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Trade clout wins China allies

>By Richard McGregor, Victor Mallet and John Burton

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When Hu Jintao, China's president, visited Vietnam last month, he brought with him not just \$1bn in aid but also an agreement to hold joint military exercises. It marked a remarkable turnround for neighbours that fought a bitter war in 1979 and multiple armed skirmishes in its aftermath.

China and Vietnam are staking out the formal lines of a land border and discussing ways, with the Philippines, to manage their various maritime demarcations, along with the oil and gas that might lie within them. "This type of agreement would have been beyond our imagination a few years ago," says Zhai Kun, a director of the China Institute of Contemporary International Relations in Beijing.

Chinese willingness to forge a modus operandi with Vietnam is part of a concerted campaign by Beijing to settle or soothe disputes with Asian neighbours. As a result, China's political clout in the region is starting to match its economic pull – something that will be at centre stage at next week's pioneering meeting of the leaders of east Asian nations in Kuala Lumpur, the Malaysian capital.

Once acidly dubbed the "caucus without Caucasians", the idea of an East Asia Summit has evolved substantially since it was proposed by Mahathir Mohamad, the then Malaysian leader, in the 1990s. Dr Mahathir envisaged its core membership as being the 10 nations of Asean along with China, Japan and South Korea. This so-called 10+3 group would "balance regional groupings elsewhere" – in Europe and North America.

The Asians-only format reflected his conviction that the west wanted to sabotage the region's success by focusing on such issues as human rights to justify trade protection. That idea gained some sympathy even in Japan, which at the time was worried about US proposals for "managed trade".

But in the decade since then, the forces driving regionalism have been transformed. No longer is the issue of how to manage the US at the heart of regional policy. It is how to manage the rise of China.

China's shadow over Asia explains why, to Dr Mahathir's annoyance, a couple of "Caucasian"

nations, Australia and New Zealand, have been invited to the inaugural EAS, to be held on the final day of Asean's own three-day summit that starts on Monday. "I have always opposed the idea of Australia and New Zealand being in the group simply because [they are] not really east, nor are they Asian," Dr Mahathir remarked tartly this week.

Australia, New Zealand and India will be there at the invitation of countries including Japan, Indonesia and Singapore, which see them as a balance to China. Though the presence of the three turns the EAS into Asean+6, next week's meeting does have one crucial element in common with Dr Mahathir's plan: the US, still the dominant economic, cultural and military power in Asia, is pointedly not invited.

The changing politics in the Asia-Pacific were on display in South Korea last month when US President George W. Bush and Mr Hu each met Roh Moo-hyun, that country's president, ahead of the Apec regional economic summit. A day after an awkward meeting in which Mr Bush publicly thanked South Korea for supporting democracy in the Middle East, the US was mortified to hear Seoul announcing the withdrawal of a third of its troops from Iraq. There was no such embarrassment for Mr Hu, who received a standing ovation in the South Korean national assembly and declared that bilateral relations had entered the "best era in history".

At gatherings such as Apec's annual summit, the US is suddenly no longer the only power to which lesser nations pay tribute. Strengthened by the relentless growth of its economy, China wields more influence among its Asian neighbours with every passing year.>



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South Korea's and Taiwan's exports to China – worth about \$70bn apiece last year, according to Chinese customs data – are each almost double those of the US. Japan's are larger still. "China's political power has grown by leaps and bounds in the region," says Kishore Mahbubani, dean of the Lee Kuan Yew school of public policy at the National University of Singapore.

Only recently have Chinese leaders felt confident enough to exert influence commensurate with the country's economic importance. "Five years ago, people would have said China was a non-player on the international scene," says a European diplomat based in Asia.

Through various avenues – the Shanghai Co-operation Organisation that promotes ties with Russia and central Asia, the six-party talks on the North Korean nuclear crisis for north-east Asia and links (individually and collectively) with the Association of South-East Asian Nations – China has steadily forged better relations with most states in the region.

That process has included the settlement, or at least the agreement on a framework to settle, border demarcation disputes once considered intractable, with Vietnam, Russia and India among others. "China is not necessarily being proactively accommodating but [Beijing's leaders] do

realise that being accommodating best serves their interests in maintaining stable ties in the region,” says Taylor Fravel of the Massachusetts Institute of Technology.

“There will always be suspicions about China because it is big and growing,” he says. “But once you have signed a boundary agreement, it becomes public knowledge. [Authorities in] China could always renege but there is a potentially high cost to its reputation in the region if they do so.”

