

International Master's Program in Asia-Pacific Studies

Master's Thesis

Examining China's Soft Power in Southeast Asia The Case in the Philippines



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ABSTRACT

“soft power is the ability to get what a country wants through attraction rather than coercion or payment.”

- Joseph S. Nye Jr.

From Nye’s original soft power idea, the term now has been increasingly attached to China’s conduct of its diplomacy in various parts of the globe from Southeast Asia to Africa and South America. This research examines China’s soft power in Southeast Asia and its effectiveness relative to the pursuit and advancement of the country’s regional objectives and aspirations. The primary consideration here would be the US approach towards the region and how, if any, this has affected Southeast Asian governments’ reception and perception of China’s drive for increased influence and potential domination of regional affairs. Striking a comparison between Beijing’s standing in Southeast Asia before and after its soft power application would likely provide a logical explanation on the effectiveness of its intensified diplomacy in attracting regional countries.

Also of particular importance to this research would be the US policy towards the region and the underlying rationale behind its stance, as well as Southeast Asia’s attitude regarding Washington’s regional approach. Undoubtedly, America’s image in the region has been tainted by the previous governments’ missteps and unpopular actions, but there is no denying that Southeast Asian governments still rely on the US military apparatus for regional stability and security. This has been made more complex by China’s growing penetration in Southeast Asia, but might as well provide enough reason for the US to engage Southeast Asia a lot more. Knowing the political, economic and historical correlation of individual regional countries vis-à-vis the US and China might shed some light as to their mindset relative to the competition of these two external powers for increased influence in Southeast Asia.

Being the US’ most reliable ally in Southeast Asia, the Philippines offers the most compelling case for this study. How the Philippines react, and what other factors influence its behavior, as far its relations with both the US and China provides some relevant information in the overall calculation of Beijing’s attractiveness among

regional countries. Particularly relevant to this estimation is determining China's rationale behind its goal of attaining unparalleled relations with the Philippines as well as Manila's motivation in reciprocating Beijing's offer of friendship. Equally important is the evolution of the Philippine-US relations and what drives these two countries to reinvigorate their security partnership, previously the cornerstone of American military supremacy in Southeast Asia, amid China's charm offensive.

In the end, this study finds that it appears that the Philippines' strategy vis-à-vis its relations with both the US and China has been to secure the best possible concessions from both countries while playing a delicate balancing game to accommodate their intensified competition for influence in the country. Although there have been remarkable improvement in relations between the Philippines and China, privately Manila is still uneasy with the potential security repercussions that Beijing's rise might engender in the long run, especially with regards to their conflicting claims over the SCS. As it seems, the Philippines' increased confidence in dealing with China can be rooted on its ability to keep the American military deeply engaged in the country.

As has been notable in the Philippine experience, Southeast Asia appeared determined to sustain the power equilibrium with regards to external powers, and all indications point to China as the concentration of this strategy. The ASEAN recognized that Beijing's soft power has already put it in a position to compete with Washington for increased influence in the region. Southeast Asia wants to accommodate this, but judged that it would be safer to include other powers in the equation to ensure that the ASEAN still has control in managing these powers' engagement. Having said this, while there is no doubt that China's soft power has served its regional purpose well, Southeast Asia's desire to sustain the regional balance of power, apparently with the US still at the top, would continue to put some limits to Beijing's charm offensive in the region.

