

## China's Quest for Asia

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DECEMBER 30, 2004, was hardly a proud moment for China, Asia's rising superpower. On that day, China's Foreign Ministry spokesman, Liu Jianchao, announced \$2.7 million in disaster relief to victims of the great Sumatran tsunami that killed hundreds of thousands of people and wiped out hundreds of towns along the western coast of the Indonesian island. Liu was understandably a bit defensive as foreign reporters peppered him with questions about the minimal aid amount. "China is a developing country," he offered. "We have a population of 1.3 billion. China's per capita GDP is still very low." The \$2.7 million was, he explained, "equivalent to the annual income of 20,000 farmers."

While for the next several days the United States, Japan, Europe, Australia, and Canada continued to escalate their tsunami aid packages to an eventual total of over \$4 billion, China was playing aid catch-up ball with rival Taiwan, which had started off the week with a generous pledge of \$50 million. By mid-January China had pledged about \$63 million, though Taiwan's relief teams were far more visible in the stricken areas than China's. Chinese aid efforts were dwarfed by the fleets of U.S. helicopters ferrying vast cargoes of medical, food, and construction supplies from American aircraft carriers and support ships anchored in the hazy distance directly to needy masses of refugees ashore.

Unsurprisingly, this was not an image that was seen in China. China's official Xinhua news agency breathlessly reported that Indonesians were emotionally overwhelmed by China's aid. On January 2, a week after the tidal wave, a Sumatran refugee named "Awada," who drove an ambulance for a team of Chinese medics, was moved to proclaim, "China, in my heart, is a great nation!" These words (complete with exclamation point) comprised the headline at the top of the international news page on the January 3, 2005 *People's Daily*. Despite the fact that China's meager contributions excluded them from the international "core group" of tsunami aid donors, Chinese readers were left with the rosy impression that their country was "a major humanitarian aid power."

To the rest of Southeast Asia, reported the *New York Times* (January 4, 2005), the huge American, Japanese, and European aid campaigns were "a reminder that the world's most populous country is still far from being the dominant power in Asia." Added the *Washington Post* (January 5, 2005), "the response has also underscored the limitations of China — a fast-growing economic powerhouse that nevertheless has not been able to offer anywhere near the amount of aid provided by Japan, the United States or Britain."

All true. But anyone who concluded from the *Times* and *Post* accounts that in 2005, China was merely a bit player in Southeast Asia — or anywhere else in the world — would be dead wrong. Beijing's political leaders know that superpowers aren't measured by their foreign aid budgets, or by their economies. They are measured by their ability to use their comprehensive national power — economic, political, and above all military — to gain the obeisance of their neighbors and their regional and global rivals.

## Asian superpower

IT SEEMS THAT the United States may already have resigned itself to China's imminent emergence as a "military superpower" — the term Secretary of State Condoleezza Rice used to describe it in a June 29, 2005 interview with the *Wall Street Journal*. For regardless of the niggardliness of its Tsunami aid effort, China is now the dominant power in Southeast Asia.

How it became so should yield insights into its strategies for the rest of the globe.

In his National Security Strategy paper of September 2002, President Bush announced, “We must build and maintain our defenses beyond challenge,” an unmistakable declaration that U.S. defenses must be so awesome that no other country would even “challenge” them. At the same time, he pledged that he would be “attentive to the possible renewal of old patterns of great power competition. Several potential great powers are now in the midst of internal transition — most importantly Russia, India, and China.” And while he was hopeful about Russia and India, he could only admit that “China’s leaders have not yet made the next series of fundamental choices about the character of their state.”

In the latter months of 2005, the Bush administration remains agnostic on China’s direction. It is clear that China has no intention of competing with the United States in the global humanitarian aid sector, which in itself says volumes about the “character of their state.” Benevolence is not a quality that comes to mind as one ponders Beijing’s support for some of the world’s most despicable tyrants — from North Korea’s Kim Jong-il to Zimbabwe’s Mugabe, from Uzbekistan’s Karimov to the mullahs of Teheran and the genocidal regime in Khartoum — or notes that China’s closest ally in Southeast Asia has been the Burmese junta in Rangoon.

No doubt Chinese strategists believe countries like Sweden, Canada, and Denmark are more suited to compassionate policies. For a rising superpower in Asia, as Machiavelli noted in a different context in *The Prince*, “it is much safer to be feared than loved” because “men have less scruple in offending one who is beloved than one who is feared, for love is preserved by the link of obligation which, owing to the baseness of men, is broken at every opportunity for their advantage; but fear preserves you by a dread of punishment which never fails.”

