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“China’s Relations with Asia”

by

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China's Relations with Asia*

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Introduction

Until the beginning of the 19th century, China was the biggest economy with around 1/3 of the globe's, thus, made it a great power. But starting with the Opium War, its power declined, and at the end of the 19th century it became the "sick man" of East Asia.

The Republic was proclaimed in 1911, but there were instabilities in a row until the Japanese invaded China in 1936 and occupied the coastal part of China. At the end of the war, Civil War started and the CCP took power in October 1949. China got stabilized and developed again after Deng Xiaoping came to power, and the Party proclaimed China to open up and modernize at the end of 1978. During the dynasties, the tributary system was applied on the neighboring countries, but there were no record of occupations by China.

In the wake of the end of the Ching Dynasty and the war against Japan followed by the Civil War, China was pre-occupied with many instabilities. It was only after the CCP took over, that China started to pay attention to the region around her. It began badly with the Korean War because the Chinese thought the U.S. was going to invade them as part of the Cold War effort by the U.S. It caused a lot of sufferings and big sacrifices on their side.

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Through the first Afro-Asia Conference in Bandung in 1955, China began to open up to the world. After the split with the USSR in 1960, the Soviet Union became another source of threat that eventually paved the way to de facto relationship with the U.S. against the Soviet Union in 1973; and under President Jimmy Carter it was elated to the full diplomatic relations in 1979.

Meanwhile in 1964-1965 there was a period of axis relationship between China and Indonesia, North Korea, North Vietnam and Cambodia against the West, but it was short-lived due to domestic developments in China (Cultural Revolution) and the abortive coup of the PKI in Indonesia.

In the period of 1950's-1960's, despite the domestic instabilities ("great leap forward" and "the Cultural Revolution"), China kept the efforts of solidarity to the Communist Parties in South East Asia, in the form of subversion and infiltration politically like in Burma, Thailand, Malaysia/Singapore, the Philippines and Indonesia and in some instances militarily especially in the Vietnam War.

Those activities stopped in 1979 following Deng Xiaoping's visits to several South East Asian countries in 1978. And the new law on Chinese Citizenship of 1979 even went further by stipulating that Chinese descents in South East Asia who were already citizens of the countries where they lived, were no more Chinese citizens, and have to be loyal to their respective countries concerned. The Chinese citizens residing overseas have to be law abiding in the countries where they live.

This law is important because before then the Nationalist Government recognized the 'ius sanguinis' principle and considered everybody who has Chinese blood are automatically Chinese citizen, which created the problems of dual nationalities and dubious loyalties to the South East Asian countries.

Since then on China applied a policy of good neighborhood towards South East and North East Asia, because she needs a stable environment to be able to develop her

economy and to modernize. And that has been maintained up till now, and hopefully in the future.

Only one aberration happened against Vietnam when Vietnam invaded Cambodia and got rid of the Khmer Rouge who then were China's allies, established a friendly government there. China invaded the Northern part of Vietnam until just outside Hanoi in early 1979 and damaged the territory along its border. China also learned that the PLA due to domestic upheavals in China was not in its best of form and had a lot of casualties in the invasion.

China meant to teach Vietnam a lesson, because it supported Vietnam during the war and sacrificed a lot for her, with no gratitude on the Vietnam side. China fully participated in the resolution on Cambodia in the Paris Agreement 1990. She also normalized relationship afterwards with Indonesia, Singapore and Brunei in 1990 and 1991, and she did it earlier with the other ASEAN countries.

In the crisis of 1997-1998 China refrained from devaluating the Renmimbi, and prevented more competition from her exports to the West against the other East Asian countries which were affected by the crisis such as Thailand, Indonesia, Malaysia and South Korea. She also signed the ASEAN Treaty of Amity and Friendship and joined the ASEAN Regional Forum. In 2000 China proposed to ASEAN an FTA to be signed with early harvest principle and followed that up with an investment and services agreements to make the treaty effective by January 2010.

China is active in the ASEAN plus Three processes in 1997 and later joined the East Asian Summit in 2005. It is important that China agreed on the principle of a Code of Conduct on the South China Sea, albeit she has not followed it up with the code.