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Beijing will continue its charm offensive at the Kuala Lumpur summit, happy that the US will not be there. Chinese analysts can scarcely hide their satisfaction at the way Mr Bush’s recent low-key visit to China demonstrated the shifting balance of power between Washington and Beijing.

“It marked the transformation of cowboy Bush into rational and pragmatic Bush,” says Shen Jiru, a professor at the Chinese Academy of Social Sciences. Mr Shen describes US-China ties as a “non-hostile, non-friendly relationship”.

Chinese diplomats and analysts now emphasise the Confucian cultural heritage the country shares with its neighbours, talk of “win-win” relationships and have adopted the phrase “peaceful development” rather than the potentially alarming “peaceful rise” to describe the country’s progress.

But China’s growing influence has inbuilt limits. Many Asian nations fear a hegemonic, undemocratic China more than a nationalist Japan or an overweening US. “If you’re a rational policymaker, you have to calculate whether China will make it, and most people think it will, but this doesn’t mean they want America to leave,” says Mr Mahbubani. Countries in the region “have to live with a rising China but they don’t have to bend over backwards to China on everything”.

The splits in the region over how to manage China have been visible in the manoeuvring ahead of the EAS and have stymied negotiations over the draft communiqué. Many in Asean are concerned that a permanent community of east Asian nations would reduce their organisation’s regional role. “Which comes first – the EAS or Asean+3?” asks Yang Razali Kassim, a senior fellow at the Institute of Defence and Strategic Studies in Singapore. “There is obviously a tussle between these two constructs.”

Malaysia is playing down the importance of the EAS, although it angered Indonesia by pushing hard for the meeting to be held in the first place. Stephen Leong of Malaysia’s Institute of Strategic and International Studies says “the focus of building an east Asian community should be on Asean+3”, with the role of India, Australia and New Zealand limited to being dialogue partners on issues such as terrorism and avian flu. The argument that the extra three countries are needed as counterweights to China “reflects cold-war thinking”, he adds.

Singapore, however, supports the broader summit, in line with its traditional backing for inclusive regional forums. The city-state has also been frustrated by the slow pace of creating a free-trade zone and the liberalisation of services in south-east Asia. Simon Tay, chairman of the Singapore Institute of International Affairs, says the inclusion of Australia, New Zealand and

India is necessary, adding: “The era of Asian values hubris is over and the trend is towards encouraging democracy in the region. They can play an important role in this.”

China was initially furious at the invitations to Australia, New Zealand and India, which it sees as too close to Japan and the US, but its anger seems to have cooled. “It should not be a problem for China, because it makes for a wider platform for co-operation,” says Mr Zhai. But after pushing hard for Asean+3 to be the core of any permanent regional grouping, it and Malaysia will want that concept to prevail in Kuala Lumpur next week.

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The schism between Japan and China, the region’s two giants, hollows out any unified Asia – just as if, in a young European Union, the leaders of France and Germany refused to meet. China’s anger at the visits of Junichiro Koizumi, Japan’s prime minister, to a Tokyo shrine that commemorates war criminals among others has prompted it to step up its efforts to isolate Japan diplomatically.

China campaigned ardently to scupper Tokyo’s bid for a permanent seat on the United Nations Security Council and, along with South Korea, cancelled a three-way meeting with Japan that had been held on the sidelines of Asean gatherings every year since 1999.

“Japan is one of the few countries in Asia to feel that its interests will be marginalised by the rise of China,” says Zhu Feng, professor at Peking University’s School of International Studies. “For Japan, China has always been backward and weak – they [Japanese] cannot accept the reality that China will again be superior to Japan and more powerful on all fronts.”

Japan’s economy remains more than double the size of China’s. Yet his words show the venom in Beijing towards Tokyo. Mr Shen at the social sciences academy questions even Japan’s presence at the Malaysia meeting, adding: “In east Asia, the biggest problem is Japan.”

The multiple competing agendas in the Asia-Pacific may mean that the summit itself ends up doing little more than expose fissures. “Given the range of schisms within Asia right now, it is unlikely that the EAS will amount to much in the early stages,” says Elizabeth Economy at the Council on Foreign Relations, the US think-tank.

With all the gamesmanship, the absence of the US and the dominant and polarising role it traditionally plays in Asia may ironically be the forum’s greatest weakness. “In other words, without the US,” says Ms Economy, “Asia may well lack the ‘common enemy’ around which much of the region often seems to unify.”