One reason the United States is losing influence in Southeast Asia is because it is no longer feared. Of course, it isn’t much loved, either. Though its humanitarian compassion seems to be taken for granted — Americans can always be counted on to help in a disaster or crisis — its attention has been distracted from the region by military and terrorist challenges in the Middle East and nuclear blackmail from North Korea.

From a geostrategic standpoint, strong countries surround China. Japan and Korea lie to the east, Russia to the north, India to the west. The only outlet for Chinese imperial ambitions is Southeast Asia. Most Southeast Asians understand that China is rapidly becoming the predominant power in the region and already behave accordingly. Beijing’s diplomats have effectively translated China’s burgeoning economic clout into political influence, leaving in question the U.S. role in and commitment to the region, even with its traditional allies and friends.

If the United States hopes to avoid the emergence of a Beijing-dominated Southeast Asia and to shore up its eroding influence, Washington must quickly and firmly reengage the region on the diplomatic, economic, and defense fronts. Specifically, Washington must give priority to new free trade agreements (FTAs) in the region, to fuller participation and leadership in other pacts such as the Asia Pacific Economic Cooperation (APEC) forum and the ASEAN Regional Forum (ARF), and to stronger bilateral anti-terrorism and disaster relief cooperation.

Singapore’s Senior Minister Goh Chok-Tong has publicly chided the U.S. for its disengagement from Southeast Asia. He noted in a June 9 speech that in the past decade China has successfully launched 27 separate ASEAN-China mechanisms at different levels, while 28 years after the U.S.-ASEAN dialogue was formalized in 1977, “there are currently only seven U.S.-ASEAN bodies and they meet only infrequently.”

The Pentagon and State Department must develop a toolbox of carrots and sticks to convince Southeast Asia that America is committed to President Bush’s goal of the “global expansion of democracy” and intends to defend its interests and those of its allies and friends in the region. The U.S. still maintains considerable influence in international development aid but, unlike China, has been reluctant to mix politics and economics. This reluctance should be reexamined. Judicious placement of U.S. military and naval assets, in consultation with allies, during times of predictable crisis — such as the East Timor violence in 1999, tensions in the Taiwan Strait, piracy in the Straits of Malacca, and political demonstrations in Burma — would reassure the region of America’s continued importance to its stability.

On the diplomatic front, the United States must reestablish cabinet-level strategic dialogues with America’s two senior allies in Asia, Japan and Australia, both essential to Southeast Asia’s security and prosperity. Also, the high-level “global dialogue” that Deputy Secretary of State Robert Zoellick opened with China in August 2005 should be managed at a lower level.

# What Beijing wants

**I**N EARLY 2000, Condoleezza Rice wrote, “China resents the role of the United States in the Asia-Pacific Region. This means that China is not a ‘status quo’ power but one that would like to alter Asia’s balance of power in its own favor. That alone makes it a strategic competitor, not the ‘strategic partner’ the Clinton administration once called it.”<sup>1</sup>

While Dr. Rice has become a bit less direct in her locution during her tenure as secretary of state, her observation remains valid. Johns Hopkins professor Francis Fukuyama, writing in the *Wall Street Journal* (March 1, 2005), sees a similar trend in China’s ambitions: “The Chinese know what they are doing: Over the long run, they want to organize East Asia in a way that puts them in the center of regional politics. They can succeed where [then-Malaysian Prime Minister Mohammed] Mahathir failed because they are an economic powerhouse capable of doling out favors.” Of course, they can also mete out sanctions.

In the view of numerous analysts, a desire to demonstrate to Asia that China, not Japan, is the dominant regional power was the animating force behind the government-organized anti-Japanese riots and boycotts of Japanese goods in the spring of 2005. It is clear that Beijing intends to become the predominant force in Southeast Asia by constructing a framework of relationships that place Beijing in positions of leadership and influence while isolating the United States from its traditional role and its allies in the region.

## The Sino-Southeast Asia trade bloc

**A**T A BEIJING-INSPIRED summit meeting in Vientiane, Laos, in November 2004, China, Japan, South Korea and the ten member states of the Association of Southeast Asian Nations reached a consensus on an “ASEAN+3” trade framework in Asia. Although Tokyo initially resisted Beijing’s moves, there was a lack of interest at the State Department, Japanese diplomats have told us. Secretary Powell and his top Asianist, Deputy Secretary Richard Armitage, had announced their impending resignations and were busily proclaiming their successes in relations with China. The inclination at Foggy Bottom was not to antagonize the Chinese over something as trivial as a regional trade bloc.

Inattention in Washington impelled the Japanese diplomats in Vientiane to pin their hopes on ASEAN’s largest member, Indonesia, to stop the Chinese juggernaut. But Indonesian President Susilo Bambang Yudhoyono, himself a novice on the regional stage, refused to take the lead, and no other ASEAN member was willing to challenge Beijing’s overtures.