ASEAN has a strategic partnership with China which created a cooperation in many fields. On the economic side, there is the worry in the last few years of a trade imbalances where the ASEAN countries' exports to China had not increased as much as

China's export to ASEAN. This has to be corrected, and the main thing is that China is willing to speed up ASEAN's capabilities through cooperation in infra-structure building and in investment in the manufacturing field (not only in the resources field), especially in the labor intensive fields to create employment to ASEAN members.

Another problem with ASEAN is the need for China to cooperate more closely on the joint development of the Greater Mekong Delta, since she has the upper part of the river, which is critically important to many ASEAN countries along its way.

On the security side, obviously the process will be slower, but one thing important for ASEAN is to be able to formulate with China the agreement on the code of conduct in the South China Sea. If not handled properly this issue may hamper the future security relations, and can become a source of tension and distrust which should not be allowed to happen.

The most important bilateral relations for the region is between China and the US. How that will develop will define the other East Asian countries policies.

Due to the shifting of economic power towards East Asia, mainly due to the rise of China's economic power, the question arises how the relationship between the U.S. and China is going to develop in the longer term.

First, it has to be recognized that there is indeed some decline of U.S. power, among others due to the financial crisis starting in the U.S., the relative rise of other emerging powers and the state of her economy that in the next decade will face difficulties due to the big debt of the Government. And the real worry is her productivity decline in the future which is critical besides demographic factors. And for the next few years she is still facing two wars in Iraq and Afghanistan. Besides that domestic politics is facing a gridlock, which will influence decision making processes in the future, although on foreign policy issues divide and disunity are less than on domestic ones.

But that decline is relative. For the time being, in the next decade or two, the U.S. will still be the strongest military power with also a lot of soft power due to her intellectual and cultural influence. And the U.S. leadership does understand that the U.S. is now limited in its ability to be able to do it alone on many issues and challenges, global, regional or local. That is why President Obama has proposed a multilateral approach and the strategy in the U.S. foreign relations.

The U.S. presence in East Asia on the Western Pacific has been a stabilizing power after WW II and could be so in the future. She has done it through her alliances particularly with Japan and the others (Australia, South Korea, Thailand and the Philippines) that has benefitted the whole region, which has been recognized by almost all the countries in East Asia, including China. This is because the big powers in the region, namely China, Japan (and the U.S.) accepted the primacy of the U.S. in East Asia in the last few decades which has sustained peace and stability.

Although China has accepted in general the existing international system, it is a good question, whether she as the other big power of the region will still recognize U.S. primacy in the future if she is growing economically as fast as in the last 30 years for the next 20 years, and her economy is going to be equal or has a bigger GDP. China is willing to remain peaceful and harmonious but it will not see the US primacy as a necessary condition for that.

The region of East Asia like the intellectual prominence, the cultural influence and the values of the West, but do not see that this has to be accepted only through U.S. leadership. China does not need to overturn every aspect of U.S. hyper-power or compete against her globally, in order to erode U.S. primacy in Asia. And to do that China does not need to equal the U.S. military capability, but simply limits U.S. options. It has an asymmetrical military competition between the U.S. and China in ways that benefit China, because she does not need to invest in everything the U.S. has militarily.

Of course U.S. decline has been predicted before, but this time it is different, because the challenge has hit its most fundamental source namely its eclipse as the world most productive economy. It is not only due to demographic factors alone, but the combination of demographics and labor productivity.

There is no evidence that China is seeking “hard” militarized hegemony that we associate with Communist strategic policies of Stalin and Brezhnev, but more of “soft” hegemony, something like in her history, when several dynasties were expecting to be recognized and to be accepted on certain policies. This will shape a new kind of relationship between China and East Asia, where China might want a certain veto power indirectly on some policies, namely her “core national interests” recognized as a great power and to be accepted on certain policies.

This will depend mostly on how the U.S. will respond to China’s rise. It may slowly withdraw, or share power with China, or it can try to maintain primacy by contesting China’s challenge. The main worry is about a strategic competition between the two. This will put East Asian countries in a difficult situation. That is why the regional institution building in East Asia with the U.S. as a member will become so important, besides a stable relationship between the two great powers.

On the one hand, we keep US presence in East Asia for keeping strategic balance and having choices during this transition period. But at the same time we also develop regional institutions (and stabilized relations with China). These institutions will create a possibility for CBMs, cooperation and preventing misjudgments on each other intentions. Somewhat like Indonesia has done with ASEAN, to keep herself in a structure for CBMs and for cooperative purposes. The critical problem will be how the U.S. and China have to cooperate that will be acceptable to both, and to create peace and stability, not only in East Asia, but also globally.

