Burma that declared a policy of neutrality through self-imposed isolationism in 1962. Within it, Vietnam was the hegemon and Thailand had to constantly deflect perceived threats. Thai insistence on maintaining Laos and Cambodia as neutral buffer states was meant to insulate it from the threat. The Malay Archipelago Complex, on the other hand, brought together the countries of maritime Southeast Asia. In this second complex, the Philippines was omitted since through the Military Bases Agreement (MBA) with the US in 1948, it housed the largest air and naval facilities outside the US in Clark and Subic bases. Hence, Philippine foreign policy during the Cold War was convergent and coordinated with the US. In 1991, in a bout of nationalist fervour, the Philippine Senate voted out the bases. Conveniently for the Americans, the volcanic eruption of Mount Pinatubo severely degraded much of the facilities in the bases. See Jovito R. Salonga, *The Senate that said No* (Quezon City: University of the Philippines Press, 1995). On the Security Complexes, see Barry Buzan, “The Southeast Asian Security Complex,” *Contemporary Southeast Asia* 10: 1 (June 1988): 1-16 and Muthiah Alagappa, “The Dynamics of International Security in Southeast Asia: Change and Continuity,” *Australian Journal of International Relations* 45:1 (May 1991): 1-37.

threat.⁸⁾ China, on its part, was happy to offer assistance to Thailand and sought greater accommodation with ASEAN while achieving its strategic aim of containing the Soviet Union through Vietnam. It was this larger equation that led to China's punitive expedition against Vietnam in 1979 shortly after the latter occupied Cambodia. ASEAN, led by Singapore, sought to deny the Vietnamese-installed Heng Samrin regime legitimacy in the United Nations. As a result of this action, the Khmer Rouge government held the UN seat until it was reconstituted through the addition of two more Cambodian resistance factions led by Son Sann and Norodom Sihanouk.⁹⁾ Notwithstanding these actions by ASEAN, it may be remembered that Indonesia and Malaysia announced the "Kuantan Declaration" in 1980 that sought a legitimate role for Vietnam in mainland Southeast Asia.¹⁰⁾ Most analysts regard this declaration as a reaffirmation of their external threat policies towards China. In this regard it is arguable that it was Mahathir who significantly altered traditional threat perceptions. Consequently it may be argued that although structural factors were significantly favourable for Malaysia to adopt a more conciliatory policy towards China, it was Mahathir who

8) See Sukhumphand Paribatra, *From Enmity to Alignment: Thailand's Evolving Relations with China* (Bangkok: Chulalongkorn University Press, 1987).

9) ASEAN lobbied for the U.N. seat for Cambodia to be held by the Democratic Kampuchea (DK - Khmer Rouge) government in order to deny the Vietnamese-installed government international legitimacy. After the genocidal activities of the government became public knowledge, the DK was expanded to become the Coalition Government of Democratic Kampuchea (CGDK) through the addition of Son Sann's Khmer People's National Liberation Front (KPNLF) and Norodom Sihanouk's FUNCINPEC. The CGDK held the Cambodian seat until 1989 when the international community intervened to end the civil war and held national elections in 1993.

10) See Justus van der Kroef, "ASEAN, Hanoi, and the Kampuchean Conflict: Between "Kuantan" and a "Third Alternative," *Asian Survey* 21:5 (May 1981): 515-535.

capitalized on this opportunity and significantly altered the bilateral relationship. It needs to be noted however that this policy was part of a broader initiative that sought greater alignment with Northeast Asia rather than just China.¹¹⁾ Conversely, it may be argued that relations with the West, broadly defined, also suffered during this period. Bilateral relations with Australia, the United Kingdom and the US were the most clearly affected by this negative tide.¹²⁾

Policy Realignments and the Look East (1981 -)

With the end of the Cold War and the onset of *détente* in the 1970s, Malaysia again responded to the new structural dictates. Following the American decision to engage China and downgrade relations with Taiwan under the Nixon Administration, Malaysia decided to normalize diplomatic relations with China. This new

11) In the late 1980s, Mahathir pushed for the formation of an East Asian Economic Community (EAEG) that would unite Northeast and Southeast Asia against the North American Free Trade Area (NAFTA) and the European Community (EU). This proposal was stoutly resisted by the US that used its influence with Japan and Australia to scuttle the plan. Indonesia, with its *primus inter pares* status in ASEAN was equally opposed to accepting a Malaysian proposal for regional order. Consequently, deliberations about the EAEG was regularly postponed and eventually diluted to become the East Asian Economic Caucus (EAEC) that was routinely referred to as East Asia without Caucasians.

12) Mahathir began his premiership with the threat of an economic embargo against the United Kingdom through a “buy British last” policy. Margaret Thatcher relented to Mahathir’s pressure that was exerted to prevent a significant increase in tertiary tuition fees for Malaysian nationals. Subsequently, relations between Malaysia and Australia nosedived in 1993 when Paul Keating called Mahathir a recalcitrant for refusing to attend the APEC inaugural Summit Meeting in Seattle. Tensions with the US tended to be issue specific and often involved human rights, press freedom and charges of deforestation. In 1998 when Al Gore openly criticized Mahathir’s treatment of Anwar Ibrahim, relations hit a new low. Subsequently, Madeleine Albright, US Secretary of State, and Rafidah Aziz, Malaysia’s Trade and Industry Minister, also had a public spat over the treatment of Anwar.

policy was certainly at odds with its immediate neighbours Indonesia and Singapore that waited till 1990 prior to the resumption of such ties.¹³⁾ Malaysia's position was closer to that of Thailand. The latter had its own motivations, given the U.S. resolve to disengage from the conflict in Vietnam. Consequently, Thailand's motivations were much more strategic within the wider context and the informal alliance later achieved with China from 1975 to 1988 validates this analysis. Additionally, in 1978, Deng Xiaoping ended support to the MCP in order to forge a broad united front strategy with the non-communist Southeast Asian countries against Vietnam and its benefactor, the Soviet Union. Hence, Malaysia's normalization of ties with China in 1974 was clearly progressive and well ahead of other countries and broader political alignments.

However, what really changed the tone and temper of Malaysia's relations with China was Prime Minister Mahathir's unveiling of a "Look East" policy. This new policy thrust decidedly altered Malaysian foreign policy towards China and made bilateral relations significantly warmer. As mentioned at the outset, the policy initiative was in the first instance meant to be a defensive response to the seeming breakup of the world into trading blocs. Although his early attempts at persuading ASEAN countries towards East Asian regionalism

13) On the Indonesian decision to normalize ties with China see Leo Suryadinata, "Indonesia-China Relations: A Recent Breakthrough," *Asian Survey* 30:7 (July 1990): 682-696. Singapore was the last country to normalize ties with China in November 1990 in deference to Indonesia on the basis of an agreement between Lee Kuan Yew and Suharto. Lee's gesture was meant to assuage regional fears that Singapore's foreign policy was conducted on the basis of the country's ethnic calibration as a Chinese majority state.

were frustrated, the onset and fallout from the Asian financial crisis and the rapid pledges of aid and loans from China and Japan quickly accelerated the process. Washington's greatest fears were that such a grouping may become introverted like a customs union and bar entry to goods and services from the West. A hidden fear was that it would have effectively lost control of political and economic developments in the East Asian region if China, Japan and Korea could bridge their differences and collaborate to mutual benefit. It was owing to such sentiments that the U.S., in the aftermath of the crisis, pressured Japan into abandoning its plan to set up an Asian Monetary Fund.¹⁴⁾

By 1998 however, Indonesian resistance to the scheme had dissipated with the fall of the Suharto government. Hence, ASEAN was diplomatically much more amenable to the Malaysian proposal. The sudden flight of Western capital and the willingness of China and Japan to help ASEAN stabilize the regional economic situation also worked in Mahathir's favour. This shift away from the traditional foreign policy focus on the West and towards Northeast Asia was a marked change in the arena for Malaysian foreign policy output. The change was multi-dimensional and affected many areas. Greater sourcing of trade, investments and technology was one aspect of the new policy output although it must be added that Mahathir was especially partial towards Japan. Large numbers of publicly funded scholarships became available to students for training in East Asia. Significantly, Mahathir,

14) Japan made a public announcement that it was prepared to commit US\$100 billion to create an Asian Monetary Fund along the lines of the International Monetary Fund. The commitment was later rescinded following pressure from the U.S.

together with Lee Kuan Yew from Singapore, was vocal in the debate on the utility of Asian values in the developmental process. Malaysian foreign policy under Mahathir also tended to be anti-Western in general and favoured alignment with developing countries.

Malaysian policy output under Mahathir towards China was conducted both at the bilateral and multilateral levels.¹⁵⁾ At the bilateral level, he was singularly responsible for redirecting traditional threat perceptions away from China and setting up the Economic and Trade Joint Commission in 1992 and signing The Joint Statement on Framework for Future Bilateral Cooperation in 1999. From 1993 onwards, Mahathir's initiatives were reciprocated by the Chinese both in terms of joint projects and high level visits.¹⁶⁾ Policy initiatives towards China to draw on synergies and increase bilateral cooperation have also been continued by Mahathir's successor, Abdullah Badawi.¹⁷⁾ This redirection was facilitated by Chinese assistance in helping to disband the CPM and the CPT at the end of the Cold War in Southeast Asia in December 1989 although as noted earlier, active Chinese support for the CPM had already been withdrawn since 1978. Malaysian defence policy from 1990 emphasized external defence

15) At the bilateral level, Mahathir made the first trip to China in 1985. This was followed by a second trip in 1993 that was in turn reciprocated by ranking Chinese officials. Afterwards, Mahathir made a total of 5 more official trips during his tenure as Prime Minister. See K S Balakrishnan, *Malaysia-China Relations: The Political Challenges* (Kuala Lumpur: Institute of China Studies, University of Malaya, ICS Working paper No. 2006-4), p.6.

16) Visits by China's political elite to Malaysia included those of President Jiang Zemin in 1994; in 1997 for the ASEAN Plus Three Informal Summit; in 1998 for the Informal APEC Economic Leaders' Meeting, Chairman (CCPCC) Li Ruihuan in 1995, Premier Li Peng in 1997, Premier Zhu Rongji in 1999, Vice President Hu Jintao in 2002, Vice Chairman (NPC) Jiang Chunyun and Vice Premier Li Lanqing in 2003 and Premier Wen Jiabao in 2005.

rather than the traditional focus on counter insurgency operations against communists. This change in the defence doctrine naturally facilitated an even more amicable foreign policy towards China in the 1990s. The Malaysian attempt to utilize ASEAN to expand outwards to embrace Northeast Asia meant that policy output towards China and Japan was also pursued at the multilateral level. These attempts did not encounter much resistance within ASEAN in the 1990s. The reason for this observation is that ASEAN was slowly incorporating the remaining countries in Southeast Asia then. Afterwards, it looked outwards to expand its regional influence and institutionalize a protocol that included regular meetings and consultations and where possible, the extension of assistance to countries in need. ASEAN's new found policy thrust suited China well as it became enmeshed in a number of multilateral fora and reassured its near neighbours of its peaceful intentions amid its steady rise in influence and power. Besides, such initiatives were not inspired by the US or other traditional Western powers that China tended to be much more sceptical about.

17) Badawi's visit to China in 2003 led to the signing of a number of agreements. These included the MOU on Travel and Cooperation, Agreement on Agriculture Cooperation, Agreement on Space Cooperation and the Peaceful Use of Outer Space, MOU on the Cooperation in the Employment of Chinese Workers and Memorandum of Exchange on Executing Malaysian Record Remote Sensing Cooperation Program. In a subsequent visit in 2004, both countries signed MOUs between the Government of the People's Republic of China and the Government of Malaysia on Cooperation in the Field of Foreign Affairs and International Relations Education, Field of Public and Plant Health and Memorandum of Cooperation Between China Mayors Association and the Malaysia China Business Council. Badawi also paid China another visit in 2005. See Li Yiping, *Sino-Malaysian Relationship in the Post-Cold War Period* (Kuala Lumpur: Institute of China Studies, University of Malaya, ICS Working paper No. 2006-6), pp. 3-5.

Domestic structural impediments and nuances

Whereas it is generally true that the broader structural arrangements during the Post-Cold War era and the end of communist insurgency has facilitated better ties between Malaysia and China, the same cannot be said of domestic structural factors. At the time of independence, Malaysian foreign policy was decidedly anti-communist and by extension, anti-Chinese. Nonetheless the manner in which political power was distributed and exercised favoured the minority communities. This was in part owing to the consociational power sharing model that had been inherited from the pre-independence days in 1954. Elite representatives of the three major communities were represented at the executive level and there was a general understanding that the ethnic Chinese should get their due consideration in policy matters. The liberal worldview of the Tunku and his willingness to leave many economic matters to the Chinese created a symbiotic relationship of sorts between the dominant Malays and the Chinese. Within the framework of the Alliance government that lasted from 1954 to 1969 and the *Barisan Nasional* (National Front) from 1970 onwards, the United Malays National Organization (UMNO) that represented the majority Malays, controlled the top two executive positions in government.¹⁸⁾ Lesser seats were apportioned among the coalition's component parties that were often a function of bargaining, ethnic calibration of constituencies and political performance at the polls and in government. Malaysia's early foreign policy output towards China was negative on the basis of international structural and

domestic ideological concerns. Once these evaporated, the significant domestic Chinese constituency had to be assuaged and this explains the early establishment of diplomatic ties in 1974. Such pacification was especially important in the aftermath of the 1969 racial riots and regaining the trust of the significant Chinese minority at the polls. There was also the assertion of a measure of independence away from early policy output that was shaped by colonial considerations.

A number of domestic political and economic developments have however significantly weakened the input of the Chinese community in government and policy matters. The first of these is the fact that the ethnic Chinese share of the domestic population has eroded from a high point of 34 percent at the time of independence to almost 25 percent now.¹⁹⁾ A number of factors that include relatively lower fertility rates and migration have led to this decline. Consequently, elite representatives from the community represented in the two ethnic Chinese parties in government, the Malaysian Chinese Association (MCA) and Gerakan, have equally less clout and representation. Added to this is the fact that both parties and in particular the MCA has been dogged by leadership squabbles that significantly undermined the community. The inability of the

18) The Prime Minister and his Deputy were appointed on the basis of holding the top two executive positions of President and Deputy President of UMNO. These positions were traditionally not contested and Deputies simply succeeded Presidents. However, by 1997, two Deputies had already been displaced - Musa Hitam in 1986 and Ghaffar Baba in 1997. Anwar Ibrahim's stunning victory over Ghaffar Baba led Mahathir to introduce the new rule that the top two positions in UMNO would be closed to contestation.

19) The most recent census data from 2005 indicates that the Malay percentage of the population is approximately 66 percent that in turn translates into an absolute majority. The Chinese share of the population has in the meantime shrunk to about 25 percent.

party to manage its leadership transition smoothly actually led to Mahathir's involvement in the process when he persuaded Ling Liong Sik to step down from the party leadership in June 2004.²⁰⁾ These internal squabbles have lessened the worth of the Chinese community as well as the party that represents them in the government. And to make matters worse, high ranking elite from the party have been involved in well publicized scandals and the leader of the party lost his seat in the March 2008 general election.²¹⁾ In fact, the party had its worst showing and won only 15 seats that it contested. To add insult to injury, the Democratic Action Party (DAP) that represents primarily Chinese interests in the political opposition fared spectacularly, clinching 28 seats and took over the Chief Minister's post and state government of Penang in a stunning rebuke to MCA and Gerakan.²²⁾ In fact, the political opposition that was brought together under the banner of the *Pakatan Rakyat* (Peoples' Pact) led by *Parti Keadilan*, *Parti Islam SeMalaysia* (PAS) and the DAP trounced the government candidates in states that had significant

20) This was one of the final political acts of Mahathir prior to stepping down from power in October 2004. Ling, who had deflected many challenges and ensconced himself in the MCA attracted much negative publicity from other party officials as well as the Chinese electorate. See N. Ganesan, "Malaysia in 2003: Leadership Transition with a Tall Shadow," *Asian Survey* 44:1 (January/February 2004): 70-77. In 2008, in the aftermath of the Barisan's stunning setback at the polls, Mahathir lamented the fact that he was unable to persuade Samy Velu from the Malaysian Indian Congress (MIC) to step down in 2004 as well. For a discussion of Samy Velu's role in MIC, see "Suganthi Suparmaniam, "Spotlight: The Samy Velu factor in revamp," *New Straits Times*, 6 October 2008.

21) In the 2008 elections, the MCA leader Ong Ka Ting lost his seat and MP and Health Minister Chua Soi Lek was embroiled in a highly publicized sex scandal earlier. Chua admitted to being the man in a secretly taped sexual tryst in Johor and subsequently resigned from his position in December 2007.

22) For a breakdown of the results of the election see "Malaysia Decides 2008," *The Star*, 10 March 2008.

minority representation, including Perak, Selangor and Penang.²³⁾

Conversely, and to make the situation even worse, the Malay share of the population has risen sharply. Malays now account for approximately 66% of the population with an absolute majority. As their share of the population has grown, there has also been a corresponding increase in their influence and numbers in the government. In fact, at the present time, even employment in the civil service and enforcement agencies have become so skewed that non-Malays are neither keen nor interested in applying for such jobs. This situation compounds a general Malay preference for such jobs since the time of colonization. And owing to the leadership squabbles and factionalism within the smaller parties, UMNO has significantly strengthened itself as well. Mahathir's introduction of a no contest rule for the Presidency and Deputy Presidency of UMNO after sensing a threat from Anwar Ibrahim in 1997 enabled the party to fend off leadership challenges from within. And Mahathir's overwhelming persona and power made him disproportionately powerful compared to minority elite. Although his successor Abdullah Badawi does not command the same respect and reverence, his accommodative personality and standing in UMNO has allowed him to hold on to the reins of power for a short while.²⁴⁾ His own deputy has been mired in controversy and implicated in a murder scandal.²⁵⁾ Nonetheless, the

23) In the March 2008 election, the opposition scored significant gains and defeated many high profile incumbents, including the Presidents of the MCA, Gerakan and the MIC. The *Pakatan Rakyat* led by *Parti Keadilan* with Anwar's wife Dr. Wan Azizah as the nominal head won a total of 82 seats in parliament and 196 state seats. 2 state seats were won by independent candidates. The ruling Barisan government, on the other hand, won a total of 140 parliament seats and 307 state seats, losing its absolute majority in parliament.

blowback from the poor electoral performance of the BN government in the 2008 election has sealed Badawi's fate prematurely. He has since withdrawn his pledge to step down as Prime Minister in 2010 and agreed to do so sooner in March 2009. The challenge is however mounting from *Pakatan Rakyat* and its leader Anwar Ibrahim who has vowed to bring down the present government even as a second sordid sodomy charge has been brought against him.²⁶⁾ The recalibration of power in parliament may augur some changes for the minorities since Anwar is generally regarded as more liberally inclined and already has an institutionalized relationship with the DAP. Hence, although UMNO has significantly strengthened itself vis-à-vis the minority component parties in the *Barisan* government, it has weakened in relational terms to the political opposition that formed four state governments after the 2008 election.

24) It was recently reported by the research firm Merdeka Centre that Badawi's popularity rating hit an all time low of 28 percent in July 2008 with a 3.1 percent error margin. This fall compares with a popularity rating of 91 percent in late 2004 after he was first elected Prime Minister.

25) Najib Tun Razak has been implicated by bloggers and a private detective in the murder of the Mongolian model Altantuya Shaaribu. Although Najib has denied involvement in the case, there is widespread scepticism among the Malaysian public. Individuals who had provided sworn testimonies have been detained or have disappeared even while the formal trial drags on. The judiciary itself has been implicated in another scandal involving political favours and rigging of promotions that in turn led to a Royal Commission of Enquiry. See Santha Oorjitham, "More time to deliberate on judicial commission," *New Straits Times*, 9 July 2008. And most recently, the Director of Immigration and his Deputy have been detained for fraud involving the issue of passports. All in all, there has been a severe deterioration of the public sector in Malaysia leading to a fissure in the traditional compact between the citizenry on the one hand and the public service and politicians on the other.

26) Anwar contested and won the by-election in Pematang Pauh for the seat that was previously held by his wife, Dr. Wan Azizah in August 2008. He is currently the head of the opposition coalition, *Pakatan Rakyat*, in parliament. However, there is a sodomy allegation that is potentially pending trial against him.

Another factor that has weakened the input and representation of the domestic Chinese community is their relative decline in the economic arena. During the early years of independence, economic and financial matters were often delegated to the Chinese while the Malays controlled political and administrative power. This implicit arrangement has come to pass. As a result of the New Economic Policy that was launched in 1970 to alleviate Malay poverty and enhance their ownership of equity and employment and the continuation of this policy as the National Development Policy (NDP) from 1990 when the mandate of the NEP expired, Malays now have a significantly larger share of the economic pie. Over and above this, beginning from the 1970s, the Malaysian government began on a policy of indigenization of several critical industries and sectors. These included the financial and plantation sectors in particular. Under the Mahathir government in particular and his Finance Minister Daim Zainuddin, Malays have utilized UMNO to further their corporate economic interests through holding companies. These companies in turn maintain significant interests in the economy and are regularly awarded large contracts on a preferential basis.²⁷⁾

As a result of these changes, the ethnic Chinese minority in Malaysia no longer receives the kind of consideration that it used to for policy purposes. This applies to both domestic politics and foreign policy. The affirmative action policies of the Malaysian government, diminished opportunities in the public sector, high levels of leakage and corruption and the deterioration of public safety has also led to the migration of many better educated members of minority

communities. Nonetheless, to the extent that the country and its elite are familiar with ethnic Chinese and their culture and values and have lived and worked with them for long has also meant that China is not regarded as some alien country but rather one that has had a long historical association with Malaysia. And in any event, in manufacturing, construction and tertiary services, the ethnic Chinese are rather well represented. Owing to their interlocking relationship with Malay entrepreneurs and the trust that UMNO elite have placed on Chinese businessmen for their reliable delivery of services and products, ethnic Chinese still retain good credibility and strong linkages to the ruling elite. In fact, Mahathir was fond of a number of such high profile ethnic Chinese businessmen who he relied on for large infrastructural projects.²⁸⁾ Some of the more controversial tenders were often awarded without competition or due diligence work first. Similarly, when high level Malaysian delegations visit China, they are almost always accompanied by leading entrepreneurs in the country and many of these tend to be Chinese. And Malaysia has sought to aggressively engage China as economic opportunities arise.²⁹⁾

Serious issues and their resolution

Historically, the most serious issue that negatively affected

27) The best study of UMNO's involvement in the economy is Edmund Terence Gomez's, *Politics in Business: UMNO's Corporate Investments* (Kuala Lumpur: Forum, 1990). Also see Edward Terence Gomez and Jomo K. S., *Malaysia's Political Economy: Politics, Patronage and Profits* (Cambridge: Cambridge University Press, 1999).

28) Such favoured businessmen included Eric Chia, Ting Peck Khing and Vincent Tan.

Malaysia-China relations was China's support for the domestic armed insurgency. However, Malaysia was not the only country negatively affected by this policy. After China's withdrawal of support for insurgency in 1978 and the eventual disbandment of the CPM in 1989, such support became a non-issue. Malaysia's own movement away from counter insurgency operations to external defence reflected the changed priority. Over time and especially under Mahathir, Malaysian perceptions of threat have also moved away from China. In this regard, during the post-Cold War period, Malaysia has had much more bilateral tensions with its own geographically proximate neighbours rather than China. These include Indonesia, Singapore and Thailand.³⁰⁾ The impact of Mahathir's Look East policy and

29) Apart from or perhaps because of all the joint agreements on trade and investments that have been signed, Malaysia's bilateral trade with China has increased significantly in the last decade. Total bilateral trade between Malaysia and China had grown to US\$30.7 billion by 2005. By 2007, total bilateral trade stood at US\$ 45.7 billion and by October 2008, the total value of bilateral trade for the first 10 months of the year stood at US\$45.7 billion, a reported 22.8 percent increase over 2007. See "Trade volume between Malaysia, China up by 22.8% in first 10 months of 2008," *People's Daily*, 18 December 2008.

At the beginning of the 1990s, Malaysian exports to China comprised of primarily agricultural commodities like wood products, palm oil and rubber. However, from 1995, the value of these commodities dropped significantly. By 2005, the export of electrical machinery and apparatus accounted for 48 percent of total Malaysian exports. The top four Chinese imports into Malaysia are electric and electronic products, machinery and mechanical parts, and chemical and textile products. China is Malaysia's fourth major trading partner after Singapore, the United States and Japan. See Li Yi, *Analysis of Recent Sino-Malayan Trade Relations* (Kuala Lumpur: Institute of China Studies, University of Malaya, Working Paper No. 2006-14). Bilateral tourist visits have also been steadily rising. In 2008, a total of over 800,000 Chinese nationals had visited Malaysia by October. See "Chinese tourist arrivals to Malaysia pushing 1m mark," *Business Times*, 13 January 2009. Malaysia, on the other hand, had approximately 10,000 of its nationals visiting China in 2006. The total number of Chinese students in Malaysia was 12, 000 in 2008. Conversely, the number of Malaysian students in China exceeded 1,300 in the same year. See "Malaysia, China to exchange students for home-stay," *Xinhua*, 10 May 2008.

philosophical convergence on the utility of Asian values dissipated what tensions remained in Malaysia-China bilateral relations. There was also growing recognition of, and a desire to, embrace Chinese soft power as part of the larger geo-strategic landscape.

Nonetheless there was one issue that had the potential to strain the bilateral relationship in the 1990s. Both countries had overlapping territorial claims over the Spratly Islands. China, which has traditionally had a very strong spatial conception of territories that fall under its sphere of influence, clearly regarded the South China Sea as falling well within such influence. And to demonstrate its resolve in securing these territories that included the Paracel and Spratly Islands, it was involved in a naval skirmish with Vietnam in 1988. Afterwards, in the mid-1990s, it aggressively moved to lay claim to parts the Spratly Islands that were claimed by the Philippines.³¹⁾ And when there were Indonesian attempts to broker the overlapping claims, China's position was that its sovereignty claim over the Spratly Islands was indisputable and non-negotiable.³²⁾ It offered to cooperate and jointly explore and exploit resources with countries that had overlapping claims if they laid aside their territorial claims. Naturally, other claimants were unprepared

30) See N. Ganesan, "Taking Stock of Post-Cold War Developments in ASEAN," *Security Dialogue* 25:4 (December 1994): 457-468 and *Bilateral Tensions in Post-Cold War ASEAN* (Singapore: Institute of Southeast Asian Studies, 1999). More recent treatments of bilateral tensions involving Malaysia can be found in "Thailand's Relations with Malaysia and Myanmar in Post-Cold War Southeast Asia," *Japanese Journal of Political Science* 2:1 (May 1991): 127-146 and *Realism and Interdependence in Singapore's Foreign Policy* (London: Routledge, 2005), chapters 5 and 6. For an assessment of Malaysia-Indonesia relations see Joseph Chinyong Liow, *The Politics of Indonesia-Malaysia Relations: One kin, two nations* (London: Routledge, 2005).

31) For a treatment of the Spratlys dispute see Chen Jie, "China's Spratly Policy: With Special Reference to the Philippines and Malaysia" *Asian Survey* 34:10 (October 1994): 893-903.

to take up China's offer on such terms. Additionally, China was adamant that overlapping territorial claims be settled bilaterally rather than through multilateral fora. As a result of such insistence, these overlapping disputes were never referred elsewhere for resolution.

Malaysia has overlapping claims with China over the Spratly Islands, some of which are located in coastal waters very close to the state of Sabah in East Malaysia. The best known Malaysian-controlled reef in the Spratlys is *Terumbu Layang Layang* (Swallow Reef). Malaysia has always maintained an armed presence in the reefs that it claims in the Spratlys. Interestingly, China has never attempted to wrest control of the reefs claimed by Malaysia although it has been much more aggressive towards those claimed by Vietnam and the Philippines. Such a decision may well owe to the fact that Malaysia maintains an armed presence and the disputed territory lies physically very close to Malaysia. On the other hand, it could also be due to China exercising more restraint with the manner in which it deals with ASEAN countries and in particular those that it has cordial relations with. After all, China has had good relations with Malaysia since the late 1980s and does share a number of common ideational values regarding norms of governance and values. Apart from both countries emphasizing the importance of Asian values, both countries have also

32) Indonesia was not a claimant to the Spratly Islands and therefore offered its good services in an attempt to broker the dispute through Track Two fora that included the Council for Security Cooperation in the Asia Pacific (CSCAP). However, these meetings came to naught. The Philippines, at the height of the seeming threat from China, attempted to invoke its bilateral security treaty with the U.S. as a way of dissuading China. However, it was quietly informed that the treaty would not cover overlapping territorial claims.

expressed a strong preference for upholding the sovereignty principle and dealing with foreign policy irritations in a calm and rational manner that avoids raising tensions and making issues spiral out of control. In any event, China's apparent preference for soft power is well appreciated in Malaysia that has itself favoured a neutral and independent foreign policy although such policy has traditionally tended towards the West. Malaysia, through its push for East Asian regionalism, has also allowed China to maintain an unobtrusive structural role in the region. Whereas China has traditionally been suspicious of Western-inspired multilateral fora, it has been much more forthcoming in participating in ASEAN-initiated ventures. This was certainly the case with its membership in the ASEAN Regional Forum (ARF) that was inaugurated in Bangkok in 1994. Similarly, it has also participated enthusiastically in ASEAN-inspired multilateral fora like "ASEAN Plus Three," the EAC and the EAS. Hence, it is quite clear that China is prepared to engage in multilateralism as long as it does not come with Western baggage or conditions. And Malaysia has been equally willing to play a constructive role in assisting the emergence of such a community even while realizing that the fruition of such a community may well undermine its early initiatives over time. It is therefore not restrained by Indonesian considerations of the loss of a leadership role within a wider Asia Pacific community.

Mapping a possible future scenario

The US has been the predominant power after the collapse

of the Soviet Union. Yet, its power is significantly waning on account of its imperial overstretch and international resistance to its perceived arbitrary hegemonic values and impulses. As a result of such widespread perceptions, the US has dissipated much of its international standing and influence. Consequently, whether out of sheer internal necessity or external resistance, it is entirely possible that the US will suffer a good measure of decline in its international standing and influence in the 21st century. Conversely, other powers may move to the fore if the current trajectory of international relations continues to obtain. Barring unexpected or untoward developments, China is likely to be one such country. Naturally the unfolding of this situation is also contingent on how the Northeast Asian security complex that involves China, Japan and Korea is resolved. Nonetheless, an East Asian regional order in which China and Japan attempt to play a complementary role is indeed foreseeable after resolving their differences.³³⁾

Malaysia has generally performed well under American hegemony after independence. Its foreign policy does not bring to bear too many domestic pressures and distractions. In this regard, foreign policy formulation has been generally an elite dominated affair and there is little popular interest in the country's position. In any event, such positions have generally been well calculated, taking into account both domestic considerations as well as international and

33) For a recent treatment of this subject see Lim Hua Sing, *China and Japan in East Asian Integration* (Fifth Edition) (Singapore: Institute of Southeast Asian Studies, 2008). Most recently, Japan hosted a trilateral summit between the three Northeast Asian countries? a development that many in the past would have regarded unthinkable.

regional structural demands. The one notable exception to this general disinterest rule has been unfavourable international policy output that is viewed as prejudicial to the interests of Islam and Muslims. Part of the reason for this interest was also elite inspired. During his premiership, Mahathir was often critical of the West for its neglect of issues negatively affecting Muslims, from the conflict in Yugoslavia to the violence in the occupied Palestinian territories.³⁴⁾ And domestically, he had to cope with an opposition party with an Islamic mandate in PAS and also deflect threats from the Muslim revivalist groups called *dakwah* that spawned in the country from the 1970s in response to the global resurgence of Islam. Mahathir's cooptation of Anwar Ibrahim in the early 1980s was in part to deflect this revivalist threat. At the time of his entry into UMNO, Anwar headed the *Angkatan Belia Islam Malaysia* (ABIM - Malaysian Islamic Youth Movement) that had an urban membership of 40,000 youth. Similarly, in foreign policy output, Mahathir championed the cause of Islam through the Organization of Islamic Conference (OIC) and went on to accept displaced Muslims escaping violence from Yugoslavia and Myanmar. It was also during his term in office that Malaysia built the International Islamic University, held annual Koran reading competitions and forbade the serving of alcohol in public functions. To the extent that the Malaysian government has deftly dealt with possible internal backlash on policy issues and has been willing to use detention without trial in worst case scenarios means that the domestic

34) An early discussion of this subject was Stephen Milne and Diane Mauzy, "The Mahathir Administration in Malaysia: Discipline Through Islam," *Pacific Affairs* 56:4 (1982): 617-648.

situation is well managed most of the time.³⁵⁾

Within the region, Malaysia has also preferred some semblance of a balance of power among the major powers. This preference is meant essentially to blunt the demands of unilateral power that has the potential to reorder the regional and international agenda. Whereas, Malaysia would probably rather not have a *Pax Sinica* since it might in turn complicate the domestic racial arithmetic, it would probably be agreeable to an East Asian order that leads to power sharing between Japan and China. Unlike neighbouring Singapore, Malaysian elite do not harbour negative sentiments against Japan for wartime atrocities and are also not burdened by ethno-cultural affinity and pressures deriving from them. The pro-Western template against which foreign policy was measured in the immediate post-independence period has also dissipated. Additionally, the Mahathir administration had sharply redefined policy priorities and its transactional arena for two decades and this shift is likely to have some enduring impact, especially since East Asia is rising in importance internationally. Consequently, Malaysia is likely to accommodate changes in the regional calibration of power that involves a more powerful China rather well, especially if such power is exercised softly. In this regard, the “Look East” thrust of Malaysian foreign policy during the Mahathir era may well yield significant future dividends.

35) In 1995, for example, the Malaysian government moved against Darul Arqam, a fundamentalist Islamic movement and detained its leader Ashaari Muhammad who was arrested in Thailand and deported to Malaysia. Similarly, the government has detained those associated with other militant movements like the *Kumpulan Militan Malaysia* (KMM - Malaysian Militant Group) and the *Gerakan Aceh Merdeka* (GAM - Free Aceh Movement).

Conclusion

Malaysia's foreign policy towards China was traditionally determined by structural dictates deriving from the regional calibration of power. Since such calibration was invariably a response to broader systemic demands, its foreign policy responded to such demands. Consequently, from the time of independence in 1957 till 1974 when Malaysia formally established diplomatic relations with China, its foreign policy was coloured by the contours of the Cold War. British colonization and early Western-trained elite conditioned Malaysian foreign policy ideologically towards the West and against communist countries. The policy towards China was especially problematic since China supported the CPM that waged an active insurgency against the government. Against this backdrop, early Malaysian foreign policy towards China was negative and it treated China as the greatest source of external threat.

From 1974 under the Razak government, Malaysia evolved greater latitude in its foreign policy output and relations with China thawed significantly. This thaw was partly in response to changed structural conditions in favour of China in the 1970s. It was also inspired by the Malaysian government's attempts to seek support from its own significant domestic Chinese minority population. The recalibration of government after the 1969 racial riots required broad Chinese support for the newly constituted *Barisan Nasional* government. Hence, the changed policy also attended to a significant domestic audience and issue. The Chinese withdrawal of support for communist insurgency in

1978 also strengthened Malaysia-China bilateral relations.

From 1981 when Mahathir came to power, Malaysia's foreign policy underwent a dramatic change. Mahathir significantly reoriented the country's foreign policy towards East Asia. Both in rhetoric and substance, Mahathir's pronouncements were anti-Western. His policy initiative was aided and abetted by China and Japan that warmed up to the new direction and Malaysia benefited from a surge in bilateral economic relations with both countries. Since 1993, Malaysia has signed many bilateral agreements with China and elite from both countries regularly pay courtesy calls on each other and express their solidarity and willingness to further develop bilateral ties. The degradation caused by the 1997 Asian financial crisis provided another structural opportunity for China to engage Malaysia and Southeast Asia in general. Other than bilateral initiatives, both countries have also benefited from multilateral regimes where they have common membership. Under Mahathir's long tenure in office, both countries also espoused and advocated the utility of common Asian cultural values that were useful in the developmental process. Hence, there was also a strategic convergence of ideas, values and an Asian identity that significantly raised the comfort level between both countries.

Mahathir's successor, Abdullah Badawi, has continued in Mahathir's footsteps and sought to continue the momentum in Malaysia-China bilateral relations. Dense transactions at the elite and economic level between both countries continue to obtain. In this regard, it is arguable that notwithstanding the early demands of structural dictates in conditioning Malaysia's foreign policy output

towards china, it has been agency reasons that have contributed the most to the changed tone and temper of relations between both countries. And if a single person deserves credit for this change, it will certainly be Mahathir Mohamed. The changes in policy output towards China that he brought about have negated Malaysian perceptions of a Chinese external threat. In fact, the country as a whole has become much more comfortable with Chinese soft power and regards growing Chinese power as a natural trajectory in international relations. Additionally, the overhang in domestic Malay-Chinese relations that used to inform foreign policy output in the past has also been significantly weakened. China is now treated as an important Asian power independent of domestic dynamics that will in any event have little impact on China's place in the emerging world order.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER NINE

Singapore: Balancing among China
and Other Great Powers

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Singapore: Balancing among China and Other Great Powers

Lye Lian Fook

Introduction

Singapore's relations with China can be described as strong and substantive. They interact and cooperate in many fields including economics, business, arts, culture, education and the environment. The relationship is also manifested at many levels ranging from government-to-government ties involving the top leaders to people-to-people exchanges of tourists and students. Over the years, bilateral relations has not only deepened in existing areas but also broadened into new areas.