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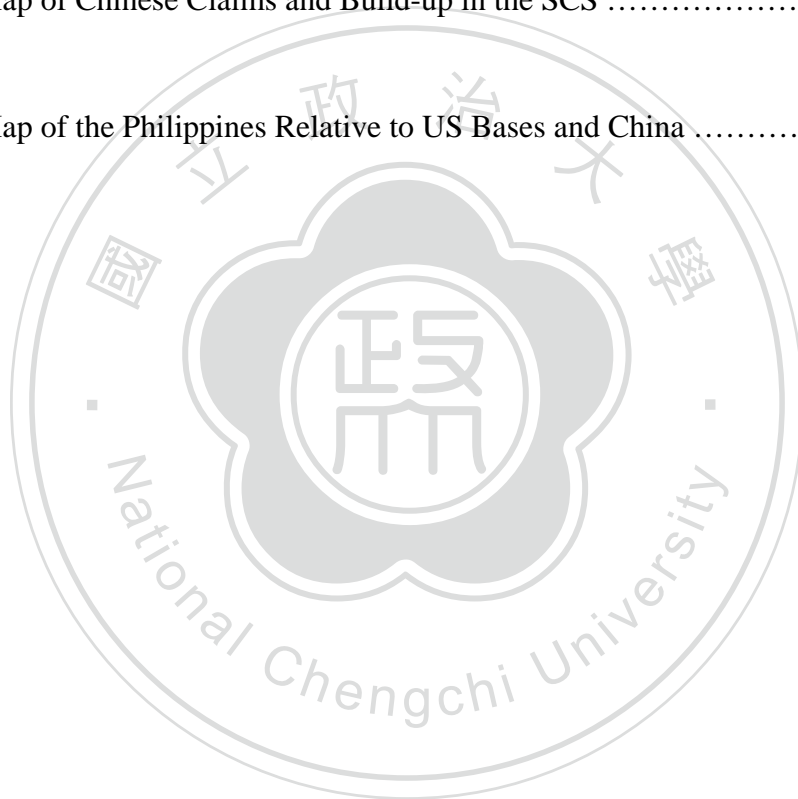
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LIST OF ACRONYMS

ADS	–	Approved Destination Status
ASEAN	–	Association of Southeast Asian Nation
ASEAN + 3	–	ASEAN plus China, Japan and South Korea
ARF	–	ASEAN Regional Forum
APEC	–	Asia-Pacific Economic Cooperation
CAFTA	–	China-ASEAN Free Trade Agreement
CPC	–	Communist Party of China
EAS	–	East Asia Summit
EU	–	European Union
FDI	–	Foreign Direct Investment
FTA	–	Free Trade Agreement
JMSU	--	Joint Marine Seismic Undertaking
JSOTF-P	--	Joint Special Operations Task Force-Philippines
MDT	–	Mutual Defense Treaty
MLSA	--	Mutual Logistics Support Agreement
QDR	--	Quadrennial Defense Review
TAC	–	Treaty of Amity and Cooperation
TIFA	--	Trade and Investment Framework Agreement
SCS	–	South China Sea
SARS	--	Severe Acute Respiratory Syndrome
SEATO	--	Southeast Asian Treaty Organization
VFA	–	Visiting Forces Agreement
WTO	–	World Trade Organization
ZOPFAN	--	Zone of Peace, Freedom and Neutrality

CHAPTER I

Introduction

Background

The Philippines has been an important ally of the US through World War II, the Cold War, and now the fight against terrorism and extremism--garnering the distinction as a US non-NATO ally in 2003. The militaries of the two sides have ongoing and expanding joint exercises in the southern Philippines, particularly aimed at uprooting the Abu Sayyaf terrorist group. Despite the general agreement on the importance of the US-Philippine relations, however, bilateral frictions occasionally have risen as the Philippine foreign policy became more independent and assertive regarding sovereignty and self-interests or driven by domestic political pressures.¹ For instance, due to mounting pressures from increased nationalistic sentiments and apparent view of the absence of an external security threat, the Philippine Senate in 1991 rejected an agreement extending American military bases' stay in the country. Nonetheless, officials in both the US and the Philippines since 1992 repeatedly have reaffirmed the 1951 Mutual Defense Treaty (MDT), which dictated that both countries would support each other if either one was to be attacked by an external party. But beyond the set-piece exercise called Balikatan (shoulder-to-shoulder), in which American and Philippine Marines practice infantry operations and conduct civic action activities, there has been little defense cooperation useful to both sides after the American bases pullout.² In 1995, however, there was a change in attitude in Manila toward external security concerns because of the discovery of Chinese buildings on the Philippine-claimed atoll called Mischief in the disputed South China Sea (SCS) area. It was widely believed that China decided to build those structures in part to take advantage of the regional power vacuum caused by the collapse of the US-Philippine security alliance. Facing a threat from an uncompromising Beijing, Manila in 1998 signed the Visiting Forces Agreement (VFA) with Washington.

¹ Thomas Lum and Larry Niksch, "The Republic of the Philippines: Background and US Relations," *CRS Report for Congress* (2009), www.fas.org/sgp/crs/row/RL33233.pdf.

² Richard D. Fisher, Jr, "Rebuilding the US-Philippines Alliance," *The Heritage Foundation* (1999), <http://www.heritage.org/Research/Reports/1999/02/Rebuilding-the-US-Philippine-Alliance>.