Until now there is the Strategic and Economic Dialogue between the U.S. and China, considered by Joshua Cooper Ramo, Managing Director of Kissinger Associates, *as* not

adequate and too formal. More important and more acceptable to China should be what he called “co-evolution” where China can work together with the U.S. in thinking about the new rules. Something like the U.S. has cooperated and reacted with China on the financial crisis which is informal but constant, based on working groups that evolve and move at adjustable paces. Ramo also recognized that this is not going to be easy to implement, because the U.S. would like to impose its own solutions. But with President Obama, who has the open-mindedness, the patience and the willingness to compromise if necessary, Ramo’s strategy can be entertained.

Before these efforts of new bilateral relations between China and the U.S. will succeed, and the effectiveness of the regional institutions could have a bearing on the strategic developments in East Asia, (especially the EAS where the U.S. soon could join), and a substantial level of cooperative security based on trust could be achieved, it should be imperative in the transition period to have the existing bilateral alliances with the U.S. still in place.

On China, this paper is to discuss the change that is medium to long-term. While China is becoming a great economic power, per capita-wise she still has a long way to go compared to USA or Japan, which in general have 8 to 10 times more per capita income.

Besides, China has a long list of challenges to face except for the constant 8-10% growth in the last 30 years and maybe another 10-20 years ahead, which in 2010 already make her economy the second largest after the USA, and surpassed that of Japan’s. China recognizes these huge challenges:

- Discrepancy in income, which has become more serious, especially between the coastal and the inner part of China, and between the rural and city as well as between manufacturing and agriculture (farmers) sectors;
- The problems of the environment, especially water shortage which has become critical and air-pollution;
- The challenges of political opening and development, as part of the success of economic development, is a critical one that the Chinese leadership is aware of and

try very hard to respond. It is not easy for them, but in the meantime they have done a lot in having more civil liberties for the people. There are two things that are critical for them to fulfill: freedom of speech through open publications (although now somewhat improved), and the second is the right to freely organize political activities, especially that are different from the government's policies. They are struggling how to enlarge the political space that they have established at the village level in electing their leaders, to other higher entities including cities and reneies;

- The problems of government transparency and the related corruption that has been created is another serious problem for the leadership. They know how serious this is, which was been one of the main reasons for the Tienanmen incident, and therefore, critical to prevent another one. Because stability is so paramount for development, they have started since then to create ways to control and prevent corruption. But in a fast developing economy like China's, it will not be easy because so many chances will be open to corruption.

China's rising defense budget is seen as source of apprehension by others especially her neighbors, because it has never been transparent nor its purposes are clear. This has to change if China would like to get the trust from others. She does understand this, but actions are needed to change this non-transparency and lack of purpose.

They might eventually know that their model of development is excessive in using too many resources and create damaging pollution as well as social problems. They are looking for ways to change it, although maybe not fast enough, because change is a difficult issue. In all her efforts for modernization and economic development, China knows that stability (political and economic) is vital, and that is one of China's main consideration in her foreign policy too.

It is a fact that economic achievements and development does not translate immediately into political power. But it can happen abruptly after a certain level of economic developments which China can achieve in the next two decades. In the meantime we have to admit while the leadership has become more assertive in their

“core interest” issues such as Taiwan or Tibet and SLOC (Sea Lines of Communication), China is a status quo power which is not geared for a revolutionary change of the international system. But in accordance with her growing power it is natural to expect some more assertiveness on her part, and especially on her “core interest”, although it is expected that she can do that with more finesse in the future. And there are no indications so far that China is entertaining to take over world leadership from the U.S., or that she is preparing herself to that purpose because her domestic challenges are so huge, and that will remain her main pre-occupation for the next few decades.

