

Background

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China and ASEAN: Endangered American Primacy in Southeast Asia

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China is rapidly becoming the predominant power in Southeast Asia. Beijing's diplomats have effectively translated China's burgeoning economic clout into political influence, leaving in question the U.S. role and commitment to the region, even with traditional allies and friends.

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

A Sino–Southeast Asia Trade Bloc?

Beijing has already made significant progress on the trade front. At a Beijing-inspired summit meeting in Vientiane, Laos, in November 2004, China, Japan, South Korea, and the 10 member states of the Association of Southeast Asian Nations (ASEAN) reached a consensus on an “ASEAN+3” trade framework. The outcome of the Vientiane summit was an entirely new East Asia Summit (EAS) framework that pointedly excluded the United States.¹

The new architecture came in the form of China's proposed Free Trade Area with ASEAN countries, which invites each ASEAN nation separately to nego-

Talking Points

- China is rapidly becoming the predominant power in Southeast Asia, leaving in question the U.S. role and commitment to the region, even with traditional allies and friends.
- To get them into the habit of siding with China, Beijing is selectively applying pressure on ASEAN countries, even on minor issues.
- 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.”
- It is not too late to regain the trust and confidence of Southeast Asia and reaffirm U.S. commitment to its security and economic development, but that trust must be earned through a comprehensive, consistent, and determined foreign policy in the region.

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tiate a bilateral FTA with China rather than leaving it to ASEAN as a whole to negotiate multilaterally with China.² This individual negotiation strategy enabled Beijing to “divide and conquer” the ASEAN states, with the pro-China countries, such as Thailand and Burma, moving ahead with separate deals and others like Malaysia and Vietnam going along because they feared Chinese retaliation.

In essence, the China–ASEAN Free Trade Area grants a period of duty-free entry for each ASEAN country’s goods into the Chinese market—generally a three-year period known as “early harvest”—after which time Chinese goods will have reciprocal free entry. As one ASEAN diplomat pointed out in 2003, this means that a particular ASEAN partner will be granted three years to compete in China’s market in raw materials, agricultural products, and minerals, which China does not produce. However, after the early harvest period, China’s manufactured goods will have full tariff-free access to the markets of its Southeast Asian partner.

The likely result of this arrangement would be to strengthen China’s economic hand in Southeast Asia. The trading relationship would tie the region closer together, advancing China’s political objectives.

Economically, the deal is a clear winner for China. It secures access to needed raw materials while removing barriers to China’s exports. The economic center of gravity in Asia would move further away from Japan and the United States and closer to China. 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” to adapt and implement regional economic integration.³

After the close of the East Asia Summit preparatory meeting, the Chinese state media ominously announced that, “in the near future, there will also be talks on the development of political cooperation and also some military cooperation [with ASEAN countries].”⁴ How the EAS develops after 2005 will define whether it becomes an East Asia Community like the European Union or remains a collaborative community, which involves dialogue and consultation but respects the independence of individual member countries and encourages flexible cooperation.

In comparison, American efforts are bilateral and tepid. The United States has an FTA with only one ASEAN country—Singapore, which was already one of the world’s freest economies. The U.S. Trade Representative (USTR) has begun negotiations looking toward an FTA with Thailand, but no other FTAs are in process with countries in Southeast Asia.

Besides FTAs, policymakers have other economically significant agreements available, including trade and investment framework agreements (TIFA) and open skies agreements (OSA). A TIFA is a consultative mechanism for the United States to discuss trade issues, and an OSA creates free markets for aviation services. Regrettably, like FTAs, TIFAs and OSAs are underutilized in Southeast Asia.

A regional TIFA with ASEAN would be advantageous in the context of the legal restrictions on trade with Burma. A TIFA is just a framework for discussion, and Burma gets no direct benefit. In the end, as long as Congress retains sanctions on Burma, Rangoon would be unable to take advan-

