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China in Southeast Asia: The Limits of Power

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The development of the China-ASEAN relationship began from a very low base. It has improved compared with what it was 15 or 10 years ago, but compared with ASEAN's relations with other extra-regional powers, it is far from transforming the regional strategic balance. While China has gained influence in Southeast Asia in recent years, ASEAN's relations with other extra-regional major powers remain robust. For the foreseeable future, China will lack the economic, social and strategic bases to tip the balance. Should China's goals remain modest, its relations with ASEAN are likely to remain vigorous. If it seeks to press too hard, however, it risks a strong backlash from not only ASEAN countries but also extra-regional powers. This essay explores China's strengths and weaknesses and the challenges that confront its ASEAN policy.

Weak Economic Basis

China's clout in Southeast Asia is less than described by the mainstream media. In terms of investment, by the end of 2004, accumulated investment by Chinese companies in ASEAN, as registered by China's Ministry of Commerce, was only US$1.17 billion (compared with US$38.22 billion of ASEAN investment in China). This was just 7.7 per cent of total Chinese overseas investment.[1] U.S. investment in Southeast Asia stood at US$85.4 billion. From 1995 to 2003, China's investment in ASEAN comprised 0.29 per cent of total foreign investment in ASEAN, compared with 28.83 per cent for EU, 16.47 per cent for the United States and 12.9 per cent for Japan.[2]

Chinese government investment and economic aid to ASEAN countries is also dwarfed by those from Japan and the United States. According to China's State Council and Ministry of Commerce, by the end of 2004, China's accumulated overseas investment (including investments by both the government and companies) is US$44.8 billion for 149 countries and regions. 74.6 per cent of the total (or US$33.42 billion) went to Asia.[3] But taking a closer look, we find that 68 per cent went to Hong Kong and 32 per cent went to other Asian economies, including ASEAN.[4] Of this 32 per cent, if we subtract investment in North Korea, Japan and other Asian countries, what is left for ASEAN cannot be much. According to the scattered figures from China's Ministry of Commerce, it is US$625 million for Singapore, US$182 million for Thailand, US$123 million for Malaysia and US$160 million for Vietnam.[5]

In 2004 alone, China's overseas investment in Asia was US$3 billion, 54.6 per cent of its total overseas investment. But, of this US$3 billion, the lion's share (US$2.63 billion) went to Hong Kong and only US$0.37 billion went to other Asian economies, among which US$62 million was for Indonesia and US$48 million for Singapore.[6]

While China's trade with ASEAN is substantial, with so little investment and economic aid, its real influence should not be exaggerated. Though from 2005, China has increased government economic aid and government investment to ASEAN countries, particularly to Indonesia, Cambodia, the Philippines and Myanmar, massive economic aid/investment in ASEAN countries, whether by Chinese companies or the Chinese government, cannot begin to match investments from Western and other Asian countries. This is because the bulk of the Chinese official aid (estimated to be a third of total) is still earmarked for North Korea. Little remains for ASEAN countries as Beijing continues to seek to increase its aid to Africa (As Chinese President Hu Jintao promised in his recent visit to African countries in May 2006) and Latin American countries. Government investment in ASEAN countries will increase but Chinese companies continue to prefer to invest domestically for various reasons including higher profit and less risk at home than overseas. The result is massive increase in China's trade with other countries, but far more modest increase in investment overseas by Chinese companies.

What features prominently in the China-ASEAN economic relations is not investment and economic aid but the rapid growth of bilateral trade, at an annual rate of 20.8 per cent from 1990 to 2003, and over 30 per cent from 2001. In 2003, it reached US$78.3 billion, up 42.9 per cent over the previous year. In 2004, it was over US$109.9 billion with a growth rate of nearly 40 per cent, with ASEAN becoming China's fourth biggest trade partner, and China the fifth biggest partner of ASEAN.[7]