As these developed, China's economy has been surging to a record high as a result of the diplomatic and economic reforms adopted by Deng Xiaoping since 1978 that enabled the country to accomplish what no other country has done before. China's economic rise is one of the most spectacular in history, with its per capita gross domestic product (GDP) increasing about 8 percent per year for the 25 years from 1979 to 2004. By comparison, the strongest average per-capita GDP growth for the last rising power--the US--for any 25-year period since 1830 was less than 4 percent per year.³ In 2007, China's economy overtook Germany's to become the world's third largest, after the US and Japan, respectively.⁴ Despite its economic success, however, China is still plagued with an array of domestic woes from widespread poverty, social disparity to environmental degradation, among other concerns. The Chinese leadership acknowledged that the foremost solution to their internal, as well as external, problems lies in sustaining the growth of the economy. Tying economic vibrancy with external security concerns, Chinese leaders often reminded themselves that the Soviet Union lost the Cold War because the Soviets were not able to sustain the conflict largely due to its deteriorating economy.

No wonder that maintaining the strength of its economy has driven the transformation of China's foreign policy discharge in recent years. More than ever, Beijing now has been engaging the world by forging productive and increasingly substantial relationships in every corner of the globe, to include new cooperative partnerships and agreements in Southeast Asia, Central Asia, Europe, Africa, and South America. China has likewise expanded its membership and participation in international organizations, and has shown increased willingness to adhere to many norms and rules of the global economic and, to a lesser degree, even political system.

The SCS event of 1995 and the subsequent response by the Association of Southeast Asian Nation (ASEAN)--with the Philippines urging for American military intervention--had made the Chinese leadership realized that its aggressive behavior was counterproductive and merely undermined the economic and diplomatic advances

³ Jian Yang, "The Rise of China: Chinese Perspectives," in *The Rise of China and International Security America and Asia Respond*, ed. Kevin J. Cooney and Yoichiro Sato (New York: Routledge, 2009), 18.

⁴ Nipa Piboontanaswat and Kevin Hamlin, "China Passes Germany to Become Third Largest Economy," *Bloomberg* (January 14, 2009), <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a9P1peF6QeOg&refer=home>.

Beijing had made in Southeast Asia as regional countries became wary and concern of their big neighbor's true intentions and the repercussions of such on the region's peace and stability. In particular, China did not want to see its political ties with the Philippines deteriorate over the SCS and for Manila to strengthen its security relations with Washington. Hence, from 1996 to 2000, Beijing consistently disavowed any intention to dominate Southeast Asia and campaigned for members of the ASEAN to accept a substantial Chinese naval presence in regional waters as a matter of course.⁵

Amid this development, China is becoming more adept and confident with its foreign policy discharge, mostly through its soft power statecraft or charm offensive. It has increased its influence and importance in various parts of the globe, mostly in countries where the US policy has faltered or deemed by the Americans as problematic areas. In Southeast Asia, China was able to further improve its image beginning 1997, when it helped regional economies wrestle the effects of a financial crunch by not devaluing its currency. Since then, Beijing was able to wield increase power in Southeast Asia, mostly relying on its skillful use of its soft power tools. Along with offering of economic inducements, China has allayed concerns that it poses a military or economic threat, assured its neighbors that it strives to be a responsible member of the international community, and produced real benefits through aid, trade and investment. Specifically, China in November 2002 signed with the ASEAN a Declaration on the Conduct of Parties in the SCS, which--albeit non-binding--seeks a peaceful settlement of the disputes over the SCS through friendly coordination and negotiation. In October 2003, China also became the first external power to accede to the ASEAN's Treaty of Amity and Cooperation (TAC), which aimed at promoting amity and cooperation based on the principles of mutual respect of sovereignty and territorial integrity, non-interference in each other's internal affairs and peaceful settlement of disputes.