1. For a prescient analysis of efforts to exclude the United States from the Asian summit framework, see “Whatever Happened to the Pacific Rim?” *The Economist*, November 12, 2000, at www.economist.com/agenda/displayStory.cfm?Story_ID=422868 (October 11, 2005).
2. See “Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation Between the Association of Southeast Asian Nations and the People’s Republic of China,” November 29, 2004, at www.aseansec.org/16647.htm (October 11, 2005).
3. Jane Perlez, “Integration of Asean Economies Is Pressed,” *The International Herald Tribune*, October 6, 2003, cached at 72.14.207.104/search?q=cache:JsXBuEF3sDkj:www.iht.com/articles/112539.html (October 11, 2005).
4. “ASEAN pulasu san shuno kaigi, on soli ga kyoryoku kyoka ni nana teian” (ASEAN+3 Leaders Conference, Premier Wen proposes seven points to strengthen cooperation), *Renmin Wang Ribenyu Ban* (Beijing, Japanese version), November 30, 2004, at j.peopledaily.com.cn/2004/11/30/jp20041130_45601.html (October 12, 2005).

tage of the TIFAs trade-harmonizing effect. Although there are bilateral TIFAs with Thailand, Brunei, Malaysia, Indonesia, and the Philippines, there has been no effort to conclude a regional TIFA with ASEAN.

The same problem exists with OSAs in the region. There are bilateral OSAs with Singapore, Brunei, Malaysia, and Thailand, but the United States has not attempted to negotiate a regional OSA with ASEAN. The United States needs to take advantage of all of its available tools, not only to increase trade and wealth, but also to increase American influence in ASEAN.

ASEAN Security Relationship

ASEAN countries already have a number of security fora, but China is proposing a series of initiatives that appear to be designed to increase Beijing's influence over security relationships in Southeast Asia. Existing regional fora include the ASEAN Regional Forum, a foreign ministers conference that discusses regional security issues, and the Shangri-La Dialogue, an annual security forum for defense ministers organized by London's International Institute for Strategic Studies beginning in 2002. China is invited to attend both of these conferences but stopped attending the Shangri-La Dialogue in 2004, apparently believing that Asians, not Westerners, should organize and lead regional security mechanisms.⁵

In November 2003, China circulated a concept paper at the 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. A second was held in Vientiane, Laos, in May 2005. Although the conference nominally invites all current ARF members, many regional observers interpret the new proposal as an attempt by Beijing to gain control over the forum.⁶ Similar to its proposals for ASEAN+3, the China-ASEAN Free Trade Area, and the East Asia Summit, the ARF Security Policy Con-

ference seems to be part of a broader Chinese strategy to establish political preeminence in the region.

China is also expanding its military relationships in Southeast Asia. It has developed a number of military-to-military initiatives, including joint military exercises with Australia, the Philippines, and Thailand; is training ASEAN officers at People's Liberation Army (PLA) military courses; and is providing Chinese language training. Singapore hosted a 14-nation 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. Department of State is actively downgrading the security relationship with ASEAN countries. Despite the fact that no Secretary of State has missed an ARF meeting since 1982, Secretary Condoleezza Rice skipped the July 25-29, 2005, meeting in Laos (her first opportunity to attend an ARF meeting) and sent her deputy instead.

Secretary Rice's absence was widely criticized in the region. ASEAN leaders noted that China's foreign minister attended most of the ARF meeting and did not press them on a host of difficult issues, such as the war on terrorism, human rights, economic openness, and Burma's accession to the chairmanship of ASEAN. Compounding Secretary Rice's absence in July, no U.S. representative appeared at the ASEAN economic ministers' meeting in September. American absence from repeated ASEAN meetings has reinforced the feeling in the region that Washington places a low priority on relations with Asia.

China Pressures ASEAN Countries

To get them into the habit of siding with China, Beijing is selectively applying pressure on ASEAN countries, even on minor issues. For example, in January 2001, Singapore's Changi Naval Base berthed the aircraft carrier USS *Kitty Hawk*. It was the first time a U.S. carrier had been given pierside access to port facilities in Southeast Asia since the United States closed its naval base at Subic Bay in

5. Michael Vatikiotis, "A Diplomatic Offensive," *Far Eastern Economic Review*, August 5, 2004.

6. *Ibid.*

the Philippines in 1992.⁷ The move was seen as an effort by Singapore to align itself with the United States in the face of a growing Chinese military posture in the region.⁸ Yet in 2004, China began to pressure Singapore over its long-standing military cooperation with Taiwan and, indirectly, for its increasingly intimate security relationship with the United States.