The state of bilateral relations today is commendable when compared to the not too distant past. Singapore's relations with China

before the open door and reform policy in 1978 were dogged by ideological differences and threats to national security. Since 1978, Sino-Singapore relations improved as China sought a favourable external environment for its domestic growth. Trade and investment relations were stepped up in the 1980s and have grown much stronger since. Since 1997, China has been Singapore's top investment destination with cumulative actual investments amounting to US\$29.7 billion as of November 2006, representing 4.4% of China's total FDI.¹⁾ China is also Singapore's third largest trading partner in 2007.²⁾

This chapter argues that Singapore's relations with China can be understood in terms of two broad strategies. The first strategy is engagement of China. Singapore believes that China's rise will add to the vibrancy and stability of the region as it will provide opportunities for the countries there (China included) to jointly grow and prosper. Indeed, bilateral relations have deepened and broadened since the 1990s. There also appears to be a shift towards greater institutionalisation of bilateral relations with the setting up of the Joint Council for Bilateral Cooperation in 2003 chaired by the Deputy Prime Ministers of the two countries.

The second strategy pursued by Singapore is to develop its relations with China alongside other major powers such as the US, Japan, India, Australia, New Zealand and the UK. This strategy is manifested primarily through its participation in regional fora like the

1) Press Release by the Singapore Ministry of Trade and Industry dated 23 January 2007, "Minister for Trade and Industry Lim Hng Kiang Visits Beijing to Attend Inaugural Singapore-China Investment Promotion Committee Meeting," <http://app.mti.gov.sg/default.asp?id=148&articleID=6582>, Accessed 1 August 2008.

2) *Economic Survey of Singapore 2007* (Singapore: Ministry of Trade and Industry, February 2008), p. 4.

ASEAN, ASEAN Regional Forum (ARF), ASEAN+1, ASEAN+3, Asia Pacific Economic Cooperation (APEC), the East Asia Summit (EAS) and the Five Power Defence Arrangement (FPDA) that involves China and the other major powers. These regional bodies provide platforms for various powers to be involved in the region so that there is a healthy balance of power from Singapore's perspective. In this way, Singapore can find space to further its interests.

While examining Singapore's relations with China, this paper will also address the issue of whether China exercises "soft power" towards Singapore and if so, what are some key features of this "soft power"? What is Singapore's perception of this "soft power" - Does a common Chinese cultural and language affinity between Singapore and China necessarily mean that Singapore will be susceptible to China's exercise of this "soft power" - What is Singapore's response? The conventional view has often held that bigger countries are usually in a better position to influence the actions of smaller countries. Hence, it would seem that China, with its economic dynamism and rich cultural allure, will readily be able to exert "soft power" on Singapore.

Yet, the central argument of this chapter is that rather than be at the receiving end, Singapore, the much smaller country, has certain developmental experiences which China has found useful and has constantly adapted to its needs. In other words, Singapore is also able to exert some degree of "soft power" vis-à-vis China. In fact, the two countries have learnt from each other in the process of their interactions. Despite their vast differences in geographical size, the two countries have worked and continue to work together in areas of

mutual interests and mutual benefit. Also, given its geographical location that is surrounded by larger Malay countries, Singapore is ever conscious of the need to avoid being seen as being a proxy for China. Hence, Singapore's good relations with other major powers such as the US, Japan, India, Australia, New Zealand and the UK and its participation in regional and international bodies. This is necessary for Singapore to maintain its sovereignty and prosperity.

This chapter is divided into three main parts. The first part will provide a brief overview of the various strategies used by states to further their interests. For Singapore, the strategies that it adopts vis-à-vis China depend to a large extent on the constraints facing the country such as its small size and it being surrounded by bigger Malay countries. The second part will examine Singapore's relations with China before and after the establishment of diplomatic relations in 1990. It points out that bilateral relations have not only deepened in the economic realm but also become more multi-faceted. In addition, the two countries have collaborated to develop two flagship projects, namely, the Singapore Industrial Park in Suzhou and the Sino-Singapore Tianjin Eco-city project in Tianjin. Also, bilateral ties have become more institutionalized with the setting up of a high-level governmental mechanism to oversee relations. Part III will look at China's ability to exercise "soft power" vis-à-vis Singapore. It observes that China does not yet appear to be in a position to exercise "soft power" vis-à-vis Singapore although it is laying the groundwork to do so. At this stage, it seems that it is Singapore that is exercising "soft power" vis-à-vis China by sharing relevant aspects of its development experience with China.

Foreign policy of a city-state: Constraints and Opportunities

For Singapore, the strategies that it adopts depend to a large extent on the constraints facing the country. The first and foremost constraint is that Singapore's small size and lack of resources limit its ability to influence the actions of others. The city-state's small domestic market also led it to shift from an import substitution policy to an outward-looking, export oriented policy of industrialization. This meant looking beyond the region to link up with the advanced countries of the West to tap the trade and investment opportunities these countries offered. Due to strategic and economic reasons, Singapore began to shift to a pro-American stance especially since the 1970s.³⁾ During a visit to the US in October 1977, then Prime Minister Lee Kuan Yew reportedly came out strongly in favour of a continued US military presence in Asia. He argued that the US naval presence must be roughly equivalent to the Soviet naval power in the area.⁴⁾ Since then, Singapore has built up and strengthened its ties with the US which has continued to this day. From Singapore's perspective, the US is a benign, non aggressive power with an important role to ensure the continued stability and prosperity of the region.

Yet another constraint that Singapore has to grapple with since independence was to assuage the concerns of its Malay

3) Lee Boon Hiok, "Constraints on Singapore's Foreign Policy," *Asian Survey*, 22, no.6 (June 1982), 528.

4) *Ibid*, p.528.

neighbours that Singapore would come under China's sway given its predominant Chinese population. At that time, many Chinese in Singapore was still loyal to their country of origin and had little sense of national identity. Hence, Singapore came to practice multiracialism and multilingualism so that its citizens do not think of themselves as exclusively a Chinese, or Indian or Malay but as a "United Nations in the making."⁵⁾ Over the years, through continuous nation-building efforts, Singaporeans now have an identity quite separate from their counterparts in China.

Given these constraints, Singapore's relations with China can best be understood in terms of two broad strategies. The first strategy is engagement, as opposed to containment, of China. Singapore's engagement of China, as will be elaborated below, has expanded beyond the economic realm into others areas. More importantly, the relationship has become more institutionalized with the setting up of a high-level bilateral cooperative mechanism to oversee relations. Engagement is also not limited to the bilateral angle but involves the regional dimension as well. The main idea behind engagement is to facilitate China's integration into the regional and world economy so that China will develop a stake in the existing rules of the game. In turn, China's rise will add to the vibrancy and stability of the region as it will provide neighbouring countries with opportunities to grow.

Singapore has consistently argued against a policy of containing China. In an interview with *Times Magazine* in 1996, then

5) Tommy Koh and Chang Li Lin (ed.), *The Little Red Dot: Reflections by Singapore's Diplomats* (Singapore: World Scientific Publishing, 2005), 39.

Senior Mentor Lee Kuan Yew, former Prime Minister of Singapore, was reported to have said that “The last thing Asia wants is containment. First, it will not succeed. Second, you will have absolutely no influence on how China and its attitudes develop: it will be hostile and xenophobic to the West, and that's no good for us.”⁶⁾ More than a decade later, Prime Minister Lee Hsien Loong reportedly said at the Asia Security Dialogue in 2008 that “On China, I do not think any containment strategy is going to be assayed, nor will it succeed. None of the countries in the region wants to take sides between China and an adversary. We all hope to see China and America developing constructive relations.”⁷⁾

The second strategy Singapore has pursued is to develop its relations with China in tandem with its relations with other major powers, a modified version of the balance of power concept. Here, Singapore does not apply the balance of power crudely in the form of mobilizing and managing a coalition of like-minded states to guard against the rise of a potentially dominant rival. In the first place, Singapore does not have the means to do so. It would also be detrimental to Singapore's interests if it were to play such a role as this would invite an adverse reaction especially from its neighbours.

Singapore's balance of power is one that discriminates in

6) Karsten Prager, Lewis M. Simons and Mark Thompson, “China: Waking Up to the Next Superpower,” *Time Magazine*, 25 March 1996.

7) Keynote Address by Singapore Prime Minister Lee Hsien Loong at the 7th International Institute for Strategic Studies (IISS) Asia Security Dialogue on 30 May 2008 at Shangri-la Hotel, <http://www.iiiss.org/conferences/the-shangri-la-dialogue/plenary-session-speeches-2008/keynote-address-lee-hsien-loong/>, Accessed 16 July 2008.

favour of a benign hegemon, i.e. the US.⁸⁾ The US itself has strategic and economic interests in the region that are in line with Singapore's interests. Besides the US as the key player that underpins the security of the region, Singapore also encourages other external countervailing interests to develop a stake in its survival and well-being.⁹⁾ The idea is to encourage the countervailing powers to develop a vested interest in Singapore and the region so that they can benefit from the process and in turn keep each other in check. The US is perceived by Singapore to be the de facto final arbiter should there be a threatening power that seeks to upset this balance.

Singapore's Relations with China

Singapore's relations with China can be broadly divided into three phases. The first section will look at bilateral relations in the first two phases before the establishment of diplomatic relations in 1990. Since the early phases of bilateral relations have been well covered in previous writings, the section on this will be brief. The second section will delve into bilateral relations after 1990. It will explore the various aspects of bilateral relations that can be grouped under the socio-economic dimension and the political dimension.

8) Kishore is of the view that the Iraq War of 2004 which the US got involved in without a Security Council Resolution "remains an aberration. It has demonstrated how rarely American military power is used." See Kishore Mahbubani, *Beyond the Age of Innocence: Rebuilding Trust between America and the World* (New York: PublicAffairs, 2005), 137.

9) Michael Leifer, *Singapore's Foreign Policy: Coping with Vulnerability* (London: Routledge, 2000), 35.

Before Establishment of Formal Relations

The first phase, from independence in 1965 to 1978, can be described as a challenging period in bilateral relations. This period saw China lent moral and material support to communist insurgency movements in Southeast Asia that threatened to overthrow the post-colonial regimes in these countries. Singapore was particularly concerned given its vulnerability following its separation from Malaysia in 1965 and the intractable challenges of economic growth and nation-building. During this period, China also supported the communist government in North Vietnam against the capitalist South Vietnam. When the North overran the South in 1975, there were fears that other countries in Southeast Asia would soon fall under communism.

Despite ideological differences and threats to its security, Singapore adopted a pragmatic approach and maintained economic relations with China. When Malaysia's relations with China deteriorated during the period when Singapore was a part of Malaysia in 1963-65 and the Bank of China branch in Singapore faced the prospect of forced closure, the Singapore government resisted pressure from the Malaysian government and kept the branch open. Equally significant, for three decades from 1950 to 1990, Sino-Singapore trade was conducted in the absence of a formal diplomatic framework. Bilateral trade in the early 1970s hovered around S\$700 million to S\$800 million, with the balance of trade in China's favour (see **Graph 1** in Annex).

In the second phase, from 1978 to 1990, Singapore's relations with China witnessed a positive turn. In the second half of the 1970s, Beijing began to reduce its ties with the insurgency

movements in Southeast Asia and ended its support for them thereafter. Also, Deng Xiaoping's open door and reform policy of 1978 required China to pursue a more pragmatic foreign policy. In addition, the change in the regional strategic environment with the Vietnamese invasion of Cambodia in 1978 and the Soviet invasion of Afghanistan in 1979 prompted China to improve its relations with the rest of Southeast Asia.¹⁰⁾

During the 1980s, Singapore stepped up trade and investment links with China. Within a decade, from 1974 to 1984, bilateral trade increased from S\$0.77 billion to S\$3.4 billion, an almost five-fold increase (see **Graph 1** in Annex). Sino-Singapore relations also improved in the 1980s due to a convergence of strategic thinking over the Cambodian issue. Singapore believed that only China had the military capabilities to pressure Vietnam into withdrawing, and that ASEAN should work closely with the PRC, over this issue at least.¹¹⁾

After Establishment of Diplomatic Relations

The third phase, beginning from 1990 to the present, witnessed the gradual strengthening and broadening of Singapore's relations with China. Singapore's engagement with China not only deepened in the economic realm but moved beyond to other areas including tourism, culture and the arts, media, environment and the

10) William R. Heaton, "China and Southeast Asian Communist Movements: The Decline of Dual Track Diplomacy," *Asian Survey*, 22, no.8 (August 1982), 779-800.

11) Herbet Yee and Ian Storey (ed.), *The China Threat: Perceptions, Myths and Reality* (London: RoutledgeCurzon, 2002), 208.

political dimension. To better appreciate developments in this area, this section will be divided into two parts. The first part will look at the breadth of engagement in the socio-economic realm. The second part, on politics, will describe the institutional mechanism that is in place to oversee relations between the two countries and the implications of this.

(a) Socio-Economic Engagement

The establishment of diplomatic relations in October 1990 propelled relations forward. Singapore had earlier held back on formal ties with China to assuage concerns by its neighbours that it would become an agent for China. In any case, as mentioned above, the lack of a formal relationship did not appear to impede trade ties and to some extent investment relations between the two countries.

The anchor of Sino-Singapore relations is economics. Bilateral trade increased from S\$5.2 billion to S\$21.6 billion from 1990 to 2000, an almost four-fold increase in a decade. From 2000 to 2007, this figure more than quadrupled from S\$21.6 billion to S\$91.6 billion (see **Graph 2** in Annex). In 2006, China was Singapore's 4th largest trading partner, ranked after Malaysia, the EU and the US. In the same year, Singapore was China's 7th largest trading partner.¹²⁾ In 2007, China moved up a notch to become Singapore's third largest trading partner. In 2008, Singapore and China concluded a Free Trade Agreement (FTA) during Singapore's Prime Minister Lee

12) Press Release by the Singapore Ministry of Trade and Industry dated 30 November 2007, "Singapore and China sign MOU on SME Cooperation," <http://app.sprinter.gov.sg/data/pr/20071030990.htm>, Accessed 18 July 2008.

Hsien Loong's visit to Beijing. This FTA is the first by the Chinese government with an Asian country. It sends an unequivocal message that both China and Singapore are committed to further opening up and promoting free trade, an important gesture at a time when there are calls for protectionism and to look inwards due to the global financial uncertainty. The agreement can be expected to further spur trade and investment ties between the two countries.¹³⁾

On investment, since 1997, China overtook Malaysia as the most important destination of Singapore's foreign direct investment in cumulative terms.¹⁴⁾ Singapore's investments in China rose by 12.5 per cent to S\$30.7 billion as at end 2006 (see **Graph 3** in Annex). Manufacturing (64.1 per cent) and real estate, rental and leasing services (12.7 per cent) were favoured by Singapore investors in China.¹⁵⁾

Comparatively, China's foreign direct investment in Singapore is much lower at S\$1.54 billion in 2006 (see **Graph 4** in Annex). More capital outflow from China into Singapore would certainly be welcomed. At the moment, there are 143 Chinese firms listed on the Singapore Exchange, representing about 13 per cent of the total number of companies listed on the exchange and about a

13) The FTA covers various areas including trade in goods, rules of origin, trade remedies, trade in services, movement of natural persons, investment, customs procedures, technical barriers to trade, sanitary and phytosanitary measures and economic cooperation. See Press Release by the Singapore Ministry of Trade and Industry, "China-Singapore FTA ? Media Info-Kit," http://www.fta.gov.sg/press_home_detail.asp?id=96&txt_rdate=2008&txt_ftalist=0, Accessed 6 January 2009.

14) Speech by George Yeo, Minister for Foreign Affairs, on 29 December 2005 at the 35th Anniversary Dinner of the Singapore-China Business Association, http://app.mfa.gov.sg/2006/lowRes/press/view_press.asp?post_id=1538, Accessed 19 July 2008.

15) "Singapore's Investment Abroad 2006," *Singapore Department of Statistics*, July 2008, 3.

fifth of total market capitalization.¹⁶⁾ The number of Chinese firms listed in Singapore has apparently remained unchanged for the past two years due to more stringent regulations imposed on firms wishing to list overseas.¹⁷⁾ To help attract more China listings, the Singapore Exchange established a representative office in Beijing in April 2008.

An indication of the expanding trade and investment linkages between Singapore and China is in the increase in the number of representative offices of Singapore's International Enterprise (IE) in China. Since 2002, IE Singapore has set up offices and overseas centres in Guangzhou, Dalian, Chengdu and Xian, in addition to its existing offices in Beijing and Shanghai.¹⁸⁾ In addition, the Singapore Ministry of Foreign Affairs has established four Consulates General in Shanghai (1996), Xiamen (1996), Hong Kong (1997) and Guangzhou (2006), and one Consulate in Chengdu (2006) in addition to the Embassy in Beijing (1990). This indicates the expanding people-to-people linkages between the two countries.

In the area of tourism, or people-to-people relations, China is Singapore's second largest source market at 1.1 million after Indonesia at 1.9 million (see **Graph 5** in Annex). In 1996, China was not even among the top ten source market for Singapore. Over the

16) "Singapore Exchange Opens Beijing Representative Office," *Straits Times*, 19 April 2008.

17) In September 2006, Beijing introduced a ruling that any Chinese firm wishing to list abroad henceforth must first seek permission from its securities regulator, the China Securities and Regulatory Commission (CSRC). Since then, no approval has apparently been given for any Chinese company to list overseas.

18) *Channel NewsAsia*, "Singapore Benefits from Early Business Engagement with China," 27 June 2008, <http://www.channelnewsasia.com/stories/eastasia/view/356626/1.html>, Accessed 18 July 2008.

years, the size of China tourists gradually crept upwards to 7th position in 1998, 3rd position in 2002 (over-taking Malaysia and Indonesia) and 2nd position in 2003 (over-taking Japan). Visitor arrivals from China have been bolstered by factors like the expansion of low cost carriers, attractive air and travel and promotions, strong currency appreciation and aggressive in-market campaigns.¹⁹⁾

Furthermore, the building of two Integrated Resorts (IRs) in Singapore is designed to position Singapore as a premium must-visit destination offering a wide range of entertainment experiences for the leisure and business visitors.²⁰⁾ They are targeted at the growing middle class not only in India and ASEAN but, more importantly, China. The investments in the two IRs are expected to create significant jobs and economic spin-offs for Singapore residents. Once completed, they are also expected to boost tourism receipts from visiting tourists.

On arts and culture, China has already participated in many events in Singapore including the Singapore Arts Festival, the Huayi Festival and the Chingay Parades over the years.²¹⁾ Singapore museums and galleries also showcase the works of Chinese artists regularly.²²⁾ In August 2006, the two sides went one step further to

19) Fact Sheet by Singapore Tourism Board dated 23 January 2008, "Tourism Sector Performance for January ? December 2007," <http://app.stb.gov.sg/asp/new/new03a.asp?id=8123>, Accessed 18 July 2008.

20) Besides offering gambling services and facilities, the Integrated Resorts will also offer other services like shopping, dining and movies.

21) The Singapore Arts Festival is an annual month long festival that brings various cultural and art troupes from Singapore and Asia to perform in Singapore. The Huayi or Chinese Festival of Arts, usually held at the beginning of the year, brings together theatre, dance, music and visual arts from Singapore and Asia. The Chingay Parade is an annual street parade, usually held at the tail end of the Lunar New Year that showcases local and foreign cultural performing groups.

sign a Cultural Agreement covering possible collaboration in areas such as the arts, heritage, library, media and the creative industries. Building on this agreement, Singapore held the Singapore Season showcasing Singapore arts to Chinese audiences in Beijing and Shanghai from 12 October to 10 November 2007.²³⁾

An MOU on Interactive Digital Media Technology (IDM) Research and Development was also signed between the two countries in March 2008. The MOU will promote bilateral cooperation in IDM R&D and pave the way for both countries to strengthen their IDM technology capabilities through training and information exchanges.²⁴⁾

(b) Political Engagement - From Interaction to Institutional Framework

As mentioned above, Singapore made the decision to formally engage China in 1990. In developing its political ties with China, Singapore has always drawn a clear distinction between engagement of China on the one hand and cultural/emotional identification with China on the other. Singapore has kept the two separate given the sensitivity of its Malay neighbours (namely Malaysia and Indonesia) who have viewed Singapore as a potential “third China.” Today, this distinction is still being practiced even though the issue of cultural/emotional identification with China has

22) Speech by Mr. Lee Boon Yang, Minister for Information, Communications and the Arts on 12 October 2007 at the Singapore Season in China 2007 Singapore Evening at the China World Hotel, Beijing, http://www.mica.gov.sg/pressroom/press_071015.htm, Accessed 19 July 2008.

23) Singapore Season, <http://www.singaporeseason.com/en/>, Accessed 19 July 2008.

24) Joint Press Release by the Singapore Ministry of Information, Communications and the Arts, and Media Development Authority dated 3 March 2008, “Singapore and China Sign Memorandum of Understanding on Interactive Digital Media Technology Research and Development, <http://app.sprinter.gov.sg/data/pr/20080303996.pdf>, Accessed 19 July 2008.

reduced in saliency. Partly, this is due to the success of on-going nation-building efforts within Singapore that has created a national identity that is different from that in China. Partly, the neighbouring Malay countries are also benefiting from China's growth and have less reason to play up the Chinese ethnic card issue.

Way back in June 1995, when the Chinese Heritage Centre was opened in Singapore, then Information and Arts Minister George Yeo reportedly reminded the ethnic Chinese in Singapore and in the region that in “celebrating their cultural connections, they must remember that their political loyalty goes to the countries they belong to.”²⁵⁾ Separately, Singapore's Home Affairs Minister Wong Kan Seng was reported to have said around the same time that “Singapore's China policy is founded on the premise of economic opportunities, not ethnic affinity.”²⁶⁾ Putting it more succinctly, Minister Wong added that “if we give people the perception that we are a ‘third China’, we cannot perform our role as an independent nation effectively. To be seen as a satellite state of another country is against our national interest.”²⁷⁾

In other words, Singapore relations with China, like its relations with other countries are based on what Singapore considers to be in its overall national interests. This would include taking into account the issue of cultural/emotional identification with China. Other than this distinction, Singapore has pursued cooperation with

25) “The Ties that Do Not Bind,” *Straits Times*, 17 June 1995.

26) *Ibid.*

27) *Ibid.*

China in practical ways that would bring mutual benefits to both countries. Some of the areas of cooperation in trade, investment and other areas have been mentioned above.

The Suzhou Industrial Park (SIP) that the two countries embarked on in 1994 is relevant to the discussion here for a very important reason. The SIP was more than a commercial undertaking. It had a political rationale that is often overlooked. The SIP was intended to offer a platform where the leaders and officials from both sides could come together to work jointly on a project. In doing so, a younger generation will get to know their counterparts from the other side and be comfortable with each other. This would facilitate the development of a longer term relationship that could be useful for bilateral relations.

Arising from the SIP, an institutional platform for both sides to engage each other on the project was agreed upon in 1994.²⁸⁾ It has three levels. At the top is the Joint Steering Council (JSC), headed by then DPM Lee Hsien Loong and Vice-Premier Li Lanqing. The role of the JSC is to examine all major issues relating to the adaptation of Singapore's economic and public administration experience in SIP. The JSC brings together various ministries and agencies from both sides to facilitate the development of the SIP.²⁹⁾

28) This framework was formalized in agreements signed by both the Chinese and Singapore sides in February 1994.

29) On the Chinese side, the members include the Ministry of Commerce, Ministry of Foreign Affairs, National Development and Reform Commission, Ministry of Science, Ministry of Finance, Ministry of Land and Resources, Ministry of Construction, General Administration of Customs, Jiangsu provincial government, Suzhou Municipal government. On the Singapore side, the members are the Ministry of Trade and Industry, Ministry of Foreign Affairs, Ministry of National Development, Ministry of Environment and the Economic Development Board. See *Suzhou Industrial Park Investment Guide 2007*.

In addition, on the Chinese side, the officials from the Jiangsu government and Suzhou municipal government are included as well.

Below the JSC is the Joint Working Committee (JWC) that looked at the operational issues of software transfer. The JWC was jointly headed then by a senior representative from the Jurong Town Corporation (JTC) and a senior official from the Suzhou Municipal government. At the commercial level, there was a Singapore-led and Chinese-led consortium of companies responsible for the physical development of the project.

The JSC has continued to meet over the years. It held its 9th meeting in Singapore on 10 July 2007, co-chaired by Deputy Prime Minister Wong Kan Seng and Vice-Premier Wu Yi, to chart the SIP's future growth. Both sides agreed to embark on new areas of cooperation in SIP, ranging from areas such as business process outsourcing, logistics to facilitating Suzhou companies which are ready to go global.³⁰⁾ There were reportedly over 50 ministers and officials who attended the meeting.³¹⁾

The institutional framework that started with the SIP has since been upgraded. In November 2003, Prime Minister Goh Chok Tong and Premier Wen Jiabao launched the Joint Council for Bilateral Cooperation (JCBC), the highest governmental body between the two countries to promote and facilitate bilateral cooperation. The JCBC was then co-chaired by Deputy Prime Minister Lee Hsien Loong and

30) Press Release by the Singapore Ministry of Trade and Industry, "9th Joint Steering Council Endorses New Thrusts to Promote the Continued Growth of SIP," <http://app.mti.gov.sg/default.asp?id=148&articleID=9081>, Accessed 20 July 2008.

31) "Suzhou Industrial Park Aims to be BPO Hub in China," *Channel NewsAsia*, 10 July 2007.

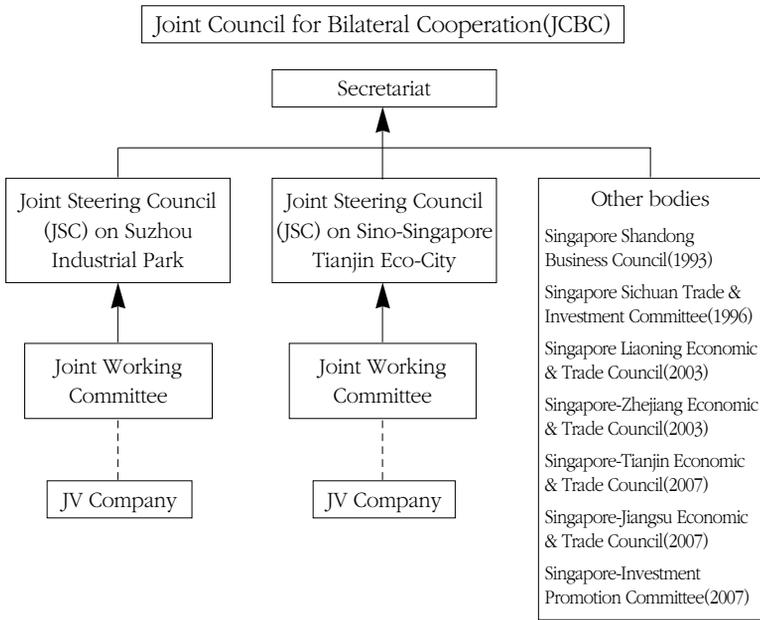
Vice-Premier Wu Yi.³²⁾ A total of five JCBC meetings have since been held to discuss existing areas of cooperation and explore new ones. The issues discussed included the double taxation agreement between the two countries, bilateral FTA, technical assistance to third countries, cooperating in developing China's western and northeastern areas and the eco-city project (see **Table 1** in Annex for an overview of the JCBC). Many other MOUs and agreements have been signed between the two sides at the sidelines of the JCBC.

Coming under the JCBC is the JSC and other bilateral cooperation bodies (see Diagram below). At present, there are two JSCs; one is the JSC that oversees the SIP while the other is the JSC that overlooks the Sino-Singapore Tianjin Eco-City project mooted in April 2007.³³⁾ The JSC for the eco-city was formalized in November 2007 and has yet to meet. The designated co-chairs of the JSC for the eco-city are DPM Wong Kan Seng and Vice-Premier Wang Qishan. The two leaders also co-chair the JSC on the SIP. Having the same set of leaders for the two JSCs makes sense since both would then have an overview of the state of cooperative relations between the two countries. There is also some overlap in the officials involved in the two JSCs on both sides.

32) The co-chair of the JCBC today is DPM Wong Kan Seng and Vice Premier Wang Qishan. The latter replaced Vice Premier Wu Yi who stepped down in March 2008.

33) The eco-city project forms part of Singapore's overall strategy to stay relevant to China's development needs.

Diagram: Overview of Bilateral Cooperative Mechanism



Source: Author's Own Compilation

Below each JSC is a JWC which looks at operational issues. There is also a Joint Venture Company involved in the development of the SIP and the Sino-Singapore Tianjin Eco-City project. Strictly speaking, they do not belong to the official bilateral cooperative mechanism since they are private companies. They do not need to report to the JWC nor the JSC although there would be informal linkages between the businessmen and senior officials on each side. Hence, this relationship is represented by a dotted line.

Some of the other key cooperative bodies between the two countries are the six bilateral councils that Singapore has with Shandong

(1993), Sichuan (1996), Liaoning (2003), Zhejiang (2003), Tianjin (2007) and Jiangsu (2007). They are respectively co-chaired by Minister of State for Trade and Industry Lee Yi Shyan and Shandong Vice Governor Sun Shoupou; Minister of State for Defence Koo Tsai Kee and Sichuan Vice Governor Huang Xiaoxiang; Acting Manpower Minister Gan Kim Yong and Liaoning Governor Chen Zenggao; Second Minister for Foreign Affairs Raymond Lim and Zhejiang Vice Governor Zhong Shan; Minister for National Development Mah Bow Tan and Tianjin Mayor Huang Xingguo; and, and Minister for Health Khaw Boon Wan and Jiangsu Party Secretary Liang Baohua. Another body is the Joint Investment Promotion Committee inaugurated last year for companies from Singapore and China to explore tie-ups and invest abroad together. It is co-chaired by Minister of Trade and Industry Lim Hng Kiang and Commerce Minister Chen Deming.³⁴⁾ Most of the co-chairs on both sides are young and aspiring leaders. Their interactions on these platforms, other than focusing on getting the immediate job done, are intended to build long-term relationships to further bilateral relations.

Sometimes, however, relations between the two countries have hit rough patches. In July 2005, China reacted strongly to the visit by then Deputy Prime Minister Lee Hsien Loong to Taiwan before he became Prime Minister a month later. China regarded the visit as a departure from Singapore's "One China" policy that would embolden the pro-independence forces in Taiwan to move further away from the mainland. From Singapore's perspective, the purpose of the visit was

34) The inaugural meeting was held in January 2007 when Bo Xilai was the Commerce Minister. The Commerce Minister since March 2008 is Chen Deming.

for DPM Lee to obtain an update on the current situation and to understand first hand how the Taiwanese saw things, in order to assess how the situation may evolve.³⁵⁾ A conflict across the strait would have dire consequences not just for the involved parties, but the entire region (Singapore included), and for many years.³⁶⁾

A more interesting point is that Singapore had informed China of the visit before DPM Lee left for Taiwan “as a matter of courtesy” and China had asked that the visit be cancelled. Singapore gave China’s representation careful consideration but did not agree. A key reason cited was that to call off the trip at China’s request would have undermined Singapore’s right to make independent decisions, and damaged its international standing. As a small country, this is a vital consideration in its dealings with other countries.³⁷⁾ An over-riding aspect of the conduct of Singapore’s foreign policy has been a determined insistence that it should not be pressured by larger powers.³⁸⁾ Singapore wants to be seen as making its decision based on a hard-nosed calculation of what its national interests are. It

35) The Singapore Ministry of Foreign Affairs Media Resource Centre, “Transcript of Questions and Answers with DPM Lee Hsien Loong on His Visit to Taiwan on 19 July 2004,” http://app.mfa.gov.sg/2006/lowRes/press/view_press.asp?post_id=1098, Accessed 28 July 2008.

36) Ibid.

37) Ibid. For further details of the visit please refer to Prime Minister Lee Hsien Loong’s National Day Rally 2004 Speech dated Sunday 22 August 2004, at the University Cultural Center (National University of Singapore), <http://www.gov.sg/nd/ND04.htm>, Accessed 30 July 2008.

38) Way back in October 1968, the Singapore government went ahead with the execution of two Indonesian marines who had bombed the MacDonald House killing innocent people despite the personal intervention of President Suharto. Leifer was of the view that this execution was a deliberate act of policy to demonstrate Singapore’s determination to defend its independence in every way. See Michael Leifer, *The Foreign Relations of the New States* (Hong Kong: Dai Nippon Printing Co., 1974), 67.

regards itself as a long-time friend of both China and Taiwan and would conduct its relations with both in a way that is consistent with its “One China” policy.

Under the “One China” policy, Singapore has attempted to value add to the development of stable cross-strait relations. In April 1993, Singapore momentarily played a bridging role by hosting the historic meeting between Wang Daohan (from China) and Koo Chenfu (from Taiwan), who headed unofficial organizations from both sides. It was subsequently told to stay out of China’s internal matter when cross-strait relations deteriorated.³⁹⁾ Singapore has also sent its troops to train in Taiwan due to a lack of training space in Singapore. This arrangement has continued since the mid 1970s. These instances show how Singapore has attempted to position itself to be helpful to both China and Taiwan without tilting too much to either side.

Overall, Sino-Singapore relations have been brought under a more systematic and institutionalized mechanism with the setting up of the JCBC in 2003. It has elevated bilateral relations to a higher plane. Underscoring the importance of the JCBC, current Chinese Ambassador Zhang Xiaokang has remarked that “besides Japan, Russia and the United States, Singapore is the only country to enjoy this top-level cooperative mechanism with China.”⁴⁰⁾ This indicates the importance China attaches to developing its relations with a small country like Singapore. Being a non-threatening power, Singapore

39) Lee Kuan Yew, *From Third World to First* (Singapore: Straits Times Press, 2000), 629-631.

40) “No Obstacle Will Stop China and ASEAN FTA, Says Beijing Envoy,” *Straits Times*, 10 November 2007.

may have certain ideas and experiences which China finds useful. Singapore may also fit into China's overall strategy of showing that it manages its relations with other countries on the basis of equality, mutual respect and mutual interest regardless of their size.

China's Soft Power: Vis-à-Vis Singapore?

Soft power has been used by states to serve their respective national interests. The term soft power, as opposed to hard power, is defined here as the ability of a state to indirectly influence the actions or interests of other states through means other than the traditional measures of hard power such as military prowess or economic strength.⁴¹⁾ These other means include subtle elements like culture, values and ideas.

At this stage, China does not appear to be in a position to wield soft power over Singapore. However, it recognizes the potential of soft power as a means to further its national interests and has begun to lay the groundwork for the exercise of such a power. In particular, China has stressed the importance of building up its soft power with a particular emphasis on cultural development in areas such as education, language, sports, mass media and youth exchanges.⁴²⁾ The purpose is for China to reach out further to its

41) Joseph Nye calls this "indirect or co-optive power behaviour," which is to get others "to want what you want" rather than "to do what you want." See Joseph S. Nye, *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books Inc., 1990), 31-35 and Joseph S. Nye, *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004), 5-32.

42) "Culture Seen as Key to Soft Power," *China Daily*, 25 July 2005.

neighbors by presenting a softer image. The groundwork being laid by China can be examined from two perspectives, at the regional and bilateral levels, both of which include Singapore.

At the regional level, China has begun to lay the groundwork for soft power by exercising its power softly.⁴³⁾ From the economic angle, China has made an effort to ensure that its economic rise will bring mutual benefits to the countries in the region. There were earlier concerns that China's WTO entry would draw investments away from ASEAN. This has not happened. China's rise has in fact benefitted the region by providing an engine of growth and spurring the developments of various production networks. The underlying message China has conveyed is that its rise has resulted in win-win outcomes for countries in the region.

China has undertaken several measures to address the concerns of its neighbors. Some of the measures include China's proposal in 2001 for a China-ASEAN FTA; the implementation of the Early Harvest Program in 2004 (that allows some products from ASEAN early access to China's domestic market); the annual hosting of the China-ASEAN Expo in Nanning since 2004 to promote trade and investment flows among China and the ASEAN countries; the inclusion of five new priority areas of cooperation (namely, energy, transport, culture, public health and tourism) between ASEAN and China in 2005 in addition to the existing five; and, the further inclusion of environment as the 11th priority area of cooperation between ASEAN

43) Fareed Zakaria, "The US can Out-Charm China; China has Used Soft Power in the Sense that it has Exercised its Power Softly," *Newsweek*, 12 December 2005.

and China in 2007. These initiatives have portrayed China as one that is willing to share the fruits of economic growth with its neighbours. Consequently, talks about the China threat have waned.