These are extraordinary growth rates. But, these trade figures can be deceiving. The devil is in the details. First, process industries by foreign companies (referring to "foreign-owned and/or foreign-invested companies") accounted for 55 per cent of China's total exports in 2004. In 2000-2004, the value of all exports by foreign companies in China increased from US$119.4 billion to US$338.6 billion, i.e. an increase from 47.9 per cent to 57.1 per cent of China's total exports. Their imports increased from US$117.3 billion in 2000 to US$324.6 billion in 2004, an increase of 52.1 per cent to account for 57.8 per cent of China's total imports. Their total import/export during the period increased from US$236.7 billion to US$663.2 billion, an increase of 49.9 per cent to a total of 57.4 per cent of all Chinese trade. Foreign companies comprise 77 per cent of the top 200 exporters in China and 62 per cent of the top 500 importers.[8] The figures for Chinese exports are based on heavy double counting since China processes only a fraction of the value of the finished products. One U.S. report in the 1990s put the profit rate for China at 17 cents for every U.S. dollar China exported. One Chinese study in 2003 shows that China produces 75 per cent of the toys in the world, but only retains 1/70 of the total profit.[9] The New York Times in 2006 reported that "the biggest beneficiary" of China's increased export is not China. "A Barbie doll (China exported to the United States) costs US$20, but China only gets about 35 cents of that." "Because so many different hands in different places touch a particular product, you might as well throw away the trade figures (of China's exports)."[10]

This applies to China's trade with ASEAN, most of which is conducted by foreign companies in China. They accounted for 60.6 per cent of China's trade with ASEAN in 2005.[11] The foreign component of ASEAN exports to China is even higher. The increase in China-ASEAN trade was in short mainly intra-industrial trade within and between foreign companies in China and Southeast Asia as well as entrepot trade. Intra-industry trade can be a beneficial spur to innovation and competition, especially between different MNCs (much of it between different international companies or between subsidiaries and headquarters of the same international company). It is important to recognize, however, significant double counting as many products, especially electronic products, cross borders twice or more, thereby grossly inflating the trade figures. This double counting is estimated as high as 30 per cent of the total trade between China and ASEAN. In the China-Singapore trade, which makes up the lion's share of the China-ASEAN trade, entrepot trade accounts for 46 per cent of China's export to Singapore, 40 per cent of Singapore's export to China.[12] That is, a large part of China's trade with ASEAN ends up in Western consumer markets.

Chinese companies find it difficult to compete in ASEAN markets, especially against MNCs there. First, they are mainly medium and small companies that lack the capital and expertise to effectively compete with foreign companies that are already firmly established in ASEAN markets.

Second, they are not coordinated among themselves and not integrated well with ASEAN markets. Most lack sufficient knowledge of the ASEAN market,[13] often operate in a "hit-and-run" fashion for immediate and once-for-all profits at the expense of their overall long-term interest and reputation, thus rendering them vulnerable to the competition of both foreign and local companies. There is a flood, for example, of cheap and low-quality Chinese products such as garments and textiles in some ASEAN markets. But Chinese companies have not yet posed strong competition in the upper tier of the economic ladder.

Third, it is China's Yunnan Province and Guangxi Autonomous Region that have the strongest enthusiasm for pushing into the ASEAN market. The better-developed coastal provinces focus on Western markets and look to ASEAN primarily when they are unable to expand further in Western markets. In 2001, for example, trade with ASEAN comprised the largest portion of the foreign trade of Guangxi and Yunnan (35.6 per cent), but only a combined US$1.6 billion, which made up only 3.8 per cent of China' total trade with ASEAN (US$41.6 billion). Guangdong Province traded US$15.4 billion with ASEAN counties, which made up 37 per cent of China' total trade with ASEAN in that year.[14] However, for Guangdong, China's top exporter, this was only 8.47 per cent its total foreign trade.[15] Its focus was on the U.S., Japan and other Western markets. It is the same for other developed Chinese provinces and cities, such as Shanghai, whose trade with ASEAN comprised only 8 per cent of its total foreign trade in the same year.[16]

This shows that the large competitive Chinese companies do not look to ASEAN as major markets and essential trade partners. China also lacks in-depth research and rich information on developments in the ASEAN market, with the exception of a few ASEAN countries. A successful and large-scale penetration by Chinese companies into Southeast Asia is difficult at present.