The outcome of the Vientiane summit startled even the Japanese. China proposed an entirely new “East Asia Summit” (EAS) framework as a forum for regional security issues that pointedly excluded the United States and Australia. It was as if China had pulled the wooden stake from the heart of Mahathir’s 1990 “East Asian Economic Caucus” proposal — his notorious “caucus without the Caucasians” — with the resulting monster even more hostile to U.S. participation in Southeast Asian affairs than Mahathir’s initial vision.

The new EAS architecture came in the form of China’s proposed Free Trade Area with ASEAN countries, which invited each ASEAN nation to negotiate separately with China rather than have ASEAN as a unit do so. This individual negotiation structure enabled Beijing to “divide and conquer” the ASEAN states, with the pro-China countries (of which Thailand is the most prominent) moving ahead with separate deals and others, like Malaysia and Vietnam, going along because they fear Chinese retaliation.

In essence, the China-ASEAN Free Trade Zone (FTZ) grants a period of duty-free entry for the individual ASEAN country’s goods into the Chinese market — generally a three-year period known as “early harvest” — after which Chinese goods will have reciprocal free entry. As one ASEAN diplomat pointed out in 2003, this means that an ASEAN partner will be granted three years to compete in China’s market in those raw materials, agricultural products, and minerals which China does not produce, but will not be able to compete in manufactured items because Chinese domestic products are less expensive across the board. After the “early harvest” period, however, China’s manufactured goods will have full tariff-free access to the markets of its Southeast Asian partner, access which will result in a predictable demise of the partner’s industrial competitiveness.

While this may make sense in a strict *Wealth of Nations* sense, the ultimate effect will be China’s industrial dominance in Southeast Asia, with the individual ASEAN partners reduced to providing China

with non-manufactured goods. Singaporean Prime Minister Goh Chok-Tong, looking for a silver lining to Chinese economic predominance in the region, suggested that ASEAN use the challenge as a “time for action,” adding that this is the moment to adapt to meet the change and to realize regional economic integration.

Although Japan agreed to the inauguration of an East Asia Summit (EAS) framework without the United States, Japanese diplomats say unofficially that Tokyo did warn Washington of the danger of China’s moves to include military and security issues in the trade structure, to no avail. According to one Japanese diplomat, Tokyo attempted to keep the draft agenda of the first EAS session (scheduled for December 2005) focused on economics and trade, but the Chinese state media surprised the Japanese by announcing that “in the near future, there will also be talks on the development of political cooperation and also some military cooperation.”

Japan is already alarmed by the sudden shift in EAS goals. To many Japanese observers, the EAS will be a watershed in Asian geopolitics. How the EAS develops in the years beyond 2005 will determine whether the East Asian Community will be a large “C” European Union-style Community or a small “c” community, which involves dialogue and consultation but respects the independence of the individual members and encourages flexible cooperation.

## The China-ASEAN security relationship

**A**SEAN COUNTRIES ALREADY have a number of security forums and alliances, and the series of initiatives China is proposing appears designed to increase Beijing’s influence over the region’s network of security relationships — and decrease America’s.

Current security conferences include the ASEAN Regional Forum (ARF), a foreign ministers conference that discusses regional security issues, and the Shangri-la Dialogue, an annual security forum for defense ministers organized by the International Institute for Strategic Studies in London. China is invited to attend both of these conferences, but it stopped attending the Shangri-La Dialogue in 2004, apparently because it believed Asian countries, not Western countries, should lead regional-security mechanisms.

In November 2003, China circulated a concept paper at ARF that proposed an ARF Security Policy Conference, which involves the member states’ vice minister-level defense and security officials. The first meeting of the new conference was held in Beijing in November 2004 and the second in Vientiane, Laos in May 2005. Although the Conference nominally invites all current members of ARF, many regional observers interpret the new proposal as an attempt by Beijing to gain control over ARF. Like its proposals for ASEAN+3, the China-ASEAN Free Trade Zone, and the Asia Europe Meeting (ASEM), the ARF Security Policy Conference is another instrument of Chinese hegemony.

China is also expanding military-to-military relationships in Southeast Asia. Beijing has developed a number of military-to-military initiatives, including joint military and maritime rescue exercises with Australia, the Philippines, Thailand, India, and Japan; training ASEAN officers at China’s People’s Liberation Army (PLA) military courses; and Chinese-language training for Philippine military officers. Singapore hosted a 14-nation joint sea exercise that included most of the ASEAN countries and China.