From the political angle, China has attempted to cast itself as a responsible and constructive player in the region by playing by the rules of the game such as adhering to ASEAN's norms and practices. China subscribes to the ASEAN principle of non-interference in the domestic affairs of other countries. It signed the Declaration on the Conduct of Parties in the South China Sea in 2002 in which the parties concerned agree, *inter alia*, to resolve their territorial disputes peacefully. China also became the first non-ASEAN country to accede to the Treaty of Amity and Cooperation in 2003. In the same year, China and ASEAN signed the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity. An action plan was subsequently drawn up to broaden and deepen cooperation in various fields from 2005-2010.

At the bilateral level, China's rise has in particular led to Singapore's stress on the importance of mastering Mandarin to ride on the opportunities provided by China's growth. Senior Minister Lee Kuan Yew reportedly said in 2004 that "Not only must our business people understand the Chinese system, our future leaders - both at the political and senior official levels - must acquire a good understanding of China and form networks with their Chinese counterparts. This means more than just speaking, reading and writing functional Chinese. We have to develop a deeper appreciation of Chinese culture and a good understanding of their mindset."⁴⁴ The

answer was to produce a significant group of bilingual Chinese elite who would be required to spend some time to study in China.⁴⁵⁾ By exposing them, they would then be better equipped to help Singapore take advantage of China's rise.

As part of an overall effort to promote the learning of Chinese language and culture, the Nanyang Technological University (NTU) of Singapore and China's Ministry of Education jointly established the Confucius Institute in August 2005.⁴⁶⁾ It was officially opened by Minister Mentor Lee Kuan Yew in July 2007. This is the first Chinese language and culture school in Singapore co-sponsored by the Chinese central government. The centre started off by offering courses on China and language teaching aimed at raising the standards of Chinese-language school teachers. Today, due to strong support from the Chinese community groups in Singapore, the centre has expanded its activities to include courses on Traditional Chinese Medicine, Chinese literature and the fine arts to public talks on the Chinese way to good health. The centre aims to reach out to a wider public audience.⁴⁷⁾

Besides the Confucius Institute, China has also expanded its cooperation with Singapore into other cultural areas like exchanges of cultural troupes and artists. As mentioned above, the signing of the Cultural Agreement in 2006 was a further boost to cultural cooperation between the two countries.

44) "Mother Tongue Helps Singapore Retain Asian Core," *Straits Times*, 22 March 2004.

45) *Ibid.*

46) See Confucius Institute Website, http://www.ci-ntu.com/e_index.php, Accessed 20 July 2008. The first Confucius Institute was set up in Korea in 2004.

47) "Projecting Soft Power, the Confucius Way," *Straits Times*, 26 July 2008.

How effective is China's effort in laying the groundwork for the exercise of its soft power? The Singapore government has welcomed cultural cooperation with China. This has contributed to the multi-faceted relationship between the two countries and strengthened bilateral relations. However, cultural cooperation with China has to be distinguished from ethnic or cultural identification with China. The Singapore government continues to draw a clear distinction between the two. While cultural cooperation that will benefit the two countries will be encouraged and even promoted, the government will be wary of any effort that will be misconstrued as Singapore identifying with China in cultural terms. So far, no such concern appears to have arisen.

The Singapore government has also welcomed the learning of the Chinese language as it fits in with the official emphasis on mastering the mother tongue which also includes Malay and the Tamil language. The purpose of the government's bilingual policy, that refer to English and a mother tongue, is to preserve Singapore's Asian culture and values. Values, culture and language are deeply intertwined. Language is an important conduit through which culture is preserved and values are transmitted. In a fast-paced world and in an age of mass communication, the rationale behind the learning of the mother tongue is to inculcate in Singaporeans a sturdy set of values system to define who they are and to anchor them to the country.

While China has laid the groundwork for the exercise of "soft power" vis-a-vis Singapore, it has not been an entirely one-way street. Much earlier, Singapore has already begun to share its development experience with China and which the latter continues to find useful. To

be precise, in 1992, Chinese leader Deng Xiaoping had mentioned Singapore in his *Southern Tour* when he gave a much-needed push to China's stalled economic reforms. He had said that "Singapore enjoys good social order. They govern the place with discipline. We should tap their experience and learn how to manage better than them."⁴⁸⁾ Deng's speech sparked off "Singapore fever" in China and led to visits by numerous Chinese delegations to Singapore to study the secrets behind Singapore's success. Between 1992 and 1994, over 400 delegations from various levels in China came to Singapore.⁴⁹⁾

Some of the key areas that the Chinese delegations have studied and adapted included the virtually corruption-free civil service, legal system, public housing, pension scheme (known as the Central Provident Fund), education and health care systems, community development and greening efforts. Worth mentioning is Singapore's pension scheme which Zhu Rongji closely studied when he was Mayor of Shanghai. After some adaptations, Shanghai introduced its own pension scheme in May 1991 to provide its residents a financial means to buy homes. This pension scheme was so successful that it was introduced in other cities such as Beijing, Tianjin, Nanjing and Wuhan in 1992. In 1994, the Chinese government sanctioned the introduction of this scheme to other cities across the country.⁵⁰⁾

48) Shenzhen Propaganda Department (ed.), *Deng Xiaoping yu Shenzhen: 1992 Chun* [Deng Xiaoping and Shenzhen: Spring 1992] (Shenzhen: Haitian chubanshe, 1992), 9.

49) "The Dragon Eyes the Lion City," *Straits Times*, 11 November 2008.

50) Zhongguo zhufang gongjijin zhidu xianzhuang yu fazhan [The Current State of China's Housing Provident Fund and its Future Developments], *zhongguowang*, 3 July 2006, <http://www.china.com.cn/chinese/zhuanti/fdcbg/1263889.htm>, Accessed 15 July 2008.

In the economic sphere, the Chinese delegations were primarily interested in the role of the Singapore government in economic development: how the government was instrumental in promoting Singapore's early industrialization efforts and its subsequent transformation into a vibrant developed economy. Many Chinese visitors were also keen to know how Singapore had developed its efficient infrastructure, as well as how it managed its large public sector, which is made up of numerous government linked companies (GLCs).⁵¹⁾ These GLCs, although government-owned or that the government had a share in them, did not mean that they could depend on official largess to survive. Instead, they were run according to market principles such as being held accountable for their own profit and loss, and hiring and firing based on the most suitable candidates.

In the political realm, China is keen to understand how Singapore's ruling People's Action Party is able to retain its dominant position in the political scene. Besides understanding how the various ministries work in tandem to deliver the socio-economic goods, the Party has studied how grassroots organizations in Singapore reflect the needs or concerns of the common people. Specifically, the Chinese delegations have attended the "meet-the-people session" held once a week for elected Members of Parliament of Singapore to listen to the concerns or problems of their constituents and to act on them. While a majority of these concerns or problems may not receive a

51) John Wong, "China's Fascination with the Development of Singapore," *Asia-Pacific Review*, 5, no. 3 (Fall/Winter 1998), 56.

satisfactory resolution eventually, the presence of such a mechanism helps to promote social stability by allowing the man-in-the-street a channel to vent his frustrations and for the ruling party to keep its ears close to the ground by better understanding the preoccupations of the people. If necessary, additional measures can be introduced to alleviate the concerns and problems of the people.

To date, Singapore has continued to share its experience with China in areas that China finds relevant according to its level of economic development. In particular, the Civil Service College (CSC) that provides training for Singapore's civil servants conducts regular training programs for various Chinese delegations ranging from public policy and reforms, political structure and governance, urban planning, community development to economic management and human capital development. These delegations not only come from China's developed coastal cities but also the inland provinces. Some of the key programs include the Study Visits from China's Central Party School (since 2002), the Senior Chinese Officials Study Visit Program (held three times a year) and the Public Policy Study Visit for senior Chinese officials from Western and Northeastern China (since 2005).

Singapore's tertiary institutions also provide further educational opportunities for Chinese officials to broaden their horizons. The Nanyang Technological University (NTU) introduced the Master of Science in Managerial Economics in 1998 to meet the needs of Chinese leaders eager to keep abreast of the political-economic developments in the region and the changing roles of the government in a market environment. Due to its popularity among Chinese leaders

in the public sector, the program has been dubbed the Mayors' Class. Following the success of this program, NTU introduced the Master of Public Administration (MPA) program in 2005.⁵²⁾ Besides these degree programs, NTU has additionally trained more than 5,000 Chinese officials under its short-term executive training programs.⁵³⁾

The two flagship project, namely, the SIP and most recently the Sino-Singapore Tianjin Eco-city project, mentioned above are further indications of Singapore's efforts to stay relevant to China's development. On the eco-city project in particular, Singapore is sharing its experience with China in the new areas of green buildings and green technologies, waster management, water treatment and environmental protection. Through sharing of its developmental experience, Singapore is exerting "soft power" vis-a-vis China rather than the other way round.

Singapore and Other Major Powers

Any study of Singapore's relations with China would be incomplete without setting it within the context of Singapore's relations with other major powers.⁵⁴⁾ This does not necessarily mean that there are limits to the development of Sino-Singapore relations. Rather, Singapore's relations with China can be put in better perspective by taking into account Singapore's perception of the role that other powers can play in the region.

52) News Release from Nanyang Technological University (Singapore), 12 April 2005, Accessed 2 August 2008.

53) "NTU sets up team to train more China officials," *Straits Times*, 5 October 2007.

Foremost is the Singapore perception that the present strategic balance in the Asia-Pacific, with the US as the preeminent power, provides the stability and security that enables other countries (Singapore included) to develop and grow in peace.⁵⁵⁾ Given China's rise, Singapore's perception is that the US and other powers ought to actively engage China so that China can contribute to the region's economic growth and stability. How to retain a US presence and to facilitate China's constructive role in the region is a constant preoccupation of Singapore's leaders and policy-makers.

Over the years, Singapore has played a part to support a continued US presence in the region. This is possible due to a confluence of interest between the US and Singapore. Some of the milestones include allowing US access to Singapore's military facilities in the 1990 MOU; the 1998 addendum to the 1990 MOU extending the use of Changi Naval Base to the US; and, the signing of the Strategic Framework for a Closer Cooperation in Defence and Security in 2005. The Strategic Framework Agreement recognizes Singapore's role as a "Major Security Cooperation Partner" and will expand the scope of current cooperation in areas such as counterterrorism, counter-

54) Ganesan has argued that Singapore has over time evolved a foreign policy that carefully combines realism (with its emphasis on the centrality of the state in international relations) with complex interdependence, thus allowing the country to compensate for its smallness. See N. Ganesan, *Realism and Interdependence in Singapore's Foreign Policy* (London and New York: Routledge, 2005), 11. Likewise, Amitav has observed that Singapore's foreign policy is not just about ensuring survival through power balancing but it has also been about carving out a "regular existence" through socializing within regional institutions and processes. See Amitav Acharya, *Singapore's Foreign Policy: The Search for Regional Order* (Singapore: World Scientific Press, 2008), 118.

55) "Singapore and Australia Share Common Strategic View: MM," *Straits Times*, 29 March 2007.

proliferation, joint military exercises and training, policy dialogues, and defense technology. The Agreement seeks to further enhance regional stability by supporting the continued security presence of the US in Southeast Asia.⁵⁶⁾

Other institutional frameworks such as the ASEAN Dialogue Partner Mechanism, the ARF (that brings together the Foreign Ministers of ASEAN and other major powers) and the APEC (that brings together the leaders of the region's major economies) provide a platform for the US to be involved in the region. On its part, the US is wary of any regional architecture that seeks to exclude the US. US Defence Secretary Robert Gates revealed this concern when he reportedly said at the Shangri-la Dialogue in June 2008 that a new regional security architecture can only work if the region is treated as "a single entity - there is little room for a separate 'East Asian order' ".⁵⁷⁾

Despite Singapore's close ties with the US, it is careful not to be seen as doing the bidding of the US. In 2002, in response to a question at a 40th Anniversary luncheon organized by the Singapore Institute of International Affairs, Prime Minister Goh Chok Tong reportedly said that he would prefer to think of Singapore as a nation whose interests coincide with those of the US and that Singapore will make a stand where needed. He added that Singapore was not a "client state" of the US.⁵⁸⁾ Separately, following the signing of the

56) Press Release by the Singapore Ministry of Foreign Affairs dated 12 July 2005, "Joint Statement between US President George Bush and Singapore Prime Minister Lee Hsien Loong," 12 July 2005, http://app.mfa.gov.sg/pr/read_content.asp?View,4307, Accessed 2 August 2008.

57) "Layers of Concern," *Straits Times*, 6 June 2008.

Strategic Framework Agreement, Defence Minister Teo Chee Hean reportedly said that the agreement means that “we’ re more than friends, but we’ re not allies of the US.”⁵⁹⁾

In contrast, Singapore’ s defence relations with China while growing are at nascent stage. The two countries signed that bilateral Agreement on Defence Exchanges and Security Cooperation (ADSEC) in January 2008. This agreement formalizes ongoing activities between Singapore’ s Ministry of Defence and the People’ s Liberation Army (PLA) including exchanges of visits, attendance of each other’ s courses and port calls. It also includes new areas of cooperation such as humanitarian assistance and disaster relief. The two sides also inaugurated the Permanent Secretary-level Defence Policy Dialogue (DPD) in January 2008. The DPD offers a platform for both sides to exchange views on regional security and to discuss defence exchanges and security cooperation.⁶⁰⁾

Japan is another important equation in Singapore’ s perception of the regional balance of power. Like China, Japan is engaged in the region as a dialogue partner of ASEAN and as a member of the ARF, the ASEAN Plus Three, the EAS and the APEC. Lately, Sino-Japanese ties have move beyond the turbulent relationship under Prime Minister Koizumi. The two countries have resumed high level exchanges of visits and agreed on “cooperative

58) “Singapore a Friend of the US, Not a Client State,” *Straits Times*, 28 November 2002.

59) “We are More Than Friends but not Allies,” *Straits Times*, 13 July 2005.

60) Press Release by the Singapore Ministry of Defence dated 13 October 2008, “Minister for Defence on Official Visit to China,” (http://www.mindef.gov.sg/imindef/news_and_events/nr/2008/oct/13oct08_nr.html, Accessed 2 August 2008.

development” of the Chunxiao oil and gas field.⁶¹⁾ China has also received the first port call since the Second World War by a Japanese warship at Zhanjiang in Guangdong province in June 2008. Singapore welcomes the improvement in Sino-Japanese ties as it would contribute to regional stability and growth.

On its part, Japan has also projected its “soft power” to further its national interest way before China’s rise. It has done so through various platforms including the Japan Foundation, The Japan Exchange and Teaching Program, Japan Overseas Cooperation Volunteer program and Official Development Assistance. Japan has also encouraged foreign students to study in Japan so that as beneficiaries of the Japanese educational system, these students will return home as cultural ambassadors and build friendship bridges between their countries and Japan.⁶²⁾ Lately, Japan has been proactive in promoting its pop culture such as *manga* and *anime*. A Japan Creative Centre is scheduled to open in Singapore in 2009, the first of its kind to be set up outside Japan. It will offer a platform to showcase various socio-cultural aspects of contemporary and traditional Japan. It is clear that China’s “soft power” would have to compete with other strands of “soft power” projected by countries such as Japan and the US.

Britain, Australia and New Zealand are members of the

61) “Cooperative development,” as opposed to “joint development,” means that the sovereign rights of the Chunxiao oil and gas field belongs to China. See “Chunxiao’s Oil Field Sovereign Rights Belong to China,” *China Daily*, 19 June 2008.

62) Lam Peng Er, “Japan’s Quest for ‘Soft Power’: Attraction and Limitation,” *East Asia: An International Quarterly*, 24, no. 4 (December 2007), 349-363.

FPDA in addition to Singapore and Malaysia. Formed in 1971 as a consultative framework for the defence of Singapore and Malaysia against external threats, the FPDA has evolved over the years in line with the changing strategic environment. From purely air-defence exercises, the FPDA now includes maritime and land components. The exercises have incorporated maritime security scenarios related to counter-terrorism and anti-piracy. It is also exploring greater cooperation in humanitarian assistance and disaster relief.

From Singapore's perspective, the FPDA contributes to regional stability vital to its growth by addressing immediate and emerging security threats. It also brings on board powers such as Britain, Australia and New Zealand which have a vested interest in ensuring the freedom of navigation of the sea lanes of communication and critical straits. Besides the FPDA, Singapore continues to build on its ties with Britain by being part of the Commonwealth of Nations, a group of 53 countries that are mostly former British colonies. Australia and New Zealand are also members of the EAS. The EAS also brings on board India which is regarded by Singapore as another rising strategic player in the region.

In addition to Singapore's bilateral ties with the US, Japan, Britain, Australia, New Zealand, India and China, these same powers are also engaged in the region through various institutional platforms. There is thus a number of overlapping frameworks reflecting the diverse interests of countries in the region and those outside it. Bilaterally and through ASEAN and other fora, Singapore

is playing a role to engage these powers so that together they can benefit from the region's growth and this will in turn provide an incentive for them to want to ensure stability for further growth.

Conclusion

Singapore's relations with China today are broad-based and mature. In the earlier period where there were clashes of ideology and political standpoint, Singapore maintained a pragmatic policy of engaging China in the realm of trade and investment albeit from a low base. After diplomatic relations was established, bilateral relations expanded beyond the economic realm into other areas including tourism, culture, the arts and the environment. The SIP since 1994 and the Sino-Singapore Tianjin Eco-City since 2007 are the two flagship projects between the two countries. Such bilateral projects add substance to the relationship.

Bilateral relations have also become more institutionalized with cooperative frameworks such as the JCBC, followed by the JSC, the JWCs and other bilateral trade councils. These offer useful platforms for a younger generation of leaders and officials from both sides to get to know each other better, thereby laying the foundation for stronger bilateral ties. The bilateral cooperative frameworks also provide the impetus for both sides to constantly explore ways and means to deepen and broaden their multi-faceted ties.

As part of its overall strategy towards the region and Singapore, China is laying the groundwork for the exercise of its soft

power. At the regional level, China has presented a softer image by focusing on the mutual benefits arising from China's economic rise as well as acceding to ASEAN's norms and practices. At the bilateral level, China has concentrated its efforts on promoting cultural cooperation with Singapore. Many cultural exchanges have taken place between the two countries. The learning of Chinese language and culture was also given a boost with the agreement to set up the Confucius Institute in 2005.

Singapore welcomes and even looks forward to promoting cultural cooperation with China as another avenue to strengthen bilateral relations. However, it can be expected to be vigilant against any perception that could misconstrue cultural cooperation as Singapore trying to establish cultural and ethnic identification with China. As a matter of national interest, Singapore wants to retain its sovereign status. Being seen as a "spokesman of another country" would limit Singapore's political and economic space especially in a neighbourhood surrounded by Malay neighbours. China would need to be attuned to this aspect so that the development of cultural relations can progress in a healthy manner as perceived by Singapore.

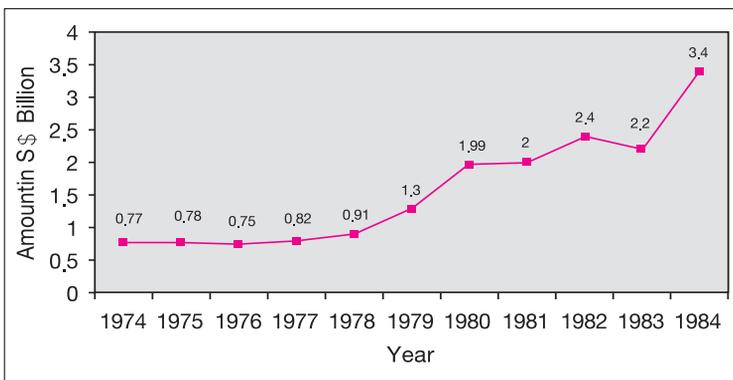
More significantly, Singapore has proved to be a source of useful ideas and best practices in China's on-going economic reform effort. Numerous Chinese delegations have come and studied various aspects of Singapore's political and socio-economic system. These visiting delegations and the two flagship projects mentioned above underscore the attractiveness of Singapore's experience and

its value to China. In this sense, it may be argued that Singapore, at the moment, exercises a greater degree of “soft power” vis-a-vis China than the other way round.

Finally, Singapore’s relations with China should be set within the context of its relations with other major powers that includes the US, Japan, India, Australia, New Zealand and Britain. This strategy of engaging other major powers, with a predominant role played by the US, is intended to maintain regional stability within which small states like Singapore can grow and prosper. It is not directed at constraining China’s growth and certainly not intended to put limits on the development of Sino-Singapore relations. Bilateral relations have in fact broadened and deepened under such an arrangement.

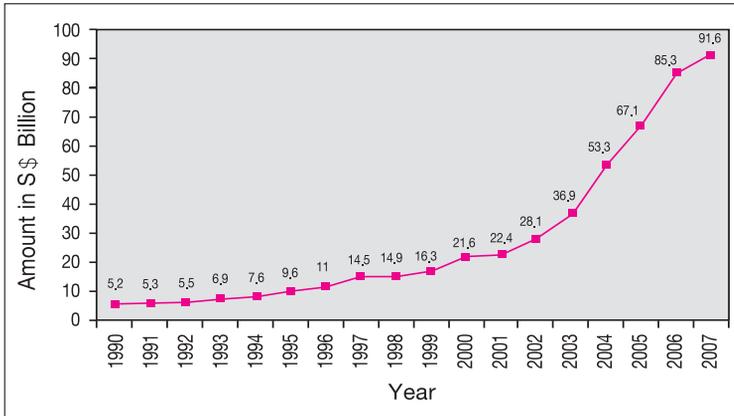
Annex A

Graph 1: Singapore’s Trade with China (1974-1984)



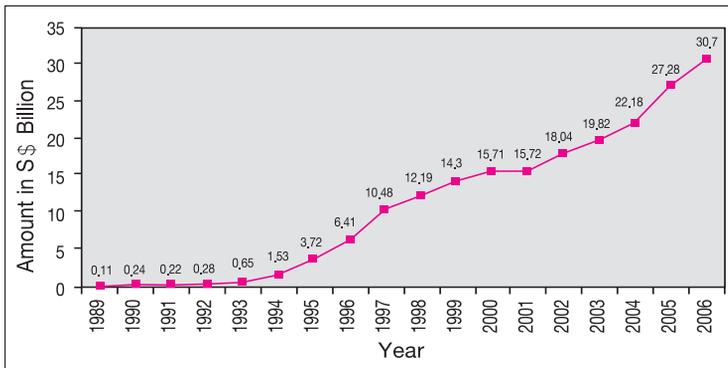
Source: Yearbook of Statistics Singapore (various issues)

Graph 2: Singapore's Trade with China (1990-2007)



Source: Yearbook of Statistics Singapore (various issues)

Graph 3: Singapore's Total Direct Investments in China (1989-2006)

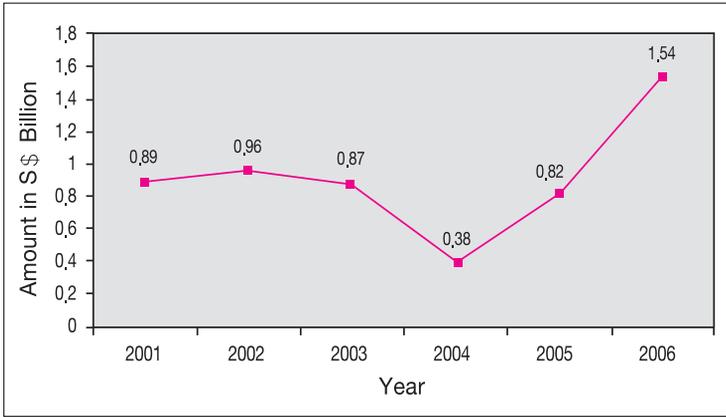


Source: Yearbook of Statistics Singapore (various issues)

Prior to 1994, data comprise direct equity investment abroad (or D2 i.e. paid-up shares and reserves) only.

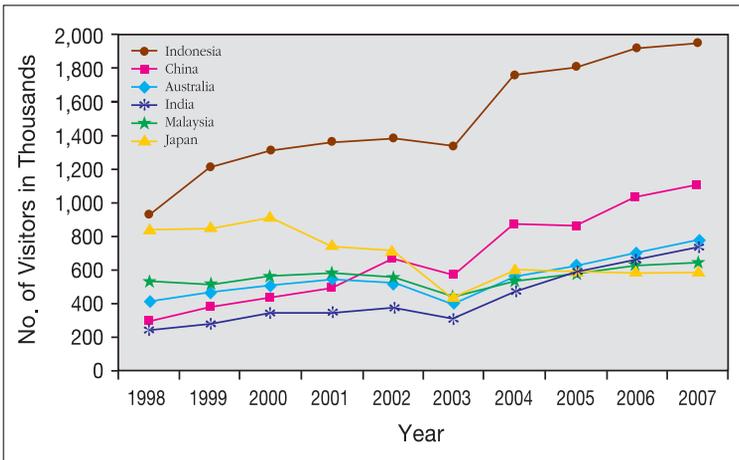
From 1994 onwards, data incorporate net lending from Singapore parent company to their overseas affiliates (or D3 which are D2 plus loans granted to affiliates).

Graph 4: China's Foreign Direct Investment in Singapore (2001-2006)



Source: Yearbook of Statistics Singapore (various issues)

Graph 5: Top Visitor Generating Markets for Singapore (1998-2007)



Source: Singapore Tourism Board Statistics (various years)

**Table 1: Overview of the Joint Council for Bilateral Cooperation
(JCBC) Meetings Held Since 2003**

Date	JCBC	Issues Discussed	Other Agreements Signed	Co-Chair
Nov 03	Launched	-	-	-
14 May 04	1st Meeting (Beijing)	<p>* Agreed to update double taxation agreement</p> <p>* Singapore to recognize China as a full market economy</p> <p>* Agreed to begin talks on China-Singapore FTA</p>	<p>Eight MOUs signed and a mutual landing agreement that allows Channel NewsAsia to air in selected areas in China and for China International TV Corporation (CITV) to air its English language CCTV9 programs on cable in Singapore</p>	<p>DPM Lee Hsien Loong* and Vice Premier Wu Yi</p>
20 Sep 05	2nd Meeting (Singapore)	<p>* Agreed to cooperate in finance, human resource development and high-tech areas, on natural disaster and on helping Chinese firms go global</p> <p>* A Singapore-China Third Country Training Program will be set up to provide technical assistance to third countries</p> <p>* Agreed to work together to develop the western and northeastern regions of China</p>	<p>Five agreements inked covering exchange visits of officials and business communities, cooperation in high-tech sector, and trade in food, animals and plants</p> <p>A website, the China Singapore Economic and Trade Cooperation website (http://www.csc.mti-mofcom.gov.sg/csweb/scc/index.jsp), was also launched to help Singaporean and Chinese businessmen to venture into each other's market</p>	<p>DPM Wong Kan Seng and Vice Premier Wu Yi</p>

Date	JCBC	Issues Discussed	Other Agreements Signed	Co-Chair
25 Aug 06	3rd Meeting (Beijing)	* Agreed to restart negotiations for a bilateral FTA	A Singapore-China Cultural Agreement signed to facilitate collaboration, e.g. in television and film co-productions	DPM Wong Kan Seng+ and Vice Premier Wu Yi
11 Jul 07	4th Meeting (Singapore)	* Agreed that the bilateral FTA should build on the ASEAN-China FTA, i.e. be ACFTA plus * Discussed the proposed eco-city project mooted by Senior Minister Goh Chok Tong in April 2007 * Discussed the role Singapore can play to help Chinese firms go global	Five MOUs signed in areas such as human resource development, health, environment and water resource use	DPM Wong Kan Seng and Vice Premier Wu Yi
4 Sep 08	5th Meeting (Tianjin)	* Announced the successful conclusion of negotiations for the bilateral FTA * Agreed to sign the bilateral FTA in October 2008 during Prime Minister Lee Hsien Loong's visit to Beijing in conjunction with the 7th ASEM	-	DPM Wong Kan Seng and Vice Premier Wang Qishan

Source: Author's own Compilation from Published Sources

* The Singapore ministers who accompanied DPM Lee were Trade and Industry Minister George Yeo; Information, Communication and the Arts Minister Lee Boon Yang; Second Foreign Affairs Minister Lee Yock Suan; and, Acting Health Minister Khaw Boon Wan.

* The Singapore ministers who accompanied DPM Wong were Minister (PMO) Lim Swee Say; Health Minister Khaw Boon Wan; Transport Minister and Second Foreign Affairs Minister Raymond Lim; and, Minister of State for Trade and Industry Lee Yi Shyan.

* The Singapore ministers who accompanied DPM Wong were National Development Minister Mah Bow Tan; Trade and Industry Minister Lim Hng Kiang; Minister (PMO) Lim Swee Say; Health Minister Khaw Boon Wan; Senior Minister of State for Foreign Affairs Balaji Sadasivan; Senior Minister of State for National Development and Education Grace Fu; Minister of State for Trade and Industry Lee Yi Shyan.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER TEN

Between the Eagle and the Dragon:
Issues and Dilemmas in the
Philippine's Equi-balance Policy

Renato Cruz De Castro



Konrad
Adenauer
Stiftung

Between the Eagle and the Dragon: Issues and Dilemmas in the Philippine's Equi-balance Policy

Renato Cruz De Castro

In Thucydides' account of the Peloponnesian War between Athens and Sparta, it is argued that great powers tend to overwhelm or subdue small powers in war and diplomacy. Indeed, it is axiomatic that power matters decisively in international relations. Thus, in all forms of asymmetric conflicts-contention between political actors with wide disparity in capabilities-the strong usually prevails.¹⁾ Thucydides observed: "The standards of justice depends on the equality of power to compel and that the fact that the strong do what they have the power to do and the weak accept what they have to accept."²⁾ That small powers are often vulnerable is because they

1) Ivan Arreguiun-Toft, *How the Weak Win Wars: A Theory of Asymmetric Conflicts* (Cambridge, UK; New York, USA: Cambridge University Press, 2005). pp. 2-3.

generally have limited resources, constrained geography, small population, and in many cases, weak state institutions.

However, small powers can exploit their importance to the big powers to enhance their survival and key foreign policy goals. Simply put, small powers are not necessarily helpless and hapless in international politics. They can seek to play one great power against each other, may band together against a threatening power, embrace regional integration to mitigate big power rivalries, and shift their alignment or alliances between the big powers.

The Philippines is a small power that seeks to take advantage of the dynamic of major powers relations for its own geo-strategic interests. Since the mid-1990s, the Philippines has played the U.S. and China against each other through the strategy of “equi-balancing.” This chapter examines Manila’s policy of “equi-balancing.” It examines how the Philippines play this game of delicately balancing its ally, the US superpower and a rising China. It also addresses the following questions: 1) What is the concept of equi-balance? 2) What are the core issues associated with the Philippines’ strategy of equi-balance? 3) What are its limitations or constraints as a means of ensuring a small state’s survival and security in the international system? 5) What is the future of the Philippine strategy of equi-balancing its traditional security ally with an emerging regional power?

2) Thucydides, *The History of the Peloponnesian War* Translated by Rex Warner (London; New York: Penguin Books, 1972), p. 402.

The Concept of Equi-balance

Small powers often find it detrimental to their interest to take sides in great power rivalry. Rather than to bandwagon with a great power and alienate another, “equi-balance” involves small states accepting, facilitating, and pitting the big powers against each other. This strategy affords small states not only the space to manoeuvre and survive, but also the chance to take advantage of great power rivalries.

Charles Morrison and Astri Suhrke in *Strategies of Survival: The Foreign Policy Dilemmas of Smaller Asian States* examined how small Asian powers take advantage of large power interactions to achieve their national security and foreign policy goals.³⁾ They observed that smaller Asian states link their foreign policies to a given system of relations with the big or major powers, a strategy determined by two important variables: a) their systemic linkages with the respective major powers; and b) the intensity of these linkages. An interesting case of a weak power relying on equi-balance to ensure security in a changing regional environment is the Philippines. The emergence of China as a regional power in the mid-1990s and the US war on terror in the early 21st century provided Manila the opportunity to play an equi-balancing game between Beijing and Washington to ensure its survival and security in a changing regional environment.

3) Charles E. Morrison and Astri Suhrke, *Strategies of Survival: the Foreign Policy Dilemmas of Smaller Asian States* (Queensland: University of Queensland Press, 1978), p. 2.

The Beginning of the “Great” Game

Manila found it expedient to establish diplomatic ties with Beijing in the mid-1970s primarily to sever Chinese support to the local communist movement and strengthen its non-alignment credentials in international affairs with the socialist world. However, these *realpolitik* motives were constrained by a more overriding strategic consideration-Manila’s view of Beijing as a long-term security challenge. China’s long-term strategic intention made the Philippines (along with other ASEAN states like Malaysia and Indonesia) extremely wary of its capability to support the local communist insurgency, increase its naval build up, and pursue its irredentist claims in the South China Sea. This lingering fear of China, along with the then prevailing view that Beijing had nothing substantial to offer to Manila, prevented both countries from pursuing better bilateral ties.⁴⁾ However, developments in the mid-1990s forced both countries to re-examine the direction of their bilateral relations.

The PRC’s promulgation of its territorial law claiming a large portion of the South China Sea in 1992, and Manila’s discovery of Chinese structures on Mischief Reef in 1995 changed the Philippine view of its relations with China and the US. Prior to these developments, China and the Philippines avoided any direct confrontation in the South China Sea and confined their cordial

4) For an interesting account of this lack of mutual interest to each other see Rizal C.K. Yuyitung, “Philippine Perception of the People’s Republic of China,” *Ibid.*, pp. 138-140.

détente to economic cooperation. Moreover, this relationship gradually evolved free from any developments in US-China relations. The discovery of Chinese structures on Mischief Reef in 1995 changed Manila's perception of the US-Philippine alliance, after the withdrawal of American facilities from its territory in 1992, as Manila found a militarily strong and irredentist Beijing literally at its doorstep. Consequently, the Philippine government realized the importance of an American military presence in maintaining the balance of power in Southeast Asia. Furthermore, with its failure to upgrade its armed forces, Manila saw the improved security ties with Washington as vital in obtaining American support to modernize the ill-equipped Armed Forces of the Philippines (AFP).

In 1998, Washington and Manila signed the US-Philippine Visiting Forces Agreement (VFA). The following year, the Philippine Senate ratified the VFA. The agreement provided the legal framework on the treatment of American troops taking part in defence-related activities covered by the 1951 Mutual Defense Treaty, thus, reviving military cooperation between the two allies. The agreement also developed an effective program to meet the requirements of the AFP in the face of an emerging Chinese "threat." Washington assisted in improving the AFP's operational and maintenance capabilities through the transfer of Excess Defense Articles, continued funding of Manila's Foreign Military Financing (for equipment purchases), and conduct of International Military Educational Training Program (IMET).

Beijing, however, did not allow its political ties with the Philippines to deteriorate because of the disputes over the Spratlys

and Manila's efforts to strengthen its security relations with the US. Presumably, it was concerned by the fact that during the debate regarding the VFA, the Philippine government openly argued that US presence in East Asia serves as a deterrent against Chinese expansion in the South China Sea. Thus, Chinese leaders quickly and quietly defused the Mischief Reef incident

In 1995, Beijing agreed to discuss the South China issue on a multilateral basis with ASEAN. Beijing also indicated that China would abide by international law in settling the territorial dispute with other claimant states. It signed an agreement with the Philippines on further confidence-building measures and to shelve the dispute temporarily in favour of joint development. Then in March 1996, China and the Philippines held their first annual vice-ministerial talks to resolve problems caused by the conflicting claims to the Spratlys.⁵⁾ From 1998 to 2000, Beijing and Manila conducted frequent but low-key high-level contacts and official/state visits to exchange views and coordinate positions on bilateral concerns as well as on major international and regional issues of shared interests. During then President Joseph Estrada's state visit to Beijing in May 2000, the two countries signed a "Joint Statement on Framework of Bilateral Cooperation in the 21st Century." The agreement laid down a strategic direction for RP-China cooperation in defence, trade and investment, science and technology, agriculture, education and culture, the judiciary, and in other areas. More significantly, it

5) Joseph Y. Cheng, "Sino-ASEAN Relations in the Early Twenty-First Century," *Contemporary Southeast Asia* 23, 3 (December 2001), p. 424.

provided the political framework for strengthened bilateral consultations between the two countries on military, defence and diplomatic issues affecting their mutual interests.

These diplomatic concessions to the Philippines were extended primarily because of Beijing's calculation that Manila (along with other Southeast Asian states) might align with Washington against China in a possible Taiwan Strait crisis.⁶⁾ Beijing did not expect its territorial dispute over the Spratlys to be resolved in the near future. From its point of view, however, any major armed clashes that may affect the freedom of navigation in the South China Sea could invite an American military response. Chinese officials had taken note of the fact that since the Taiwan Strait crisis in 1996, there has been a gradual formalization of increased US military access in Philippine territory, while senior Philippine defence officials have consistently played up the link between US military presence and the Spratly dispute.⁷⁾

Beijing, on the one hand, assumed that maintaining a peaceful and stable regional environment would prevent Washington from increasing its forward military presence and strengthening its bilateral security alliances that could lead to the containment of China. This goal could be achieved only through constant dialogue and by cultivating mutual trust between Beijing and Manila. Such a diplomatic strategy could lay the foundation for the parties concerned to prevent

6) Michael Yahuda, *The International Politics of the Asia-Pacific* (London and New York: Routledge, 2004) p. 298.