Beijing's image transformation in Southeast Asia can also be attributed to Washington's missteps in the region. The US' late response in helping regional economies during the 1997-98 Asian financial crisis and its focus on counterterrorism in Southeast Asia after the September 11, 2001 (9/11) attacks--which led to perception

⁵ Renato R. De Castro, "China, the Philippines and the US Influence in Asia," *American Enterprise Institute for Public Policy Research*, Number 2 (2007), <http://www.aei.org/outlook/26450>.

that Washington's policy has become one-dimensional--had helped China make significant inroads in the region. The apparent disregard of the then administration of US President George W. Bush for regional security institutions had also tarnished America's image in Southeast Asia. Despite the fact that no US Secretary of State has missed an ASEAN Region Forum (ARF) meeting since 1982, then Secretary of State Condoleezza Rice skipped the July 2005 event in Laos, sending her deputy instead. Her absence was widely criticized in the region, noting that China's foreign minister attended most of the ARF meetings and did not press them on a host of difficult issues, such as the war on terrorism, human rights, economic openness, and Myanmar's accession to the ASEAN chairmanship.⁶

Meanwhile, while the Philippines since 2002 has been receiving hundreds of millions of dollars of military aid from the US to combat radical Islamist groups in the country as part of the US-led campaign against terrorism in Southeast Asia--the Philippine government's decision to pull out troops in Iraq to save a hostaged Filipino truck driver amid public clamor for such in July 2004 momentarily soured the Philippines-US relations. In the aftermath of the incident, Manila continued its rhetoric of unwavering support for the US war on terror but the practical limitations of what it could do for Washington were revealed.⁷ Shortly after the Philippine troop withdrawal in Iraq, China invited then Philippine President Gloria Macapagal-Arroyo for a state visit, aggressively wooing the latter by offering greater cooperation and trade.⁸ After the visit, China and the Philippines in November 2004 signed a number of security agreements from the conduct of military dialogues and trainings, as well as the provision of Chinese technical assistance and non-lethal military equipment.

China has likewise emphasized economics in pursuit of strategic leverage in Southeast Asia. In the past few years, China has become one of the Philippines'

⁶ Dana R. Dillon, and John J. Tkacik, Jr, "China and ASEAN: Endangered American Primacy in Southeast Asia," *The Heritage Foundation* (2005), <http://www.heritage.org/Research/Reports/2005/10/China-and-ASEAN-Endangered-American-Primacy-in-Southeast-Asia>.

⁷ Renato De Castro, "Overseas Woes and Domestic Tactics in the Philippines," *Global Asia* (2009), http://www.globalasia.org/V4N3_Fall_2009/Renato_Cruz_De_Castro.html.

⁸ Joshua Kurlantzick, "China's Growing Influence in Southeast Asia," in *China's Expansion into the Western Hemisphere: Implications for Latin America and the US*, ed. Riordan Roett and Guadalupe Paz, (Washington, D.C.: The Brookings Institution, 2008), 197.

biggest trading partners, a major investor in infrastructure, energy, agriculture, and mining, and a significant provider of foreign aid, mostly in the form of concessional loans which rival those of Japan, the Asian Development Bank, and the World Bank. As of 2008, the Philippines is the largest recipient of Chinese loans in Southeast Asia, which reportedly totaled \$2 billion in pledged financing, of which about half has been disbursed.⁹

Significantly, China's recent economic charm offensive in Southeast Asia, in general, and the Philippines, in particular, is clearly starting to take a hard strategic turn, aimed specifically at counterbalancing US military influence in the region.¹⁰ This is specifically true in the wake of the 9/11 attacks after which the US afforded Southeast Asia with renewed strategic significance as another theater of its war on terrorism. Washington appeared determined, under the guise of combating international terrorism, to establish a new military foothold in Southeast Asia, most notably in the Philippines, a strategically important location for power projection in East Asia. This development, however, is not well-received in the region because of the view that the US' Southeast Asian policy narrowly focused on fighting international terrorism.

Of late, however, there are some indications that the whole of Southeast Asia has been given renewed importance in Washington's foreign policy calculation. In February 2009, US Secretary of State Hillary Clinton visited Indonesia--her first official trip abroad in her capacity as Washington's top envoy. Visiting Jakarta ahead of China may demonstrate the importance the new administration of US President Barack Obama has placed on its relations with Southeast Asia. Providing some hint as to the US' approach toward the region in the context of the US-China-ASEAN triangular engagement, Clinton subtly said "When the US is absent, people believe we are not interested...that creates a vacuum that destructive forces can fill."¹¹

⁹ Lum and Niksch, op. cit.

¹⁰ Noel T. Tarrazona, "US, China Vie for Philippine Military Influence," *Asia Times*, September 20, 2007, http://www.atimes.com/atimes/Southeast_Asia/II20Ae01.html.

¹¹ "Clinton Cheered as She Wraps Up Indonesia Visit," *AFP*, February 19, 2009, http://www.blnz.com/news/2009/02/19/Clinton_cheered_wraps_Indonesia_visit_0285.html.