In contrast to China’s focused expansion of diplomatic and security relations with Southeast Asia, the U.S. is actively downgrading the security relationship with ASEAN countries. Despite the fact that no secretary of state had missed an ARF meeting since 1982, at her first opportunity to attend, Secretary Rice skipped the July 25–29, 2005 meeting in Laos, sending her deputy in her place.

Delighted, the Chinese took the opportunity to marginalize the Vientiane ARF when it rolled around at the end of July. While the ASEAN foreign ministers made do without the company of their U.S., Japanese, and Indian counterparts, Chinese Foreign Minister Li Zhaoxing’s presence in Vientiane was conspicuous. He attended separate one-on-one sessions with each of the ten ASEAN foreign ministers and joined the ASEAN+3 forum with diplomats from Japan and South Korea. But he left the Laotian capital at the opening of the ARF meeting, which included ministers from Australia, Canada, New Zealand, and of course the U.S. deputy secretary of state. Savvy diplomatic observers saw Minister Li’s snub of the ARF as a clear signal of China’s disdain for Asian security meetings that included “non-Asians.”

Rather than grip-and-grin with the non-Asian diplomats, Foreign Minister Li flew directly to Burma as soon as the ARF began. Burma had been pressured to abdicate the chairmanship of ASEAN for the ARF session in order to appease American sensibilities over human rights, and China’s foreign minister found it more politic to tend to his Burmese allies than to dignify the ARF with his presence.

After dealing with the intense “non-Asian” concerns about Burmese repression and Muslim terror, some ASEAN leaders — maybe most — found that their collective blood pressure eased with China’s insouciant attitude. And if they were going to be lectured to about these matters, the ASEANs would prefer that it come from Secretary Rice herself, and not a lesser official. Confirming ASEAN suspicions about America’s attitude toward the region, there was no American representation at the ASEAN Economic Ministers meeting in September. An event normally attended by the United States Trade Representative, in 2005 it was not downgraded but ignored. The ASEANs are beginning to think Washington neither values them nor is angry with them. It seems Washington just places a low priority on relations with Southeast Asia.

## Australia targeted

**N**OT ONLY DO Southeast Asians feel a bit neglected, but Australia, a prominent Pacific democracy and America’s most reliable ally in the region, has found its patience strained. In March, one independent Sydney pollster detected slippage in Australians’ traditional fondness for the United States while esteem for China seems to be rising. Increasing trade ties with China have worked to dampen the enthusiasm of Australia’s business sector for the Australia-New Zealand-U.S. Security (ANZUS) Treaty. Despite the conclusion of a U.S.-Australia Free Trade Agreement in 2004,<sup>2</sup> the sudden ballooning of Australia’s trade with China — which made China Australia’s fourth largest export market in 2004 — has given Beijing diplomatic leverage.

In October 2003, just a day after unhappy opposition members hooted President George W. Bush while he was addressing Australia’s Parliament, Chinese President Hu Jintao addressed the Australian Senate with assurances that China “wants to become Australia’s long-term economic partner as trade ties enter a new era.” He then followed up by signing the biggest single trade deal in Australian history, a 25-year natural gas supply contract worth U.S. \$21.7 billion. In 2004, Chinese steel mills were dangling the prospect of a U.S. \$9 billion, 25-year iron ore supply contract in front of Australia’s top mining concern, BHP Billiton. Throughout 2004 and 2005, China pursued additional trade contracts for — of all things — uranium. Australia does not sell fissionable materials to China because of Beijing’s marked disregard for international nonproliferation restrictions. Yet, when Chinese officials approached Canberra about purchasing refined uranium for power purposes, the Australians showed considerable interest. As negotiations continue, it is clear that Australia is less concerned about proliferation than it is desirous of good trade relations with China.

And no wonder. By July 2005, China had overtaken Japan as Australia’s largest source of imports in East Asia, with Australia importing U.S. \$14.3 billion in Chinese goods in 2004. And while Japan remained Australia’s biggest export market, Australia increased its exports to China by 21 percent, mostly due to increased Chinese demand for iron ore, coal, and wool.

It was understandable, then, that Australian politicians began to be somewhat vague on the nature of their alliance relationship with the United States when talk turned to China, Taiwan and the like. In May 2004, one former Labor minister, John Kerin, spelled out the dilemma. If China responded to “Taiwan’s latest push for independence with an invasion and the US retaliated, this would be a ‘disaster’ for Australia,” he wrote in the *Weekend Australian* (May 8–9, 2004). “Australia faced an unpalatable choice: say no to the US and ‘irreparably’ damage the alliance, or say yes and have billions of dollars in investment in natural gas and resources wiped by China in a post-conflict phase.”