In July 2004, Singapore Prime Minister-designate Lee Hsien-loong visited Taiwan as a private citizen. Breaking with all earlier practice, China formally protested the visit and threatened punitive economic measures if the new prime minister did not apologize immediately for his “transgression” and promise not to do it again. While he resisted initially, Lee quickly relented when China cancelled a major Singapore trade show in Shanghai. Within a month, the prime minister 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.”⁹

The following day, quite pleased with Singapore’s new obedience, the Chinese Foreign Ministry spokesman reported with satisfaction that, “we have taken note of the Singaporean leader’s speech, reaffirming support for the ‘one-China policy’ and resolutely opposing ‘Taiwan independence.’”¹⁰

As with its security relationship with the United States, Singapore has a quiet but sophisticated military relationship with Taiwan, including thousands of Singaporean military troops that train on the island. Because of Singapore’s tiny size, the relatively large Taiwan bases are critical for training its armed forces. The Taiwan–Singapore military relationship includes a host of reciprocal agreements. In March 2005, however, Singapore abruptly can-

celled a port call by two Taiwan naval vessels, apparently at China’s insistence. Although Singapore restarted naval visits with Taiwan a month later, the fact that China was able to influence Singapore on an issue vital to Singapore’s security is a clear warning to American policymakers.¹¹

Singapore’s Changi Naval Base is the only port in Southeast Asia capable of supporting U.S. aircraft carriers. It is essential that U.S. forces maintain a strong cooperative relationship with their Singaporean counterparts. At some point in the future, the United States should expect Beijing to exert pressure on Singapore to restrain its security relationship with Washington, jeopardizing U.S. air and naval operations in the region. This may be particularly true if the American military presence is interfering with Chinese military operations against Taiwan or in the South China Sea.

China is also gaining influence in the Philippines. Following the withdrawal of U.S. forces from the Philippines in 1992, the U.S.–Philippine alliance atrophied for 10 years. After September 11, 2001, however, terrorist cells active in the Philippines received urgent attention from the Pentagon, alerting U.S. policymakers to the necessity of counterterrorism cooperation with the Philippines.

Since then, however, relations between Manila and Washington have improved markedly. President Gloria Macapagal Arroyo was one of the first world leaders to declare solidarity with the U.S. immediately after 9/11. Manila was soon receiving more than \$100 million per year in economic and security aid to fight the war on terrorism. Philippine and American armed forces cooperated in a series of operations against the terrorist group Abu Sayyaf, driving it from its home base on Basilan Island. In return, when Operation Iraqi Freedom

7. Jake Lloyd-Smith, “US to Extend Naval Role from New Base,” *South China Morning Post*, March 25, 2001, p. 8.

8. Trish Saywell, “‘Places Not Bases’ Puts Singapore on the Line,” *Far Eastern Economic Review*, May 17, 2001, p. 28.

9. Associated Press, “Singapore PM to Back Beijing If Taiwan Caused War,” *The Wall Street Journal Online*, August 22, 2004.

10. Associated Press, “China: Singapore PM’s Taiwan Comments ‘Conducive to Peace,’” *The Wall Street Journal Online*, August 25, 2004.

11. “Xinjiapo Liang Junjian po Gaoxiong gang, Shangyue Tai Jian po Xing beiju, Xian wei yingxiaang Junshi Jiaoliu” (Two naval vessels from Singapore dock in Kaoshiung harbor, last month’s denial of Taiwan vessels’ docking in Singapore clearly did not affect military exchanges), *World Journal*, April 15, 2005, p. A4.

was launched in 2003, the Philippines participated by dispatching a 60-man medical unit to Baghdad.

Although President Arroyo looked great from Washington, bad economic policies, tax increases, and allegations of corruption and vote rigging at home seriously damaged her reputation and ability to govern. When a Filipino civilian was kidnapped in Iraq in 2004, President Arroyo tried to win back her flagging popularity by abandoning the long-standing Philippine policy of not negotiating with terrorists. She withdrew the contingent in Iraq to win the release of the Filipino truck driver. Many American commentators denounced Arroyo's capitulation to terrorists, and Congress decreased American foreign aid from the \$130 million authorized for 2005 to \$96 million in 2006.