Two most important actions and policies the Chinese can take to alleviate the problem of her credibility are:

- To be more transparent on her domestic political policies and the changes she has and are taking, especially on her defense policies and defense build-up. One of the difficulties to understand Chinese politics, besides the language is the political jargon that is very important for the Chinese leadership to explain about their policies to their people, such as the “three Represents” of President Zhang Zemin or the “Scientific Outlook on Development” of President Hu Jintao. These political jargons are vital to understand the basic changes in Chinese policy.
- Second, to become a trustful member and leader of regional institutions, which are important platforms and mechanisms to be able to get through to other members in East Asia and the Asia Pacific, which are the most critical and important part of the globe and the region for China, and to be trusted and accepted by them. The APT, EAS, and APEC, ARF are the most important ones for that purpose. The U.S. for that matter should also be invited to the East Asian Summit to be able to have more CBMs, dialogues, and exchanges with the Chinese in a regional environment including other actors, to complement their bilateral relations. The invitation to the U.S. to become a member (together with Russia) are being prepared by ASEAN Foreign Ministers and will be in a short time delivered. The EAS is mainly for strategic dialogues at the Summit level on most critical issues of the region, including in security matters.

Relations with Japan

China's relations with Japan is improving fast, because Takeo Hatoyama and Ichiro Ozawa, and the DPJ in general, are very keen on improving Japan's policy towards East Asia, especially towards China. Hatoyama has shown some trust to the Chinese in the context of establishing a future East Asian Community. In addition, he has shown that he really is willing to put aside the historical impediments to the relationship which is well appreciated by the Chinese.

This policy inclination should not necessarily cause an impediment in the Japan-U.S. relations. It is indeed a bad policy that shows Hatoyama's lack of experience for not to relating it to the U.S. in the first place as a close ally should do, especially on the deal of Okinawa's bases problem.

A good relationship between Japan and China could be well-received by the U.S. if well communicated, as a good bilateral relations between the U.S. and China should be well received by Japan as well. All this would also be good for the region of East Asia and globally.

Relations with India

Meanwhile, the China-India relations is improving because of mutual efforts on both sides albeit there are real problems like the dispute on boundaries, the problem of Tibet and the Indian support to the Dalai Lama. But since the war in 1962, the economic relation has grown in the last decade to over 30 billion USD, although the imbalances in favor of China has created some new frictions. The long term problem is really of two great powers living next to each other with real differences in many things:

- value system of the society and its relations with the state;
- the importance of the state;
- the political system;

- the problem of Pakistan;
- the strategic role that both are playing in the region.

But both India and China are aware of these challenges and they are trying to keep the relationship in balance.

Relations with Russia

China's borders of over 8,000 km with Russia albeit covered in a joint treaty, will always be a fact that will have a bearing on the trust and relations between the two countries. For now, there is the interest for a closer cooperation to face the U.S. hegemony in the region. The Shanghai Cooperation Organization is one avenue for that in addition to the willingness to create CBMs and cooperation to cope with Muslim extremist groups from Central Asia. It is also important to note that the search for energy and resources can be another reason for competition or cooperation in the future.

It is a geographic fact that the Asian part of Russia is not well populated, and that Chinese migrants in that part and along the border, while important for trade, have been a factor of nuisance which need real attention on both sides not to create unnecessary problems.

Relations with Central Asia

The Central Asian countries are important to China for its energy and natural resources, as well as to prevent the Uighur Muslim extremists from Xinjiang to look for sanctuaries along the common borders with China. Again the Shanghai Cooperation Organization can be very useful to cover for both purposes.

Concluding Remarks

First, it has to be recognized that China's remarkable developments and growth which can possibly continue for another 1½-2 decades have been the basis of our recognition

of its power in other fields than in the economic one. But this assessment is still a matter. It is conceivable that the development of its political influence through diplomacy or military might will be delayed, but it is also conceivable to see a sudden surge if in 2030 China can catch up with the US GDP or even surpasses it. This is just a matter of power projection for the future.

China's challenges are indeed huge and multiple. That is why China should not be too overconfident or having hubris at this stage. She should listen and follow Deng Xiaoping's advice of not being too easily carried away about her power, and instead try to do things positively.

As noted earlier, China is not aiming at changing the international system or becoming a hegemon like Stalin or Brezhnev through military power. However, one can expect that she is willing to be more assertive in relation to her "core national interests". She must be engaged in the right way in dealing with new rules where she is going to co-decide with the U.S. in the future.

As her history suggests you can expect that in the future she is more willing to exert vetoes when it comes to these "core interest". For us, ASEAN, it is most important to have a balanced bilateral relationship with China as a partner, and at the same time do our utmost to get the regional institutions really off the ground to be able to have CBMs and cooperation towards mutual trust and acceptance of each other in the context of a regional cooperation environment.