Indeed, Australia was sending mixed signals to both Beijing and Washington about its commitment to the ANZUS alliance in a Taiwan contingency, and the Australian press commented extensively on the issue throughout the summer of 2004. Finally, Prime Minister John Howard felt obliged to clear the air in August, saying, “America has no more reliable ally than Australia and I am not ashamed to say that, but we have interests in Asia. We have a separate strong growing relationship with China, and it is not in Australia’s interests for there to be conflict between America and China.”

China’s tactics were finally bearing fruit. Trade had become a wedge issue between Australia and the United States, and by deftly manipulating Australian media perceptions of China’s increasing stake in Australia’s economy, Beijing began to create fissures in the ANZUS treaty.

Beijing recognizes the importance of Australia to the Trans-Pacific alignment of Asian democracies and has tried its wedge strategy on Canberra with some success. On the heels of China’s announcement on March 8, 2005 of an “Anti-Secession” law, whereby Beijing notified the international community that it has the right to attack democratic Taiwan, a top Chinese official visited Australia and demanded that Australia amend its 50-year-old alliance with the United States, specifically to recognize China’s territorial claims to

democratic Taiwan.<sup>3</sup>

The Chinese Foreign Ministry's top Pacific policy official, He Yafei, told the *Australian* (March 8, 2005), "if there were any move by Australia and the United States in terms of that alliance [ANZUS Treaty] that is detrimental to peace and stability in Asia, then it [Australia] has to be very careful," and added that this was "especially so" in the case of Taiwan.

Immediately following He's remarks, Australia's Foreign Ministry released a statement asserting that Australia had no intention of amending any facet of the treaty with America and that the alliance remains strong. In general, Beijing is careful to keep its negative messages to Canberra at a minimum, as it finds that offering attractive trade inducements is a more effective way to gain friends and influence people there.

Clearly not satisfied with Australian obeisance, in April 2005, Beijing tried carrots and sticks to influence Canberra's foreign policy. Australian Prime Minister John Howard traveled to China that month, where Beijing offered a bilateral free trade agreement, the first ever with a developed country. To Howard's credit, he made no concession to China on Taiwan policy during the visit. Furthermore, encouraged by Indonesia and Malaysia, Howard declared Australia's interest in participating in the East Asia Summit (EAS). China's reaction was negative. Howard told reporters, "It's fair to say that the Premier expressed stronger views about Australia's participation than had previously been expressed by China," but declined to elaborate. Later, according to a report in the *Sydney Morning Herald* (April 20, 2005), an Australian official complained, "the Chinese haven't lifted a finger to help us," and another admitted, "deep down, the Chinese would rather we weren't there." Australia did eventually gain an invitation to the EAS, but only because of support from the ASEAN countries.

Despite the marginal policy successes with Canberra, the fact that Beijing feels able to challenge Australia's alliance with the United States, steeped as it is in shared national experiences, is clear evidence that China is now a confident regional power and judges that neither America nor Australia has the resolve to face it down.

## Singapore under pressure

**I**N JANUARY 2001, Singapore's Changi Naval Base berthed the aircraft carrier USS *Kitty Hawk*. It was the first time a U.S. carrier had had access to port facilities in Southeast Asia since the United States had closed its naval base at Subic Bay in the Philippines in 1992. At the time, Singapore's move was seen as an effort to align itself with the United States in the face of a growing Chinese military posture in the region. By 2004, China had begun to pressure Singapore over its long-standing military cooperation with Taiwan and, indirectly, for its security relationship with the United States.

In July 2004, Singapore's Prime Minister-designate, Lee Hsien-loong (son of former Prime Minister, now Senior Minister, Lee Kuan Yew), visited Taiwan as a private citizen. China, breaking with all earlier practice, formally protested the visit and threatened massive economic sanctions if the new prime minister did not immediately apologize for his transgression and promise not to repeat it. While he initially resisted, Lee quickly relented when China cancelled a major Singapore trade show in Shanghai. Within a month, he was forced to state publicly that "if a war breaks out across the straits, we will be forced to choose between the two sides. . . . But if the conflict is provoked by Taiwan, then Singapore cannot support Taiwan." The following day, quite pleased with Singapore's new obedience, the Chinese Foreign Ministry spokesman reported with satisfaction, "we have taken note of the Singaporean leader's speech, reaffirming support for the 'one-China policy' and resolutely opposing 'Taiwan independence.'"

Why China chose to complain about Lee's visit to Taiwan when his father and predecessor, Lee Kuan Yew, had visited Taiwan several times during his tenure as Singapore's prime minister is obvious. Times have changed, and China now believes it no longer needs to put up with actions taken by its Southeast Asian neighbors that it disapproves of.