Then, as promised, Secretary Clinton attended the July ARF meeting, during which she signed the ASEAN TAC--a move the previous US administration had failed to accomplish. As Secretary Clinton said on a Bangkok TV talk show, "I strongly believe that the United States will get more involved in this region. The United States is back!"¹² Also worth-noting is that when President Arroyo met with President Obama in Washington at the end of the same month, the latter designated the Philippines as coordinator of US affairs in the ASEAN. Although the function of the post is unclear, it nevertheless showed the importance the Obama government has placed on the US' relations with the Philippines.

Research Question

Motivated by the above-mentioned developments, this study finds it interesting to examine how the politics in Southeast Asia has unfolded vis-à-vis China's soft power statecraft, especially the manner by which regional governments have responded in managing relations with the US and China without antagonizing either one. As such, this study will try to probe the effectiveness of China's soft power statecraft in Southeast Asia relative to the US policy in the region. Hence, this research will try to answer these three questions:

- 1.) Has China been able to wield influence over regional countries for them to undertake actions favorable to Beijing's interests that they would not ideally do under different circumstances?
- 2.) Has the US policy in Southeast Asia affected regional governments' reception of China's soft power statecraft in the region?
- 3.) How does the improving Filipino-Sino détente, as a result of China's growing penetration in Southeast Asia, affect the Philippine security relations with its traditional ally, the US?

To answer these inquiries, the research will try to explore China's application of its soft power in Southeast Asia, as well as the ASEAN's response to Beijing's so-called charm offensive in the region. Furthermore, this study will also scrutinize

¹² "The United States is Back," *Comparative Connections*, Volume 11, Number 3 (2009), http://www.csis.org/files/publication/0903qus_seasia.pdf.

Washington's foreign policy discharge towards Southeast Asia, and the regional governments' perception of such, especially amid China's expanding involvement and increasing influence in regional affairs. Overall, this study intends to complement, if not provide an updated look at, the various literature written in the past by trying to come up with a more detailed and specific discussions on the topic at hand, especially in the wake of recent developments that suggest a change in attitude in Washington in its approach towards Southeast Asia, in general, and the Philippines, in particular.

Literature Review

China's Soft Power

What better way to have a better examination of the theoretical questions proposed in this research work than to explore the soft power concept in the context of the definition by Harvard Academic Joseph S. Nye, Jr., who first coined the jargon in his 1990 book "Bound to Lead"--a manuscript intended to provide an explanation, if not justification, for what seemed to be the US' dwindling influence in global politics. According to Nye, soft power is "the ability to get what a country wants through attraction rather than coercion or payment."¹³

But the term soft power now has become increasingly synonymous with China's interaction with the global community, most notably in Southeast Asia, Africa and Latin America. There are even some suggestions that China's soft power in Southeast Asia could supplant that of the US. Conventional wisdom, however, counters this presumption. For one, China does not have the cultural, institutional as well as non-government levers that Washington still enjoy to this day. Furthermore, Beijing is still plagued by an array of social and political problems like corruption, inequality, human rights and the rule of law that weakens its image in some parts of the globe. According to Nye, "while the Beijing consensus is attractive in authoritarian and semi-

¹³ Joseph S. Nye, Jr., *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1991), 189.

authoritarian developing countries, they (political woes) undercut China's soft power in the West."¹⁴

On the other hand, the Congressional Research Service (CRS)--the public policy research arm of the US Congress--noted that while the challenge of China's soft power does not alter vital US interests, it affects the ways and means by which Washington uses its own soft power to protect its interests and attain its strategic goals. In Southeast Asia, the CRS calculated that despite widespread improvements in public perceptions of China and parallel declines in perceptions of the US, Washington still draws upon considerable security and diplomatic assets in the region, and neither side can really claim to be the dominant power there.¹⁵ Council on Foreign Relations Director for Asia Studies Elizabeth Economy pointed out that it is difficult for American soft power to compete due to its engagement in Iraq. A Eurobarometer poll found that a majority of Europeans believes that the US occupation of Iraq has hindered efforts to fight global poverty, protect the environment and maintain peace. Furthermore, Economy argued that differences in policies make Beijing more appealing to others--noting that US soft-power efforts are focused on democracy promotion and encouraging good governance abroad, while China's engagement involves lucrative trade and energy deals and produces tangible results like newly-built roads, hospitals, and schools.¹⁶