This point is also borne out with a closer look of the bilateral trade growth, which in absolute terms appears very impressive, but is less so if viewed as a proportion of the total trade. For example, from 2000-2005, China's trade with ASEAN grew at an annual rate of well over 30 per cent. However, China's total foreign trade also increased at an annual rate of over 30 per cent over the same period (slightly lower than its trade with ASEAN). In other words, this growth in China-ASEAN trade can well be said to be a normal one (perhaps a bit higher than the normal), especially when one considers that this bilateral trade started from a low base and foreign companies in China accounted, for example, for 60.6 per cent of China's trade with ASEAN in 2005. This trade comprised 8.3 per cent of China's total foreign trade in 2000,[17] rising to 10.5 per cent in 2004,[18] before dropping to 9.14 per cent in 2005.[19] So, there is growth, but not spectacular growth, especially if we consider that China's total trade with Asian countries reached US$664.9 billion in 2004 compared with ASEAN trade of US$109.9 billion in that year.[20] Asian comprised 57.6 per cent of China' total foreign trade in that year, while trade with ASEAN was 10.5 per cent.[21] In 2005 China-ASEAN trade grew by 23.1 per cent to US$130.37 billion,[22] in comparison with previous high growth rates (42.9 per cent for 2003 and 40 per cent for 2004). In the same year, China's trade with India grew by 38 per cent[23] and its trade with Russia grew by 37.1 per cent.[24]

Viewed from the ASEAN side, the same situation exists. Take China's largest ASEAN trade partner Singapore for example.[25] In 2005, its trade with China as at S$67.1 billion dwarfed that of many other ASEAN countries. Nevertheless, this figure is not large compared with Singapore's total foreign trade of S$716 billion that year.[26]

The author has no intention to deny the fast growth of the trade and its positive impact on the China-ASEAN relations, but would like to alert readers to the danger of accepting trade figures without proper perspective. There has also been exaggeration of the economic significance of the China-ASEAN Free Trade Agreement (FTA) and excitement over it on the part of the Chinese side. This is China's first FTA, but some ASEAN countries still have far more extensive economic ties with the United States, Japan and the EU than with China.

China's trade with ASEAN will continue to grow. Even if it reaches US$200 billion by 2010 as China predicts, this volume will likely be in a similar (or a bit higher) proportion (around 10 percent at the moment) to China's total foreign trade and does not make ASEAN an exceptional case of rapid trade growth. China is unlikely to allow its trade deficit with ASEAN to exceed too much above the current level, i.e. around US$20 billion. China has begun to pay close attention to its economic interests with ASEAN as shown by its hard bargaining in the long-drawn-out negotiations between China ASEAN over two agreements on services and investment. The conclusion of the two agreements has been postponed again and again.

Though ASEAN as a whole has increased exports to China, their exports to Western markets have decreased over the past years, partly due to competitive Chinese exports there. Both China and ASEAN have adopted export-oriented strategies and their economies are mostly competitive rather than complementary with the exception of Singapore.[27] A sound China-ASEAN economic relationship in future will depend on how fast China can upgrade its economic structure to trim its competitiveness with ASEAN economies and how much more the Chinese market can absorb of ASEAN's products. This is a big question. China is now attempting to move from an export-and-investment-led growth strategy to one balanced by healthy consumer spending.[28] If successful, this reorientation of its development strategy will greatly improve China's economic relations with ASEAN countries. However, this change will not be abrupt.

ASEAN "Pulls" vs. China "Pushes"

China's diplomatic success with ASEAN is often fortuitous, notwithstanding its diplomatic skills. For example, Chinese success has much to do with the U.S. obsession with terrorism and its relative negligence of the region. It also has a lot to with the 1997 financial crisis and ASEAN's subsequent efforts to engage China in order to achieve a constructive balance of power in the region. Many observers note only Chinese "pushes" into the region without seeing ASEAN's "pulls". Without such "pulls", however, China's "pushes" will not get far and may backfire. Take the warming in China-Indonesia relations for example. They recently declared each other as strategic partners. This may have a lot to do with Muslim Indonesia's frustration with the excessive U.S. pressure on it against terrorism and consequently its intention to use China to balance the U.S. pressure. Its overture to build defence ties with China and to buy Chinese weapons can be interpreted as a tactical rather than a strategic re-orientation, a means to pressure the U.S. to lift its arms embargo on Indonesia.

Myanmar and Cambodia both have close relations with China. In the case of Myanmar, the United States has chosen not to engage with its government and neither to trade with nor invest in that nation. U.S. trade sanctions and embargo against Myanmar still stand. China is Cambodia's top investor and trade partner. The United States, for historical and political reasons, did not, and still does not significantly trade with and invest in Cambodia. If the United States changes its policy and prioritizes wooing these two countries, its relations with Myanmar and Cambodia will improve and China may find it difficult to maintain its primacy in these two countries.