For decades, China acquiesced in Singapore's unique and extensive military-cooperation relationship with Taiwan. Singaporean military forces, including artillery, armor and infantry troops, have been training in Taiwan in "Operation Starlight" since 1975. This relationship has been very public — and Deng Xiaoping is said to have offered the country military training bases in China's island province of Hainan if Singapore would give up Taiwan. Singapore refused. Indeed, the island nation made it a condition of its diplomatic recognition of China in 1992 that it would continue its military training programs in Taiwan.

In October 2000, Singaporean Senior Minister Lee averred — on the record — that “I had instead clearly told Li [Peng] that Singapore intends to continue sending its military servicemen to Taiwan for training and military exercises.” Lee wryly added that he had asked Beijing to inform Singapore in advance of China’s plans to take military action against Taiwan so that Singapore could evacuate its troops from the island in time. Lee joked that “if anything should happen,” it would be a warning because “we would be getting out in a hurry.”

Singapore’s strategic relationship with Taiwan is critical to the readiness of Singapore’s defense forces. As an island city-state, Singapore does not have the physical space to train a modern military. In recent years, Singapore has extended its Taiwan training to include air force and naval drills, and ground force exercises focus on heavy artillery practice. Singapore and Taiwan both purchase weapons from the United States, and because of this weapon compatibility it is not unreasonable to speculate that the Singapore–Taiwan defense relationship may extend to a host of logistical and weapon-development agreements. Despite the gravity of the Singapore–Taiwan strategic relationship, in March 2005, apparently at China’s insistence, Singapore abruptly cancelled a port call by two Taiwanese naval vessels. Yet within a month, Singapore was feeling sufficiently confident in its ability to withstand Chinese pressure to restart naval visits with Taiwan. There is speculation that strong private assurances from Washington have rekindled Singapore’s confidence.

Because Singapore’s Changi Naval Base is the only port in Southeast Asia suitable for U.S. nuclear-powered aircraft carrier support, it is essential that U.S. forces maintain a strong cooperative relationship with their Singaporean counterparts. Moreover, it is important that the United States not tolerate Chinese pressure on Singapore that would jeopardize American naval operations in the South China Sea or in the region in general.

## Manila succumbs to Chinese advances

**F**OLLOWING THE WITHDRAWAL of U.S. forces from the Philippines, the U.S.-Philippine alliance has atrophied. Through the 1990s, the Philippines suffered steady encroachments on its South China Sea exclusive economic zone (EEZ) by Chinese fishing fleets and research ships and by Chinese naval vessels threatening Philippine navy patrol boats trying to enforce Manila’s rights in its maritime EEZ. Ultimately, the encroachments extended to the Chinese occupation of Mischief Reef, a Philippine atoll off Palawan Island. Whether Washington simply did not care about China’s increasingly assertive maritime claims in what had theretofore been generally accepted as Philippine waters or just wanted to punish Manila for closing U.S. bases, the result was that Manila felt alienated from the U.S. security shield.

After September 11, 2001, however, festering terrorist cells active in the Philippines’ southern islands received urgent attention from the Pentagon. Revelations that Al Qaeda operatives in Manila had planned suicide hijackings and even the assassination of visiting Pope John Paul II prior to 9/11 alerted U.S. policymakers to the necessity for massive counter-terrorism cooperation with the Philippines and other ASEAN countries. Even so, U.S. support for the Philippines did not extend to its maritime frictions with the Chinese. When the Philippine Air Force tried to purchase used F-5 fighter aircraft from Taiwan at bargain-basement prices in 2002, Beijing threatened retaliation and Washington failed to support the bid. Manila eventually declined to purchase the aircraft.

Moving away from threats, China began to provide military assistance. In March 2005, for example, China offered the Philippines U.S. \$3 million in military aid to establish a Chinese-language training program for the Philippine military. At the same time, Beijing donated engineering equipment, invited the Philippines to participate in naval exercises, and opened five slots for Filipinos for military training. In exchange, China thanked the Philippines for supporting its version of the one-China issue and agreed to maintain peace in the South China Sea. The peace issue is notable because China had already seized Philippine maritime territory, and the status quo was very much in Beijing’s favor.

When Operation Iraqi Freedom was launched in 2003, the Philippines dispatched a 60-man medical unit to Baghdad. But when a Filipino civilian was kidnapped in 2004, President Gloria Macapagal Arroyo decided to withdraw the contingent. “Within six weeks of pulling out of the Iraq coalition,” one senior U.S. foreign-policy official lamented, “our Filipino ‘allies’ sent President Gloria Arroyo to Beijing, completed reciprocal visits for their and China’s defense ministers, and signed a confidential protocol with China on exploitation of South China Sea resources.”<sup>4</sup>

Why would a country that had been subject to repeated Chinese military insults suddenly swing into the Chinese camp? A well-placed Philippine government official has said privately to us that “There is still

considerable pro-American feelings in the region, but they don't have a leg to stand on because the Americans have ignored us." Since 9/11 the United States has provided about \$100 million a year in economic and security assistance, but throwing money at the Philippines does not buy an ally. Benign neglect in Washington seems to have sent the message that the United States never took Manila's views of its security threats seriously.