Exports beget goodwill in Seoul

Among the larger Asian economies, South Korea is the starkest example of a country drawn inexorably into China’s orbit by the rapid growth and modernisation of the People’s Republic, *writes Victor Mallet.*

South Korea has been a crucial US military ally since the Korean war in the 1950s and it was not until 1992, in the aftermath of the cold war, that Beijing forged diplomatic relations with Seoul.

By 1993, China was already South Korea's third largest trading partner. In 2001 China overtook Japan and last year it surpassed the US in trade with Seoul.

China's share of South Korean exports has risen from 2 per cent in 1990 to about 24 per cent. Bilateral trade will reach \$100bn this year and South Korean industrial companies have invested heavily in China.

Chung Jae-ho, professor of international relations at Seoul National University, notes that China accounted for nearly 90 per cent of South Korea's global trade surplus last year. "So in some senses, South Korea is becoming addicted to China," he told an Asia Society meeting in Hong Kong last month.

The relationship between the two countries is increasingly cultural and social as well as commercial. Young Koreans have begun to view China in a favourable light, while their opinions of the US and Japan have turned negative. An estimated 45,000 South Koreans are studying in China and one in two foreign students in China is Korean. "To many Koreans," Mr Chung says, "The rise of China is more acceptable than the rise of Japan."

China, in turn, has had a number of "Korean crazes", most notably through popular soap operas and young Korean actresses, whose cosmetic surgery helped spawn a rash of such operations among young Chinese women.

Beijing and Seoul have had recent disputes, notably over Koguryo – an ancient kingdom seen as the foundation of Korea's national history and tactlessly dismissed by Chinese scholars as a vassal state of China – and over the quality of Chinese exports of kimchi, the spiced cabbage that is the traditional accompaniment to almost every Korean meal.

Relations today, however, are warmer than ever. Unlike the US and Japan, for instance, both China and South Korea believe closer ties with North Korea, rather than sanctions, are the best way to persuade Pyongyang to abandon its nuclear weapons programmes.

For Roh Moo-hyun, the South Korean president, the only problem with the China relationship is that, after years of reliance on the US, South Korea risks becoming economically too dependent on China – an awkward situation when the US still provides the security umbrella for South Korea.

"There is an increasing bifurcation of security and economic logic, which will create a dilemma for South Korea," says Prof Chung.

Rising giants spur Asean to push for integration

Talk of the 16-member East Asia Summit eventually leading to Asia's version of the European Union may have an air of hype about it, *writes John Burton*. But the concurrent annual meeting in Kuala Lumpur of the 10-member Association of South-East Asian Nations might well set the organisation on the road to its equivalent of the Treaty of Rome, the EU's founding document.

Asean is expected to start negotiations on a draft charter that would strengthen the structure of a

group that has hitherto tackled issues on an informal consensus basis. The charter promises to accelerate the pace of economic integration in south-east Asia, but only if political sensitivities are overcome.

The group fears that, should it fail to move ahead on economic unity, it could soon be eclipsed by China and India. “It’s no coincidence that Asean is discussing a charter when the East Asia summit is taking place. They know that if they fail to achieve agreement on it, Asean could lose its role as the hub of Asian integration,” says Simon Tay, chairman of the Singapore Institute of International Affairs.

“A charter would invest Asean with a legal personality so that it could act more confidently on behalf of the region as a whole,” Rodolfo Severino, a former Asean secretary-general and a visiting fellow at the Institute of Southeast Asian Studies (Iseas) in Singapore, wrote recently.

Asean lacks the institutions that have given teeth to similar organisations such as the EU. One weakness, for example, is the absence of an agency similar to the EU trade commission to enforce Asean rulings.

The charter process will be launched next week when Asean names a 10-member “eminent persons group” including elder statesmen such as Fidel Ramos, the former Philippines president, and S. Jayakumar, Singapore’s deputy prime minister. By next year it aims to produce a draft charter, which would be debated and signed in 2007.

Supporters of integration hope the charter will lead to creation of an Asean Economic Community by 2020, which would establish a single market in goods, services, investment, capital and skilled labour. “The charter would transform Asean from a loose intergovernmental organisation to a supranational one,” says Dennis Hew, an Iseas fellow. “But I doubt whether there is the political will to achieve it.”

Asean members have been reluctant to surrender sovereignty, the main reason why the group still lacks a strong institutional framework nearly 40 years after its founding.

But others are more hopeful about prospects. Mr Tay believes China’s growing economic power will force Asean to integrate. “Conditions for co-operation are much better than they were five years ago,” he says.

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