China's direct influence over the central government of Myanmar is rather limited, as shown in the case of the house arrest of former Myanmar Prime Minister Khin Nyunt. China had no information before his arrest and little influence over the government reorganization afterwards. Its influence lies more in Myanmar's northern border areas than with the Central government, which has been trying to keep China at a respectful distance and balance it with overtures to India and Thailand. Beijing often feels unsure of what Yangon has in mind. Myanmar leaders often keep silent to conceal their differences with China and keep a distance from Beijing (in contrast with leaders of North Korea who often argue with Beijing over their differences). The visit by Myanmar Prime Minister Soe Win to China in February 2006 and its agreement to sell trillions of cubic feet of gas to China through future pipelines mark a boost in bilateral relations.[29] But this has more to do with Yangon's severe sense of insecurity (such as its obsession with both regime stability and possible U.S. military attacks) than China's influence. In other words, this boost is built as much or more on U.S. "pushes" as on China's "pulls".

As for Singapore, Beijing views it as being more inclined towards the United States than maintaining neutrality and is concerned that it may clash with Beijing on such issues as Taiwan, U.S. military presence in Southeast Asia and East Asia integration. Thailand appears to have good relations with Beijing. But it also has good relations with other big powers including its alliance with the United States. Beijing remains concerned about strong U.S. influence on Bangkok. On the issue of joint naval exercises for search and rescue between the two countries, Bangkok resisted and hesitated for a long time and only agreed, at the last moment, to have a very limited, low-profile and symbolic exercise in late 2005 with a PLA naval fleet that was passing Thailand on its way back from joint naval exercises with Pakistan and India. China's relations with Vietnam have improved with many interactions taking place at all the levels. But with the territorial disputes in the South

China Sea still unresolved and with historical baggage, Vietnam is deeply wary of a rising China. It may cooperate with China on minor issues and areas, but always holds firmly to its own position on important issues, especially on its relations with the United States and Japan. Despite strong Chinese lobbying, Vietnam repeatedly affirmed its support for Japan to become a permanent member of the U.N. Security Council. China did, however, replace Japan as Vietnam's top trade partner in 2004.[30]

As for China's good relations with Malaysia, the two countries have similar views on many international and regional issues (e.g. East Asian integration). But this does not mean that the two countries share deep common interests. Malaysia sees opportunities to engage more closely with China for economic benefits and a favourable regional balance of power vis-à-vis other powers. In other words, it is not China that calls the shots. A closer look shows that in many ASEAN countries, the drive for better relations with China is still narrowly based. For example, in Malaysia and Indonesia, this drive comes mainly from certain business circles. In the Philippines, even many Filipino-Chinese small and medium businessmen, hold strong reservations over Chinese economic competition, let alone more influential sectors of the society, such as military, church, intellectuals, police and judiciary. This is in sharp contrast to the U.S. relationship with the Philippines (and with some other ASEAN countries) where relations are not only long-established but also rest on wide and substantive political, economic, military and social bonds. This relationship is not only built on the government level but also on extensive private sector and non-governmental levels, such as among NGOs. On the contrary, China's relationship with many ASEAN counties remains mainly on the high governmental level (such as frequent visits by Chinese leaders) and has not penetrated deeply and substantively to the middle and lower levels of the societies.

"Leaders' Diplomacy"

This "leaders' diplomacy" carries prominent media exposure but not sufficient substance unless the relationships deepen and broaden to the middle and lower levels of ASEAN societies.

But neither Beijing nor ASEAN states seem fully prepared for a deepening Chinese presence, which could give rise to economic, social, and even ethnic and religious problems. Chinese companies penetrating ASEAN markets are likely to face greater troubles than American or Japanese companies. This is not only because the former is a newcomer and the latter have been firmly rooted locally for years with a lot of experience with local public relations, but also because Chinese exports often compete against local products while American and Japanese exports are more complementary. Exports of China and ASEAN are very similar. A study showed that in 2002, China's exports to the U.S. overlapped Indonesia by 83.5 per cent, Thailand by 76.1 per cent, Philippines by 57 per cent, Malaysia by 54.5 per cent, and Singapore by 44.2 per cent.[31]

With this awareness, China is making efforts to avoid areas of direct competition with local companies and prioritizing investment and trade in areas that are complementary such as raw materials, energy resources and infrastructure. Nevertheless, managing economic competition without affecting state-to-state political relations will be a difficult challenge for both sides.