Shogo Suzuki, however, offered a different view on whether or not China's soft power challenges US supremacy. He argued that while anxieties over China's charm offensive are at times justified, they tend to ignore the fact that the Chinese themselves are by no means united on whether China actually possesses adequate soft power or whether there is a 'Beijing model' of development which can serve as a source of such power for the Chinese. Suzuki took issue that most of the discourses on China's soft power, at least those that tend to make an enemy out of it, were initiated by Western

¹⁴ Joseph S. Nye Jr., "Squandering the US Soft Power Edge," *International Educator* (2007), http://www.nafsa.org/_/File/_/frontlines_jan_feb.pdf.

¹⁵ Thomas Lum, et al, "Comparing Global Influence: China's and US Diplomacy, Foreign Aid, Trade and Investment in the Developing World," *CRS Report for Congress* (August 15, 2008), <http://www.usembassy.it/pdf/other/RL34620.pdf>.

¹⁶ Esther Pan, "China's Soft Power Initiative," *Council on Foreign Relations* (May 18, 2008) http://www.cfr.org/publication/10715/chinas_soft_power_initiative.html.

scholars while their Chinese counterparts tend to disagree in their determination to promote their soft power and what the content of this ought to be.¹⁷

In recent years, Nye's soft power idea has evolved and expanded in scope. As Joshua Kurlantzick puts it in his book entitled "Charm Offensive," the Chinese view soft power as anything outside of the military and security realm, including not only popular culture and public diplomacy but also more coercive economic and diplomatic levers like aid and investment and participation in multilateral organizations.¹⁸ Indeed, the Chinese are so caught up with the term that it has now entered China's official language. In his keynote speech to the 17th National Congress of the Communist Party of China (CPC) on October 15, 2007, Chinese President Hu Jintao stated that the CPC must "enhance culture as part of the soft power of our country to better guarantee the people's basic cultural rights and interests."¹⁹

As regards China's soft power in Southeast Asia, Kurlantzick argued that because Southeast Asia is the first region where China unleashed its soft power, it offers a vital window into how China will act as its influence grows.²⁰ Certainly, Southeast Asian states seemed to have been more than willing to embrace China's use of soft power in the region. Not only do the ASEAN and its individual members see the political and strategic value of increased diplomatic as well as personal contacts with a growing power like China, economic inducements like aid, investments and loan grants, as well as peacekeeping and exchange programs, have certainly added to Beijing's appeal. China's softened approach toward multilateral security arrangements and its assumption of a leading role in regional affairs have all the more enamored Southeast Asia to Beijing's charm.

Cheunboran Chanborey provided some explanation as to why China had resorted to the use of soft power in order to advance its foreign policy agenda in Southeast Asia. According to Chanborey, because China's military assertiveness

¹⁷ Shogo Suzuki, "Chinese Soft Power, Insecurity Studies, Myopia and Fantasy," *Third World Quarterly*, Volume 30, Number 4 (2009).

¹⁸ Joshua Kurlantzick, *Charm Offensive: How China's Soft Power Is Transforming the World* (New Haven: Yale University Press, 2007), 6.

¹⁹ Joseph S. Nye, Jr., "The Olympics and Chinese Soft Power," *The Huffington Post*, June 10, 2009, http://www.huffingtonpost.com/joseph-nye/the-olympics-and-chinese_b_120909.html.

²⁰ Kurlantzick, *Charm Offensive*, op.cit., p.11.

toward the region had proven to be counterproductive, and its hard power being relatively weak, soft power is the only means by which Beijing would be able to increase its influence in Southeast Asia, while creating a peaceful environment in the region which is precondition for its socio-economic development.²¹ Understandably, however, the CRS cautioned about the repercussions of China's soft power application in Southeast Asia. In its January 2008 report, the CRS articulated that while there is a general agreement that China's tactics have changed to a more accommodating posture with an emphasis on soft power, there is less certainty regarding its implications and whether Beijing's goals have changed accordingly.²²