7) See Greg Austin, "Unwanted Entanglement: The Philippines' Spratly Policy as a Case Study in the Conflict Enhancement?" *Security Dialogue* 34, 1 (March 2003), p. 49.

subsequent disputes over the Spratly Islands from seriously damaging their relations. On the other hand, Manila has also strong motives to improve its relations with Beijing. With most of its resources and manpower committed to internal security functions, the AFP and the government openly admit that their country lacks the capability to defend its claims against China in the Spratly islands. The Philippines' only realistic option in resolving its territorial dispute in the Spratlys is to improve its bilateral relations with China and hope that the latter would reciprocate by assuming a reasonable position vis-à-vis Manila to their territorial dispute.⁸⁾ Since the mid-1990s, both sides have agreed to settle their territorial dispute peacefully but neither side has repudiated its claims over the disputed islands. In 2001, Manila and Beijing conducted a tabletop exercise on search-and-rescue operations during the 3rd Philippines-China Experts Group Meeting on Confidence Building Measures in Manila. Subsequently, a bilateral maritime cooperation agreement was signed on 27 April 2005. Earlier in 2002, China, the Philippines, and other claimant states signed the Declaration on the Code of Conduct of the Parties in the South China Sea, which greatly reduced the tension arising from this territorial dispute.

Revitalizing an Alliance against Internal Security Challenges

8) For an interesting analysis of the Spratly dispute and the Philippine approach in resolving this issues see Ross Marlay, "China, the Philippines, and the Spratly Islands," *Asian Affairs: An American Review* 23, 4 (Winter 1997), pp. 195-210.

After the 9-11 terrorist attacks in the US and the subsequent formation of a Washington-led coalition on the war on terror, Philippine-American security relations improved significantly. Shortly after September 11, the AFP was granted access to the US military's excess defence articles. More importantly, it participated in several large-scale training exercises with American forces. From 2002 to 2004, Washington provided the AFP a C-130 transport aircraft, two Point-class cutters, a Cyclone-class special-forces landing craft, 28 UH-1H Huey helicopters, and 30,000 M-16 assault rifles.⁹⁾ Training exercises between the AFP and U.S. Armed Forces generally focused on counter-insurgency and counter-terrorism warfare, logistics and equipment maintenance, intelligence training, and civic-military operations. The US also agreed to train three light reaction companies that would form the AFP's 1st Special Forces Group.

More significantly, the US is assisting the Philippine Department of Defense (DND) and the AFP through the Joint Defense Assessment (JDA). Convened in 1999, the JDA commits the US to assist the Philippine Department of Defense (DND) improve in developing a systematic and comprehensive defence program that will improve the AFP's capability to respond to national security challenges. The JDA focuses on long-term institutional reforms in the AFP and provides for continuous and significant American involvement in monitoring their implementation by the Philippine DND. Conducted from 1999 to 2003, the JDA observes that the

9) Business Monitor International, *The Philippine Defense and Security Report Q2 2006* (London: Mermaid House, 2006), p. 25.

Philippine defence establishment suffers from systemic failures in (defence) policy planning and development, personnel management, leadership, budgeting, resource management, and acquisition.¹⁰⁾

During the October 2003 state visit to the Philippines, President George W. Bush and President Gloria Macapagal Arroyo agreed to review and endorse the JDA's findings on the AFP's military capabilities and reform requirements. They likewise recommended that their respective defence departments should embark on a multi-year plan to implement the report's key policy recommendations. This led to the formulation of the Philippine Defense Reform Program (PDR) and the AFP's Capability Upgrade Program (CUP). The PDR provides the "software" for the reforms in the Philippine defence establishment while the CPU is the "hardware" and the operational part. The PDR is primarily based on the findings and recommendations of the JDA to foster institutional, individual and professional competence in resource management of the Philippine defence establishment. The PDR aims to affect a systems-wide reform in its relationship with the executive or legislative agencies and offices and even the private sector.¹¹⁾ Meanwhile, the CUP is designed to improve and maximize the AFP's operational capacity as a military organization. The two allies formulated these two defence programs to address the Philippine government's primary security concern-the communist insurgency.

10) The United States Secretary of Defense, *Report of the U.S.-Philippine Joint Assessment* (Washington DC: Department of Defense, 23 April 2001). p. 46.

11) See Segundo Romero, "Enhancing Project Management Capacity for National Security: Challenges and Prospects," *National Security Review* (August 2007). pp. 11-22.

The Communist Party of the Philippines (CPP) and its armed wing, the New People's Army (NPA) were formed in the late 1960s by a group of young intellectuals from the University of the Philippines to wage a Maoist-inspired revolution in the Philippines. In the late 1980s, the CPP-NPA suffered a decline in membership due to an effective and sustained AFP counter-insurgency campaign and an internal struggle that killed several party and NPA cadres and members. In the mid-1990s, however, the moribund communist movement experienced a revival as its armed membership swelled from 4,541 in 1995 to a high 10,238 in 2001 with the number of firearms increasing from 4,580 in 1995 to 6,409 in 2001.¹²⁾

Alarmed by the communist resurgence and the persistent growth of the secessionist movement in Mindanao in the early years of the 21st century, the government decided to channel all its attention and resources to domestic security matters. Thus, the AFP formulated and released its *2001 National Military Strategy*.¹³⁾ The 36- page document gives a glimpse of the current defences, AFP's priorities and plans for the early 21st century. It explicitly states that the Philippine military should concentrate its limited resources on a particular threat so that government resources and attention will have a greater impact rather than spreading them thinly where their effect is negligible or inconsequential.¹⁴⁾

In January 2002, the AFP released an Internal Security Plan

12) Raymond G. Quilop, Darwin Moya, and Czarina Ordinario-Ducusin *Putting an End to Insurgency: an Assessment of the AFP's Internal Security Operations* (Camp Aguinaldo, Quezon City: Office of Strategic and Special Studies, 2007), pp. 9-10.

13) See General Headquarters Armed Forces of the Philippines, *AFP National Military Strategy* (Camp Aguinaldo, Quezon City: General Headquarters, 2001).

(ISO) called “*Bantay Laya*” (Freedom Watch). It envisions the AFP decisively defeating the armed component of the communist insurgency within five years. The most recent 2006 ISO aims to defeat the CPP/NPA/NDF by 2010. The Pentagon has been actively supporting the AFP’s priority to increase its internal security capabilities by providing the Philippine military with vital military materiel such as spare parts for its V-150 and V-300 armoured fighting vehicles and UH-1 helicopters, assorted rifles and squad machine guns, Combat Life Saver (CLS) Kits, communication equipment, ammunition for its small arms and artillery pieces, night vision devices, armoured vests and even training manuals for combat operations.

The 2004 Crisis in RP-US Relations

The revitalized Philippine-US security relations, however, was beset by a major crisis in mid-2004. To support Washington’s war on terror in the Middle East, Manila decided to send a Philippine humanitarian assistance mission to Iraq in June 2003. This mission was composed of 60 medical personnel, 25 police, 50 soldiers, and 39 social workers. On 1 July 2004, the *Khaled bin Al-Waleed* Brigade, an Iraqi insurgent group, captured a Filipino truck driver named Angelo de la Cruz. A week later, the Iraqi insurgents demanded the immediate withdrawal of the Philippine humanitarian mission before July 20 or de la Cruz would be executed. The airing of the

14) *Ibid*, pp. 20-21.

insurgents' demand via Al-Jazeera immediately fuelled a public clamour for the government to withdraw the Filipino contingent from Iraq to save de la Cruz. The U.S., however, immediately warned its ally that making any concession to the kidnapers of de la Cruz would only encourage more kidnappings in Iraq.

De la Cruz's captivity, as well as his possible execution in the hands of the Iraqi insurgents was used by anti-war groups in Manila to drum up their demand for the withdrawal of the Filipino contingent from Iraq. Thousands attended church services in the country to pray and demand for de la Cruz's release. Fearing that the execution of the Filipino hostage would trigger a major political backlash that could undermine her fledgling administration, President Arroyo gave in to the demand of the insurgents. Immediately, a ranking State Department official criticized the Philippine government's decision as sending a wrong message.¹⁵⁾ The State Department warned that ties with Manila could be jeopardized by President Arroyo's move. It cautioned that the decision could set a dangerous precedent for other hostages, and contrasted the Philippines' action with the strong resolve of South Korea, Japan and other US allies to stand fast against terrorist threats to their nationals.¹⁶⁾ Nevertheless, the Arroyo Administration withdrew its small contingent and faced the prospect of placing bilateral security

15) Aljazeera, "Philippine Withdrawal Angers U.S." *Aljazeera Net* (18 July 2004). p. 1. [http://english.aljazeera.net/NR/exeres/554FAF3a-B267-A27A-B9EC-54881BDEOA2E0A2.htm/printguid=\[...\]](http://english.aljazeera.net/NR/exeres/554FAF3a-B267-A27A-B9EC-54881BDEOA2E0A2.htm/printguid=[...])

16) Mark Baker, "Philippine Withdrawal "could hurt U.S. Links," *The Age* (16 July 2004). p. 1. <http://www.theage.com.au/articles/2004/07/15/1089694487171.html?from=stroylhs&onlick=true>

relations in a precarious position, especially when the American ambassador suddenly left Manila for urgent consultations with officials in Washington. The alliance underwent a crisis as Washington reviewed its financial and military assistance to Manila. American officials also assessed the possible long-term consequences of the Philippine action on the global war on terror.

Enter the Dragon' s Soft-Power

Instead of being intimidated by the revitalization of the post 9-11 Philippine-US security relations, China decided to apply co-optive or soft power to create a wedge between the Philippines and the US. This was Beijing' s means of preventing Washington from strategically “boxing-in” China after an increased American military presence in Southeast Asia in the light of Washington' s war on terror.¹⁷⁾ In his 2004 book, *Soft Power: The Means to Success in World Politics*, Joseph Nye notes that soft power, which involves the transmission of a society' s values, policies, and institutions, can be projected externally through public diplomacy and bilateral and multilateral institutions.¹⁸⁾ According to him, soft power entails getting others to aspire and achieve outcomes that you want by co-opting rather than

17) J. Mohan Malik, “Dragon on Terrorism: Assessing China' s Tactical Gains and Strategic Losses after 11 September,” *Contemporary Southeast Asia* 24, 2 (August 2002), p. 273.

18) Joseph Nye, *Soft Power: The Means to Success in World Politics* (New York: Public affairs, 2004), pp. 30-31; _____ *Power in the Global Information Age: from Realism to Globalization* (London and New York: Routledge, 2004), p. 77; _____, *The Paradox of American Power: Why the World' s Only Superpower Can' t Do It Alone* (New York: Oxford University Press, 2002), p. 11.

coercing them. It involves setting the agenda and attracting other states in world politics, not by threatening them with military force or economic sanctions. To Nye, soft power rests on the ability of a state to shape the preferences of others. It concerns suasion, influence, and cultural hegemony even in the absence of state-over-state domination.

China's growing influence or soft power in East Asia is expressed mostly in economics rather than cultural aspects, public diplomacy or the spread of Chinese political values and institutions. Beijing's growing ability to attract other states and influence their behaviour stems from its emerging role as a major source of foreign aid, trade, and investment.¹⁹⁾ China also wields soft power in the region through bilateral and multilateral diplomacy, and to some extent, through its military diplomacy. Specifically, it attempts to attract and influence the Philippines and other Southeast Asian states by providing them side-payments and institutional voice through: a) its rapidly growing economy; and b) supporting cooperative and integrative projects in East Asia. China has been very successful in boosting its economic ties with traditional U.S. allies in Southeast Asia such the Philippines. Since 2001, bilateral trade between the Philippines and China has increased by 41 percent.²⁰⁾ In 2003, bilateral trade went up from US\$5.26 billion to US\$9.4 billion or an increase of about 78.7%. In 2006, bilateral trade amounted to US\$23.4

19) See Thomas Lum, Wayne Morrison, and Bruce Vaughn, *China's Soft Power in Southeast Asia* (Washington, DC: Congressional Research Service, 4 January 2008). p.1.

19) *Ibid.* 1-2.

20) Office of the Asia-Pacific Affairs, Department of Foreign Affairs, *R.P.-China Trade* (Pasay City: Department of Foreign Affairs, 2007). p. 1.

billion, representing an increase of 33.3 percent over the 2005's figure of US\$17.6 billion. Then in 2007, Philippine-China trade volume went up to US\$30.62 billion.²¹⁾ This marked a 30.8 % increase from the 2006 trade figure of US\$23.4 billion. Overall, these figures indicate a 35% annual average increase in Philippine-China trade from the 2000 figure of US\$3.13 billion.²²⁾ Consequently, Philippine-China trade has become the fastest-growing bilateral trade relations in the Southeast Asian region, making China the Philippines' third largest trading partner after Washington and Tokyo. Interestingly, the Philippines has been enjoying a trade surplus with China. This is attributed to the fact that the latter imports a huge volume of semi-conductors from the Philippines (almost 85% of Chinese imports).²³⁾

Beijing has also invested heavily in the Philippine agricultural and mining sectors. Beijing funded the Philippine-Sino Center for Agricultural Technology worth US\$8.75 million in the province of Nueva Ecija, the country's rice basket. It has also financed the Philippine-Fuhua Sterling Agricultural Technology Development Corporation. These two projects aim to assist the Philippines in developing self-sufficiency in rice and corn production. The biggest Chinese investment in the Philippines, however, is in infrastructure development. Beijing has infused US\$450 million for the rehabilitation of the North Luzon Railway System.²⁴⁾ The renovation of

21) "RP-China Two-Way Trade Volume hits \$30 billion 2 Years Ahead of 2010 Target," *Gov.PH News* (8 August 2008), 1. <http://www.gov.ph?news/default.asp?i=21796>

22) "RP-China Trade Volume Tops US\$30 billion," *Manila Bulletin* (25 February 2008).p.1 <http://www.articlearchives.com/trade-development/international-trade-export/165648-1...>

23) Office of the Asia, *op. cit.* p. 1.

this rail system will link Metro Manila with Angeles City and Pampanga in the central plains of Luzon. It will greatly enhance the development of the rural areas adjacent to Metro Manila and possibly ease the problems of overpopulation and traffic congestion in the capital city. The provision of US\$450 million loan for railroad rehabilitation, along with US\$500 million in soft loans (for the constructions of a dam, an elevated highway, and a provincial airport) extended to Manila, allegedly made Beijing the biggest provider of concessionary loans to the Philippines overtaking Tokyo for the first time.²⁵⁾ In 2007, Beijing indicated interest in upgrading the Southern Luzon Rail System. The China National Technical Import-Export Corporation (CNTC) and the China National Machinery and Import and Export Corporation offered to conduct a feasibility study of renovating the main rail system from the southern city of Calamba, Laguna and to the southernmost province of Sorsogon. China also committed US\$200 million to finance this major infrastructure project.

Through its bilateral and military diplomacy, China assures its neighbours that it is a responsible member of the international community and that a peaceful regional environment benefits all through an increase in aid, trade, and investments. Beijing also uses its soft power to allay concerns among East Asian states that it poses a military or economic threat. It should be noted that Philippine-China

24) Xinhua News Agency, "Sino-Philippine Ties Undergoing Quick Development," *Xinhua News Agency* (April 25, 2005), p. 2.

25) Raissa Robles, "China will be biggest lender to Philippines: New Deal Puts Beijing Ahead of Tokyo in Loans for First Time," *South China Post* (January 14, 2007), pp. 1-2. <http://proquest.umi.com/pqdweb?indexdid=1193901621&srchMode=1&sid=3&Fmt=...>

security ties improved significantly during the crisis in Philippine-US security relations after Philippine troops were withdrawn from Iraq in July 2004. President Arroyo's decision to secure the release of kidnapped Angelo de la Cruz elicited angry responses from Washington and dampened Philippine-US relations. A few weeks later, she went to China for a state visit. This fuelled speculations that she was playing the "China card" to gain some diplomatic leverage against Washington.²⁶⁾ During her visit, President Arroyo had a high-level dialogue with Chinese Premier Wen. The two leaders then identified key areas of defence cooperation such as sea rescue, disaster mitigation, and exchange of training. They also agreed to set aside their territorial claim to the Spratlys and to engage in joint development there.

In November 2004, Philippine Defense Secretary Avelino Cruz and his Chinese counterpart signed in Beijing a Memorandum of Understanding (MOU) on Defense Cooperation on behalf of their respective defence ministries. Reportedly, the PLA proposed to the AFP more military exchanges, the inauguration of a consultation mechanism, enhancement of cooperation against terrorism and other internal security threats, and the holding of a joint military exercise. In addition, Beijing agreed to provide RMB10 million in gratis (non-lethal) military assistance to the Philippines. These proposals are aimed at qualitatively transforming the current state of Philippine-China security relations, and primarily intended as a confidence-building measure.

26) Raisa Robles, "Warming Ties Mark Arroyo's Beijing Visit: China Emerges as the Philippines' New Foreign Ally after Manila's Pullout from Iraq," *South China Morning Post* (September 1, 2004), p. 7.

Hence, defence relations between the PLA and the AFP have significantly improved. The AFP can also attend courses in China specifically on language training, military security management and command courses, and special operations command course. China has donated a total of RMB20 million (approximately US\$ 2.5 million) in military equipment and supplies (primarily 12 engineering equipment) in the last two years to the Philippines. The two armed forces have also been conducting intelligence exchanges. In May 2007, higher-ranking PLA and Philippine defence department officials held the third bilateral defence and security dialogue in Manila.

The two sides discussed a variety of issues concerning international and regional security, including counter-terrorism, the situation in Northeast Asia, and their mutual concerns and interest in maritime security, national defence and military construction.²⁷⁾ The Chinese military officials also promised more assistance to the Philippine military and signified their willingness to intensify defence relations between the PLA and the AFP. Philippine defence officials again emphasized their country's adherence to the "One China policy" and expressed their government's appreciation to Beijing's important contribution to international and regional peace.

On the intention motivating Beijing's efforts to improve its overall relations with Manila, Ian Storrey explains: "The PRC has looked askance at the reinvigorated U.S.-Philippine alliance,

27) Xinhua News Agency, "China, Philippines Attain Agreement Over Security, Defense," *Xinhua News Agency* (25 May 2007), p. 1, <http://proquest.umi.com/pqdweb/index=11&did=1278753411&SrchMode=1&sid=1&Fmt...>

particularly the military component. Perturbed by these developments, China has tried to offset increased US influence, both by increasing its economic profile and by stepping up security cooperation (with the Philippines).”²⁸⁾ China’s long-term goal is to use soft-power as part of its overall diplomatic struggle to split the two allies from each other by improving economic and security relations with the Philippines, while isolating the US politically and diplomatically to the maximum possible extent. This policy may possibly create a wedge in the alliance as Manila (the weaker country) will develop different views and interests from Washington (the dominant partner) and this will eventually constrain former’s freedom of action and prevent it from supporting the latter in any crisis or conflict that might involve China.²⁹⁾

Countering the Dragon’s Pacific Gambit?

Despite the crisis triggered by the withdrawal of Filipino troops from Iraq in 2004, both the Philippine and US militaries found it necessary to contain the diplomatic/political damage caused by the incident through an intense emphasis on the security-related aspect of the global counter-terrorism campaign. In the aftermath of the de la Cruz crisis, Washington did not impose any long-term or severe

28) Ian Storey, “China’s Rising Political Influence in Southeast Asia,” (Unpublished monograph, September 2005), p. 8.

29) For an interesting study of China’s diplomatic strategy of undermining American bilateral alliances in East Asia see Roger Cliff, Mark Burless, Michael Chase, Derek Eaton, and Kevin Pollpoter, *Entering the Dragon’s Lair: The Implications of Chinese Anti-Access Strategy* (Santa Monica, USA: Rand Corporation, 2007), pp. 77-79.

sanctions on Manila. Paradoxically, Washington initiated a number of security initiatives aimed not only to strengthen the AFP's counter-terrorism capabilities; but also to establish a prolonged and sustained cooperative security agenda in the Philippine military. This approach eventually would ensure that the US will remain as the Philippines only strategic ally.³⁰⁾

Under the framework of the Joint RP-US Counterterrorist Cooperation Program, the U.S. military is actively assisting the AFP in counter-terrorism operations through the training and developing more light reaction units in the AFP, enhancing the Philippine Air Force's night-fighting capabilities, and the Philippine Army's psychological operations, civil affairs, and intelligence capabilities. To maintain sustained military-to-military relations with the AFP units in Mindanao, the United States Pacific Command (PACOM) established the Joint Special Operations Task Forces-Philippines (JSOTF-P) in 2002 that is currently based in Zamboanga City. This unit is made up of Special Forces units from the four US military services providing advice, combat support, surveillance, training, and civil assistance to AFP units deployed in Mindanao. Through the JSOTF-P, the U.S. military deploys, at present, one or two ships, and a P3C Orion aircraft to provide intelligence and surveillance support to AFP military operations in Mindanao. This unit also provides aerial vehicles and satellite imagery to assist the Philippine military in tracking down

30) Interview with anonymous middle-ranking AFP Officers on the U.S. Role in the Philippine Defense reform and the AFP Capability Upgrade Program, Foreign Service Institute, Pasay City, Metro Manila, 5 May 2008.

Muslim militants in Mindanao.

The de la Cruz crisis hardly affected the two countries' routine and annual *Balikatan* joint military exercise. Less than a year after the incident, the two allies conducted *Balikatan* 2005 in February. The exercise involved the conduct of medical civic action projects in Luzon. *Balikatan* 2006, 2007, and 2008 were staged in various parts of Luzon, the Visayas, and Mindanao to promote interoperability between the two allies for greater combined war-fighting capabilities and to advance regional security cooperation. These exercises also enable the U.S. military units to familiarize themselves with Philippine training sites and to gain experience in using these facilities that could facilitate the entry of American forces in any future crisis situation. Interestingly, these exercises also included the construction, repair, or renovations of various roads, ports, hospitals, and existing runways in Luzon and Mindanao that can be used by American forces in case of actual military operations in the near future. The long-term objectives of these military exercises include supporting the AFP battalion retraining program, and more significantly, the development of potential Philippine sites for the Pentagon's evolving concept of Cooperative Security Locations (CSLs) through Exercise Related Constructions (ERC) by U.S. and Philippine engineering units. CSLs are facilities and infrastructure in allied countries that can be used by the Pentagon for storing and prepositioning American strategic materiel and forces to facilitate US military deployment in possible contingencies in East Asia such as in the Taiwan Straits or East China Sea.

Walking on Two Legs (the Eagle's and Dragon's)?

In the face of Washington's concerted efforts to enhance Philippine-US security relations, China continues to initiate various economic and political cooperative ventures with Manila. The Arroyo Administration, in turn, took advantage of Beijing's efforts to increase China's economic and political presence in the Philippines. Since 2005, bilateral relations between Manila and Beijing have burgeoned in the realms of security, economic, and socio-cultural cooperation. There is also an increasing frequency in the number of high-level exchanges of visits, bilateral agreements, and sister-province/city links. In April 2005, President Hu Jintao visited Manila to reciprocate President Arroyo's state visit in September 2004. During his visit, President Hu predicted that Philippine-China trade would double in the next five-years. He also declared that the Chinese-funded North Luzon Railway project is the symbol of a "new and friendly relations and cooperation between the Philippines and China."³¹ Furthermore, he challenged Manila to foster a strategic cooperative relationship with Beijing based on peace and economic development. To realize this strategic partnership, President Hu proposed the following measures: increased exchange visits of officials, rise in the level of bilateral trade; continued cooperation in the development of the South China Sea; intensification of cooperation in addressing international terrorism

31) BBC Monitoring Asia Pacific, "Chinese President Predicts China-Philippine Trade Relations," (April 28, 2005), p. 1, <http://proquest.umi.com/pqdweb?index=49&did=828416651&SrchMode=1&Fmt=3...>

and transnational crimes; and policy coordination in implementing the ASEAN-China Free Trade Agreement.³²⁾

In return, President Arroyo said that the Philippines would reciprocate China's efforts by increasing the exchange visits of officials and by expanding cooperation in the areas of energy, infrastructure, agriculture and mining. She also reiterated her government's adherence to the One-China policy. Observing the nature of Philippine-China relations in the aftermath of President Hu's visit to Manila, former Philippine President Fidel Ramos commented that Philippine-China relations is "now at its best in history and China has become an important partner in Philippine trade and investment for the first time in history."³³⁾ In May 2005, Manila hosted the first ever Philippine-China Annual Defense and Security Dialogue during the visit to the Philippines of General Xiong Guangkai, Vice Minister of China's Ministry of Defense and Deputy Chief of Staff of the People's Liberation Army. The meeting resulted in the establishment of a confidence-building mechanism in functional areas such as fisheries and marine environmental protection until regular military exchanges could be institutionalized.

In August 2005, the two countries jointly conducted a marine seismic survey (along with Vietnam) of the South China Sea. The

32) Xinhua News Agency, "Chinese President Calls for Further Expanding and Deepening Cooperation with Philippines," (April 27, 2005). p.1. <http://proquest.umi.com/pqweb?index=54&did=828380501&SrchMode=1&si=1&sid=1&Fmt=3...>

33) Xinhua News Agency, "Sino-Philippine Ties Undergoing Quick Development," (April 25, 2005). p. 1. <http://proquest.umi.com/pqdweb?index=58&did=826999641&1SrchMode=1&sid=1&Fmt=3...>

survey involved a three-phase program of data-gathering, consolidation and interpretation of about 11,000 kilometres of 2D seismic data on the South China Sea. The initial phase ended in November 2005 and the second phase began in early 2007. The project was completed in June 2008. In December 2005, President Arroyo met separately with Chinese Premier Wen in Kuala Lumpur during the First Meeting of the East Asian Summit where the two leaders again reaffirmed their commitment to the strategic and cooperative bilateral relationship. The Chinese premier promised to cooperate closely with Manila in the delivery of quality projects like the Luzon North Rail System and to expedite Chinese participation in energy development, infrastructure building, and agricultural improvement.³⁴⁾

In January 2007, the Philippines hosted the 2nd Meeting of the East Asian Summit in Cebu City. Sixteen heads of states attended the event which focused on the region's need to enhance energy security through the greater use of bio-fuels, reduction in the cost of renewable energy, and less dependence on expensive crude oil. Beijing also offered to ASEAN a five-point proposal to further consolidate and enhance ASEAN-China's strategic partnerships for peace and prosperity. The proposal included: the strengthening of political trust; the building up of the two sides' economic and trade relations to a new level; more intense cooperation in non-traditional

34) BBC Monitoring Asia Pacific, "Chinese Premier Meets Philippine, Cambodia PM," (December 11, 2005), p. 1, <http://proquest.umi.com/pqdweb?index=10&did=939921311&SrchMode=1&sid=1&Fmt=3...>

35) Office of the ASEAN Affairs, "Chairman's Statement of the 10th ASEAN-China Summit, Cebu, Philippines, 14 January (Pasay City: Department of Foreign Affairs, 2007), p.1.

security fields; China's active support to ASEAN community-building and integration; and the expansion of social, cultural and people-to-people exchange between China and the ASEAN states.³⁵⁾

From Manila's perspective, China's economic rise and activism in multilateral organizations will eventually activate the process of economic integration in East Asia, which has already begun, albeit slowly in the ASEAN+ Three Process (China, Japan, and South Korea). Some ranking Philippine government officials hope that by fostering the emergence of a regional market centred on Northeast Asia, the Philippines can take advantage of its strategic location at the heart of the region-with easy access to China, Japan, South Korea and other huge markets in the ASEAN region.³⁶⁾ Shortly after the summit, Premier Wen met President Arroyo and key members of the Philippine Congress in Manila during his brief visit. Wen then signed 15 agreements accelerating the two countries' economic and cultural relations. The two leaders also instructed their respective foreign ministries to formulate a joint action plan that would provide strategic direction in the Philippine-China bilateral relations in the 21st century.

While the Philippines and China are formulating their strategic relations for the 21st century, Washington has been actively engaging Manila to boost and deepen their alliance. As part of its overall support of the AFP's counter-terrorist operation in Mindanao,

36) For an interesting discussion of the Philippine stated interests on China's emergence and the formation of regional organizations like the EAS and ASEAN+3 Process see Rene Q. Bas, "FVR Sees Countless Opportunities for Philippines in China Connection," *The Manila Times* (29 June 2008), p. 4. <http://proquest.umi.com/pqdweb?index-0&did=1503859851&SrchMode=1&sid=1&Fmt=...>

semi-permanent US military stations and facilities have proliferated throughout the littorals of Southern Mindanao, and a more permanent facility has been established in Manila. The US Defense Department's active role in the Philippine government's PDR and the AFP's CUP ensures long-term American participation in the modernization of the Philippine defence establishment. In March 2006, the two sides signed an agreement creating the Security Engagement Board (SEB), a security consultative mechanism for the Philippines-US cooperation on non-traditional security concerns in the 21st century. The SEB recommends joint activities focused on addressing non-traditional security challenges in accordance with the Philippine-US VFA. It also complements the Philippine-US Mutual Defense Board (MBD) mechanism established in 1958 to coordinate the two countries' response against traditional or conventional threats.

In early 2008, the Pentagon promised to provide US\$15.5 million to finance the Philippine Navy's Coast Watch project. This project entails the PN's and the Philippine Coast Guard's installation of high-frequency radio equipment and radar stations along the Philippines' southern maritime borders of the Sulu and Sulawesi Seas. These stations will monitor and report movements along the shipping lanes and fishing areas that are also used by pirates and Muslim militants who move between Indonesia and Mindanao. In June 2008, the chairman of the US Joint Chief of Staff, Admiral Mike Mullen, visited Mindanao and promised continued military assistance to the AFP to boost its anti-terrorist operations in the island. All these security-related cooperative ventures and activities are directed to

deepen the alliance over the medium and long-term period and to ensure that the US remains the Philippines' only standing ally and strategic security partner in the face of an emerging China.

Issues and Dilemmas in Equi-Balancing

On the one hand, Washington's war on terror enabled the Arroyo Administration to secure millions of dollars in American economic and military assistance, which are crucial in strengthening the regime in particular and the Philippine state in general. Ironically, however, when the de la Cruz hostage crisis occurred, the Arroyo Administration used the China card as leverage against its ally. On the other hand, despite its increasing economic and defence ties with China, the Philippines is not an ally of China. Manila does not yet totally trust Beijing, and the former still considers Washington as the least dangerous among the big powers, the best balancer, and the most reliable insurance against an emerging China. Manila is aware that Beijing's soft power strategy is to wean it away from Washington. A healthy and dynamic relationship with the US creates a greater incentive for China's attention, cooperative ventures and economic largesse.

The Philippines' ability to pit the US and China against each other is not necessarily permanent but is contingent on shifts in Sino-US relations. Manila's current knack of playing the two major powers against each other is possible only because Washington and Beijing are engaged in a low-intensity geostrategic competition in East Asia. The two major powers are currently engaged in a bidding

competition to strengthen their security and economic ties with the Philippines, while at the same time, trying to prevent the other power from gaining any long-term strategic foothold in this minor power. Manila simply takes advantage of the two major powers' evolving and potentially dangerous great game in East Asia.

Washington's renewed security ties with Manila in the mid-90s were a direct result of the Pentagon's concern over Chinese naval activities in the South China Sea and in the Taiwan Straits. The Bush Administration's war on terror after 9/11 provided further impetus for the US to revitalize its security relations with the Philippines in the 21st century. Beijing's provision of economic largesse and the extension of its diplomatic/military/charm offensive to Manila are geared towards weaning the Philippines away from its main strategic ally and to ensure that it will take Chinese interests into account in case of a major diplomatic/security crisis between the U.S. and China.

A moderate large-power competition generally favors small powers as they can set one power against the other, and are able to extract certain economic or political concessions from the major powers without making any serious commitment to either power.³⁷⁾ This situation also affords the small powers the leeway to reduce their external linkages and commitment if they decide to adopt a policy of neutrality. Current Sino-US relations are in a state of flux. Arguably, the US appears to be a superpower suffering from relative

37) Morrison and Suhrke, *op. cit.*, pp. 290-291.

decline while China is a rising power. Any dramatic change in Sino-US relations (whether it be American appeasement of China or a shift to contain it militarily) will probably end Manila's equi-balancing game. An *entente* between Washington and Beijing will render the Philippines strategically irrelevant or at the worst, a spoil of big power *realpolitik*. A major diplomatic/strategic confrontation between China and the U.S. will force the Philippines to take sides and it may eventually end up as a pawn to one of the two powers.

Another issue that constrains Manila from optimizing its equi-balancing game is its volatile domestic political situation. A small power can play the game of pitting one major power against another if it can maintain cordial working relations with both. However, with the opposition parties dominating the Philippine Senate, anti-administration politicians have attacked the Arroyo administration's relations with China. To some degree, the turn of events had soured the Philippines' ties with China as evidenced by the ZTE National Broad Band Contract Scandal in early 2008. In April 2007, the Philippine government signed a memorandum of understanding (MOU) with Zhong Xing Tele-communications Equipment Co. Ltd. (ZTE Corp) for the construction of a US\$ 329 million national broadband network for its public use. The funds for the project would come from the China Eximbank's soft-loan of US\$1.8 billion extended to the Philippines in 2005. Accordingly, the deal was brokered by the Philippine Commission on Election Chairman, Benjamin Abalos. Immediately, opposition figures in the Philippine Congress criticized the deal as a violation of the country's

Build-Operate-Transfer (BOT) Law that prohibits the government from spending money and providing guarantee to any privately funded (BOT) project. The opposition also accused the administration of approving an overpriced project and for Chairman Abalos of brokering the deal for a fat commission. A few months later, a key witness appeared at a Senate hearing with allegations of massive kickbacks, overpricing, and attempts to bribe a firm competing for the national broad band project.

The following year, a ranking government official privy to the national broad band project came out in the open and accused the Arroyo administration of massive cover-up of the ZTE deal. He confirmed earlier allegations of huge kickbacks behind the project and disclosed that certain cabinet members tried to prevent him from testifying at the Senate Blue Ribbon Committee investigating the ZTE deal. Allegations of government corruption once more provoked various left-leaning and anti-government groups to launch several protest actions against the Arroyo administration. Several Chinese-funded public work projects in the country, such as the Banaong Pump Irrigation Projects, the General Santos Fish Port Authority, and the North Luzon Rail Project, came under suspicion for huge kickbacks and pay-offs.³⁸⁾

Alarmed by the public furore over the ZTE deal and other joint ventures with the Philippines, China expressed its concern over

38) Michael V. Remo, "Other China-Funded Projects under Scrutiny," *Philippine Daily Inquirer*, (March 10, 2008), pp. 1-2.

“the recently emerging tendencies in the Philippines which may impose negative influence on the two countries’ relations and mutual cooperation.”³⁹⁾ President Arroyo subsequently cancelled the ZTE deal and dealt a blow to Philippine-China relations.⁴⁰⁾ The unexpected and massive public uproar against China’s growing economic presence in the country during the ZTE controversy indicated that Chinese soft power or influence in Philippine society is still limited. Conversely, the power of domestic business and political interests remain entrenched. There is also an implicit fear of a powerful and irredentist China fuelled every now and then by the Philippine society’s lingering suspicion of the local Chinese community (estimated at around 600,000) in the country.

Finally, Manila’s ability to optimize its equi-balancing strategy is constrained by the fact that it is still a formal treaty ally of Washington. Indeed, Philippine bilateral relations with the US have been more pronounced, more enduring, and more intense than its bilateral ties with China. Since 2001, the U.S. has provided its ally with substantial military resources and technology to upgrade its military infrastructure so that it can be integrated easily into the US

39) Pia Lee-Brago, “China Admits Concern over Spratly Furor,” *Philippine Star* (14 March 2008), pp. 1 and 8.

40) According to an anonymous Chinese diplomat, although the political relations between the Philippines and China remain intact and strong, the two countries’ economic ties have been damaged by the ZTE scandal. According to the diplomat, Chinese investors are now apprehensive in investing their capital in the Philippines because of its extremely volatile domestic politics. “Interview with an Anonymous Chinese Diplomat,” Starbucks Coffee Shop, Blue Wave Mall, Pasay City, 22 July 2008.

strategic posture in East Asia. Then, the country has been designated as a major Non-NATO ally and the US military has assisted the AFP campaigns against various terrorist and insurgent groups in the country. Despite China's growing diplomatic and economic influence on the Philippines, US officials still consider the country as a vital link in regional security and strategically relevant to America's rapidly evolving security objectives in East Asia. Manila seems to have accepted this despite the possibility that it might be sucked into the vortex of Sino-US rivalry in future.

Manila's close ties with Washington are strengthened by their societies' close cultural/transnational relations. With its heavy emphasis on mass public education and the use of English as a medium of instruction, US colonial rule succeeded in socializing the Filipinos to embrace democracy and American popular culture. Major newspapers in Manila use English, while American movies and songs are popular to the general public, and English is often used in advertisements and commercials. To be successful in their careers in either in business or in the civil service or in the service industries (call centres and hotels), Filipinos need to be competent both in Tagalog and English. The Filipino elites' children are usually sent to exclusive private universities (many of them were established during the American colonial period) in Manila where English is used as the medium of instruction. Many of them are sent abroad usually to the United States for their graduate studies. This cultural affinity between the two societies is reinforced by the existence of a large Filipino-American community that has become politically and socially active

in American politics and has pulled its weight on ensuring that the trans-Pacific relationship remains close and vibrant.