Without a strong and harmonious economic basis, the relations between China and ASEAN will experience many bumps on the road ahead. More Chinese companies in Southeast Asia will also bring more Chinese migrants, including illegals, possibly exacerbating tensions, including ethnic tensions.

China's Lure

China's attractiveness to ASEAN still lies in its booming market. For example, from December 2001 to September 2005, China's annual imports stood at an average US$500 billion and created about 10 million employment opportunities for other countries and regions. China's imports are expected to reach US$1 trillion by 2010.[32] China-ASEAN trade could exceed US$200 billion by 2010.[33] This huge demand for imports by China provides a strong incentive for ASEAN countries (at least some) to improve relations with China. ASEAN, in recent years, has benefited from a growing trade surplus with China, presently nearly US$20 billion a year. Beijing is prepared to tolerate such a huge trade deficit to assure good relations with ASEAN. Even when their exports highly overlap with those from China, there are incentives to maintain good political relations. In such circumstance, China may offer compensation, either in areas in which their exports compete directly or in other areas where ASEAN countries enjoy trade competitiveness. For example, in negotiating the China-ASEAN FTA, to persuade certain ASEAN countries that were unwilling to conclude the Framework Agreement and the Early Harvest Programme, China expressed its willingness to sign separate bilateral agreements in other trade areas with those ASEAN countries to offset potential losses that may occur from signing these documents.

Strategic and Political Basis

The strategic and political basis for Chinese primacy in Southeast Asia is even weaker than the economic basis. Though there is less public talk of the "China threat", suspicion and distrust of China remains deep-rooted and may grow if a rising China rushes into Southeast Asia. ASEAN countries are not bandwagoning with, but "hedging" against China, engaging China while developing robust ties with other extra-regional powers to balance China.[34] Asian countries generally do not have much trust of each other and the United States is perceived as the least distrusted of all major powers. They need the United States as a balancer and double insurance when they develop their relations with China. ASEAN is aware without a strong relationship with the United States, China may take ASEAN for granted. Why does China offer economic sweeteners to ASEAN through an FTA? Many, if not all, in ASEAN countries interpret this as heavily politically motivated as out of its strategic concern of the United States. A vigorous but balanced relationship with the United States is therefore seen as not only security insurance but also an incentive for China to make more economic sweaters. Ironically, the more China pushes in deepening its relations with ASEAN, the more ASEAN may feel that it needs a strong relationship with other extra-regional power to keep the balance.

China's defence relations with ASEAN militaries are still very limited and will likely remain so for years to come despite China's strong interest in enhancing such ties. This is due to either ASEAN's (at least some of them) distrust of China (especially over its territorial claims in the South China Sea) or their precaution not to upset other extra-regional major powers, especially the United States, when it comes to such a sensitive issue as military ties with China.[35] ASEAN countries may seek to maintain a diplomatic balance between China and the United States. But with respect to military ties, the most sensitive and substantive element of state-to-state relations, (with one or two exceptions such as Myanmar), they have apparently chosen to maintain their tilt towards the United States. This imbalance is demonstrated by the high-level attendance by ASEAN participants of the U.S.-preferred Shangri-la Dialogue or Asia Security Conference, in contrast to the low-level turnout at the Beijing-initiated ARF Security Policy Conference. The Shangri-La Dialogue has marginalized ARF to become the predominant regional security dialogue framework in the Asia Pacific, to China's distress.[36]

Scholars have pointed to the rising appeal of China's soft power in Southeast Asia.[37] However, the distinction should be made: I categorize soft power into "high soft power and "low soft power" just as scholars define politics speak of "high politics" and "low politics". China has recently succeeded in enhancing the appeal of its "low soft power" (such as cultural, language and ethnic linkages) but rarely its "high soft power" (such as appealing political and social systems and ideologies). It is the high part of soft power that is essential in forming a close partnership or alliance between countries. For example, people in Taiwan and mainland China speak the same language and share a common culture, but do not identify with each other politically because they do not share the high part of the soft power. Historically, five main cultures/religions (Islam, Buddhism, Hinduism, Western/Christian culture and Chinese Confucian culture,) have long been at odds in Southeast Asia. Even at its peak, Chinese culture did not have much influence in the region except in Vietnam, and at present China is far from having sufficient soft power to reinforce its strategic primacy in the region. In ASEAN, it is still largely officials, not social elites and public opinion, who make foreign policy. Therefore, even if China's soft power is rising, it has a long way to go before achieving meaningful strategic weight.