Who could blame Manila if it determined it could not rely on U.S. support in defending itself against a rising China? Well-meaning but misleading pronouncements such as Secretary of State Powell's assertion, just after President Arroyo's Beijing visit, that U.S. relations with China are "the best, perhaps, in decades" conveyed such an impression.<sup>5</sup> Since then, a combination of Chinese military pressure and economic incentives has begun to cement Beijing's new relationship with Manila.

China's influence extends to almost every country in Southeast Asia, including Indonesia, Thailand, and Burma. Although they have never fought a war, Indonesia and China have a history of animosity dating back centuries. The most recent manifestation came in 1965–66, when Indonesia's communist party was savagely liquidated by the Indonesian armed forces, in part for its alleged connections with China's communist party. Overcoming latent prejudices in Jakarta, China's President Hu Jintao visited Indonesia in June 2005 to attend the fiftieth anniversary of the Bandung Conference.<sup>6</sup> While he was in Jakarta, Hu and President Yudhoyono signed a strategic partnership agreement.

Following the ASEAN Regional Forum at the end of July, President Yudhoyono went to China and signed several economic and security-related agreements, including a deal to get Chinese assistance to develop medium range missiles. Ominously, Indonesia's defense minister said that the missiles were necessary because Western arms embargoes had grounded Indonesia's fighter planes. All of these agreements were signed in the context of "fleshing out" the strategic partnership. The breadth of China's ability to influence Jakarta's foreign policy is unknown, but Beijing's charm offensive certainly has had its successes.

Chinese influence in Thailand is also evidenced by the growing significance of bilateral trade and quarter-century-old military relations. In the wake of the bilateral free trade agreement (FTA) of October 2003, trade between China and Thailand rose 35.8 percent, from \$12 billion in 2003 to \$17.3 billion in 2004. China is Thailand's fourth largest trading partner, and the China–Thailand bilateral trade volume ranks third in the China–ASEAN circle.

China and Thailand have maintained close military ties since the early 1980s, conducting extensive military personnel exchanges and exercises. Thailand has purchased warships and army equipment from China, much of which has been tantamount to military gift aid. On July 1, 2005, in celebration of the thirtieth anniversary of the establishment of bilateral diplomatic relations, Thai Prime Minister Thaksin Shinawatra outlined his anticipation of further enhancing cooperation for a more dynamic strategic partnership with China.

The Southeast Asian country most influenced by China is Burma. Because of its systematic human rights abuses, gross mismanagement of its economy, and outlandish corruption, the junta that controls Burma is an international pariah. Beijing is literally Rangoon's only friend. China supplies the arms and economic aid the Burmese military needs to stay in power, and, more important, it provides political acceptance. In return, China gets unrestricted access to Burma's natural resources and military bases at key locations in the Indian Ocean.

At the July ASEAN regional forum, member countries took the unusual move of passing over Burma for its turn as chairman of the organization. In solidarity with Rangoon, China's foreign minister left the ARF meeting early and flew to Rangoon to demonstrate Beijing's continued diplomatic support for the bloodthirsty generals.

## Refocusing on Southeast Asia

**T**HE MOST IMPORTANT multilateral organization in Asia is the Association of Southeast Asian Nations. American foreign policy should focus on strengthening its engagement with ASEAN countries so that, economically strong and sure of American support for their independence, they can stand up to China and preserve their economies, security and sovereignty. In order to accomplish this goal, the President should return to deputy secretary-level strategic dialogues with Australia and Japan. In February 2005, Deputy Secretary of State Zoellick downgraded bilateral strategic dialogues with Australia and Japan to the undersecretary level while inaugurating a new strategic dialogue with China at his level. Zoellick's initiative should be reversed, with

the “global dialogue” he opened with China managed at a lower level. Secretary Rice should attend the next ARF, and, just as important, the United States should attend all collateral ASEAN events as well, including the ASEAN economic ministers meeting. Downgrading and ignoring the ASEAN Forum sends the message to Southeast Asia that we do not care. This is the message that China is giving them, too.