Conclusion

Since 2001, the Philippines has played the game of equi-balancing between the US and China. On the one hand, Beijing's attempt to assert its maritime claims in the South China Sea in the mid-1990s and the Bush Administration's current war on terror have provided Manila an opportunity to revitalize its alliance with Washington. On the other hand, with its rising economic and political clout, China has conveniently used its soft power to draw the Philippines away from its major strategic ally. Currently, Manila seems to be enjoying the best of both worlds as it bolsters its security relations with Washington, while obtaining economic largesse and politico-diplomatic concessions from Beijing.

The country's diplomatic balancing game, while appearing to be successful thus far, is actually a precarious one. Any major or dramatic shift in Sino-American relations could quickly transform the Philippines from an opportunistic balancer to a pawn or a spoil of competing great powers. If this scenario were to emerge, then the fate of the Philippines as a vulnerable small state will validate Thucydides' dictum that the strong do what they have the power to do and the weak accepts what they have to accept.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER ELEVEN

Thailand: Bending with the
(Chinese) Wind?

Pavin Chachavalpongpun



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Thailand: Bending with the (Chinese) Wind?

Pavin Chachavalpongpun

On 28 May 2007, Thai Prime Minister Surayud Chulanont, while paying an official visit to China, witnessed the signing of a historic “Joint Action Plan on Thailand-China Strategic Cooperation,” to be implemented for five years from 2007-2011, which provided the blueprint for strategic partnership between the two countries in 15 areas, covering cooperation in political affairs, military, security, trade and investment, agriculture, industry, transport, energy, tourism, culture, education and training, health and medical science, technology and innovation, information and communication technology as well as regional and multilateral cooperation.¹⁾ It was considered a historic document because of a number of reasons. First, it signified another major milestone in the Sino-Thai relations. Beijing

made known that it was willing to elevate these bilateral ties to a higher plane, especially at the time of signing the document, Bangkok was ruled under a military government. It could therefore be construed that China strictly adheres to a non-interference policy regarding Thailand's internal politics, and that it was more than happy to segregate domestic politics from the conduct of foreign relations. Second, the aim to enhance "strategic cooperation" was not solely confined within the traditional context of military, security and economic considerations, but broader and more comprehensive as it included collaboration in new-fangled fields, such as energy as well as technology and innovation. Third and most importantly, the conclusion of the document arrived at the peak of China's exercise of "soft power" toward Southeast Asia, including Thailand. Chinese leaders like to believe that it was the enigma of Chinese soft power that had a powerful effect on the moulding of an even better perception of the Thai elites and people vis-à-vis their country. The latest, successful trip to Beijing of Thailand's Prime Minister Samak Sundaravej, from 30 June-3 July 2008, seemed to reaffirm his country's upbeat sentiment toward the big brother in the north. Analysts elucidate the Thai move as "bending with the Chinese wind."

This chapter looks briefly into the historical setting of Sino-Thai relations as well as subsequent developments that were made possible because of Thailand's continued friendly approach and

1) In, *Joint Action Plan on Thailand-China Strategic Cooperation between the Government of the Kingdom of Thailand and the Government of the People's Republic of China 2007-2011*, 28 May 2007.

positive standpoint toward China. While the debate in Thailand on whether to question China's rise has increasingly become anachronistic because Thai leaders have claimed to gain substantially from a more prosperous China, a more critical conundrum has instead focused on the real impacts of the Chinese soft power - a pillar that sustains China's rise - on this bilateral relationship. This chapter argues that the use of soft power has helped China's cause, but is not the main force behind the strengthening Thai-Chinese relationship. Indeed, China's soft power could potentially be disastrous for Thailand in the long run.

Bending all the Way Through

Kind scholars praise Thailand's ability to "bend with the prevailing winds" as the distinguished hallmark of its foreign policy since the colonial time to the modern period of Thai contact with the outside world. More critical scholars perceive this bending-with-the-wind policy as somewhat a mere directionless conduct of diplomacy depending largely on right timing and luck. Whichever way one looks at Thai foreign policy, one conclusion is often drawn - it has successfully served, as Thai leaders claimed, the purpose of accomplishing Thai national interests. Whether this conclusion reflects the reality is still largely debateable. In the past as much as today, attention has never been paid to the real content or the Thai foreign policy-making process, but rather on the end result it has yielded. This is understandable because, in Thailand, foreign affairs have been traditionally dominated and managed by the elites, with

little participation of the people.

In the context of Sino-Thai relations, the wind has blown backwards and forwards. Sometimes it is a little strong and storm-like, but most of the time the wind has been calm and unruffled. One contributory factor to the peaceful state of bilateral relations is their long amicable historical contact, which can be traced back to Siam's first kingdom - Sukhothai (1237-1350). Sukhothai kings regularly sent their envoys to the court of the Yuan Dynasty and were content to submit themselves to the Chinese emperors under the so-called "tributary system of relations" that promoted China as the "Middle Kingdom", ruling over smaller outlying states including Siam. Modern Thai historians described the nature of Siamese policy as "bending with the Chinese wind", while arguing that Siam did not see itself a vassal state but went along with the tributary system only as a mean to commence foreign trade with China.²⁾ Sarasin Viraphol argues, In China's eyes, trade was of secondary consideration, but conformed strictly to the general political principle of *chi-mi*, literally meaning "control by a loose rein". For Siam, tribute missions were just one form of commercial investment.³⁾

Through Sukhothai, Ayutthaya, Thonburi and Bangkok periods, Thailand and China maintained their regular contacts even when they were preoccupied with defending their kingdoms from the

2) Chulacheep Chinwanno, *Thai-Chinese Relations: Security and Strategic Partnership*, RSIS Working Paper Series No.155, 24 (March 2008), p.2.

3) Sarasin Viraphol, *Tribute and Profit: Sino-Siam Trade 1652-1853* (Cambridge: Harvard University Press, 1977), pp.1-2.

barbarians and enemies and later having to accommodate themselves with the Western colonial powers in order to remain independent. Frequent contacts between the two nations came to a halt following the establishment of the Chinese communist state in 1949 under the leadership of Mao Zedong. Thailand, while proudly pursuing its policy of bending with the wind, by first siding with the Japanese Army and later with the free world, continued to bend itself with the US in the post-World War II period and chose to implement an inimical policy toward communist China. During the first few decades after the Second World War, relations between Thailand and China transformed from “friend to foe” because of the difference in political ideologies. China retaliated against Thailand with the provision of material and ideological support to the Communist Party of Thailand (CPT). Thai communist leaders shuttled between Bangkok and Beijing while adopting the same Maoist tactics aiming at overthrowing the Thai government.⁴⁾ This period witnessed Thailand and the US further deepening their relationship in the midst of the emerging threat of communism from China.

Thailand’s antagonistic stance toward China began to melt away during the early part of the 1970s. Thailand realised that China could come to the rescue as the kingdom was encountering a clearer and more present danger from communist Vietnam.⁵⁾ The menace from

4) See, Chris Baker, “An Internal History of the Communist Party of Thailand,” in *Journal of Contemporary Asia* (1 October 2003).

5) During the administration of President Richard Nixon, the United States decreased its commitment in South Vietnam while forcing the government in Saigon to bear more responsibility. Thailand felt that it from that moment onwards had to defend itself from Vietnam’s military threat.

Vietnam became more real and tangible following its invasion of Cambodia in 1978. Thailand and China, in responding to aggressive Vietnam, normalised their diplomatic relations in 1975 under three conditions. First, both would support each other for the armed opposition to Vietnamese rule in Cambodia. Second, both would cooperate extensively in funnelling provisions and material to the Khmer Rouge, which had its base on the Thai-Cambodian border. Third, China would end all supports extended to the CPT.⁶⁾ Sukhumbhand Paribatra argued that the shift in the Thai policy toward China had a powerful impact on the deepening of engagement between China and ASEAN. It also affected ASEAN's standpoint vis-à-vis Vietnam. He said, "Because of other ASEAN countries regard Thailand's security concerns as being of paramount importance where the Cambodia conflict is concerned, Sino-Thai cooperation has been allowed to develop and in many ways has served as a catalyse of wider Sino-ASEAN cooperation."⁷⁾ Because ASEAN recognised Thailand as a frontline state in confronting the Vietnamese threat, and also recognised the Thai need to normalise its ties with Beijing, this recognition strongly compelled ASEAN to further demonise and isolate Hanoi in an attempt to win over the ideological division in this part of the world.

Close relations between Thailand and China have developed over the years since the end of conflict in Cambodia.

6) Anthony Smith, "Thailand's Security and the Sino-Thai Relationship" *China Brief*, Vol.5, No.3 (1 February 2005), p.1.

7) Sukhumbhand Paribatra, *From Enmity to Alignment: Thailand's Evolving Relations with China*, ISIS Paper No.1, (Bangkok: Institute of Security and International Studies, Chulalongkorn University, 1987), p.3.

China, while openly embracing a Western-style market economy, sought to resurrect its sphere of influence in Southeast Asia at the time when the US' s power in this region was waning. China' s reengagement with Southeast Asia finally materialised in the wake of the financial crisis hit in this part of the world. China refused to devalue its currency during the financial crisis, portraying its decision as standing up for Southeast Asia. After the crisis, ASEAN (Association of Southeast Asian Nations) Secretary-General Rodolfo Severino announced, "China is really emerging from this smelling good."⁸⁾ China contributed US\$1 billion in the IMF-led rescue plan in order to help Thailand rebuild its financial strength. More Chinese investment and business ventures to Thailand followed suit to compliment China' s booming economy and its growing soft power. By 2001, Chinese enterprises owned more than 230 joint ventures or enterprises in Thailand, and the total Chinese investment in Thailand reached US\$223 million. In 2004, Thailand' s Board of Investment (BOI) approved 20 new projects from China, valued at US\$ 111 million.⁹⁾ Currently, Chinese investment in Thailand amounted to 495 million dollars, a six-fold increase from the previous year.¹⁰⁾

The Chinese soft power, manufactured as a core element of Chinese foreign policy designed to win hearts and minds of China' s neighbours in the region, has met with a favourable

8) Joshua Kurlantzick, "China' s Charm: Implications of Chinese Soft Power" *Policy Brief*, Vol.47 (June 2006), p.2.

9) Source: Board of Investment' s International Affairs Division,

10) Source: Thailand' s Government Public Relations Department,

response from the Thai counterpart. Fundamental questions however emerge: Is this the freshest case of Thailand bending with the current Chinese wind as China is transforming itself into an emerging regional power? And how far does Thailand need to bend with the Chinese wind in order to reap its interests?

To understand the Thai position vis-à-vis emerging China, a clear definition of its famous “bending-with-the-wind” policy is in need of elaboration. Arne Kislenko explains, “An ancient Siamese proverb likens foreign policy to the ‘bamboo in the wind,’ always solidly rooted, but flexible enough to bend whichever way the wind blows in order to survive. More than mere pragmatism, this adage reflects a long-cherished, philosophical approach to international relations, the precepts of which are very much enshrined in Thai culture and religion. Throughout its long and frequently violent history, Thailand - or Siam, as it was known until 1939 - has consistently crafted a cautious, calculated foreign policy and jealously guarded its independence.”¹¹⁾

Leszek Buszynski locates “bending with the wind” in the historical context to indicate the need for the Thais to keep changing their international and regional alliances to preserve their independence.¹²⁾ In other words, this policy is characterised as the ability of being flexible, changeable and receptive to the hegemon or hegemonies of the day. As apparent in colonial times, Siam, as a small

11) Arne Kislenko, “Bending with the Wind: The Continuity and Flexibility of Thai Foreign Policy” *International Journal*, Canadian Institute of International Affairs, Vol.57, No.4 (1 October 2002), pp.537-61.

12) Leszek Buszynski, “Thailand’s Foreign Policy: Management of a Regional Vision” *Asian Survey*, Vol.34, No. 8 (August 1994), pp.721-737.

state, was able to avoid occupation because, as Thai leaders argued, it sensed the prevailing winds and adapted accordingly. In the meantime, this policy opens a channel for the country to take advantage of the rivalries of larger powers. Thailand's intimate relations with China, seen as one of the closet in the region, sit alongside its strong alliance with the US. Hedging China against the US, Thailand has enjoyed a variety of strategic and economic benefits from both powers. The Thai policy of bending with the prevailing winds, therefore, complements its approach of balancing one power against the other. Thailand's relationship with China has been built upon the concept of balancing the interests and influence of Beijing and Washington in order to formulate a more dependent and less vulnerable foreign policy.¹³⁾ It is, however, manifest that Thailand in the past decade has been leaning more toward China and less toward the United States, largely as a result of China's rising influence in the region. In addition, China's enthusiastic campaign also helps strengthening its friendship with Thailand.

Also in the past decade, while China was experimenting with its soft power in the conduct of diplomacy, its cooperation with Thailand in conventional areas was profoundly strengthened. China and Thailand essentially formed a *de facto* alliance that ultimately extended to the armed forces of the two countries. They signed a "Strategic

13) Ann Marie Murphy argues that the traditional description of Thai foreign policy—that it is like bamboo, bending with the wind but never breaking—suggests that bandwagoning behaviour dominates Thai foreign policy. She defines "bandwagoning" based on the assumption that since the small states of Southeast Asia cannot contribute much to a balancing coalition, they should align themselves with the rising power. See, Ann Marie Murphy, "Explaining Thai Alignment Behaviour: Balancing, Bandwagoning or Bending with the Wind?" paper presented at the AAS Meeting at the Marriott, San Francisco, United States, 6-9 April 2006.

Partnership” arrangement, which has included annual defence talks and a regular exchange of military personnel and exercises. In fact, Thailand has constructed an alliance with China in a similar way as it has done with the United States. The US-Thai Cobra Gold exercise - the largest in the region, lent its form and purpose to Thailand’s military rapprochement with China.¹⁴⁾ Since the early 1980s, Thailand has purchased armaments and military-related equipment under this partnership at “friendship prices,” much of which has effectively amounted to, in the words of Anthony Smith, “military gift aid.”¹⁵⁾ Today, Sino-Thai military links are among one of the most developed in the region - second only to Myanmar, China’s quasi ally. Thailand has also chalked up some impressive firsts in the area of ASEAN-China defence ties, including a groundbreaking agreement with China in 2007 that outlined the parameters of future cooperation.¹⁶⁾ The Free Trade Agreement (FTA) between Thailand and China, the first between China and an ASEAN country, took effect on 1 October 2003. The FTA, part of the “early harvest programme” under the 2010 ASEAN-China FTA, was invented to slash tariffs for fruits and vegetable flows in each other’s market. The Thaksin government, the driving force behind the Sino-Thai FTA, claimed that bilateral trade reached US\$31,062 million, a 23 per cent increase in 2007 when compared with that of 2006.¹⁷⁾ But this

14) Ian Storey argues that Sino-Thai military relations have a long way to go before they start to rival that between the United States and Thai militaries, who conduct more than 40 joint military exercises every year. In, Ian Storey, “China and Thailand: Enhancing Military-Security Ties in the 21st Century” *China Brief*, Vol.8, Issue 14 (3 July 2008), p.7.

15) Smith, “Thailand’s Security and the Sino-Thai Relationship,” p.1.

16) Storey, “China and Thailand: Enhancing Military-Security Ties in the 21st Century,” p.4.

17) Source: Department of East Asian Affairs, Ministry of Foreign Affairs of Thailand.

claim conceals that fact that although bilateral trade volume has expanded, but Thailand is suffering from a trade deficit with China. When Prime Minister Thaksin Shinawatra visited China in June 2005, he refuted, "Thailand may have to compete with China in some areas, but competition is not something that is a threat. Chinese products can force other countries to be more efficient and productive in manufacturing, so it is an opportunity rather than a threat."¹⁸⁾

The FTA was not the only sensitive issue in the Thai-Chinese economic relations. In 2005, China agreed to provide 96 Chinese-made military vehicles to the Thai army in exchange for longans grown in Thailand. Under this agreement, Thailand committed to export three years worth of dried Thai longans by 31 January 2006, but failed to do so because the stock "mysteriously disappeared." Undeterred by the scandal, Thailand and China replaced the stalled deal with a new round of barter trade involving US\$25 million worth of Thai rice for seven Chinese trains.¹⁹⁾ But would this barter trading system be sustainable in the face of the world's growing economic competition both Thailand and China have been witnessing? China, in particular, has recently offered foreign investors its ample business opportunities based on price competitiveness. The logic behind the barter trade and the economic piggybacking approach seems to run in contrary to the spirit of economic competitiveness in the modern world.

18) "Interview: Thailand Aims to Further Enhance Thailand-China Strategic Partnership" *People's Daily*, 28 June 2005.

19) "Thailand, China to Barter" *Taipei Times*, 13 November 2005.

Growing on a Firm Foundation

Bilateral relations have long stayed healthy because of a number of rationales. First and foremost, Thailand and China do not share land and maritime boundaries and therefore do not engage in territorial dispute. This factor puts their bilateral relationship in stark contrast with that between, for example, China and Vietnam or other maritime states in Southeast Asia. The most contentious case concerns the territorial conflict over the claimed ownership of the Spratlys Island in the South China Sea. Second, the ambassadorial role of members of the Thai royal family has tremendously helps underpin bilateral ties. Thai Crown Princess Chakri Maha Sirindhorn has visited China altogether 25 times, travelling through each and every Chinese province, with her latest excursion taking place on 8 August 2008 when she attended the 2008 Beijing Olympic Games. Footage showing Her Royal Highness writing Chinese calligraphy with great efficiency symbolises China's powerful status at Thailand's elitist level. China has likewise prioritised its relations with members of the Thai royal family, recognising the level of reverence they have earned from the Thai people. Although the power transition inside the wall of palace draws nigh and its process can prove strenuous, it is likely that the influence of the future Thai monarchy on the Chinese leadership will remain definite. It is the institution to which China has attached great importance.

Third, Chinese community in Thailand has been well assimilated into local society. Some 14 per cent of the Thai population are Chinese-Thai, yet most of these are in Bangkok, where perhaps as

many as 40 per cent of the city's eight million people are Sino-Thai.²⁰⁾ Ethnic Chinese in Thailand have not only been treated without any discrimination, but perceived in a positive light, such as hard-working and business-oriented, as reflected in a Thai saying describing the Chinese who arrived in Thailand with "one mat and one pillow" but somehow finding their way up the business ladder. Thai parents are gleeful to let their daughter marry a Chinese man, trusting that he will bring to her a better life. In politics, Thais of ethnic Chinese ancestry are exceptionally well represented in Parliament. Thaksin Shinawatra exemplifies one of the most successful Thai-Chinese in this category. He attained the premiership in 2001. It was not surprising if Thaksin would set great store by China as Thailand's most important ally due to his own ancestry. Thaksin chose China as his first destination as prime minister in 2001. Beijing reciprocated the gesture in October 2003 when Thailand became the first country Hu Jintao visited as state president.²¹⁾ While in China in 2005, Thaksin paid homage to his ancestors' homeland in Guangdong Province. He reportedly said, "When Chinese people see Thai leader and so many entrepreneurs come to China to pay homage to the place where their ancestors had lived, they will understand that Thais and Chinese are from one family, and they are relatives."²²⁾ But this public stunt was not only about his

20) See, Supang Chantavanich, "From Siamese-Chinese to Chinese Thai: Political Conditions and Identity Shifts among the Chinese in Thailand," in *Ethnic Chinese as Southeast Asian*, edited by Leo Suryadinata, (Institute of Southeast Asian Studies: Singapore, 1997), pp.232-259.

21) Ian Storey, "A Hiatus in the Sino-Thai Special Relation" *China Brief*, Vol.6, No.19 (20 September 2006), p.5.

22) "Interview: Thailand Aims to Further Enhance Thailand-China Strategic Partnership."

pilgrimage to the birthplace of his grandparents, Thaksin took advantage of a new surge in public sentiment about China. A recent poll shows that more than 70 per cent of Thais now consider China as Thailand's most important external influence.²³⁾ He simply crafted a China-favoured policy to satisfy domestic enthusiasm for a closer relationship with Beijing, and at the same time, acknowledged the reality in which China is becoming a rising power in the Asia-Pacific. Thailand could not ignore the fact that China's growing economic and strategic might has increasingly dominated the entire region. Thaksin is not alone in bending with China and taking advantage from its intensifying power. His predecessors and successors have all walked on the same path of maintaining the country's friendship with China as they looked into the future.

At the same time as Thailand has been courting China, it has never completely discarded its formal alliance with the United States in spite of the fact that the latter's presence had diminished in the region since the end of the Cold War. The US has remained Thailand's mandatory ally but has often taken this relationship for granted, thus resulting in a growing sense of impatience among Thai leaders. The US did not try hard enough to help alleviate Thailand's economic hardship in the wake of the financial crisis in 1997. In the post 9/11, the US narrowly focused on securing the Thai commitment to its anti-terrorist campaign at the expense of scarifying issues of more significance in the eyes of the Thais, such as the request on the US to

23) Kurlantzick, "China's Charm: Implications of Chinese Soft Power," p.1.

renew the generalised system of preference (GSP) to some Thai export products in order to support Thai entrepreneurs, particularly those running small and medium-sized enterprises.²⁴⁾ However, the United States thought of compensating Thailand by awarding it the status of a major non-NATO ally during President George Bush's visit to Bangkok in October 2003. Then again, it took a critical turn by strongly condemning the military coup of September 2006 that toppled the Thaksin government. Accordingly, the U.S. government cancelled US\$24 million in military aid to Thailand. It was not until President Bush returned to Bangkok again in August 2008 to commemorate the 175th anniversary of the establishment of their diplomatic relations when he repainted the US-Thai alliance in a new light. Thitinan Pongsudhirak stressed that president Bush acknowledged the current situation in Thailand, but advisably skipped the contested nature of Thai democracy, its prolonged crisis and stalemate.²⁵⁾ Instead, he highlighted the current good nature of bilateral relations based on close cooperation. President Bush said,

The values of freedom and openness that gave birth to our alliance have sustained it through the centuries. American troops and the Royal Thai Armed Forces have stood united from Korea and Vietnam to Afghanistan and Iraq. Our free market economies have surged forward on a rising tide of trade and investment.

24) "Thai-U.S. FTA Talks Left for New Thai Government" *Thai News Agency*, 13 July 2006.

25) Thitinan Pongsudhirak, "The United States and Asia after President Bush," *Opinion Asia*, 11 August 2008 (<http://www.opinionasia.org/TheUSandAsiaafterPresidentBush>) (accessed 15 August 2008).

Tourism has boomed, as more people discover this beautiful and ancient land. And some 200,000 Thai Americans now enrich my Nation with their enterprise, culture, and faith.²⁶⁾

Being aware of the American erratic policy, Thailand makes sure that its complex relations with the United States will not in any way dictate its own foreign policy. Thai leaders also realise that they cannot entirely depend on the US especially in time of crisis. To exercise a certain degree of independence in foreign policy, Thailand initially refused to endorse the US' unilateral invasion of Iraq. Critics argued that since Thailand has been combating Muslim insurgents in the southern provinces, backing the US troops in Iraq could generate a counterproductive affect among its Thai Muslim population.²⁷⁾ Yet at the same time, Thaksin recognised the need to bolster economic relations with the United States, which became a major factor for Thailand to eventually send troops to Iraq. Since dispatching 443 soldiers, as Thaksin boasted, Thailand, already selling 20 per cent of its exports to the United States, has received a basket of goodies from America, including an opening of the FTA negotiation and eligibility to bid for reconstruction projects in Iraq.²⁸⁾ At the end of the day, Thai leaders had to compromise by remaining mindful of their need to

26) Speech by President George W. Bush in Bangkok, Thailand, on 5 August 2008, in *The Wall Street Journal*, 6 August 2008.

27) Wattana Sagunnasil, "Islam, Radicalism and Violence in Southern Thailand: Berjihad di Pattani and the 28 April 2004 Attacks" *Rethinking Thailand's Southern Violence*, edited by Duncan McCargo (NUS Press: Singapore, 2007), p.126.

28) Hannah Beech, "Should Asia Quit Iraq?" *Time*, 12 April 2004 (<http://www.time.com/time/magazine/article/0,9171,610099,00.html>) (accessed 13 December 2008)

keep the US somewhat at a distance, not bringing it up too close to their chest, yet neither abandoning it totally.

The fluctuation in the US-Thai relationship serves to bring China closer to Thailand. Through the implementation of the Early Harvest Programme and the influx of Chinese investment into the kingdom, Thailand has enjoyed the benefits of China's booming economy. Their "Strategic Partnership" is also working its way to deepening defence and military cooperation. To confirm that Thailand is serious about its relations with China, it has repeatedly expressed its one-China policy and the support for China's sabre-rattling towards Taiwan. Thailand at one point blocked entry to the Dalai Lama and expelled members of the Falun Gong sect, which has been outlawed in China.²⁹⁾ Recently, the Samak government impressed the Chinese leadership in ensuring that the Olympic torch relay passed through Bangkok, on 19 April 2008, smoothly and peacefully and stood firm that it would not tolerate the pro-Tibet, anti-Chinese regime protesters, embarrassing to both Thailand and China.³⁰⁾

The Power of China's Soft Power

From 1949 to 1975, the image of China had been depicted by the Thai state with fear, intimidation and threat primarily because Thailand allied itself with the democratic camp in the West despite the fact its regimes were often very despotic. The perception of

29) Smith, "Thailand's Security and the Sino-Thai Relationship," p.2.

30) "Thai PM Proud to Host Olympic Torch" *USA Today*, 18 April 2008.

China as number-one enemy of Thailand had drastically shifted over the years. Today, China is being portrayed as pre-eminent regional power, a representative of the Asian voice in the global community, as well as a model of a remarkable economic development.

For Thailand, the shifting perception toward China was initially made possible because both commonly saw the danger in their Vietnamese enemy. Positive image of China has continued after the end of the Cold War mainly because Beijing has demonstrated its willingness and devotion in the conduct of friendly relations with Southeast Asia while utilising its soft power to justify its “peaceful rise.” China grabbed an opportunity to spread its influence in the wake of a power vacuum created by the US’ increasing lackadaisical attitude toward the region. Examples are numerous. US Secretary of State Condoleezza Rice’ s decline to attend the annual ASEAN Regional Forum (ARF) ministerial-level dialogue on 29 July 2005 in Vientiane represented a setback for American efforts to persuade Southeast Asians that Washington really cared about their region. Ralph Cossa writes, “One country that is no doubt delighted by the announcement is China. Rice’ s absence will make the shadow cast by the presence of her Chinese counterpart all the larger and more significant. In contrast to Washington, Beijing has been conducting a diplomatic offensive in Southeast Asia. Again unlike Washington, it has also acceded to ASEAN’ s Treaty of Amity and Cooperation (TAC), making China eligible to attend the first East Asia Summit (EAS) in Malaysia in December 2005.”³¹⁾

How has the Chinese leadership employed its soft power to

cast a spell on its Southeast Asian neighbours, including Thailand? The Chinese strategy concentrates on using “persuasion” rather than “coercion,” therefore demystifying the perception of China’s rise as a threat. In this process, various possible means are adopted, including through diplomacy, culture, participation in multilateral organisations, business activities abroad and the force of the ethnic Chinese in the region. The Chinese leaders, despite seeing themselves as a big brother, are more than ready to follow in the lead of a small nation. The Thai-initiated Asia Cooperation Dialogue (ACD), the only official dialogue and cooperation mechanism open to the entire Asia, has been endorsed and actively participated by China. Following the Thai host of the first and second ACD Meetings in Cha-am and Chiangmai respectively, China took its turn by organising the third meeting in Qingdao in 2004 - a symbol of China’s commitment to promoting strong relations with Thailand through its soft power.³²⁾ Moreover, China has also partaken in smaller fora involving Thailand such as the Greater Mekong Sub-region (GMS), established by the Asian Development Bank in 1992. In GMS, Thailand and China have agreed to closely cooperate on a variety of social issues, such as human-trafficking, drug-trafficking, transportation linkages, tourism, and telecommunications. These multilateral processes have lent Thailand important mechanisms to bind China into the regional

31) Ralph A. Cossa, “Rice’s Unfortunate Choice” *Asia Times*, 28 July 2005, at <http://www.atimes.com/atimes/Southeast_Asia/GG28Ae03.html> (accessed 27 July 2007).

32) Interview Dr Surakiart Sathirathai, former Foreign Minister of Thailand, Bangkok, Thailand, 27 June 2008. Dr Surakiart was one of the main driving forces behind the creation of the ACD and had a major role in lobbying the Chinese leaders to play host to the third ACD Meeting.

frameworks based on a win-win philosophy, with China winning trust from, and proving that it is a responsible power to, countries in the region, as well as with Thailand reaping direct political and economic interests from China's regional engagement.

In Thailand, Chinese soft power is being felt not only at the state level or from the state actors, but also at the public level and from non-state actors. Patrick Jory argues that since the Chinese language has been re-introduced into Thailand's schools and universities after a long period of official sanction, Chinese popular culture has been much celebrated, and imported Chinese soap operas have been highly popular.³³⁾ However, there is no Chinese music station in Thailand. The Thais listen to Chinese popular music in films and television serials instead.³⁴⁾ In the meantime, new Chinese language schools are mushrooming in Bangkok and in major cities throughout the kingdom. "Thailand has been taking the Chinese language seriously, so seriously that the government asked China to send teachers," Michael Vatikiotis wrote.³⁵⁾ In January 2006, China's Deputy Education Minister Zhang Xin-sheng was in Bangkok to sign an agreement to help train 1,000 Mandarin language teachers every year for Thailand. China also offered 100 scholarships for Thai students to study in China, and dispatched 500 young volunteers to teach Chinese in Thailand.³⁶⁾ According to the

33) Patrick Jory, "Multiculturalism in Thailand: Cultural and Regional Resurgence in a Diverse Kingdom" *Harvard Asia-Pacific Review*, Vol. 4, No. 1 (2000), pp. 18-22.

34) Wai-chung Ho, "A Cross-Cultural Study of Preferences for Popular Music among Hong Kong and Thai Youths" *Intercultural Communication*, No. 7 (2004), p. 6.
(<http://www.immi.se/intercultural/nr7/waichung.doc>) (accessed 13 December 2008).

35) "The Soft Power of Happy Chinese" *International Herald Tribune*, 18 January 2006.

36) *Ibid.*

Chinese Ministry of Education, Thai students studying in China has reached 1,554, making them the sixth largest group of foreign students in the country, after South Korea, Japan, the United States, Vietnam and Indonesia.³⁷⁾ “The number of Thai students studying in Chinese universities has grown six- or seven-fold within the past few years,” said Tekhua Pung, director of a local Chinese-language teaching school. At the Beijing Language and Culture University, one of the most famous language institutes for foreign students in China, there are nearly 300 Thai students studying Chinese in full-time course alone. Apart from language study, a number of Thai students are taking undergraduate and graduate courses in acupuncture, medicine, business and other fields at Chinese universities. Key factors that make Chinese universities increasingly attractive to Thai students include China’s growing economic might, good education quality, and low tuition and living expenditure.³⁸⁾

Activities between Thai and Chinese business conglomerates are regularly conducted, with the exchange of visits and the sharing of business information. The Thai-Chinese Chamber of Commerce highlights in its website that “all business activities must remain apolitical.”³⁹⁾ At the state level, China and Thailand have embarked on the agreement on the founding of sister-cities. In a China-Thailand Joint Communiqué signed in 2001, both sides

37) Source: Ministry of Education of China (<http://www.moe.edu.cn/english/international_3.htm> (accessed 13 December 2008).

38) “Chinese Universities Become Popular among Thai Students” *People’s Daily*, 21 February 2002.

39) Source: (<<http://www.thaiccc.or.th/eng-main.html>> (accessed 15 July 2008).

agreed to further develop trade and cultural ties through sister-city relations.⁴⁰⁾ At present, Thailand and China have already concluded 17 sister-city agreements, with 15 more in the making. A bilateral agreement was also signed on 17 December 2007 to construct the Sino-Thai Cultural Centre in Bangkok, in order to promote better cultural understanding between people of the two countries.

China is determined to thrust aside the old image of a military threat, as often hauled up by the US government.⁴¹⁾ One major step in shaking off such an image was for Beijing to enter into the “Declaration on the Conduct of Parties in the South China Sea” with ASEAN in a diplomatic manoeuvre to solve the territorial claims over the Spratlys Island. In 2002, Director-General of the Asian Affairs Department of China’s Ministry of Foreign Affairs Fu Ying said, “The document is designed to express the ‘political will’ of China and ASEAN in seeking a peaceful settlement of the problem through cooperation.”⁴²⁾ Thailand has watched Beijing’s move closely although it is not one of the claimants over the contentious island. China, in the meantime, well understands its place in Thailand’s relationship with

40) *The China-Thailand Joint Communiqué, 19 August 2001*, Ministry of Foreign Affairs of the People’s Republic of China.

41) U.S. Defense Secretary Donald Rumsfeld said in his speech at the 4th Shangri La Dialogue held in Singapore in June 2005, “China appears to be expanding its missile forces, allowing it to reach targets in many areas of the world while also expanding its missile capabilities within this region Asia. It also is improving its ability to project power, and is developing advanced systems of military technology.

One might be concerned that this build-up is putting the delicate military balance in the region at risk especially, but not only, with respect to Taiwan.” *Financial Times*, 3 June 2005.

42) “China, ASEAN Tipped to Sign Spratly Island Agreement” *Kyodo News International Inc.*, 4 November 2002.

other great powers, especially that between Thailand and the US. It has sought to maintain its political and economic accessibility to Thailand even at the expense of having to compete with the US. One of China's tools in this game of competition is the use of its soft power.

China's Strategies towards Thailand

First and foremost, China has pronounced the implementation of its soft power on the basis of a win-win formula, with special adherence to the respect of each other's sovereignty. Beijing avoided "preaching" to Thailand on many accounts, such as not reproaching the 2006 coup but quickly moving on and working with the new government. In fact, China received the visit of Thailand's military-backed Prime Minister Surayud to Beijing with full diplomatic pomp and circumstance. It was during his visit that the "Joint Action Plan on Thailand-China Strategic Cooperation," was successfully concluded. On the issue of the Muslim insurgents in Thailand's southern provinces, China remained silent over the heavy-handed policy under the Thaksin administration, which led to more than 2,500 people being executed in the restive area. On the other hands and in contrary to the American viewpoint, China presented the Thai case as parallel to its own difficulties in Xinjiang province where Islamic insurgency has occasionally flared up and posed as a challenge to the Chinese rule.⁴³⁾ In fact, the Muslim terrorists are currently waging a violent rebellion against the Chinese government at the peak of the 2008 Beijing Olympic Games. Thailand has found that it has shared something of a similar strategic outlook to China.

Beijing's position not to interfere in Thailand's domestic affairs generated a great sense of comfort for certain leaders who inclined themselves toward authoritarianism. Nominally democratic, Thailand's political system is often tarnished by corruption and despotic rule. Thaksin, reigning from 2001-2006 and winning three landslide elections, proved that an elected government could work hand-in-hand with Communist China. But his view of democracy was controversial. Thaksin was accused of sponsoring a debased version of democracy - a system that preserves the external forms of popular sovereignty but little of its substance.⁴⁴⁾ This legitimacy vulnerability perfectly makes Thailand a natural ally of China. On 9 May 2001 during Thaksin's first visit to Beijing as a new prime minister, Chinese President Jiang Zemin extended gratitude to Thailand for its support to China on "human rights."⁴⁵⁾ Yet, Thaksin's understanding of "human rights" seemed to be at odd with that of the West. Thaksin's war on drugs and his hard-nosed policy against Thai Muslims in the South exemplify his own obscured definition of this term⁴⁶⁾ There have been extensive studies about the connection between the Chinese model of "controlling

43) Xinhua reported that local Muslims in China's northwestern Xinjiang province have waged a sputtering rebellion against the Chinese government, leading to the death toll from a bombing of eight, with four injured, at the height of the 2008 Beijing Olympic Games, in *Xinhua*, 10 August 2008.

Seven attackers and one security guard died in the attack in which the bombers drove a tricycle laden with explosives into the yard of a police station in the remote city of Kuqa. Two police officers and two civilians were also injured, Xinhua news agency said.

44) "Thaksin Takes Flight" *Boston Globe*, 13 August 2008.

45) "Jiang meets Thaksin, says Asia should look to own future" *Kyodo News*, 21 August 2001.