In terms of regional international relations, the Chinese "push" into Southeast Asia has alerted other major powers, especially Japan, to stronger efforts to offset Chinese advances. It is true that ASEAN offers to engage China in the effort to avoid the past Cold War conflicts and to encourage regional peace and security. It also wants China's political backing for its emergence as the primary driving force in regional affairs. However, the Chinese "push", has evoked concern among ASEAN countries that ASEAN's standing may be compromised. Over the years, China has repeatedly proposed initiatives such as "China-ASEAN FTA", "China-ASEAN strategic partnership", "commemorative summits", China-ASEAN expo in Nanning, forming an Eminent Persons Group (EPG) for China-ASEAN relations and many others. ASEAN was characteristically in the position of responding to Chinese initiatives. China is diplomatically skilful in mapping such proposals, which ASEAN is not very keen about, but has no reason to turn it down. There is growing concern, however, that ASEAN is being led by China down the road towards a

tipping point in the regional strategic balance. With internal challenges, such as uneven economic and political developments among the member states (such as the growing "two tiers" of ASEAN) and the complexity of ASEAN integration (ASEAN Community), ASEAN needs "a breathing space" to consolidate as the driver in regional affairs. China, by being pro-active with multiple initiatives, risks alienating an ASEAN concerned about maintaining regional leadership. Worse, these multiple initiatives may make some ASEAN countries feel that the regional strategic balance may be tipped.

Efforts to preserve this balance was reflected in the East Asia Summit (EAS) of December 2005, when, with the exception of Malaysia, ASEAN nations supported India's participation in the EAS,[38] and many supported Japan's proposal to include Australia and New Zealand. In an effort to keep the driver's seat from external powers, ASEAN decided not to hold a second EAS in Beijing as China requested, but to assure that the next and subsequent summits would be held in ASEAN countries.
China formerly favoured the EAS as leading the way toward East Asia regional integration. Malaysian Prime Minister Dr Mahathir Mohamad proposed the EAS at the ASEAN+3 Summit in 2000. Singapore supported the proposal and suggested having the Summit every five years, to be hosted in turn by China, Japan and South Korea. In 2001, the East Asia Vision Group, formed in 1999 on the proposal by South Korean President Kim Dae-Jung, presented the formal report to establish the EAS to the thirteen ASEAN+3 countries. In early 2003, Malaysia asked to host the first East Asia Summit, a request that was formally endorsed by ASEAN countries at their Summit at the end of 2004. China was happy with that development, but was surprised when ASEAN suddenly proposed bringing Australia, New Zealand and India into the EAS. As one strategist in the think tank of China's Ministry of Foreign Affairs points out, this enlargement of membership challenges China's previously favourable position in the EAS process.[39]

Trends

Beijing has evidently read the message and readjusted its approach towards ASEAN. Beijing can be expected to be more attentive, more cautious and subtle. It will shift its focus from East Asian integration to its bilateral relations with ASEAN, i.e. the China-ASEAN FTA, and with individual ASEAN countries. It will continue to stress economic relations and maintain a low profile but substantive diplomacy. It may not attempt to "walk fast" but rather prioritize "walking stable" and even "standing stable", emphasising consolidating what it already has as the basis for further development. It will also seek to broaden the social basis in ASEAN countries for a stable bilateral relationship.
Historically, a sensible strategy for a big power is to build a long-term and solid moral and economic basis and wait to be invited in, rather than force its way in. The best diplomacy is to arouse enthusiasm among countries by dealing with them in a way that makes them feel important and appreciated, engaging them without making them feel manipulated, making them feel that the new relationship is their own initiative and in their own interest,, winning them over gradually without causing offence. China is on the learning curve now.