Opening talks on a U.S.-ASEAN Trade and Investment Framework Agreement (TIFA) — a consultative mechanism for the United States to discuss trade issues with other countries — could be a first step toward a regional free trade agreement. The United States has already concluded TIFAs with Thailand, Brunei, Malaysia, Indonesia, and the Philippines. The advantage of a regional TIFA with Southeast Asia, in the context of the legal restrictions on trade with Burma, is that it is just a framework for discussion, and Burma gets no direct benefit. In the end, Rangoon is just sitting at the table and is unable to take advantage of the TIFA’s trade-harmonizing influences.

The benefit to the U.S. trade agenda is that a TIFA would give Washington a forum for discussing group trade and investment issues that it is already negotiating in bilateral FTAs. The TIFA would preempt problematic issues, give other ASEAN members in line for an FTA an idea of what to expect when it’s their turn, and help, ultimately, with harmonizing all the various trade regimes. It would also give Washington a venue and substantive reason for engaging ASEAN as a whole that it does not have now.

The United States needs to take advantage of all its available tools, not only to increase trade and wealth, but also to increase American influence in ASEAN. Another trade-oriented tool is the open skies agreement (OSA). OSA creates free markets for aviation services. Unfortunately, like the TIFA, OSAs are underutilized in Southeast Asia. There are bilateral OSAs with Singapore, Brunei, Malaysia, and Thailand, but the United States has not attempted to negotiate a regional OSA with ASEAN.

Reviewing options for diplomatic sticks as well as carrots should be another priority. China’s diplomacy in Southeast Asia has been successful primarily because Beijing is as open about punishing recalcitrants as it is about rewarding supplicants. American votes in international organizations and financial institutions are effective diplomatic tools. For example, a stick approach can be used on Burma to achieve the often-stated American goal of restoring democracy to that beleaguered country. Although there are few divisions in Washington or between Europe and the U.S. concerning the military junta, so far sanctions against the hateful regime have been unilateral. The United States has not used its considerable influence in the international community to bring the issue before the United Nations Security Council. The lack of American action is interpreted not as a lack of ability, but as indifference.

In the range of issues where U.S. and Chinese interests are opposite, however, China has been very adept at choosing only those issues where it is confident it can force its Southeast Asian neighbors to side with China and against the United States. When there is no downside to choosing Beijing in a given policy area and potentially severe consequences to choosing Washington, Southeast Asian countries will understandably go with Beijing. Washington must consider ways to counter that trend. Otherwise, Southeast Asia will fall into the habit of siding with China — even when there is no benefit in doing so.

The U.S. is passively relinquishing its influence in Southeast Asia to China through its apparent lack of interest in Asian economic, security, and political issues. Recovering from wasted years in which we ignored the warning signs of regional Chinese political clout will require a shift in U.S. policy toward mending tenuous alliances that have been unattended or, in some cases, have grown cold. It is not too late to regain the trust and confidence of Asia and reaffirm our commitment to the security and economic development of the region. But that trust must be earned through a thorough, consistent, and determined foreign policy.

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## Notes

<sup>1</sup> Condoleezza Rice, “Promoting the National Interest,” *Foreign Affairs* (January/February 2000).

<sup>2</sup> The Agreement came into force on January 1, 2005. See Text of the US-Australia Free Trade Agreement on the Australian Government website at <http://www.dfat.gov.au/trade/negotiations/us.html>.

<sup>3</sup> Australia shares with the United States a critical security interest in defending all democracies in Asia. In August 2001, then-Deputy Secretary of State Richard Armitage conferred with Australian counterparts in Canberra and later commented to reporters that he could not imagine Australia not supporting the U.S. in any major conflict in Asia — even in Taiwan.

<sup>4</sup> For a further discussion of this, see John J. Tkacik Jr., "A Fresh Start for America's Asian Policy," *Asian Wall Street Journal* (December 1, 2004).

<sup>5</sup> In May 2004, Secretary Powell told journalists that China and Russia "are two nations with whom we have super relations, the best in years." See Secretary Colin L. Powell, "Roundtable with Print Journalists" (May 26, 2004), at <http://www.state.gov/secretary/former/powell/remarks/32872.htm>. In December, Secretary Powell asserted that "right now, we have the best relationship with China that we've had in the last 30 years, and I'm very pleased to say that I think I can prove it." See Secretary Colin L. Powell, Interview at the *Christian Science Monitor's* Newsmaker Press Briefing Luncheon (December 21, 2004), at <http://www.state.gov/secretary/former/powell/remarks/39999.htm>. Secretary Powell insisted in his farewell remarks that his efforts had "put U.S.-Chinese relations on the soundest footing that they have been in decades." Farewell Remarks, Secretary Colin L. Powell (January 19, 2005), at <http://www.state.gov/secretary/former/powell/remarks/2005/41005.htm>.

<sup>6</sup> The 1955 Bandung Conference was the precursor to the Nonaligned Movement.

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