46) Prime Minister Thaksin launched the anti-drugs war to curb an alarming surge in the flow of narcotics through the kingdom, which led to at least 2,500 people perished in extra-judicial killings during the campaign in 2003 and 2004.

development from the top” and Thaksin’s style of governance. Daniel Lynch argues that “rising China” could influence the Communist Party to begin to reconstruct global culture by inspiring actors in other Asian countries to uphold or restore authoritarian rule.⁴⁷⁾ Thaksin’s evident ambition to establish a populist dictatorship, to Lynch, reflected the Chinese influence.⁴⁸⁾ Throughout his six years in power, Thaksin had upheld to his governing philosophy: Capitalist economy but a not too-open political space. The military coup that overthrew the Thaksin government also followed in the footsteps of Thaksin in emulating China’s model of controlling society. Noy Thrupkaew argues, “Like its Chinese counterpart, the new military government of Thailand promotes more investment, and radically less free speech.”⁴⁹⁾

Second, Chinese aid is also assigned as one of the soft power weapons to build trust, loyalty and gratitude among Thai recipients. China as a donor may have been a late comer when compared with that of the United States, Europe and Japan, but its aid is getting more substantial, sophisticated, and comes with “no-strings attached.” For example, the Chinese government often sponsors “study trips” to high-ranking officials from various Thai agencies in order to perpetuate connections to guarantee China’s accessibility to

47) See, Daniel C. Lynch, *Rising China and Asian Democratisation: Socialisation to “Global Culture” in the Political Transformations of Thailand, China, and Taiwan* (Stanford: Stanford University Press, 2006).

48) Daniel C. Lynch, “Response to ‘Cultural Clash: Rising China Versus Asian Democratisation: Ashley Essay’s Review of Rising China and Asian Democratisation,’” *Taiwan Journal of Democracy*, Vol.3, No.1, p.160.

49) Noy Thrupkaew, “Shuttering the Sites” *The American Prospect*, 18 June 2007 (http://www.prospect.org/cs/articles?article=shuttering_the_sites) (accessed 12 July 2008).

Thailand's top leaders. In the study of Kurlantzick, a comparison of visits by top Chinese and US officials to Thailand in 2004 and 2005 reveals that senior Chinese officials made at least twice as many visits to Bangkok.⁵⁰⁾ A perfect picture of a benevolent big brother was also captured in the Chinese offer to purchase surplus Thai agricultural products, such as longans and mangoes, to ease Thai farmers of their concerns about the effect of Thai FTA with China.

China has begun to comprehend the importance of public policy that is committed to identify its profitable connection with foreign policy objectives. It is reported that China's foreign aid budget increased in 2006 by 14 per cent to US\$1.1 billion. US\$83 million of this amount went to Asian countries hit by the tsunami, including Thailand.⁵¹⁾ In the upcoming construction of the Sino-Thai Cultural Centre and the Confucius Institute in Bangkok, China unveils its intention to export culture and to put itself on par with similar institutes such as the British Council, Alliance Francaise and the Goethe Institute - all have solid establishments in Thailand. On top of this, residents in Thailand are now able to view news programmes on China Central Television (CCTV). CCTV executives claim that the station's programmes can now be seen by 45 million subscribers outside China, 24 hours a day, 7 days a week.⁵²⁾

Third, with the Early Harvest Programme being put in

50) Kurlantzick, "China's Charm: Implications of Chinese Soft Power," p.3.

51) Gary D. Rawnsley, *A Survey of China's Public Diplomacy*, 2 May 2007 (http://uscpublicdiplomacy.com/index.php/newsroom/pdblog_detail/070502_a_survey_of_chinas_public_diplomacy/) (accessed 12 July 2008).

52) (<http://www.cctv.com/english/about/index.shtml>) (accessed 12 July 2008).

place, China has planned to intensify its economic relationship with Thailand through its foreign direct investment (FDI), and at the same time, urge Thai businesses to pour money into China for their manufacturing production. The Thai Foreign Ministry disclosed that Thailand and China have set a common goal of increasing bilateral trade to US\$50 billion and two-way investment to US\$ 6,5 billion by the year 2010. Currently, Thai investments in China and vice versa have already reached US\$6,53 billion, surpassing their original goal. In general, although the amount of Chinese FDI cannot be compared with that of the United States or Japan in Thailand, it is rapidly mounting. The flow of investment and capital to Thailand from China has been accompanied by the flow of human resources and with technology transfer alongside.

Assessment of China's Soft Power

China's soft power is being used as one of the channels to promote its bilateral relations with Thailand. It has been engineered to serve China's own interest in the guaranteeing of a peaceful environment for its economic growth. In creating a conducive environment for itself, China is portraying its process of "rising as a regional power" peacefully too; it is killing two birds with one stone. At a deeper level, the objective of the Chinese soft power is to supplant the United States as a major influence in Thailand, as also seen in other states in Southeast Asia.⁵³⁾ The target here was not concentrated purely on the

53) See, Dwight H. Perkins, "China's Soft Power: Review of Charm Offensive" *Economic of National Security*, Vol.2, No.3 (Fall 2007).

United States, but also Taiwan. Since 1975, Thailand has remained dedicated to its one-China policy, judging from its unshaken position on treating the renegade island as an outlaw entity. Today, government leaders and officials are not allowed to leave for Taiwan with their diplomatic passports. Meanwhile, those with diplomatic passports are granted free entry to China. But is it because of this soft power that really persuades Thailand to formulate its policy in favour of China?

In the Thai eyes, China's soft power is certainly a boon and its peaceful rise is convincing. Older generations in Thailand seem to downplay the negative image of China - backward, communist and dictatorial, but are lured into its modern, polished traits, as reflected on its many high-rises on the Shanghai skyline. The new generation of the Thais appear to share the same sentiment. They have grown up in the "made-in-China" era. More and more Thai students are now enrolling in the Chinese studies courses, ranging from linguistics, politics, economy and culture. There is also an urge to establish an institute for the testing of Chinese as a language, in the same way that TOEFL is tested, and also to give certificates to Chinese teachers to assure their qualifications.⁵⁴⁾

This chapter argues that Sino-Thai relations have still very much been confined within the old structure that seems to reflect Thailand's strategic consideration. Thailand cannot deny the fact that China is on the rise, particularly in terms of its intensifying economic

54) "Promote Chinese Studies: Develop the Relationship between Thailand and China" *The Nation*, no date specified (<http://blog.nationmultimedia.com/print.php?id=5017>) (accessed 18 July 2008).

proWess. China's rapid economic growth has engendered a considerable impact on Thailand. Its strong economic growth, coupled with lower trade and investment barriers, has produced a substantial increase in Chinese demand for imported Thai goods and services, especially as incomes of middle-class Chinese consumers continue to rise.⁵⁵⁾ As Chulacheep Chinwanno writes, "The majority of Thai leaders perceived the rise of China as an opportunity for economic cooperation."⁵⁶⁾ Thailand's need to search for new sources of energy also forces the kingdom to "bend with the Chinese winds." Currently, Thailand is depending on the import of various energy sources from its neighbouring countries including Myanmar, Laos and Cambodia. The three states are clients, if not vassals, of China, which is coming to dominate the Mekong and Salween Valleys. David Fullbrook argues, "Bangkok sees China as peaceful rather than the threat seen by many policymakers in New Delhi, Tokyo and Washington. Its deepening ties with Beijing might be what make it feel comfortable in turning to depend on Myanmar, Cambodia, which in turn may increase Beijing's prospects for luring Bangkok away from close defence ties with Washington."⁵⁷⁾ Bangkok's tendency to bend with the Chinese influence confirms its adherence to past strategic tactics in which the kingdom takes benefits from powers of the day. Indeed, bending with the wind tactic is not unique for a small

55) Wayne M. Morrison, "Thailand-U.S. Economic Relations: An Overview" *CRS Report for Congress*, 23 March 2003, p.6.

56) Chulacheep, *Thai-Chinese Relations: Security and Strategic Partnership*, p.23.

57) David Fullbrook, "Thailand's Energy Security Complex" *Opinion Asia*, 26 February 2008 (<http://www.opinionasia.org/ThailandsEnergySecurityComplex>) (accessed 19 July 2008).

state like Thailand. What are other choices for Thailand in its dealing with bigger powers, including China? Although the rise Thaksin has led to Thailand being able to set the direction of certain winds, but he also recognised the benefit of bandwagoning with China's rise to fulfil national interests. Cooperation rather confrontation appears to be the only viable alternative for Thailand in its relations with China. Russia's attack against Georgia was an expensive punishment for a smaller state, which attempted to defy and stand up against bigger power.

Therefore, strategic considerations still play a crucial role in Sino-Thai relations. China's soft power is merely acting to "lubricate" a guaranteed smooth relationship. After all, as emphasised earlier, the foundation of relations between Thailand and China has been solid, in fact since the establishment of their diplomatic ties in 1975, with strong military links, close political contact, and active economic interactions between various actors of both sides. On top of this, amicable relations between Thai royal family and the Chinese leadership ensure the Thai support for China's rise. The Chinese have never been perceived as "foreign" in the Thai perspective, unlike other powers in the region.⁵⁸⁾ The Chinese are considered the Thais' brother.

The Omens of Soft Power

China's soft power may have to a certain extent influence in its relations with Thailand. Its use could however cause a disastrous affect on Beijing's relations with Bangkok. It is evident that China's soft

58) Interview with David Fullbrook, independent analyst, Singapore, 16 August 2008.

power functioned particularly well under a not-so-democratic government like that of Thaksin Shinawatra; this is because Beijing has clarified at the beginning that it is not interested in defending democracy or human rights. As a result, talking points on such “heavy issues” were often removed in the discussion between Chinese leaders and their like-minded Thai counterparts. The fact that Thailand has held on tightly to its one-China policy and openly suppressed anti-China elements, be they Tibetan democrats or members of the Falun Gong sect, seemingly shows that China’s “soft power” has worked its way in the support of the “hard power” in the Chinese relations with Thailand.

A new China being nicely dressed in its soft power may not necessarily charm Thailand in certain aspects. For instance, China’s soft power has failed to reduce current disagreements between Thailand and China, even when those disagreements do not fall into the hard power realm. For example, a sense of frustration has been felt among Thai officials about China’s seriousness to stop the flow of drugs and people from its southern end into northern Thailand.⁵⁹⁾ Likewise, a rapidly growing two-way trade is heavily weighted in China’s favour while poor Thai farmers and manufacturers are struggling to compete with China’s cheaper products. True, China has occasionally helped absorb the leftover Thai products to reconcile with the tremendous effect of their FTA, but China cannot play a generous merchant forever. China has only few reported aid projects in Thailand.⁶⁰⁾ These aid projects were considered “insubstantial” when compared with those

59) Interview with an anonymous Thai official, Ministry of Foreign Affairs, Bangkok, Thailand, 26 June 2008.

from the United States and Japan. Moreover, the working of soft power is also very selective. It refuses to deal with more serious and immediate issues such as environmental degradation, for example, as a result of dam constructions in Southern China or heavy traffic in the Mekong River that is used as transport means for Chinese products to Thailand.

China is exporting, consciously or otherwise, certain malevolent practices, such as disregard of democracy, corruption and lack of good governance, to countries with which it comes into contact. The exercise of state censorship, the top-down way of governance (famously known in Thailand as a CEO style) and the weakening of civil societies are becoming more tolerated in democratic Thailand, as the Thais look on at their Chinese neighbour. Some Thai democrats expressed their anger and dissatisfaction toward the Chinese leaders for doing nothing to help remove the brutal regime of Myanmar, seen as China's own clientele state. To them, Chinese soft power extended to leaders in Naypyidaw simply served selfish interests of those power-holders in Beijing.⁶¹⁾ Delivering strong economic growth while retaining rigid political control is becoming fashionable not only in the state domain. In the Thai private sector, centralised control is regarded a key to success. Dhanin Chearavanont, the CEO of Charoen Pokphand (CP) which has been successful in expanding his business empire in China, as Greenfield Hidayat says, exercises

60) Thomas Lum, Wayne M. Morrison and Bruce Vaughn, "China's Soft Power in Southeast Asia" *CRS Report for Congress*, 4 January 2008, p.8.

61) Pavin Chachavalpongpun, "China's Heavy Handedness in Tibet Could Have Far-Reaching Consequences for the Country" *The Nation*, 16 April 2008.

extensive political influence in securing the corporation's overseas interests. As a major investor in animal feed, agrochemicals, food processing, motorcycles, seeds and supermarkets in China, Dhanin maintains close ties with the political leadership in Beijing.⁶²⁾

Recent incidents that raised the issue of food safety also tarnished the image of China in Thailand. But the issue was not merely about a lack of food safety. It entailed a closer look at the flawed Chinese system, such as a lack of proper regulations on manufacturing, China's endemic cheating, and the state's and businesses' irresponsible frame of mind which points to the reality that life is cheap. Thailand, in contrast, has been extolled for its excellent food safety practices, since the country has heavily relied on food export. It just cannot afford to wreck its own reputation since it would generate a catastrophic impact on its international trade. The Thai government, in protecting its consumers and displaying its seriousness on food safety standard, burned tens of thousands of Chinese food products tainted with the toxic chemical melamine.⁶³⁾ China must have hoped that the burning of its tainted products would not also reduce to ashes the work of its soft power in this Southeast Asian nation.

Conclusion: Future Direction

What would be the future direction in the relationship

62) See, Greenfield Hidayat, "After Thaksin: The CEO State, Nationalism, and U.S. Imperialism" *The Global South*, Vol.120 (12 June 2006).

63) "Thailand to Burn Thousands of Melamine-Tainted Products" *AFP*, 9 November 2008.

between Thailand and China? China's rise, despite being perceived by some with fear and suspicion, is an incontestable phenomenon. Meanwhile, it is apparent that the US influence has to compete fiercely with other powers, old or emerging, in order to retain its supremacy, not only in this region but in a wider world. America's popularity is quivering. Many put the blame on the mismanagement by President Bush's administration, particularly in its Middle East policy, which has in many ways taken up all the attentions and efforts that the US could have paid to Southeast Asia. But politics alone is not able to explain the waning power of the US. Certain undesired traits have dismayed its Asian friends, such as the growing culture of violence. The days of the US representing the land of opportunities are over. It is becoming more difficult to get a US tourist visa, let alone other types of visa like employment. American leaders have been left standing alone in many international gatherings, purportedly as a result of their indulgence over the practice of unilateralism and lack of respect for world institutions. And as news of the credit crunch and its failing financial institutes sweep the world, America is no longer seen as the financial powerhouse that it once was.

But the US is on its way to experience a radical transformation when Barack Obama becomes the next president. He has already talked about the revival of the American soft power, not only to restore the country's influence in the world, but in the specific context of Asia, to contain the Chinese rise. Joseph S. Nye, the author of the book *Understanding International Conflicts (2006)* and *Soft Power: The Means to Success in World Politics (2004)*, said in a recent

interview that Obama knew how to use soft power to win over its allies.⁶⁴⁾ The Obama administration could exercise its soft power to enhance the U.S. relations with Thailand especially in the domain of public diplomacy, by encouraging its diplomats to specialise in the country and build long-term bilateral contacts, as proven successful by the Chinese. This could also be done alongside its hard power; Obama could exploit the major non-NATO ally status given to Thailand some years ago, which was subsequently much downplayed by the Bush government, to strengthening their military cooperation.

What does this mean to Thailand? It is undeniable that Thailand and the US have been close allies. This perception has been set in stone in the mind of the Thai and American leaders, resulting in their long-established relationship being taken for granted in the face of tremendously changing regional environment. The wind of change is currently favouring China and its rise as an emerging regional power, and Thailand is repositioning itself in that direction. Even with Thaksin's proactive foreign policy, "bending with the wind" approach is therefore never out of the Thai diplomatic fashion, as the country is gearing toward appeasing China, wishing to take advantage from its economic wealth. In a regional context, Thailand can also bring China closer to ASEAN to ensure that it will behave like a responsible player. The ASEAN-China framework has already been solidified, but could

64) Nye was interviewed by The Hankyroh's Washington correspondent Ryu Jae-hoon, 22 November 2008, in "Can Obama Orchestrate the Return of American Soft Power?" *The Hankyroh*, 22 November 2008 < http://english.hani.co.kr/arti/english_edition/e_international/323353.html > (accessed 13 December 2008)

be further improved if China was to be invited to take a leading role in the building of future East Asian community.

But to bend with the Chinese wind needs to be carried out with the right proportion. When China deployed its forces against Tibetan protestors early this year, the world expressed its outrage against the communist regime. In Thailand, however, Prime Minister Samak vowed to arrest those who planned to interrupt the torch relay ceremony as the Olympic flame passed through the Thai capital. Could this be seen as a measurement of success of China's rise and its power to persuade Thailand to adopt a pro-China policy? Through the course of their centuries-old contact, Thailand, or Siam, never once failed to recognise the immense role of China. Thai history has even told a story of Thai ancestors migrating from various parts of China until they founded their own settlements in the Chao Phraya Delta. The sheer size of China and the legacy between the two peoples represent a natural reason for the Thais to bend with the Chinese, especially when by doing so would mean mutual interests. From the forming of a military alliance to fight against Vietnam at the peak of the Cold War, to the fortification of relations in the contemporary period, Thailand and China have found the best of their friendship sitting in the changing regional and international atmospheres. The role of the Thai royal family and the well integrated Chinese community in Thailand all provide a solid foundation for their strong ties, further supplemented by the use of China's soft power. The current political crisis in Thailand, intensely deepened since the military coup, has therefore had little impact on Thailand's relations with China. As emphasised above, China

guaranteed its firm stance on the non-interference principle and therefore declined to criticise the military intervention, and Thailand's fiercely ongoing political bickering. China's rule is simple: Dealing with whoever is the government. This position is not new.

With the increasing dilution of the US influence, Bangkok has looked for the next step in its partnership with Beijing as compensation for what could be lost if Washington distanced itself further from the kingdom and the region. On the part of China, its soft power has so far won the Thai hearts and minds, but this was made possible only because the two countries have tremendously enjoyed their long-established strong relations. Indeed, successive Thai governments chose to adopt certain aspects of China's soft power to sustain their own power position, which are not necessarily contributory to the promotion of democracy and good governance.

As China is on its way to become Asia's next power, Thailand is keeping a watchful eye and trying to predict which way the wind will blow. It has set itself on a course where it hopes to accommodate China's rise, and perhaps to prove to the world that "bending with the prevailing winds" is what makes the country the winner for all seasons.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER TWELVE

Vietnamese Perspective of
China's Rise

Khong Thi Binh



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Vietnamese Perspective of China's Rise

Khong Thi Binh

Sino-Vietnamese relations have been the most important but also most complicated bilateral relationship in Vietnamese foreign policy. The rise of China in the recent decades and its implications have been the focus in various discussions by domestic academic circle and policy makers on the future bilateral relations in particular and Vietnam's security and development in general. How does Vietnam perceive China's rise? Is a rising China a threat to Vietnam? What are the implications for Vietnam's security and development? Does China's rise exert any influence on Vietnam? And most importantly, how should Vietnam live with a rising but unpredictable China? Put in another way, how Vietnam should adopt an approach that would help it taking full advantage of China's

rise for the country's security and development and at the same time stabilizing and giving more substance to the current bilateral relations?

Having an accurate perception of China's rise in all aspects as well as challenges and opportunities it brings about, has therefore been the determinant in the making of such pragmatic policy towards Vietnam's giant neighbour in the North. The first part of the chapter will try to identify some main factors that shape Vietnamese perceptions of China in general and China's rise in particular. History has been argued the most important factor in the way that Vietnamese see China and the long and complicated bilateral relationship is largely determined by geographical proximity and the asymmetry in capacities. In the second part, the sources of China's soft power and its influence on Vietnam rather than China's hard power will be explored, given this aspect of China's rise has not been studied in depth. Developing a pragmatic approach to a rising China and the prospects of Sino-Vietnamese relations in the 21st Century is examined in the last part.

History and the shaping of Vietnam's perception towards China

Current Sino-Vietnamese relations have been best ever in the long history of the bilateral relationship. Any incidents such as the clashes between fishing boats of the two sides in the Gulf of Tonkin are therefore considered minor and should be kept low profile as advised by the Chinese leadership who has placed much emphasis on maintaining good bilateral relationship and such "minor" incidents are

not allowed to affect the “big situation.” This deep-seated “taboo” however, seems to be broken down by the recent strong response by the Vietnamese side to China’s moves regarding the sovereignty over the Spratly and Paracel Islands and Vietnam’s continental shelf in the Bien Dong (South China Sea). In December 2007, demonstrations by students took place in front of the Chinese Embassy in Hanoi in response to the announcement by the Chinese State Council of the establishment of Sansha town in Hainan Province to incorporate the Spratly and Paracel Islands that Vietnam persistently claims its sovereignty. In August 2008, a Vice Foreign Minister, who has been in charge of border issues, affirmed that the oil exploitation projects that PetroVietnam partnered with foreign companies were,¹⁾ as provided in the Convention on the Law of the Sea in 1982, within the Vietnam’s continental shelf.²⁾ More recently, in response to the announcement that the China National Offshore Oil Corporation (CNOOC) got approval of \$29 billion exploration project in the South China Sea, the Foreign Ministry’s spokesman has strongly stated that “Any exploration activities carried out on the Vietnam’s sea and within its continental shelf, without approval, would be considered violations of

1) China attempted to prevent foreign companies from investing in oil and gas exploration projects with Vietnamese partners. The most recent examples have been a BP-led gas exploration and development project off southern Vietnam, the project with India’s state-owned ONGC off Vietnam’s central coast and Exxon Mobil Corporation’s deal with PetroVietnam to explore for oil in waters surrounding the disputed Spratly and Paracel island chains. China has, in all cases warned that these companies’ future business interests on the mainland could be at risk if they continue to work with Vietnamese partner.

2) “The area belongs to Vietnam’s sovereignty” *Vietnamnet*, available at <http://vietnamnet.vn/chinhtri/2008/08/800731/>

Vietnam's sovereignty and national interests and therefore of no validity.”³⁾ Vietnam also expressed its “deep concern” over the information that China encourages organizations and individuals to explore, use uninhabited islands in Bien Dong, with the view that the exploration of uninhabited island is beneficial to China's protection of its sovereignty.⁴⁾

These responses by diplomatic officials and demonstrations by students in front of the Chinese Embassy have reflected growing concerns about recent developments in China concerning Vietnam's sovereignty and territorial integrity in the East Sea, particularly China's strategic intentions and its ocean development strategy which is undoubtedly resulted by China's rise over the past decades. This also reflects one important fact that, as in the past, territorial and border issues have always been the main obstacle in the bilateral relationship in peace time. Indeed, the most frequent disputes between the two countries in the feudal period were also on border and territorial issues. Under the Ly Dynasty, for example, Vietnam had recaptured almost land lost to China and under the reign of Le Thanh Tong, the King himself was so stern on the protection of country's territorial integrity. Dead penalty would be imposed if mandarins failed to protect border land.⁵⁾ Territory and border issues remain tense in Sino-Vietnamese relations in the contemporary history. The 1979

3) “Vietnam reaffirms its sovereignty over the Spratly and Paracel Islands,” *Vietnamnet*, available at <http://vietnamnet.vn/chinhtri/2008/11/815759/>

4) Press Briefing by MOFA's Spokesman on January 8, 2009, available at http://www.mofa.gov.vn/en/tt_baochi/pbnfn/ns090110083915

5) Luu Van Loi, *Vietnamese Diplomacy* (Hanoi: NXB Cong An Nhan Dan), 2004.

border war,⁶⁾ the 1988 confrontation in which China seized parts of the Spratly Islands and the most recent tensions between the two countries over sovereignty in the East Sea⁷⁾ have made Vietnam the country perhaps most sensitive to current developments in China concerning the territorial and border issues.

To a large extent, Vietnam's growing concerns about developments in China regarding the sovereignty over the Spratly and Paracel Islands in the East Sea have been fuelled by the long and difficult history of the bilateral relations between a small country and its big and strong neighbour. Geographical proximity and the asymmetry in capacities⁸⁾ have long been the key factors that determine the nature of Sino-Vietnamese relations in which the Vietnamese people have often talked more about their resistance against Chinese forces. The 1,000 years under the Chinese rule during which Vietnamese people had struggled against successive Chinese imperial administrations for independence, preservation of the nation's traditions and cultural heritages and against assimilation⁹⁾ made Sino-Vietnamese relations

6) This border war is not mentioned in history textbook.

7) The announcement by the Chinese State Council of the establishment of Sansha town in Hainan Province to incorporate the Spratly and Paracel Islands; China strongly opposed oil pacts between PetroVietnam and BP and Exxon Mobil; and 10 December 2008 Chinese Department of Oceanography held a press conference to make public a policy of encouraging organizations and individuals to explore, use uninhabited islands, especially the online Afternoon Economics on 11 December 2008 held the view that the exploration of uninhabited island was very beneficial to China's protection of its sovereignty over the sea.

8) On asymmetry theory and in relation to Sino-Vietnamese relations, see Brantly Womack, "Asymmetry and Systemic Misperception: China, Vietnam and Cambodia during the 1970s" *Journal of Strategic Studies*, Vol. 26, No.2 (June 2003), pp. 92-119; further also Brantly Womack, "China and Southeast Asia: Asymmetry, Leadership and Normalcy" *Pacific Affairs*, Volume, 76, No. 4 - Winter 2003-2004.

distinctive as compared with those of other countries in Southeast Asia. The Sino-Vietnamese relations during this period and in the following centuries after Vietnam gained independence in the X century were characterized by many resistant wars in which the weaker and smaller country had persistently fought for independence and to win recognition by its big neighbour of its political independence. The Vietnamese prolonged resistance against Chinese forces, started by Ba Trung in the year 40 B.C, and then by Ba Trieu in the year 248 B.C had been a part of the collective memory of Vietnamese people of patriotism and national pride inspired by their ancestors' resistance against foreign domination. The first reading lesson studied by children at elementary schools is therefore the one on patriotism and national defence against foreign domination and Ba Trung and Ba Trieu were the first national heroes in defending country.¹⁰⁾

On the one hand, the resistance for national independence by Vietnamese people against foreign domination - be it Chinese or later the French and Americans - have made Vietnamese people so sensitive to foreign encroachment to the national sovereignty and unity. History textbooks have mentioned almost all great battles against foreign forces which were always well-equipped and much greater in number. The only exception is the 1979 border war. This year marks the 30th anniversary of the war but in the context that Sino-Vietnamese relationship have been much improved since

9) Truong Huu Quynh, Dinh Xuan Lam & Le Mau Han, *Dai cuong lich su Vietnam* [Outlines of Vietnamese History] (Hanoi: Education Publisher, 2005), pp. 59-76.

10) *Vietnamese textbook grade 3* (Hanoi: Education Publisher), Volume 2, p. 4-5.

normalization and the with the recent completion of the land border demarcation and marker planting,¹¹⁾ for the both sides the war should not be a reminder of the past. However, voices among different quarters of Vietnamese people have been raised on the need for the war to be included in history textbook so that younger Vietnamese generation can have a more precise and deeper understanding of Sino-Vietnamese relations in a difficult period.

On the other hand, it cannot be denied that Vietnamese have also embraced cultural and ideological influence from those it had fought against. Confucianism, Taoism, Buddhism and later Catholicism have gained their predominance in different periods and exerted great influence on the Vietnamese society as a whole. It is, therefore, understandable that there is a mix feeling among Vietnamese towards China, even in the past or in contemporary history. During the 1,000 years under Chinese rule, while persistent in the struggle for independence, Vietnamese people were at the same time step by step adapted to fine features of Chinese culture and ideology.¹²⁾ The way Vietnamese people are living and dealing with a rising China is, to a large extent, the same with what their ancestors had done many years ago. Over the past decades, Vietnam has tried to learn China's experiences in its open door policy and economic development in promoting its cause of comprehensive reforms on the one hand and to maintain good relations with China to assure the latter's acknowledgment of the former's political independence,

11) The completion has been announced on December 31, 2008.

sovereignty and territorial integrity on the other hand. What is different is when the love/admiration or hate/fear is felt stronger.

The end of the Cold War and the normalization of the bilateral relations in the past two decades have significantly contributed to the creation of a favourable environment for the two countries to focus on economic development, thus increasing their respective national strength.¹³⁾ China's internal stability, its good neighbour policy which is evidenced by efforts to build an image of a responsible power, the resulted improved bilateral ties, and major progress in resolving border issues have to a certain extent helped to allay the fear by the Vietnamese people of a rising China. Vietnam has also taken advantage of China's experiences and lessons in its open door policy and reforms, promoting bilateral relations in every aspect. Recent developments in China have caused concerns and suspicions among Vietnamese people about China's strategic intentions, especially when its economic power has turned into military power, and the perceived asymmetry in capacities becomes clearer from the Vietnamese side. Although differences exist among the leadership, the army, diplomats and ordinary people on how and to what extent China's rise has implications for Vietnam's security and development, this does not necessarily mean that Vietnam sees

12) Tran Quoc Vuong, *Van hoa Vietnam: Tim toi va Suy ngam* [Vietnamese Culture: Researches and Reflections] (Hanoi: National Culture Publisher, 2000), pp 15-50.

13) Do Tien Sam, "Quan he Vietnam-Trung Quoc tu sau khi binh thuong hoa nam 1991: Thanh tuu, van de va trien vong" [Sino-Vietnamese relations since the 1991 normalization: Achievements, Issues and Prospects] in Nguyen Vu Tung (Eds), *Chinh sach doi ngoai Vietnam 1975-2006* [Vietnamese Foreign Policy in 1975-2006] (Hanoi: Institute for International Relations, 2007), p. 337-354.

China as a threat. But rather, the lack of confidence becomes the main obstacle in the current bilateral relations.

It is the basic interests of the both sides to maintain the current bilateral relations which the leaders of the two countries characterized as strategic comprehensive partnership¹⁴⁾ under the 16 words principle, namely "long-term stability, future-oriented, good-neighbourliness and comprehensive cooperation"¹⁵⁾ and the four good spirits. As long as creating an external favourable environment for socio-economic development continues to be a priority in the two countries' foreign policies and thus paving the way for the negotiation and resolution of the territorial and border issues, this would be an opportunity for the two sides to promote mutual trust and thus giving more substance to the strategic comprehensive partnership. And living with a strong and stable China would be in Vietnam's best interest.

Sources of China's soft power

There are few publications in Vietnamese that touch upon China's soft power. This is understandable because soft power as a concept and that of China, if any, are not the primary study focus of Vietnamese academic circle or policy makers. On the contrary, much emphasis has been on China's hard power, economically and

14) The strategic comprehensive partnership was set up during CPV General Secretary Nong Duc Manh's visit to China 30/5-2/6/2008.

15) This 16-word was set up during the CPV General Secretary Le Kha Phieu's visit to China in February, 1999.

militarily, as well as China's foreign policy, particularly its relations with other major powers, given the fact that in the contemporary history, Vietnam's independence, security and development have largely depended on major power relations.¹⁶⁾ China's hard power therefore has more direct and visible implications for neighbouring and regional countries than its soft power. However, from the Vietnamese perspective, for a long time in the history, China had exerted profound cultural and ideological influence on the Vietnamese society. Together with this, the appeal of China's economic model of development to Vietnam which resulted from the cause of economic reforms, and China's "soft" approach to its neighbouring countries have constituted major sources of soft power for this country.

China's cultural influence

China has exerted profound cultural, ideological and religious influence on Vietnam throughout the country's long history. In 1,000 years under the Chinese domination, Taoism and Confucianism from China and Buddhism from India (and also from China) and made their way into Vietnam. Beside economic exploitation, Chinese imperial administrations during this period had adopted the policy of cultural assimilation and the main tool of this policy was the propagation of Confucianism and the use of ideographic script (classical Chinese) for the advancement of Confucianism as the official doctrine in the

16) See Phan Doan Nam, *Giao trinh Quan he Quoc te* [International Relations Textbook] (Hanoi: Institute for International Relations).

society.¹⁷⁾ Confucianism - a complex system of moral, social, political, philosophical, and quasi-religious thoughts - made its way into Vietnam under the Han Dynasty in China. The Chinese imperial administrations tried to replace old customs with rites, laws and precepts of the Confucian doctrine which focuses on human morality. Relationship between parents and children, husband and wife, and between subjects and the imperial administration were strictly governed by a tightly-woven network of obligations and rites. And at the centre of human obligation as defined by Confucianism was absolute loyalty to the monarch.¹⁸⁾ However, during this period the indigenous upper classes were under greater foreign influence than the population at large given the fact that the majority lived in rural communes, preventing them from embracing classical Chinese and Confucianism. In addition the propagation of Confucianism, lifestyles and customs also made their way to Vietnam when the imperial functionaries came from China and accompanied by their family members settled in the country. While Taoism gradually integrated itself with local beliefs, Confucianism - through different periods - grew in importance and exerted great influence on the royal politics and society as a whole when it became the country's official doctrine.

From the 11th to the 19th century AD when Vietnam became a centralized feudal state, Confucianism continued to grow alongside and competed with Buddhism for the status of an official

17) See also Nguyen Khac Vien, *Vietnam: A Long History* (Hanoi: The Gioi Publisher, 1993), p. 20-29.

18) *Ibid*, p. 22.

doctrine in the whole society. Indeed, Confucianism continued to grow after the country gained independence from China in the 10th century AD at the time that Buddhism was at peak under the Ly and Tran Dynasties (11th to 14th centuries) and the Buddhist clergy received the highest privileges and Vietnam during this period was considered the Buddhist monarchy.¹⁹⁾ Although kings during this period were interested in the study of Buddhist doctrine²⁰⁾ and had a large number of pagodas built, they also paid tribute to Confucius and followed his teachings. For example, Ly Thanh Tong - among the first followers of the Thao Duong sect (a Vietnamese Buddhist sect) - had the Temple of Literature (Temple of Confucius)²¹⁾ built in 1070 and his son Ly Nhan Tong organized the first Mandarin competition in 1075 which first opened only to the sons of aristocratic families. Vietnam's first university was (the Quoc Tu Giam) then established within the Temple in 1076 which aimed to educate the country's bureaucrats, nobles, royalty and members of the elite.

Confucianism grew in importance when the Tran declined and mandarin competitions were better codified, held more regularly, and opened for a wider participation. The title of “doctor” was bestowed, thus enhancing the prestige of Confucian studies. Institutes were created in the capital for the study of Confucian doctrine. The

19) Tran Quoc Vuong, *Van hoa Vietnam: Tim toi va Suy ngam* [Vietnamese Culture: Researches and Reflections].

20) In 1018 King Ly Thai To sent a mission to China to gather texts of the Tam Tang.

21) The statues of Confucius, his four best disciples: Yan Hui (Nhan Tu), Zengzi (Tang Tu), Zisi (Tu Tu), and Mencius (Manh Tu), as well as the Duke of Zhou (Chu Cong), were carved in the Temple.

subjects of the mandarin competitions comprised in particular the composition of poems, royal ordinances and proclamations and essays on classical literature and all were written in classical Chinese. Buddhist monks during this period were increasingly eclipsed by Confucian scholars. In the 13th century Le Van HUU, Truong Han Sieu, and Le Quat were among the most prominent Confucian scholars who severely criticized Buddhism when the ideological struggle between Buddhism and Confucianism became increasingly acute.²²⁾ As consequence, Confucian scholars monopolized more and more positions in public life. And by the 14th century Confucianism had risen to predominance as the country's official ideology.

The fact that Confucianism was promoted to be the country's official doctrine under the Le Dynasty (15th-16th centuries) had inspired mandarin competitions and national literature. Candidates who took part in mandarin competitions must study Confucian works that were interpreted by Chu Hi (of the Sung period in China), for example. And since 1484 the names of laureates at the central competitions were inscribed on stone stele erected at the Temple of Literature. This tradition went on until 1779 and there are now 82 stone steles with the names of the laureates on.²³⁾ During the reign of Le Thanh Tong a Confucian - inspired literature also started to emerge. The King himself liked writing and gathered together 28 dignitaries who were great scholars to form a type of academy

22) Nguyen Khac Vien, *Vietnam: A Long History*, p. 53.

23) Available at Hanoitourism.gov.vn

known as the Tao Dan over which he presided. The Tao Dan left many works, mainly poems, written in classical Chinese. Nguyen Trai (1380-1442)²⁴⁾ and Nguyen Binh Khiem (1491-1585)²⁵⁾ were the two Confucian scholars who had made great contribution to the country's literature in the XV-XVI centuries. Many of their poems were also written in classic Chinese. With the predominance of Confucianism in the court politics and society as a whole, the Vietnamese monarchy during the Le Dynasty (and then under the Nguyen Dynasty in the XIX century) could be seen as the Confucian monarchy. Indeed, royal culture under the Le Dynasty was exactly an imitation of that of China, from royal music and theatre to mandarin's costume.²⁶⁾

However, with the decline of the feudal system from the 17th century to the beginning of the 19th century, Confucianism began to experience unprecedented upheaval. The concept of absolute respect for the monarch had seemingly lost its ground and with it the whole system of moral and spiritual values inherent in the regime. The system of mandarin competitions through which best candidates had been recruited to serve the mandarin bureaucracy also degenerated. And the result was the emergence of an incompetent, unscrupulous and greedy mandarin bureaucracy no longer possessed either the cultural or moral values of past centuries. Even though during the

24) The strategist and political adviser for the national insurrection which drove the Ming out and won back the nation's independence in 1427.

25) After being a mandarin for some time for the Mac, this Confucian scholar retired and founded a school and trained many disciples. He left more than 1,000 poems in classical Chinese and *nom*.