Notes

[1]These figures are from China's Ministry of Commerce. See "Zhongguo qiye touzi dongmeng shichang cunzai wenti ji duice fengxi" [Chinese Companies Invest in ASEAN Markets: Analysis of Problems and Policies (12 November 2005)]. "Zhongguo-Dongmeng touzi, laowu hezuo qude jingzhan" [China and ASEAN: Progress in Investment and Labour Service Cooperationï¼ˆ14 January 2006]. This article put the officially registered investment by Chinese companies in ASEAN as low as US$1.14 billion.
[2] These figures are from the ASEAN Secretariat, quoted from ibid. Also see "Dongnanya: Zhongguo qiye 'zouchuqu' de zhongdian diqu" [Southeast Asia: A Key Area for Chinese Companies 'Going Out'", Guoji gongcheng yu laowu [International Projects and Labour] (China's Ministry of Commerce), no. 10, 2005, quoted from China's official website of China-ASEAN-FTA (5 March 2006).
[3] The News Office, the State Council of the PRC, "Zhongguo de heping fazhan daolu" [China's Peaceful Development Road], Renmin Ribao [People's Daily] (overseas edition), 23 December 2005, . These figures are also available from the official website of China's Ministry of Commerce.
[4] Ibid.
[5] Ibid.
[6] Ibid.
[7] "ASEAN Centre of Contemporary Chinese Studies in offing", People's Daily on Line (English Edition), 27 August 2005. "Hu Jintao: Zhongguo yaxi'an nianmaoyi'e wunian nei kepo 2000 yi meiyuan" [Hu Jintao: China-ASEAN Annual Trade May Reach US$200 in Five Years], Lianhe Zaobao [United Morning News] (Singapore), 27 April 2005.
[8] "Maoyi daguo anran shice, zhongguo wehe meiyu dingjiaquan?" [A Trade Power under Challenge: Why China Cannot Decide the Price?] China Daily (Chinese edition) (Beijing), 19 August 2005. According to China Minister of commerce Bo Xilai, these foreign companies accounted for 58 per cent of China's total export in 2004. See his press conference on 11 April 2006,
[9] News Report, China CCTV Channel 4, 17 January 2003.
[10] David Barboza, "Some Assembly Needed: China as Asia Factory", New York Times, 9 February 2006.
[11] Zhu Wenwei, "Zhongguo dongmeng huwu maoyi shichang jiang jingyibu kaifang" [China and ASEAN Will Further Open Their Markets of Goods], Zhongguo Maoyibao [China Trade] (Beijing), 12 January 2006.
[12] Xu Changwen, "Zhongguo yu xinjiapo jingmao hezuo kuaisu fazhan" [China and Singapore: Rapid Development in Their Economic and Trade Cooperation], Zhongguo Jingji Shibao [China Economic Times), 7 April 2006, available on
[13] For details, see "Yingxiang zhongguo yu dongmeng jingmao fazhan de yinsu ji duice" [China and ASEAN Economic and Trade Development: Unfavourable Factors and Countermeasures], in China's official China-ASEAN FTA website (19 December 2005).
[14] Shi Benzhi & Dai Jieï¼Œeds., Lancangjiang-Meigonghe ciquyu hezuo yu zhongguo-dongmeng ziyou maoyiqu jianshe [Lancang River-Greater Mekong sub-Regional Cooperation and the Building of China-ASEAN FTA] (Beijing: China Commerce and Trade Press, 2005), pp. 239 &254. However, according to statistics from Guangdong Province, the total trade of that year was US$14.958 billion.
[15] Guangdong Provincial Statistics Bureau, Guangdong tongji nianjian 2003 [Statistics Yearbook of Guangdong Province 2003] (Beijing, China Statistics Press, 2003).
[16] Shanghai duiwai jingji maoyi nianjian 2002 [Shanghai Yearbook of Foreign Economy and Trade 2002] and Shanghai duiwai jingji maoyi tongji nianjian 2002 [Shanghai Statistics Yearbook of Foreign Economy and Trade 2002].
[17] Forging Closer ASEAN-China Economic Relations in the Twenty-First Century, a report submitted by the ASEABN-China Expert Group on Economic Cooperation, October 2001, p. 1,
[18] My own calculation.
[19] "2010 nian zhongguo-dongmeng maoyi'e jiangda 2000 yi meiyuan" [China-SEAN Trade will Reach US$200 by 2010] Xin Jing Bao [The Beijing News] (Beijing), 10 January 2006.
[20] "ASEAN Center of Contemporary Chinese Studies in offing", Renmin Ribao, 27 August 2005. "Hu Jintao: China-ASEAN Annual Trade May Reach US$200 Billion in Five Years", Lianhe Zaobao, 27 April 2005.
[21] The State Council of the PRC, "Zhongguo de heping fazhan daolu" [China's Peaceful Development Road], op. cit.
[22] Xinhua News Agency, 17 March 2006, cited in China's official China-ASEAN FTA website,
[23] Paranjoy Guha Thakurta, "China could overtake US's India trade", Asia Times (Bangkok), 15 March 2006.
[24] Xinhua News Agency, 17 March 2006. Their two-way trade for 2005 was US$29.1 billion.
[25] Singapore has been China's largest ASEAN trade partner for many years, though occasionally overtaken by Malaysia.
[26] Straits Times (Singapore), 18 January 2006, p. 1. Total China-ASEAN trade in 2004 was US$109.9 billion.
[27] See John Wong and Sarah Chan, "China-ASEAN Free Trade Agreement: Shaping Future Economic Relations", Asian Survey, Vol. 43, no.3 (May/June 2003), pp. 507-526.
[28] Stephen S. Roach, "The Untold China Story", Newsweek, 8 May 2006, p. 35. Exports and investments now account for about 75 per cent of Chinese GDP. Ibid.
[29] See Pallab Bhattacharya, "Yangon-Beijing Gas Deal - Tri-nation pipeline at stake", The Daily Star [Bangladesh], 14 January 2006. Li Zhongfa, "Wen Jiabao zongli yu miandian zongli Suo Wen zai renmin dahuitang juxing huitan" [Premier Wen Jiaobao and Myanmar Prime Minister Soe Win Held a Meeting in the People's Great Hall], Xinhua News, 14 February 2006; Liao Lei, "Guojia zhuxi Hu Jintao huijian miandian zongli Suo Wen tan zhongmian youhao guanxi" [Chinese President Hu Jingtao Met with Myanmar Prime Minister Soe Win and Talked About China-Myanmar Friendship], Xinhua News, 15 February 2006.