In a tactic that Beijing is perfecting around the world, China stepped in to aid the beleaguered Arroyo. "Within six weeks of pulling out of the Iraq coalition," one senior Administration 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."¹²

Additionally, China offered the Philippines \$3 million in military assistance to establish a Chinese language-training program for the Philippine military, donated engineering equipment, invited the Philippines to participate in naval exercises, and opened five seats for Filipinos in Chinese military courses.¹³

At first glance, Chinese military aid is minuscule when compared to American largesse, but Beijing has achieved its goals. Arroyo committed the Philippines to supporting China's view on the one-China policy and agreed to allow China to explore

for oil inside the Philippines' exclusive economic zone (EEZ).¹⁴ The South China Sea oil agreement is a remarkable reversal of former Filipino opposition to Chinese activities in the South China Sea. In 1995, when China seized Mischief Reef, an underwater reef well within the Philippine EEZ, and established a navy base, the Philippines boisterously led ASEAN in forming a unified position against Chinese aggression.

In summary, China has demonstrated a remarkably deft ability to use its policy tools, literally maneuvering the United States out of its seat at a growing number of international fora. Furthermore, China has become an important provider of security assistance, and the presence of its military far from home is becoming commonplace. If Beijing has its way and Washington continues to neglect Southeast Asia, American military and security guarantees will soon be redundant to the Chinese presence.

Refocusing on Southeast Asia

The U.S. must redouble its political, economic, and security efforts in Southeast Asia to thwart the Chinese juggernaut. In fact, Singapore Prime Minister Goh Chok Tong has publicly chided the U.S. for its disengagement from Southeast Asia. In June 2005, he said 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."¹⁵

ASEAN is the most important multilateral organization in Asia. An economically strong ASEAN, sure of American support for its member countries' independence, can stand up to China and preserve their economic, security, and political

12. For a further discussion of this, see John J. Tkacik, Jr., "A Fresh Start for America's Asian Policy," *The Asian Wall Street Journal*, December 1, 2004, at online.wsj.com/article/SB110185490516887278.html (October 11, 2005; subscription required).

13. See Xu Xiangli, "Zhonggong Chengnuo Junyuan Feilubin" (PRC commits to military aid to Philippines), *China Times* (Taipei), September 30, 2002.

14. Dona Pazzibungan-Porcalla, "China Asks RP to Joint Naval Drill," *Philippine Daily Inquirer*, May 24, 2005.

15. Goh Chok Tong, "Constructing a New East Asia," *The Straits Times* (Singapore), June 10, 2005, p. A16. For the text of the speech, see Goh Chok Tong, "Constructing East Asia," speech at Asia Society Conference, Bangkok, June 9, 2005, at app.sprinter.gov.sg/data/pr/20050609995.htm (October 11, 2005).

independence. American foreign policy should make strengthening engagement with ASEAN a priority. In order to accomplish this goal, the President should:

- **Send the Secretary of State to the ARF and send an appropriate American representative to all invitational ASEAN meetings.** Downgrading the ASEAN Regional Forum to the level of the deputy secretary sends the message to Southeast Asia that the U.S. does not see the region as a priority. This is also the same message that China is conveying.
- **Formalize the Shangri-La Dialogue.** The current forum is informal and managed by a non-governmental organization (NGO). The Secretary of Defense should meet regularly and formally with his counterparts in ASEAN to harmonize disaster relief response, search and rescue, and anti-terrorism operations. These talks also will help to coordinate the growing number of multilateral military exercises and security for hotspots such as the Malacca Strait.
- **Increase the number of U.S.–ASEAN diplomatic and trade mechanisms.** For example, the State Department and the USTR should negotiate a TIFA and an OSA with ASEAN.
- **Open talks on a U.S.–ASEAN–Australia free trade area.** The United States has signed FTAs

with Singapore and Australia and is negotiating an FTA with Thailand. The Philippines and Indonesia also have expressed interest in FTAs. So far, the USTR has been negotiating individual trade agreements with ASEAN partners, but a broad regional agreement would better reduce regional trade barriers, increase U.S.–ASEAN trade, and advance American security interests.

Conclusion

Despite well-intentioned efforts by American diplomats, there is a sense in Southeast Asia that the U.S. is passively relinquishing its leadership to China. Gaining lost ground will require cultivating alliances, establishing new relationships, and strengthening trade and investment commitments in the region.

It is not too late to regain the trust and confidence of Southeast Asia and reaffirm U.S. commitment to its security and economic development, but that trust must be earned through a comprehensive, consistent, and determined foreign policy in the region.

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