26) Tran Quoc Vuong, *Van hoa Vietnam: Tim toi va Suy ngam* [Vietnamese Culture: Researches and Reflections](Hanoi: National Culture Publisher, 2000), p. 504.

Nguyen Dynasty in the 19th century when Gia Long established his capital in Hue and set up an absolute monarchy with a mandarin bureaucracy, Confucianism in its most conservative and ritualistic form regained its predominant status as the official doctrine, this did not last for long because the subsequent decline of the Nguyen Dynasty. The Decline of Confucianism allowed something of a renaissance for Buddhism. The regime's moral and ideological crisis also allowed Catholic missionaries to win converts, particularly in the 17th century. And the beginning of the Vietnamese Catholicism date back to this period. With Catholicism, the *quoc ngu* script was created, in which the Vietnamese language was transcribed in Latin characters.

This fact does not necessarily mean that Confucianism had come to an end. On the contrary, Confucius' moral values and teachings, especially regarding the hierarchy in the relationship between parents and children, teachers and students, or passion for learning inspired by the study of Confucianism throughout the country's long history, still influence clearly the Vietnamese society. For example, "*Study manners first and then learn to read and write*" - a Confucian teaching - is still a popular slogan of Vietnamese schools at various levels. In addition, Chinese is still the compulsory foreign language at many universities in Vietnam.²⁷⁾

In a nutshell, Confucianism had exerted profound influence on Vietnam to a large extent in the long history of the country. The

27) Every year China receives a considerable number of Vietnamese students, interns and sports delegations for study and training. According to Ministry of Education and Training the Chinese Government provides Vietnam with 130 scholarships every year.

greatest influence of Confucianism on the regime's politics was - according to one famous Vietnamese historian and also cultural researcher - the consolidation of the unified monarchy and the system of mandarin competitions through which the mandarin bureaucracy was set up.²⁸⁾ On the cultural and societal aspects, Confucianism had also exerted great influence on the development of the national literature and created a passion for learning among the ordinary people when passing the imperial Mandarin exams was the only means for them to socially advance themselves in the feudal era.

Although Confucianism had several times become the country's official doctrine, it had never been the only ideology in Vietnam. On the contrary, Taoism, Confucianism and Buddhism co-existed for a long time in the country's history. These three religions did not encourage fanaticism nor exclude one another, thus helping preserve unity within the national community. The religious syncretism is, therefore, definitely a characteristic of Vietnamese consciousness.²⁹⁾

Model of economic development

Vietnam has seen China's economic rise as a model of development that it should follow suit. The rationale is quite clear. The two countries have been in the same process of transformation from a planned economy to a market-oriented economy with their respective characteristics, and at the same time adopting an open door policy and

28) Tran Quoc Vuong, p. 504.

29) Ibid, p. 505.

facing many of the same challenges. As China's reform process was launched a number of years before Vietnam's, there exists an excellent opportunity for Vietnam to learn and benefit from China's positive experiences, while avoiding the negative.³⁰⁾ China's open door policy and economic reforms over the past three decades have therefore been the major study focus by Vietnamese leaders, policy makers and think tanks as well.³¹⁾ Numerous books and research projects have been published with a view to studying in depth the process of China's open door policy and its economic reforms, and problems and challenges that China has faced and at the same time finding lessons that can be learnt by Vietnam in the process of *doimoi* (renovation).

In addition, numerous study tours to China to explore experiences in specific areas of development have been taken on a regular basis. The Project on Exchange of Economic Development Policy lessons between Vietnam and China funded by the UNDP and carried out by the Centre Institute of Economic Management (CIEM) in Vietnam was among the most comprehensive research projects on China's reform experiences and lessons for Vietnam.³²⁾

The objectives of the project was: (i) To facilitate transfer of

30) *Chinh sach Phat trien kinh te: Kinh nghiem va bai hoc cua Trung Quoc* [China's Economic development policy: Experiences and Lesson for Vietnam] (Hanoi: Transportation Publisher, 2007), Volume I.

31) See *Trung Quoc 25 nam cai cach-mo cua: Nhung van de ly luan va thuc tien* [China's 25 years of reforms and open door policy: Theories and Practices] (Hanoi: Social Science Publisher, 2004); Nguyen Van Hong, *Trung Quoc cai cach va mo cua: Nhung bai hoc kinh nghiem* [China's reforms and its open door policy: Experiences and Lessons] (Hanoi: The World Publisher, 2003).

32) The UNDP provided US\$300,000 while the government of Vietnam paid US\$139,200.

relevant experiences in managing reform process in China to Vietnam and (ii) To assist CIEM to produce policy advisory notes on the identified areas for submission to the Government.³³⁾ Participating in the exchanges were Chinese government agencies, research and policy institutions and business sector and relevant Vietnamese institutions. A series of exchanges were carried out in 2002-2005 and these exchanges covered quite numerous topics, both in theory and practice. For instance, in the theory study, such concepts as “private sector” and “private enterprise,” the building of a socialist-oriented economy, and human-centred development have been studied in depth by the Vietnamese counterpart.³⁴⁾ Having studied how the Chinese define private sector, its role in economic development, the position and policy of the Communist Party of China towards this sector of the economy, the lessons learnt by the Vietnamese are to adopt a common perception of private sector, to raise the awareness that political commitment is the determinant of the development of the private sector, and the bad consequence if politicizing economic activities.³⁵⁾

China’s economic development policy that has placed GDP growth at the core for a long time has also been a great lesson for Vietnam since it has not brought about benefits for the majority, and at the same time widened the gap between economic and social development, between the rich and the poor, and between the urban

33) <http://www.undp.org.vn/>

34) *Chính sách Phát triển kinh tế: Kinh nghiệm và bài học của Trung Quốc* [China’s Economic development policy: Experiences and Lesson for Vietnam], Volume I, p. 61-65.

35) *Chính sách Phát triển kinh tế: Kinh nghiệm và bài học của Trung Quốc* [China’s Economic development policy: Experiences and Lesson for Vietnam], Volume II.

areas and the countryside, and environmental pollution which is caused by the excessive use of fossil fuels.³⁶⁾ The concept of human-centred development has reflected the changed perception by the Chinese leadership of the ultimate goal of economic reforms and development.³⁷⁾ Practical experiences in Vietnam over more twenty years ago have also revealed the same problems when much importance was attached to GDP growth.³⁸⁾

China's practical experiences in the key areas such as developing enterprise groups and the relationship between large-scale enterprises and SMEs, export promotion, WTO accession, the development of the private sector, the reforms of state-owned enterprises, FDI and foreign trade policies, and border trade promotion have also been exchanged and studied carefully by relevant institutions of the two sides.³⁹⁾ There appear a lot of areas that have been considered relevant for Vietnam in the management process of economic reforms. To a great extent, what Vietnam has achieved over the past decades through the experience learning process was mainly the theory aspect, particularly exploring the related concepts concerning the reforms in China. In practice, the development of a contract system in rural area, the adoption of export-oriented policy, and FDI attraction policy have been some areas that Vietnam have

36) See *Chinh sach Phat trien kinh te: Kinh nghiem va bai hoc cua Trung Quoc* [China's Economic development policy: Experiences and Lesson for Vietnam], Volume III, p.17-37.

37) Ibid, p. 30.

38) *The X Document of the Communist Party of Vietnam* (Hanoi: National Political Publisher),

39) *Chinh sach Phat trien kinh te: Kinh nghiem va bai hoc cua Trung Quoc* [China's Economic development policy: Experiences and Lesson for Vietnam],

successfully learned from China.⁴⁰⁾ However, there has not been major progress in the reform of the state-owned enterprises in both countries. And recently, the two countries have also been faced with many same challenges caused by the current global financial crisis such as high unemployment rate and declined export volume.⁴¹⁾

There is no doubt that China's experience and lessons in economic development over the past thirty years are of great significance for Vietnam. However, the commonsense is that it would be irrational if copying 100% what China has done, given the scale of the economy, and ignoring experiences of other countries in the region. Indeed, a recent economic research project done by the Harvard economic study group in Vietnam revealed that the situation of the Vietnamese economy in early months of 2008 shown similar signs of an economic crisis as Southeast Asian countries had experienced before the 1997-98 financial crisis broke out.⁴²⁾

China's soft approach to neighbouring countries

Good neighbour policy is an integral part of China's independent foreign policy of peace which was formulated by Deng Xiaoping in early 1980s, whereby China changed the "one-line" strategy and did not form an alliance or forge strategic relations with any big powers.⁴³⁾ The basic goal of this foreign policy has been, among others,

40) In 2008, the total of FDI in Vietnam was US\$ 58 billion.

41) It is estimated that 20 million or more Chinese will be unemployed in 2009.

42) The Harvard economic study group in Vietnam had a presentation on Vietnam's economy at the Institute of Foreign Affairs in February, 2008.

to create a long-term peaceful international environment for China's socialist modernization drive. At the core of this foreign policy in the 1980s was the handling of relations with the Soviet Union and the US. And not until early 1990s was the building and promoting good relations with neighbouring countries attached greater importance in China's foreign policy in responding to major domestic developments and the changing international situation since the late 1980s.

The Tiananmen crackdown in 1989 was a setback in China's implementation of an independent foreign policy that placed priority on the improvement of relations with the US and Western countries. Indeed, strongest reactions came from the US and European countries.⁴⁴⁾ International reaction to Tiananmen thus drew attention to new sources of Chinese insecurity, both internally and externally, prompting an important reconsideration of China's foreign policy.⁴⁵⁾ Having found itself more vulnerable to international criticism, ostracism and Western sanctions, China's diplomacy turned toward its neighbours. This was evidenced by a series of visits to neighbouring countries by Chinese leaders. Premier Li Peng visited Indonesia, Singapore and Thailand in August 1990; Malaysia, the

43) Truong Tieu Minh, *Chien tranh lanh va di san cua no* (Hanoi: National Political Publishing House, 2002) [The Cold War and Its Implications], pp.475-492.

44) In the US, efforts toward tougher sanctions were made by congressional representatives at the House, including an amendment to the Foreign Aid Authorization Bill for 1990-91 that imposed sanctions against China. This legislation codified into law the ban on arms sales and the suspension of high level contacts with the Chinese Government already announced by Bush. On June 5, Bush cancelled a planned exchange of US and Chinese military delegations and a planned visit to China by Commerce Secretary Robert Mosbacher in July 10.

45) Alice D. Ba, "China and Asean: Renavigating Relations for a 21st century Asia," *Asian Survey*, Vol. XLIII, NO. 4, July-August, 2003, p. 630.

Philippines and Laos in December 1990.

China's thrust for improving relations with its neighbouring countries was first characterized by the then Foreign Minister Qian Qichen as China's "Good Neighbour Policy" in late 1990. And in 1991 Chinese Premier Li Peng clearly stated "developing good neighbourly relations with bordering countries comprises an important part of our foreign policy." and the Political Report of the XIV National Congress of the Communist Party of China observed "relations with bordering countries have emerged as their best period since the founding of the country."⁴⁶⁾

In the 1990s, China's rapid economic growth, military build-up activities and a number of incidents such as the 1995 Mischief Reef and China's missile testing into the Taiwan Straits have caused much alarm to its neighbouring countries.⁴⁷⁾ Chinese leadership realized that it must do something to put other countries' concerns at rest so as to ensure domestic stability and a peaceful environment for economic development.⁴⁸⁾

The fourth Chinese leadership represented by Hu Jintao and Wen Jiabao came to power with the commitment to China's "peaceful development" which goes in tandem with the creation of China's image as a responsible power. Having perceived that the rise of China

46) Documents of the XIV National Congress of the Communist Party of China, *Vietnam News Agency*, October 14, 1992.

47) For an in-depth analysis of China threat theory, see Broomfield E.V., "Perceptions of Danger: The China Threat Theory" *Journal of Contemporary China*, Vol 12, NO. 35, 2003, pp. 265-284.

48) See Susan L. Shirk, *China's Fragile Superpower* (Oxford University Press, 2007), p. 105-106.

might make foreign countries view China as more threatening, the current Chinese leadership has made great efforts to promote the positive image of a rising power and succeeded impressively in Asia and beyond.⁴⁹⁾ It can be said that China's peaceful intentions continues to serve as a foundation for its policy toward neighbouring countries. In return, good neighbourliness, among others, also contributes to build China's image and posture in the region and the world as well, thus reducing the negative impacts caused by the China threat theory.

Stabilizing relations with and accommodating the interests of its neighbours have characterized China's policy towards Southeast Asian countries since 1990s⁵⁰⁾ and Sino-Vietnamese relationship has been of no exception. Since the early 1990s, there has been a convergence of interests between the two countries in seeking for a peaceful environment for economic development. On one hand, the normalization of diplomatic relations and the resulted improvement in Sino-Vietnamese relations since 1991 have significantly contributed to the creation of a peaceful environment for Vietnam to focus on economic development and paved the way for the negotiations on the resolution of border and territorial issues between the two countries which began in 1974 but were unsuccessful and suspended since Sino-Vietnamese relations deteriorated as consequences of the Cambodia issue and the 1979 border war.⁵¹⁾ Negotiations took nearly

49) Susan L. Shirk, p. 109.

50) See Susan L. Shirk, *China's Fragile Superpower* (Oxford University Press, 2007), p111-118; Alice D. Ba, "China and Asean: Renavigating Relations for a 21st century Asia," *Asian Survey*, Vol. XLIII, No. 4, July-August, 2003.

ten years before the 1999 Treaty on Land Border was signed. In 2000, the two governments also signed the Treaty on the Demarcation of the Gulf of Tonkin and the Agreement on Fishery Cooperation. These have been the first agreements to be concluded in the two countries' contemporary history.⁵²⁾ The process of land border demarcation and marker planting then began in 2001. Land border demarcation and marker planting have proved to be long and complicated process,⁵³⁾ due to geographical difficulties and long-disputed areas. And on December 31, 2008, the two Heads of the Vietnam-China Governmental-level delegations on border and territory negotiations issued a joint declaration on the completion of border demarcation and marker planting along the entire land borderline between the two countries.⁵⁴⁾ The completion of land border demarcation and marker planting is considered an event of historic significance in Vietnam-China relations because Vietnam and China have for the first time defined a clear land boundary with a system of markers. The two sides also pledged to early complete and sign a protocol on border delimitation and marker planting, an agreement regarding land border

51) *Ngoai giao Vietnam 1945-2000* [Vietnamese Diplomacy 1945-2000] (Hanoi: National Political Publisher, 2005), p. 310-313.

52) Vu Duong Huan (Edited), *Ngoai giao Viet Nam hien dai 1975-2000* [Contemporary Vietnamese Diplomacy 1975-2002] (Hanoi: Institute for International Relations, 2002), p. 188.

53) The two sides have carried out 13 rounds of talks at the Government level, 31 at the Chairman of Joint Committee on Demarcation and Marker Planting, numerous meetings between the two chief negotiators have been held. In 2008 only, 11 rounds of talks at between were held, in which the longest round lasted for 23 days, and the longest meeting lasted for more than 30 hours. In 2002-2003, only 89 out of 2,000 markers were planted,

54) "Vietnam, China complete border demarcation, marker planting" available at <http://www.mofa.gov.vn/en/nr040807104143/nr040807105001/ns090102105620>

management regulations and other related documents in order to realize the Vietnam-China land border treaty.⁵⁵⁾

While much progress has been made on the demarcation of land border, talks are still going on the demarcation of the waters off the Tonkin Gulf⁵⁶⁾ and problems concerning the Spratly and Paracel Islands remain unresolved. Vietnam still responds with restraint to the recent moves by other claimant states, such as the approval by the House of Representatives of the Philippines of the Bill HB 3216 on the new baseline that includes some islands of Spratly archipelago and Scarborough Shoal.⁵⁷⁾ The recent Sino-Japanese joint development agreement to solve dispute in the East China Sea may not be model for the claimant states in the Gulf of Tonkin and the South China Sea, given the ambiguity of the concept of joint development and the fact that the Japanese side wanted to have some kind of agreement with its neighbour in a context that they needed to focus on their very complicated domestic politics. Building a Code of Conduct in the South China Sea has therefore been in Vietnam's basic interest in seeking a fundamental and long-term solution.

Strengthened political relations have paved the way for bilateral cooperation in other areas. Economic and trade cooperation between the two countries have also seen significant developments. China has become one of the leading trade partners of Vietnam. Trade

55) Ministry of Foreign Affairs, available at <http://www.mofa.gov.vn>

56) Members of the Vietnam-China joint working group involved in the demarcation of the waters off Tonkin Gulf convened their fifth round of talks in Hanoi on January 5-6, 2009.

57) Regular Press Briefing by MOFA's Spokesman on 5th February 2009, available at http://www.mofa.gov.vn/en/tt_baochi/pbnfn/ns090205173454.

volumes has rapidly increased from US\$32 million in 1991 to US\$20 billion in 2008 and the two sides have agreed to reach the target of US\$25 billion in the two-way trade volume by 2010.⁵⁸⁾ However, since 2001, Vietnam has seen constantly increasing deficit in trade with China. For example, in 2008 the total bilateral import-export volume was US\$1.6 billion in which Vietnam's export was only US\$230 million.⁵⁹⁾ According to the Ministry of Planning and Investment, by the end July 2008, China had 606 investment projects in Vietnam with the total capital of US\$2 billion, ranking 12th among 82 countries and territories investing in Vietnam.⁶⁰⁾ Chinese investment projects have been mainly in industry and construction sectors, in which the biggest one is the building of the Binh Thuan thermo-electric plant with the initial capital investment of US\$ 900 million.⁶¹⁾

Cooperation between the two sides has also been promoted in other fields such as agriculture, fishery, science and technology, transportation and healthcare. In November 2005, the two sides signed an agreement on education cooperation in the period 2005-2009. Currently, the total number of Vietnamese students studying in China is 9,730. China is also the largest source of tourists to Vietnam. In 2007, the number of Chinese tourists was more than 600,000 and in the first seven months of 2008 the number was 300,000.⁶²⁾

58) Ministry of Industry and Commerce, available at <http://www.moit.gov.vn>

59) Vietnam Economy, available at <http://vneconomy.vn/20090118012450400P0C19/khong-ngai-hang-trung-quoc-gia-re.htm>

60) Ministry of Planning and Investment, available at <http://fia.mpi.gov.vn>

61) "Visit to China by Prime Minister Nguyen tan Dung" Vietnam Economy, available at <http://vneconomy.vn/20081021103410609P0C10/thu-tuong-bat-dau-tham-trung-quoc.htm>

62) Ibid.

The relations between border provinces of the two countries have been also strongly increased. Provincial leaders often pay visits across the border to discuss ways to step up economic, trade and tourism cooperation between the two sides as well as to safeguard social order and security in the border area. These events help created opportunities for businesses of both sides to boost economic, trade, tourism and investment cooperation. In 2008, the number of Chinese tourists coming to Vietnam from Lao Cai province only was 4,000.⁶³⁾

Vietnam's current approach to China and Prospects of bilateral relations

Living aside with a big and strong neighbour that relations with it have experienced many ups and downs, the objectives of the Vietnamese people in their long history have been to protect the country's independence and develop friendly relations with the Chinese. In order to achieve those objectives, being firm and yielding (or deferent) had been practiced for thousand years, especially during the feudal period and this have been considered among the most important experience lessons in Vietnamese diplomacy.⁶⁴⁾ In the past, after successful resistance against Chinese forces, regaining the country's independence, Vietnamese courts had always taken seriously developing good neighbourliness relations with China which took the

63) Ministry of Foreign Affairs, available at <http://www.mofa.gov.vn>

64) See Nguyen Tan Lieu, *On Sino-Vietnamese Relations in the feudal period* (Hanoi: Institute for International Relations, 1995).

form of deference so as to have more peace time to rebuild the country.

Contemporary history has shown that balancing, externally and internally, and the solidarity approach have been the major strategies.⁶⁵⁾ Sino-Vietnamese relations were strongly consolidated during the two wars of resistance of Vietnam against the French and American. China's help in this period had contributed greatly to the Vietnam's victories.⁶⁶⁾ Bilateral relations however deteriorated and reached its lowest point by the border war in 1979 after Vietnam signed the Friendship and Mutual Assistance with the Soviet Union and sent troops to Cambodia. And it took more than ten years before bilateral relations were normalized in 1991, opening a new chapter in the history of bilateral relations which is now considered best ever.

How the current Vietnamese strategy toward China should be characterised? Is it totally balancing or enmeshment or the combination of all above-mentioned approaches? Adopting a pragmatic approach to a rising China proves to be rational in the context that Sino-Vietnamese relations are complicated in nature. In addition, the changing regional and global context, especially interactions among major powers in the region, is perceived by Vietnam as having major implications for its security and development in the future.

While yielding to China's wishes, particularly diplomatic deference, has still been shown in the way Vietnamese leadership

65) Alexander L. Vuving, "Strategy and evolution of Vietnam's China Policy: A Changing Mixture of Pathways" *Asian Survey*, Vol. XLVI, NO. 6, November/December 2006, pp. 805-824.

66) Nguyen Dinh Bin (Eds), *Ngoai giao Vietnam 1945-2000* [Vietnamese Diplomacy 1945-2000] (Hanoi: National Political Publisher, 2005).

responds with restraint to recent incidents and tried to keep them low profile, to a large extent, balancing continues to be the major approach. Internal balancing is more important since economic strength has been considered determinant of the national strength,⁶⁷⁾ external balancing has taken form of balance of relations in which Vietnam's priority has been to develop good relations with all major powers in the region and in the world rather than building military alliance as in the past.

Hanoi has proactively change its ways of dealing with major powers in a more flexible manner with a view to taking full advantage of respective bilateral relationship to serve for the cause of economic development, political stability and national sovereignty and independence. For the first time in the country's contemporary history, Vietnam has built and maintains good relations with all major powers.⁶⁸⁾ It is the long-term and consistent policy of Vietnam to take seriously its traditional friendship and neighbourliness and comprehensive cooperation with China.⁶⁹⁾ The improvement and development of Sino-Vietnamese relations have been the basic interest of the two countries, corresponding to the major trend of cooperation after the Cold War ended. High-level political cooperation has served as foundation for the bilateral cooperation in all other aspects. Numerous visits by leaders of the two countries

67) Vu Khoan, "An ninh, phat trien va anh huong trong hoat dong doi ngoai" [Security, Development and Power Projection in Foreign Policy] in Nguyen Vu Tung (Eds), *Chinh sach doi ngoai Vietnam 1975-2006* [Vietnamese Foreign Policy], pp. 69-74.

68) Ibid.

69) "China-Vietnam friendship has been strengthened and developed" Speech by Vice Prime Minister Vu Khoan at the celebration of the 53rd China's National Day, October 1st 2002.

and also at all other levels have been exchanged regularly, thus contributing to enhancing mutual understanding and cooperation.⁷⁰⁾

The fact that China became full dialogue partner with ASEAN in 1996, initiated ASEAN+3 mechanism in the wake of the financial crisis of 1997-98, actively participated at various regional mechanisms like APEC, ARF, East Asia Summit and so on, and took conciliatory steps on contentious territorial and security issues clearly demonstrated China's efforts to act as a regional stabilizer with a view to providing mutual assurance and confidence among its neighbours. Vietnam also takes seriously and actively participates in regional cooperation mechanisms in which China is also a member. In Vietnamese perspective, participation in regional cooperation framework has been a test case for China if it really wants to be a responsible rising power in the region. It is former's expectation that the latter would play its role in maintaining peace and stability in the region and respect other countries' independence and sovereignty through its strong commitments and behaviour as a rising power. Since the two countries have shared interests in speeding up their respective regional integration processes, bilateral cooperation at these regional mechanisms would be strengthened.

While giving much importance to developing relations with China, Vietnam at the same time has developed and maintained good relations with other powers in the world such as the US, Japan, India

70) Vu Duong Huan, *Contemporary Vietnamese Diplomacy for the cause of renovation 1975-2002* (Hanoi: Institute for International Relations, 2002), p. 198-204.

and Russia.⁷¹⁾ There has been an urgent task for Vietnam to normalise and improve relations with major powers in the Asia- Pacific region in responding to regional and international developments after the end of the Cold War and taking the country out of the prolonged economic crisis. The guiding principle is to adopt a balanced interest approach to the improvement, expansion and development of bilateral relations with each power on the one hand and to persistently uphold the principle of independence and not taking side with any major power on the other hand.⁷²⁾ As a result, Vietnam's relations with major powers have been much improved over the past two decades.⁷³⁾

The prospects of Sino-Vietnamese relations in the next decade has been examined in a broader context in which Vietnamese scholars and policy makers argue that the US is likely to remain an unequalled power, but other powers such as China and India would play their key role in the world politics. There is common assessment that the period from now to the year 2020 continues to be in favour of Vietnam so that its cause of modernization could be speeded up. For the Vietnamese people, to answer the question of how Sino-Vietnamese relations would be beyond 2020, the answer is simply to

71) Nguyen Hoang Giap, "Phat trien quan he voi cac nuoc lon trong chinh sach doi ngoai moi cua Dang va Nha nuoc ta" [Developing relations with major powers in our Party and State foreign policy] in Nguyen Vu Tung (Eds), *Chinh sach doi ngoai Vietnam 1975-2006* [Vietnamese Foreign Policy], (Hanoi: Institute for International Relations, 2007), pp. 326-336.

72) Ibid., p 328.

73) For the improvement and development in Vietnam's relations with major powers such as the US, Japan, India, China and Russia, see the section on the implementation of the new foreign policy in Nguyen Vu Tung (Eds), *Chinh sach doi ngoai Vietnam 1975-2006* [Vietnamese Foreign Policy], (Hanoi: Institute for International Relations, 2007), pp. 326-336.

look back history. Indeed, Vietnamese perception of China is largely still overshadowed by historical experiences.

Conclusion

China's rise is undoubtedly the centre of world attention. To a large extent, historical experiences in dealing with China play an important role in the shaping a common perception towards China that is currently characterized as "mixed feeling" among Vietnamese people. On the one hand, China's rise as evidenced by its spectacular economic achievements over the past thirty years of open door and economic reforms has created a thrust among Vietnamese people to apply Chinese experiences in their respective economic development. The appealing of China's model of economic development, its soft approach to neighbouring countries in the past decades and profound cultural and ideological influence on Vietnam have been seen major sources of China's soft power. On the other hand, China's seemingly unpredictable intentions regarding Vietnam's sovereignty in the Eastern Sea have caused much concern. But this does not necessarily mean that the Vietnamese would see China as a threat.

Vietnam's policy of placing priority on the improvement and development of the bilateral relations with China (as both a neighbouring country and a rising power) has yielded major results. Good bilateral relations have created favourable conditions for the two countries to solve border and territorial issues and at the same time to promote cooperation in all other areas. Adopting a balanced interests

approach to China and all other major powers has best served Vietnam's national interests. And as long as China's rise is "peaceful," Sino-Vietnamese would have more prospects of development.

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EAST ASIA'S RELATIONS WITH A RISING CHINA

CHAPTER THIRTEEN

Myanmar's Relations with China:
From Dependence to
Interdependence?

Tin Maung Maung Than



Konrad
Adenauer
Stiftung

Myanmar's Relations with China: From Dependence to Interdependence?

Tin Maung Maung Than

Introduction

Myanmar is situated at the junction of China, South Asia and Southeast Asia. Among five neighbouring states sharing land border with Myanmar, (Table 1) China shares the longest border with present day Myanmar whose territorial boundaries were formally established with its independence from the United Kingdom in January 1948.

Historically, Myanmar had to contend with China's huge geopolitical footprint. For more than a millennium, successive regimes ruling parts or whole of Myanmar (be they dynastic or republican, civilian or military) have been deferential to the rulers of China irrespective of the latter's position in the regional or global power

Table 1: Myanmar's Borders

China (north & north-east)	1,384 miles
India (north-west)	903 miles
Bangladesh (west)	169 miles
Thailand (east & south-east)	1,304 miles
Laos (east)	146 miles

Source: www.myanmar.com/Union/history.html

hierarchy. In fact, Myanmar had a troubled relationship with its giant neighbour's hard power dating back to the thirteenth century (A.D.) when Mongols invaded Myanmar leading to the decline and fall of the Bagan dynasty. There were further invasions in the 14th and 18th century respectively and after Myanmar gained independence in 1948 China supported the communist insurgency until the early 1980s.¹⁾ Thereafter, bilateral relations between China and Myanmar relations improved steadily as China focused its energies on economic development and employed soft power increasingly rather than resorting to traditional hard power tactics based on economic and military power in pursuing its foreign policy objectives and securing its borders.²⁾ With the West's ostracism of the military regime that took power in September 1988 (following a popular upheaval that led to the disintegration of the on-party Socialist regime) Myanmar turned to China for diplomatic and material assistance resulting in a "closest ever" relationship bordering on dependence at the turn of the

1) See Tin Maung Maung Than, "Myanmar and China: A Special Relationship?" In *Southeast Asian Affairs 2003*, Singapore: Institute of Southeast Asian Studies, 2004, pp. 190, 194

2) See, e.g., the article by Li Mingjiang in this volume; and Young Nam Cho and Jong Ho Jeong, "China's Soft Power: Discussions, Resources and Prospects," *Asian Survey* 48, no. 3 (2008): 453-72.

century.³⁾ However, in recent years the military regime in Myanmar has been increasingly engaging India and Russia (especially in the energy sector) in an apparent attempt to diversify its sources of support in the international community. Presently, on the cusp of transferring power to an elected government in the near future, the junta's aim seems to be to lessen dependence on China for its survival and leave a legacy of sustainable interdependent relationship for the future government of Myanmar.

This chapter traces the evolution of China-Myanmar relationship by first examining Myanmar foreign policy from the beginning of statehood to the present day with special reference to Myanmar-China relations. Next, the ups and downs of bilateral diplomatic relations are reviewed in a historical perspective followed by discussions on the strengthening of military, trade, investment and socio-cultural ties between the two countries during the two decades of military rule. The final section deals with attempts by the Myanmar government to broaden its international outreach in the context of reducing its dependence on China for its survival and sustenance and to establish a relationship premised upon interdependence rather than dependence.

Myanmar's Foreign Policy and China

Wedged between the two most populous states in the

3) See Tin, *op. cit.*, pp. 194-95, 207.

world, Myanmar has always been conscious of the corresponding geopolitical and demographic realities in formulating its foreign policy.⁴⁾ Moreover, the country is inhabited by some 135 (officially recognized) indigenous nationalities with many of those groups straddling the porous borders thereby complicating the policy calculus of Myanmar's foreign relations that has to take into consideration the dynamics of the international and regional systems as well as domestic issues in economics, politics and security.

The foreign policy under the parliamentary system of political governance instituted after independence emphasized "neutralism."⁵⁾ After the military coup of March 1962 staged by General Ne Win (armed forces chief), there were elements of "isolationism" in its "non-aligned" policy stance under the ruling Revolutionary Council and Revolutionary Government.⁶⁾ Under the BSPP (Burma Socialist Program Party) government that managed the Myanmar state from 1974 to 1988 the basic tenets of foreign policy premised on reticent neutrality hardly changed.⁷⁾ On the other hand, according to one senior Myanmar diplomat, "no single term" such as " 'neutrality' , 'neutralism' , 'non-alignment' , 'isolationism' or 'independence' "

4) China has figured more prominently than India in this respect especially since the formation of the People's Republic.

5) See, e.g., James Barrington, "The Concept of Neutralism: What Lies Behind Burma's Foreign Policy," *Perspectives of Burma, The Atlantic Monthly Supplement* New York: Intercultural Publications, 1958, pp. 28-30; and William C. Johnstone, *Burma's Foreign Policy: A Study in Neutralism* (Cambridge: Harvard University Press, 1963)

6) See, e.g., Maung Maung Gyi, "Foreign Policy of Burma since 1962: Negative Neutralism for Group Survival", in F.K. Lehman, ed, *Military Rule In Burma since 1962: A Kaleidoscope of Views* (Singapore: Maruzen Asia/ISEAS, 1981), pp. 9-28.

7) See, e.g., Robert Taylor, *The State in Myanmar* (London: Hurst, 2009), p. 357.

could “fully express” Myanmar’s “basic foreign policy” up to the late 1980s.⁸⁾ Presently, under the State Peace and Development Council (SPDC; the successor of the State Law and Order Restoration Council that staged a coup in September 1988) Myanmar’s foreign policy has been portrayed as “independent” and “active” thereafter. As such, “Myanmar will not align with any bloc on international issues except to consistently stand on the side that is right” while it “actively participates in activities for world peace; opposes war, imperialism and colonialism; and maintains friendly relations with all countries.”⁹⁾ Myanmar stayed out of regional groupings to avoid getting caught up in the Cold War until it joined the Association of Southeast Asian Nations (ASEAN) in July 1997.¹⁰⁾ This has been interpreted as reflecting the “military regime’s perceived ‘domestic political-security imperative’,” whereby sovereignty and territorial integrity, regime security, and “deepening relations” with friendly “international partners” -- whose help is vital for economic development -- remain the principal objectives of current foreign policy.¹¹⁾ In this context, Myanmar’s economic and political relations with China have expanded considerably since the early 1990s, resulting from a convergence of

8) Daw Than Han, *Common Vision: Burma’s Regional Outlook* Occasional Paper, Institute for the Study of Diplomacy, School of Foreign Service, Georgetown University (Washington, D.C., 1988), p. 19.

9) See, “Foreign Policy of the Union of Myanmar,” Ministry of Foreign Affairs Web page, www.myanmar.com/mofa/foreignpolicy/foreignpolicyview.html.

10) Myanmar even withdrew from the Non-Aligned Movement in 1979 when it was deemed to have favoured the Soviet bloc, rejoining only in 1992.

11) Jurgen Haacke, *Myanmar’s Foreign Policy: Domestic Influences and International Implications*, Adelphi Paper 381 (London: International Institute for Strategic Studies, 2006), pp. 9, 100.

national interests between the two. Right from the beginning military rule in 1988, China has been very supportive of the SPDC's economic and security ventures. Significantly, China has played the role of a powerful protector shielding the regime against Western punitive measures (for alleged violation of human rights) and international pressures for political liberalization.

Myanmar and China: Affinities and Contention

Relations in a historical perspective

Myanmar, then known as Burma,¹²⁾ welcomed the establishment of the People's Republic of China (PRC; hereafter China) in 1949. To Myanmar, it seemed that China had always regarded Myanmar as "essential" to its security and the latter "stands high in the degree of importance China attaches to its peripheral areas."¹³⁾ For almost six decades the relationship has been premised upon the five principles of peaceful co-existence, agreed upon by Myanmar, China and India in 1954:

- Mutual respect for each other's territorial integrity and sovereignty;
- To abide by mutual non-aggression;
- Non-interference in each other's internal affairs;

12) The military junta, then known as the State Law and Order Restoration Council, changed the country's Romanised name to Myanmar in June 1989; ostensibly to conform with the pronunciation in the vernacular language and to reflect the unity of ethnic nationalities residing within the nation-state's territory.

13) Daw Than Han, *op. cit.*, p. 62.

- Respect for mutual equality and to work for mutual benefit; and
- Peaceful co-existence.¹⁴⁾

Moreover, the bilateral relationship between Myanmar and China banks on personal diplomacy exercised by leaders of both countries. This began with Premier Zhou Enlai's visit to Myanmar in June 1954 and Premier U Nu's return visit to China in November of the same year.¹⁵⁾ A cordial relationship known as *paukphaw* (Myanmar word for sibling or brotherly) relationship was established between the two countries in the mid-1950s on the strength of personal rapport between the top leaders. During the Cold War period, Myanmar leaders had repeatedly emphasized Myanmar's strict neutrality in its policy towards the United States and Soviet Union while attempting to cultivate personal friendship with Chinese leaders and managed to amicably resolve the border issue with China in 1960.¹⁶⁾

However, despite the mutual acceptance of the ideals of peaceful coexistence and notwithstanding amity at the personal level between leaders of both countries, there were some hiccups in Sino-Myanmar relations since June 1950 when diplomatic relations were formally established between the two states.

In fact, the issue of China's support of the aboveground and underground communists had dampened bilateral relations since the Burma Communist Party (BCP)¹⁷⁾ opted for an armed rebellion in March

14) See Ministry of foreign Affairs Web page, op. cit.

15) This led to a total of nine visits by Zhou Enlai and twelve visits by U Ne Win who was Myanmar's 'paramount' leader for 26 years following the coup of 1962.

16) See Johnstone, op. cit., pp. 158-97; and U Nu, *U Nu: Saturday's Son*, translated by U Law Yone, edited by U Kyaw Win (Bombay: Bharatiya Vidya Bhavan, 1976), pp. 236-42, 246, 252-64.

1948. The Chinese Communist Party (CCP) as well as the government provided moral, material, financial, organizational and ideological support, to the BCP, while aboveground communists were assisted through Chinese diplomatic channels and the extensive overseas Chinese network. When Mao's Cultural Revolution was exported to Myanmar's overseas Chinese community in mid-1967, the defiant tactics of the Red Guard-inspired Chinese students and their instigators led to the detention of hundreds of Chinese activists following a violent backlash in the then capital city of Rangoon. Following riots that resulted in losses of (mostly) Chinese lives and property, tensions escalated and huge demonstrations involving hundreds of thousands of indignant Chinese were orchestrated in Beijing, Shanghai and Kunming. Subsequently, Myanmar recalled its Ambassador and students from China while Chinese technical aid workers were expelled from Myanmar. China unleashed a vociferous media war against Myanmar and bilateral relations reached the lowest point of all time.