[30] He Sheng, “Riben wei qianzhi zhongguo jiji gudong benguo ziben jingjun yuenan” [Japan Encourages Its companies to Move to Vietnam in Order to Constrain China], Shijie Xinwen Bao [World News] (Beijing), 11 April 2006, from China’s official China-ASEAN FTA website.
[31] See Chi Hung Kwan, “Why ASEAN did not Seek a Stronger Yuan: Apprehension over the Spread of Currency Appreciation Pressures”, China in Transition (Research Institute of Economy Trade and Industry, Japan), 3 October 2003, p. 2.
[32] The State Council of the PRC, “Zhongguo de heping fazhan daolu” [China’s Peaceful Development Road], op. cit.
[33] “ASEAN Center of Contemporary Chinese Studies in offing”, op. cit. “Hu Jintao: China-ASEAN Annual Trade May Reach US$200 in Five Years”, op. cit.
[34] For further reading, see “Contending Perspectives: Southeast Asia and American Views of a Rising China”, Colloquium Brief, Strategic Studies Institute, U.S. Army War College, 2006.
[35] See Sheng Lijun, “An Overview of ASEAN-China Relations”, and Michael Richardson, “ASEAN-China Maritime Security Cooperation”. Both are in Saw Swee Hock, Sheng Lijun and Chin Kin Wah, eds., ASEAN-China Relations: Realities and Prospects (Singapore: Institute of Southeast Asia Studies, 2005)
[36] Since the Shangri-la Dialogue began in 2002, China has refused to send a defence minister or military chiefs to attend it and has recently even refused to send military personnel, sending only low-level officials from its Ministry of Foreign Affairs and heads of some think tanks. One delegate publicly accused the Dialogue of being “anti-China from the beginning”. See Goh Sui Noi, “No High-Level Beijing Team as Forum is Seen as Anti-China”, Straits Times, 5 June 2006. The London-based International Institute for Strategic Studies organized the Dialogue to discuss security issues in Asia Pacific. Defence ministers and military chiefs or their representatives from the 23 countries have regularly attended the annual dialogue, including such Asian countries as Singapore, Cambodia, Myanmar, Brunei, Thailand, the Philippines, South Korea, Japan, India, Pakistan, Mongolia, Malaysia, Indonesia and Timor Leste.
[37] See for example, Joseph S. Nye, Jr., “The Rise of China's Soft Power”, Wall Street Journal Asia, 29 December 2005.
[38] Mohan Malik, “EAC: More an East Asian cacophony?”, Straits Times, 3 January 2006, p. 19.
[39] Wei Min, “Zhongguo Dongmeng guanxi ji dongya hezuo de huigu yu zhanwang” [China-ASEAN Relations and East Asia Cooperation: Review and Prospects], from (22 April 2006). The author is an associate professor at China Institute of International Studies, Beijing.

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