Subsequently, China introduced the dual tack or "two pronged" approach towards bilateral relations by "downplaying the state-to-state relations ...in favour of party-to-party relations with the BCP,"¹⁸⁾ whereby the BCP's material, financial and human resources were substantially augmented.¹⁹⁾ As a result, the BCP was able to establish a 'liberated area' east of the Thanlwin (Salween) river and

17) Also referred to as CPB (Communist Party of Burma) in some publications.

18) Quoted in Maung Aung Myoe, "The Counterinsurgency in Myanmar: The Government's Response to the Burma Communist Party," unpublished PhD dissertation, Canberra, Australian National University 1999, p. 223.

to launch a couple of intense (though unsuccessful) offensives against Myanmar towns and positions on the West side of the river.²⁰⁾ Nevertheless, Myanmar's government led by General Ne Win's Revolutionary Council, made many overtures to 'normalize' relations with China. Diplomatic relations were fully re-established in March 1971. The official visit of Ne Win to Beijing in August 1971 at the invitation of Premier Zhou Enlai formalized the normalization of state-to-state relations in spite of the continued Chinese dual track policy.

The BSPP government of the one party state (instituted in March 1974), also tried to enhance bilateral ties, resulting in a communique in which China reaffirmed the principles of peaceful coexistence and promised to refrain from aggression.²¹⁾ Finally, the visit of Deputy Prime Minister Deng Xiaoping to Myanmar in January 1978 signalled the elevation of state-to-state relations to a higher level of importance than CCP-BCP relations. The rise of the pragmatist Deng to the position of 'paramount leader' paved the way for rapprochement and bilateral relations steadily improved during the second half of the 1980s. After 1985, the Chinese, for all practical purposes, withdrew active support of the BCP.

19) China not only provided ideological guidance, weapons, equipment and logistic support to the BCPit also sent hundreds if not thousands of "volunteers" into combat. See, e.g., Tom Kramer, *The United Wa State Party: Narco-Army or Nationalist Party?* East-West Center Policy Studies 38 (Washington: East-West Center, 2007), pp. 13-15.

20) For details, see, Bertil Lintner, *The Rise and Fall of the Communist Party of Burma (CPB)* (Ithaca: Southeast Asia Program, Cornell University, 1990), passim.; Desmond Ball, *Burma's Military Secrets: Signals Intelligence (SIGINT) from 1941 to Cyber Warfare* (Bangkok: White Lotus, 1998), pp. 113, 232-33; and Maung Aung Myoe, 1999, op. cit., pp. 225-31.

21) Chi Shad Liang, *Burma's Foreign Relations: Neutralism in Theory and Practice* (New York: Praeger, 1990), p. 92.

Bilateral relations between Myanmar and China improved rapidly after the military coup of 18 September 1988 that brought the State Law and Order Restoration Council (SLORC) to power following widespread demonstrations that paralyzed the BSPP government that were crushed by military force. The unravelling of the BCP command structure and the rapid disintegration of the organization following the revolt of the ethnic Wa faction in March 1989 that resulted in the toppling of the ageing Bamar leadership (to exile in Yunnan) finally removed the most thorny issue in Myanmar-China relations.²²⁾ After Myanmar discarded the socialist system and announced an ‘open door’ economic policy (in late 1988), its dependence on China grew as most Western states (United States, Canada, Britain, Nordic states, Australia and the European Union) and Japan (the most important donor country) withheld official development assistance (ODA) and imposed a series of punitive sanctions (investment, trade and financial restrictions as well as a visa ban of regime officials and business associates) and weapon embargos on account of the purported lack of human rights and liberal democratic reforms. Moreover, Western pressure has also prevented multilateral lending and aid agencies from funding Myanmar’s developmental projects. Meanwhile, China became a force to be reckoned with in terms of its protection of Myanmar in the face of unrelenting Western punitive measures, ostracism and condemnation.

The visit to China in October 1989 of a delegation led by

22) See, e.g., Kramer, *op. cit.*, pp. 17-21.

(then) SLORC's deputy leader and chief of army Lt. General Than Shwe was a watershed for Myanmar-China relations. Thereafter, bilateral cooperation in diplomacy, socio-economic endeavours and security matters expanded extensively (see sections below) as China became Myanmar's staunchest supporter in the last two decades.

China's diplomatic shield against West's censure

In the United Nations General Assembly (UNGA), United Nations Security Council (UNSC), UN Human Rights Council (UNHRC) and other international fora such as the International Labor Organization (ILO) congresses, the West's attempts to condemn and censure on Myanmar on issues of democracy, human rights and particularly forced labour had been deflected and attenuated by China's refusal to accept harsh/critical language, binding resolutions and the imposition of concrete punitive measures. These actions could be interpreted as reflecting a close relationship between the two states due to a convergence of interests between leaders of the two countries in opposing universal 'Western values' that threaten sovereignty and interfere with the 'internal affairs' of the respective states. As such, Chinese leaders have repeatedly supported Myanmar's contextual and particularistic interpretation of human rights and democracy and its arguments against the application of universal norms to assess and transform the 'unique' socio-cultural situation in Myanmar. China and Myanmar also share the view that economic and cultural rights are as important as political rights and communal rights should override individual rights. China's robust support of Myanmar in the

international front culminated in the Chinese (together with Russia) against the United Nation Security Council (UNSC) draft resolution, concerning the “Situation in Myanmar,” tabled by the United States on 12 January 2007.²³⁾ Moreover, in September 2007 when the military government cracked down on demonstrations led by Buddhist monks, against a five-fold rise in fuel prices in particular and economic hardship in general, the Chinese stood by Myanmar against harsh Western condemnation and US attempts to involve the UNSC.²⁴⁾ Again, in May 2008 when the tropical Cyclone Nargis devastated Myanmar’s Ayeyarwady delta, China opposed calls by France and some quarters in the United States and Britain to exercise unilateral ‘forced delivery’ of supplies in the face of alleged indifference by the Myanmar authorities to the plight of the victims; bereft of timely international aid by the regime’s refusal to allow foreign warships and military personnel in relief operations and shutting out Western aid workers in the immediate aftermath of the disaster.²⁵⁾

On its part, Myanmar stood by China on the Taiwan issue, the bombing of the Chinese embassy in Belgrade and the spy plan incident with the United States.²⁶⁾ Myanmar officials have consistently

23) China together with Russia continued to block subsequent Western efforts to produce a Presidential statement on Myanmar on account its harsh measures against opposition activists or repressive behaviour towards the polity.

24) A Shanghai professor was reputed to have commented to that as China had every right to use tanks to kill dissidents in the Tiananmen crisis, Myanmar also had the right to shoot demonstrators (mentioned in the speech, by Gareth Evans at the ST Engineering Distinguished Dinner Lecture in Singapore, 5 August 2008).

25) See, e.g., “U.S. considers dropping aid to Myanmar without permission,” *International Herald Tribune/Associated Press*, 8 May 2008; and “To protect sovereignty, or to protect lives?” *The Economist*, 17 May 2008, pp. 72-73.

expressed their appreciation for China's help and constantly rebutted criticisms on the nature of the relationship while denying the existence of Chinese 'influence' on Myanmar's actions. A Myanmar security analyst even propounded the view that the West regarded Myanmar as "the weak link in the regional China containment policy" being "advocated by the United States."²⁷⁾

High-level exchanges of leaders and officials (both military and civilian) between the two states have been maintained since Than Shwe's China visit in 1989: including current SPDC Chairman Senior General Than Shwe (January 1996 and January 2003), Vice-Chairman of SPDC General (now vice-senior general) Maung Aye (October 1996 and June 2000), the late Prime Minister Soe Win (February 2006) and current prime minister Thein Sein (August 2008) from the Myanmar side and President's Jiang Zemin (December 2001) Vice Premier Madam Wu Yi (2004) and Vice-Chairman of the Chinese National People's Congress Li Tieying (January 2007) from the Chinese side. A diplomatic consultation system at the vice-ministerial level was established in 1992, while

26) For example, in response to Lee Teng Hui's "recent statement" on cross-straits relations, Myanmar's foreign ministry issued a press release on 17 July 1999 reiterating the country's "full support to China's efforts to safeguard its sovereignty, dignity, and territorial integrity" adding that "Myanmar consistently abides by the 'One China Policy' and recognized Taiwan as an inalienable part of the People's Republic of China" (*New Light of Myanmar* [hereafter NLM], 17 July 1999). The foreign ministry statement issued on 11 May 1999 expressed shock and distress on learning about the "bombing" of the Chinese embassy in Belgrade by "the NATO forces" and added that "Myanmar deeply deplores this grave incident which is tantamount to violation of the UN Charter and the basic norms of the international law..." (*NLM*, 12 May 1999). In the case of the spy plane incident Myanmar's state-owned newspapers prominently carried news and comments relating to China's version of the incident.

27) Hla Min, Lt. Col., "Political Situation of Myanmar and Its Role in the Region," 27th ed. (Yangon: n.p., May 2001), p. 78.

consulate-general offices that were closed down in the aftermath of the spat in 1967 were restored with Myanmar's in Kunming in September 1993 and China's in Mandalay in August 1994.

Military and security cooperation

Myanmar's strict neutrality prevented it from soliciting military aid from the superpowers and their allies during the Cold War period.²⁸⁾ After 1988, the Western arms embargo prompted the junta to depend on China for the supply of relatively modern armaments, ostensibly on favourable terms, thereby allowing the Myanmar armed forces (MAF) to acquire some conventional war-fighting capacity. The most significant was the 1990 deal with China involving weapons and military equipment worth an estimated value of some US\$ 1.2 billion. Another agreement with PRC to supply additional weapons and equipment worth US\$ 400 million was reported in 1994.²⁹⁾ In addition to selling relatively sophisticated hardware (tanks, supersonic fighters, medium transport aircrafts, fast attack boats, missiles, artillery pieces) China has continued supplying transport and communications equipment, while facilitating the training of Myanmar personnel. It is also likely that China had supplied ordnance factories as well.³⁰⁾ It is

28) Andrew Selth, *Transforming the Tatmadaw: The Burmese Armed Forces since 1988*, Strategic and Defence Studies Centre, Australian National University (ANU), Canberra Papers on Strategy and Defence no. 113 (Canberra: ANU, 1996), pp. 14-15.

29). See, e.g., Bertil Lintner's report in *Jane's Defence Weekly*, 3 December 1994, p. 1.

30) See, e.g., Andrew Selth, *Burma's Defence Expenditure and Arms Industries*, Working Paper No. 309 Strategic and Defence Studies Centre, Australian National University (Canberra: August 1997), p. 10; and idem, *Landmines in Burma: The Military Dimension*, Working Paper No. 352 Strategic and Defence Studies Centre, Australian National University (Canberra: November 2000), pp. 10-11.

believed that the Chinese were involved in constructing military infrastructure and naval facilities but persistent claims of Chinese military involvement in intelligence-gathering activities or assisting in operational tasks has never been substantiated.³¹⁾

Thus, Myanmar's modernization drive to acquire higher capabilities beyond those necessary for traditional counter-insurgency (COIN) warfare and achieve its aims to deter foreign invasion was made possible by significant assistance from China, thereby establishing a credible defence against potential external aggression.

According to the Chinese foreign ministry web site, “[s]table military ties are maintained between the armed forces of both countries” and military leaders of both sides have kept a momentum of exchange of visits.”³²⁾ Moreover, bilateral cooperation in border security as well as non-traditional security issues such as narcotics and human trafficking had also been developed with strengthened cooperation between China’s Ministry of Public Security and Myanmar’s home ministry and anti-narcotic agencies.³³⁾

31) See, e.g., “Burma; A Dragon at the Gate,” *Asiaweek*, 14 April 1993, p. 36; William Ashton, “Chinese Naval Base: Many Rumors, Few Facts,” *Asia-Pacific Defence Reporter* (June-July 1993), p. 25; Bertil Lintner, “Burma; Enter the Dragon,” *Far Eastern Economic Review* 22 December 1994, p. 23; and Ball, op. cit., p. 224). These rumours are probably precipitated by hints dropped by ‘hawks’ in the Indian military establishment (see, e.g., Andrew Selth, “Chinese Whispers: The Great Coco Island Mystery,” *Irrawaddy* (online edition) January 2007 at www.irrawaddy.org/aviewer.asp?a=6536&z=102).

32) See www.fmprc.gov.cn/eng/4400/html.

33) See, e.g., “Myanmar Leader Meets Chinese Public Security Minister,” Xinhua, 17 January 2001, Internet posting, BurmaNet News, 18 January 2001. On the other hand, the problem of the trafficking of Kachin and other ethnic minority women to China (as brides and sex workers) seems to be on the rise there were allegations of lack of effective response by Myanmar authorities (see, e.g., “Driven Away,” a report by the Kachin Women’s Association of Thailand (KWAT), c. 2005; and the KWAT’s latest update “Eastward Bound,” August 2008).

Tourism, trade, aid and investment

Tourist arrivals from China tripled between 2004 and 2007 and in 2008 nearly 18,900 (10.7 per cent of total) Chinese tourists entered Myanmar by air, a distant second to Thai tourists.³⁴⁾

Myanmar's trade with China includes 'conventional' trading, through international gateways and border trading under a more liberal set of regulations. Myanmar-China border trade, which previously was illegal, was regularized in August 1988 by the BSPP regime. However, only in November 1988 did it become functional on the authorization of the military government. Thereafter, China became a major supplier of Myanmar's consumer products, mainly through border trade. The junta's adoption of the "open door policy" was also a boon to both categories of external trade. However, official statistics on bilateral trade are not very reliable due to continued smuggling and under-reporting with official figures representing "as little as 20 per cent of its real value."³⁵⁾

The total value of bilateral trade jumped six-and-a-half times between 1989 and 2007, from around US\$ 314 million to US\$ 2.06 billion with Myanmar suffering annual deficits all along.³⁶⁾ It is believed that that illegal exports (of timber, precious stones and other Myanmar commodities), Chinese development assistance and investments constituted the bulk of this annual shortfall.³⁷⁾ As can be

34) AFP, "25% fall in Myanmar's tourists," 6 January 2009, BurmaNet News 6 January 2009.

35) David I Steinberg, *Burma: The State of Myanmar* (Washington, D.C.: Georgetown University Press, 2001), p. 226.

36) China's trade surplus in 2007 was reported to be some US\$ 1,315 billion, See "Myanmar-China border trade fair to be held in Muse this year," Xinhua (29 September 2008).

seen from Table 2, exports to China, at nearly 11 per cent, comprised the third largest share of Myanmar's total exports in fiscal year (April to March) 2007/08 according to Myanmar official data. Once China started importing Myanmar offshore gas towards the end of this decade it could become the largest buyer of Myanmar's exports.³⁸⁾ On the other hand, Table 3 shows that imports from China constituted the largest share of Myanmar's imports in fiscal year 2007/08 at nearly 30 per cent and some 5.7 times that of imports from India.

Table 2
Ranking of Top Five Countries among Major Destinations for Myanmar Exports Selected Fiscal Years

Country	2007/08*	2000/01	1990/91
Thailand	1 (44,0)	1 (14,4)	4 (13,1)
India	2 (11,4)	2 (13,4)	2 (17,7)
China	3 (10,9)	4 (9,0)	3 (13,4)
Hong Kong(SAR)	4 (10,1)	5 (5,8)	1 (28,6)
Singapore	5 (6,3)	[7]	5 (8,4)
USA	negligible	3 (12,5)	negligible

Notes: * Provisional estimates. Figures in parentheses are corresponding shares as a percentage of total exports; and the figure in square brackets is the corresponding rank for a country falling outside the top five.

Sources: *Selected Monthly Economic Indicators*(S MEI), September 2008; *Statistical Yearbook* (SYB) 2004

37) Data are from Chinese sources. See Maung Aung Myoe *Sino-Myanmar Economic Relations Since 1988*, Asia Research Institute Working Paper Series no. 86 (April 2007), pp. 5-6.

38) Hong Kong (Special Administrative Region) imported the bulk of Myanmar's garments as well as gems and jade.

Table 3
Ranking of Top Five Countries among Major Suppliers for
Myanmar Imports Selected Fiscal Years

Country	2007/08*	2000/01	1990/91
China	1 (29.7)	4 (12.3)	1 (21.8)
Singapore	2 (24.9)	1 (24.2)	5 (9.6)
Thailand	3 (11.5)	2 (13.1)	4 (10.0)
Japan	4 (7.2)	5 (8.7)	2 (16.3)
Indonesia	5 (6.2)	[8]	negligible
India	[6]	[7]	[6]
Republic of Korea	[8]	3 (12.4)	negligible
USA	[10]	[10]	3 (12.3)

Notes: * Provisional estimates. Figures in parentheses are corresponding shares as a percentage of total imports; and figures in square brackets are corresponding ranks for countries falling outside the top five.

Sources: *SMEI*, September 2008, *SYB* 2004

These figures suggest that trade with China was a highly significant component of Myanmar's foreign trade in recent years. Furthermore, China's quest for secure energy supplies to fuel its rapid economic growth has resulted in its partnership with Myanmar in the energy sector, by signing a memorandum of understanding (MoU), in January 2006, to buy some 6.5 trillion cubic feet of offshore natural gas over 30 years beginning 2009. Myanmar apparently agreed in March 2007 to supply the entire output of the offshore Shwe gas field in the Bay of Bengal to China.³⁹⁾

The border trade with Yunnan (China's border province

three-fifth the size of Myanmar, with a population of over 42 million) forms the bulk of Myanmar-China trade. Border trade volume rapidly increased to over US\$ 100 million in fiscal year 1991/92 and over US\$ 420 million in 2004/05 from only US\$ 16 million in 1984. In recent years China had maintained the highest share (over 60 per cent) among the four border-trading countries (others are Bangladesh, India and Thailand). Myanmar, with a trading volume comprising some 15 to 18 percent of Yunnan's total foreign trade, seems to have become an important hinterland for land-locked Yunnan.⁴⁰⁾ In fact, cross-border timber imports (a significant portion being illegal) from Myanmar has become a major source of business and employment in Yunnan where "timber towns" had sprung up across the border.⁴¹⁾

Not only trade but also labour and services are involved in

39) See Sanjay Dutta, "Myanmar ditches India for China in gas deal," Times of India, 9 April 2007, reproduced in BurmaNet News, 7-9 April 2007.

40) See Maung Myint, *The International Response to the Democracy Movement in Burma since 1962* (Stockholm: Center for Pacific Asia Studies, 2000), pp. 121-22; and Maung Aung Myoe, op. cit., pp. 10, 12. Illegal trade between the two countries is believed to be quite substantial but no reliable estimate is available. Anecdotal evidence suggests this black market trade involves timber, gems and jade, endangered animals, and agro-forestry products from the Myanmar side while bicycles, motorcycles, fuel, fertilizers, industrial machinery, consumer durables, electronic goods and household goods come from the Chinese side.

41) The cross border timber trade has resulted in ecological damage in large areas of the Kachin and Northern Shan states due to deforestation., See, e.g., Global Witness, "A Choice for China: Ending the destruction of Burma's Northern frontier forests" Washington, D.C. (October 2005). For the situation on China's side, see, e.g., Fredrich Kahrl, Horst Weyerhaeuser and Su Yufang, "An Overview of the Market Chain for China's Timber Product Imports from Myanmar," report of a collaborative project by Forest Trends, Center for International Forest Research, World Agroforestry Centre and sponsored by DIFID (UK), 2005. See, also, Kachin News Group, "China resumes importing timber from northern Burma" (18 December 2008), BurmaNet News 18 December 2008 available at www.burmanet.org/news/2008/12/18/.

cross-border commercial relations between Myanmar and Yunnan. In border towns like Muse and Lwaigyai workers from both sides commute to the other side to trade and to be employed on a daily or even long term basis in construction, mining and service sectors. Yunnan has been supplying electricity to Myanmar's border towns like Muse and to the Kokang region.⁴²⁾

Apart from trade, China has been heavily involved in Myanmar's industrial and infrastructure development. With the moratorium on ODA imposed by Western states and Japan as well as Myanmar's traditional multilateral funding sources such as the World Bank and the Asian Development Bank, China stepped in to meet Myanmar's needs in modernizing its industries and rectify and expanding its infrastructure.⁴³⁾ Between 1997 and 2006 China had offered a total of Yuan 200 million in grants, US\$ 400 million and Yuan 685 million in soft loans and Yuan 10 million in debt relief to Myanmar and has become the largest ODA donor country. Another estimate showed that "the Bank of China and China Import Export Bank provided Myanmar with seller's credits worth over US\$ 1 billion" between 1991 and 2005.⁴⁴⁾ However, in the aftermath of the Cyclone Nargis' rampage, China's contribution to the humanitarian

42) See *Living Color* (Myanmar magazine), November 2002, p. 19. For some insights on cross-border movement see, Ko Waing, "News analysis of stepped up security on China-Myanmar Border and the travails of Myanmar workers," (6 August 2008), *New Era Journal* (on line in Myanmar language) available at www.khitpyaing.org/news/august08/6-8-08b.php.

43) It was probably not due to pure coincidence that China signed a broad economic and trade cooperation agreement in May 1997 soon after the United States imposed sanctions on investment in Myanmar.

44) Zhao Hong, "China and India Courting Myanmar for Good Relations," EAI Background Brief No. 360 (December 2007), pp. 5-6.

assistance fund at US\$ 5.3 million (as at 4 August 2008) constituting just 1.6 per cent of the total was not very impressive given the scale of the disaster.⁴⁵⁾

For both strategic and economic reasons Myanmar's military junta had, since the early 1990s, embarked upon an ambitious program of building roads, bridges, dams, hydroelectric schemes, and import-substituting state-owned industries. Severe constraints on human and financial resources had led Myanmar to heavily rely on Chinese expertise and ODA-linked imports of machinery and equipment.⁴⁶⁾ Seven out of eight ongoing large (more than 50 megawatts or MW) hydroelectric power projects have Chinese contractors. So did all five completed projects, under military rule, with capacities greater than 10 MW.⁴⁷⁾ China has been involved in establishing state-owned enterprises such as sugar and textile factories, plywood plant, cement plant, rice mill, coal-fired power plant, pulp and paper mill, mobile liquefied petroleum gas plants, agriculture equipment plant and other light industrial factories. China also provided coastal liners, irrigation pumps, construction materials, an auto telephone exchange, and a

45) This could be due to Beijing's preoccupation with its own disaster in the form of a massive earthquake that occurred within a week after Nargis as well as its massive effort to ensure the success of the Beijing Olympics scheduled for 8 August. Myanmar's total loss of damage and production was estimated by the United Nations to be some US\$ 4 billion. (see "Post-Nargis Joint Assessment," a report, prepared by the Tripartite Core Group [Myanmar Government, ASEAN and United Nations], July 2008).

46) For example, in August 1998 China announced that it would supply equipment worth US\$ 250 million for Myanmar's largest hydroelectric power project. In September 2000 an agreement extending US\$ 120 million credit by the Bank of China for the same project was revealed (www.irrawaddy.org/res/china.html).

47) See Maung Aung Myoe, *op. cit.*, pp. 25, 39.

satellite ground station, Construction of the Yangon-Thanyin Bridge, Mandalay International Airport, and upgrading of roads near the Myanmar-Yunnan border were carried out with Chinese assistance.

Myanmar's private sector also found China a cheaper and quicker source of machinery and equipment. Some of the ethnic cease-fire groups (officially 17 altogether) that went into business in the second half of the 1990s also have ethnic, financial and logistic links with Yunnan and China.

China's investment in Myanmar is difficult to assess as many of them have been localized or indirect ventures that do not go through the rigorous procedures stipulated by the national-level Myanmar Investment Commission (MIC). According to the MIC figures only US\$ 1,33 billion (some US\$ 856 million in mining, 163 million in oil and gas and 281 million in hydroelectric power) worth of 28 projects from China were approved up to September 2008 (out of a total approval of around US\$ 16 billion) ranking fourth among investing countries. Major investments are in mining (mainly gems, copper and nickel), hydroelectricity (Thanlwin River) oil and gas (8 offshore and 7 onshore blocks up to September 2008) and industrial estates (in Thanlyin across Yangon and another planned in Rakhine State). The most significant energy project announced by China in November 2008 is the overland pipeline (some 2,400 kilometres long at an estimated cost of up to US\$ 2,5 billion) from a deep seaport in Myanmar's western Rakhine State to Yunnan carrying oil and gas from the Bay of Bengal thereby bypassing the congested Malacca Straits.⁴⁸⁾

Socio-cultural linkages

The close bilateral relationship between Myanmar and China has led to an expanded movement of people between the two countries. Cross-border visits and migration appeared to have risen significantly. This has affected the socio-cultural fabric of Myanmar. Border towns exhibit Chinese influence in architecture, *lingua franca*, fashion, music, leisure, entertainment, and currency usage. The governments on both sides had also been encouraging cultural interactions across the border.⁴⁹⁾ The Chinese New Year celebration that had been a low key family-centred affair for nearly three decades has been accorded public prominence in recent years and Chinese customs and rituals have been openly carried out in social gatherings, weddings and socio-culture celebrations. Chinese newsletters and serial publications have appeared in border towns and the government allowed the publication of two local Chinese newspapers in 1998. Problems of gambling, narcotics abuse, and prostitution as well as HIV/AIDS and criminal activities have arisen.⁵⁰⁾

However, the more controversial issue is the implications of alleged massive Chinese migration since the early 1990s. Though the

48) See *ibid.*, pp. 15-17, 37; and also AFP, "China to build new oil, gas pipeline across Myanmar" (19 November 2008), reproduced in BurmaNet News, 19 November 2008.

49) For example, since 2000 an annual cross-border festival endorsed by district level officials from both countries and celebrating China-Myanmar friendship and fraternal sibling relations have been staged for 3 days at Shweli (in China).

50) Personal observations and communications. See, also, Barry Wain, "What Recession? Border Town in Myanmar Finds Muse in Commerce" *Asian Wall Street Journal*, 15 June 1999 and Doug J Porter, "Wheeling and Dealing, HIV/AIDS and Development on the Shan State Borders," unpublished research report, Canberra, Australian National University, October 1994.

last national census in 1983 showed that only 0.7 per cent of the population to be Chinese, there had been indications of substantial Chinese influx into Myanmar across the border from Yunnan. There was some evidence that the population of towns near the Myanmar-China border had disproportionately increased when compared to the provincial average.⁵¹⁾ Although internal migration due to the ‘pull factor’ of these areas with high economic activities must have been a significant contributing factor, Chinese migration is also highly plausible and cannot be ruled out.⁵²⁾ A seasoned Myanmar watcher warned that “[m]uch of the economy has moved into Chinese hands with dire consequences for social unrest.” It was also pointed out that “Mandalay, the seat of Burman [Bamar] culture is said to have 200,000 recently [1990s] arrived Yunnanese Chinese out of a population of one million.” Moreover, the estimate for Chinese migrants into “Northern Burma” ranged from “several hundred thousands to over one million.”⁵³⁾ Though the extent of unhappiness among the locals over the apparent ‘overbearing’ presence of migrant Chinese in urban and rural Myanmar is unknown there is no doubt that the migrant issue is a cause for concern. However, the government had never acknowledged

51) Ibid., Table 7, p. 22.

52) In fact, 46 per cent (over 2,900) of the population of Lwajiai (a Kachin border town officially established in 1999) was found to be Chinese (Kyaw Yin Myint, “Lwaigyai, Tayoke Myanmar Neigyar Winbuak Myo” [Lwaigyai: Entry-point Town at the China Myanmar Border], *Dhana* magazine January 2002, Table 1, p. 39).

53) See David I Steinberg, “The United States and Its Allies: The Problem of Burma/Myanmar Policy” in *Contemporary Southeast Asia*, vol. 29, no. 2 (2007), pp. 227-28. The Chinese Embassy reportedly had estimated that there could be around 1.5 million Chinese in Myanmar in 2005 (Zhao Hong, “China and India Courting Myanmar for Good Relations,” EAI Background Brief No. 360 (6 December 2007), Singapore, East Asia Institute, p. 16.

the issue of Chinese migration as a serious problem. In fact, there has not been any discussion of this issue in Myanmar, either in the media (both private and state) or in academic and official circles.

Conclusion: Transforming the Relationship: Towards Interdependence?

Historically, Myanmar has been the junior partner in the *paukphaw* relationship with China. Under the military junta this relationship has further developed into the closest ever in history driven by a convergence of interests under pressures from the West whose apparent agenda of promoting human rights and exporting liberal democracy goes against the grain of both states.

Myanmar has gained substantially from this relationship both materially and diplomatically. Myanmar's quest for modernizing its armed forces would not have been realized without China's assistance. Myanmar's economy, deprived of ODA and constrained by sanctions, has become quite dependent upon China. China's moral and diplomatic support had not only shielded the Myanmar regime from Western pressures and but also enhanced Myanmar's diplomatic bargaining power in relations with regional states and the international community.⁵⁴⁾

54) The successful use of "China card" in acquiring favourable treatment by Japan, India and ASEAN states have been the subject of speculation by Myanmar watchers. See, e.g., Ang Cheng Guan, "Myanmar: Time for a Unified Approach," *Security Dialogue* 32, no. 4 (2001): 467-80; and Mohan Malik, "Burma's Role in Regional Security," in Burma Myanmar: *Strong Regime Weak State*, ed. Morten B. Pedersen, Emily Rudland and Ronald J. May (Adelaide: Crawford House, 2000): 241-77.

Many observers of strategic affairs in the Asia-Pacific point out that there have been regional concerns over China's potential strategic reach into the Bay of Bengal and Malacca Straits through its participation in building and maintaining Myanmar's military and transport infrastructure; especially the planned road, rail and river network connecting Yunnan with northern and western Myanmar.⁵⁵⁾

Myanmar's closeness to China is seen by some as deviating from its long-standing policy of non-alignment or as a manifestation of Beijing's attempt to draw Myanmar "tightly into its sphere of influence" to "satisfy its own 'great power' ambitions."⁵⁶⁾ Myanmar has been described as a "de facto Chinese client state," "a virtual Chinese satellite," and "a critical nexus in the China-Indian connection [regional rivalry]."⁵⁷⁾ However Myanmar authorities have consistently denied any Chinese military presence in Myanmar or establishing a strategic alliance in China's favour.⁵⁸⁾ Instead there are signs that Myanmar is diversifying in weapon purchases and has been slow in realizing the Irrawaddy transport infrastructure network project supposedly agreed upon as far back as 1997.⁵⁹⁾ Moreover,

55) See, e.g., Rodney Tasker and Bertil Lintner, "Danger: Road Works Ahead," *Far Eastern Economic Review* 21 December 2000, pp. 26-27; Ball, op. cit., pp. 2219-24; and Steinberg, op. cit., pp. 229-30, 233-34.

56) Malik, op. cit., p. 271.

57) Maung Myint, op. cit., p. 127; Anthony Davis, "Burma Casts Wary Eye on China," *Jane's Intelligence Review*, 1 June 1999, posted on internet BurmaNet News, dated 6 August 1999; and Steinberg, op. cit., p. 226.

58) For refutations of Chinese military presence in Myanmar, see, e.g., Andre Selth, "Burma's Coco Islands: Rumors and Realities in the Indian Ocean," Southeast Asia Research Centre Working Paper Series, No. 101, 2008, Hong Kong, City University of Hong Kong; and id., "Burma, China and the Myth of Military Bases," *Asian Security*, 3, no. 3 (2007): 279-307.

given Myanmar's high regard for on self-reliance, independent action and ethnic pride underpinning its "strategic culture" it is highly unlikely that highly nationalistic Myanmar would allow itself to be drawn into China's orbit to the extent that it may be regarded as a "satellite" or "client."⁶⁰ Myanmar has been trying to diversify its economic partners and reduce its economic dependency on China by engaging India and Russia which have invested in infrastructure development, mega hydropower projects as well as exploration of oil and gas.⁶¹ On the other hand, Myanmar's growing energy sector and the state's industrialization effort seem to be increasingly dependent upon Chinese financial assistance and technology. Overall, there is no doubt whatsoever that China is regarded by Myanmar as an important and reliable ally in strategic, political and economic terms. This does not, however, prevent Myanmar from playing off China against India capitalizing on their traditional rivalry and insatiable appetite for natural resources (especially energy) and to maximize its economic gains though China usually gets the upper hand.⁶²

Meanwhile, China, with its preference for order, stability and

59) See, e.g., Davis, op. cit.; and idem., "China's Shadow," *Asiaweek*, 28 May 1999, pp. 30-34. In late 2001 Myanmar reportedly bought about a dozen MiG 29s from Russia instead of buying more Chinese jets.

60) For an elaboration of Myanmar's strategic culture, see idem., "Myanmar: Myanmar-ness and Realism in Historical Perspective" in *Strategic Cultures in the Asia-Pacific Region*, ed. Ken Booth and Russell Troad (Basingstoke and London: Macmillan, 1999), pp. 165-81.

61) Russia is involved in gold and mineral exploration and onshore oil exploration, while India is committed to two large hydropower projects in the Chindwin river and port and infrastructure development in the Rakhine state and stakes in offshore gas production from a giant field off the Rakhine coast.

continuity in its neighbourhood and weary of having to contend with an 'arc of democracy', also seem reluctant to push for a drastic change in Myanmar.⁶³ It is in its national interest to have an authoritarian regime rather than a liberal democratic regime next door. As such, its "current and future policy toward" the southern neighbour "is, and will be, based on economic cooperation, long-term strategy and national security."⁶⁴ However, its leaders being cognizant of the imperatives of globalization and conscious of prevailing international trends probably prefer a predictable gradual change towards constitutional rule in Myanmar rather than risk upsetting the status quo by pushing for rapid change. However, it is noteworthy that China's Ambassador Wang Guangya on 12 January 2007 at the UNSC called upon the Myanmar government "to listen to the call of its own people, learn from the good practice of others and speed up the process of dialogue and reform." This was interpreted by a seasoned observer (a retired diplomat) who wrote that the defeated UNSC motion had "been a blessing in disguise ... allowing the Chinese to give vent in public to

62) India's desire to enhance energy security, secure its Eastern borders and "look east" economically has been exploited by Myanmar to garner aid and investments as well as non-strategic military equipment. However, India cannot match China with its Permanent Five status and long-standing political support of the regime. See, e.g., Krishnan Srinivasan, "The absent neighbour: China looms large in every aspect of India's Myanmar policy," *The Telegraph (India)*, (5 November 2008), in BurmaNet News, 5 November 2008; and Salai Pi Pi, "Indian Vice President to visit Burma to strengthen bilateral relation," Mizzima News (16 January 2009), in BurmaNet News, 16 January 2009.

63) See, e.g., "Myanmar top leader meets Chinese NPC Vice-Chairman," Xinhua, 23 January 2007, reproduced in BurmaNet News, 23 January 2007.

64) Chenyang Li, "Myanmar/Burma's Political Development and China-Myanmar relations in the Aftermath of the 'Saffron Revolution,'" in *Myanmar/Burma: Challenges and Perspectives*, ed. Xiaolin Guo (Stockholm: Institute for Security and Development Policy, 2008), p. 127.

their own frustrations about their recalcitrant neighbour.”⁶⁵⁾

Despite China’s apparent influence over Myanmar due to its political, diplomatic, and economic support for the military regime confronted with relentless pressures for the West and international NGOs on almost all fronts it is plausible that Myanmar’s military leaders are trying to overcome the dependency syndrome and working towards a more interdependent relationship by engaging India the other regional giant which appears to be increasingly willing to offer itself as an alternative source of aid, trade (see Table 2 above) and investment as well as diplomatic support.⁶⁶⁾ Moreover as Myanmar has amassed an unprecedented foreign exchange reserves of some US\$ 3 billion through a persistent trade surplus in recent years, it enjoys a much more favourable hard currency situation than before thereby boosting its leaders’ confidence in becoming economically more independent of China or any other country. Moreover by contributing towards China’s rising energy needs through a long term assurance of a stable supply of natural gas, Myanmar could enhance its standing with China in the near future. Furthermore, with its democracy road map apparently

65) Derek Tonkin, “Burmese Perspectives: Changing the Debate,” 25 March 2007 (personal communications); and Christopher Smith, “Give China a chance,” Mizzima News, 14 March 2007, reproduced in BurmaNet News, 14 March 2007. China had not been known to exert pressure on the military regime regarding the ‘national reconciliation’ process and had always supported the United Nations Secretary General’s initiatives and ASEAN’s ‘constructive engagement’.

66) See Zhao Hong, op. cit. and Marie Lall, “Indo-Myanmar Relations in the Era of Pipeline Diplomacy”, *Contemporary Southeast Asia* 28, no. 3 (2006): 424-48.

on track after an overwhelming 'yes' vote for its new constitution in the May referendum, the SPDC may be hoping that, come 2010, successful elections to establish a civilian constitutional government would diminish the need for Chinese support in international diplomacy, notwithstanding the possibility of continuing Western intransigence. Whether Myanmar could really wean itself from being dependent on China and transform its relationship to an interdependent one remains to be seen.

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