On the other hand, some academics averred that there are limits to China's application of its soft power. Bates Gill and Yanzhong Huang cited three general reasons, namely; (1) imbalance in soft-power resources: the authors noted that domestic issue like lack of freedom of expression does not bode well with China's cultural attractiveness as it curtails a free exchange of ideas among Chinese and the world at large, while problems like income inequality, unbalanced public goods and services as well as corruption blemished China's image. (2) problems of legitimacy: Gill and Huang noted that Beijing's continuous resolve to deal with corrupt and even brutal dictators, as well as China's lackluster commitment to human rights have undermined its international standing. (3) foreign policy incoherence: the authors noted that humiliation by foreign powers has created a sense of victimization among the Chinese people, and leaders often times harness popular nationalism for domestic and foreign policy gains, even though a nationalist stance contrasts with its "good neighbor" policy.²³

While the resolution of the above-mentioned limitations appeared to hinge more on China's domestic policies and dispositions, there are some limits to China's soft power that goes beyond its control. For instance, Renato De Castro suggested that China's application of soft power in the Philippines, and the breakthroughs in

²¹ Cheunboran Chanborey, "China's Soft Power in Southeast Asia," *The Cambodian Journal of International Affairs*, Volume 2, Number 1 (2009), http://www.cicp.org.kh/download/CJIA/CICP_Cambodian%20Journal%20of%20International%20Affairs_Vol%202%20Number_Final%20

²² Thomas Lum, Wayne M. Morrison and Bruce Vaughn, "China's Soft Power in Southeast Asia," *CRS Report for Congress* (2008), <http://www.fas.org/sgp/crs/row/RL34310.pdf>.

²³ Bates Gill and Yanzhong Huang, "Sources and Limits of Chinese Soft Power," *Survival*, Volume 48, Number 2 (2006), <http://www.comw.org/cmp/fulltext/0606gill.pdf>.

Philippine-China relations are upshots of Beijing's realistic calculation of its changing strategic needs in the region. However, De Castro pointed out that instead of being pulled away from its allies and close economic partners, the Philippines now finds it more urgent to strengthen its security and economic relations with the US and Japan to balance China's growing political and economic influence in Southeast Asia. He asserted that while the Philippine-China entente is a result of Beijing's overall charm offensive in Southeast Asia, it nevertheless indicates the limits of China's soft power statecraft in the region."²⁴

Engagement and Hedging

In consideration to De Castro's arguments, it would be imperative to have a clear understanding on how Southeast Asian countries have been handling their relationships with a rising China and the preeminent power of the US. Generally, experts have reached a consensus that Southeast Asian states employed varying level of engagement and hedging tactics against a possible Chinese domination, while closely engaging the US to counterbalance China.

Both the ASEAN as an organization, and its individual member-states practice engagement with China. According to Denny Roy, ASEAN's engagement with China rests on the assumption that including China in regional activities will reduce tensions and bring about political convergence.²⁵ The idea is for China to cultivate a sense of partnership with the ASEAN rather than to feel being left out, thereby developing a stake in the mechanisms that facilitate a sharing of mutual benefits. Furthermore, through increased participation with the Chinese, Southeast Asian states hope that China will be socialized into "the ASEAN way"²⁶--which emphasizes informality, consensus, non-intervention in internal affairs, and is moving in a pace comfortable for all members. The general thought is that consultation, consensus and cooperation are

²⁴ Renato De Castro, "The Limits to Twenty-First Century Chinese Soft-power Statecraft in Southeast Asia," *Issues and Studies* 43, Number 4 (2007), <http://iir.nccu.edu.tw/attachements/journal/add/4/43-4-77-116.pdf>.

²⁵ Denny Roy, "Southeast Asia and China: Balancing or Bandwagoning," *Contemporary Southeast Asia: A Journal of International Strategic Affairs*, Volume 27, Number 2 (2005), <http://www.ou.edu/uschina/texts/Roy2005SEAsiaChina.pdf>.

²⁶ For some more discussion about this principle see "Exploring the ASEAN Way," @ <http://www.ri.sch.edu.sg/d2d/aseanway/FD%20-%20TheWay2.html>.

the more efficient means to pursue ASEAN's agenda toward China than confrontation and intimidation.

Another strategy employed by ASEAN against a possible Chinese domination is thru hedging. ASEAN has sought ties with not only the US, but also Japan, Russia and India as counterweights against an increasing Chinese influence in the region. As an extension of this general approach of hedging by bringing in multiple great powers to check each other, several Southeast Asian governments practice low-intensity balancing with the US against China. Roy articulated that characteristic of this "soft balancing" is encouraging the US to maintain a military presence in the region, but declining to establish a formal military alliance.²⁷ Another important aspect of this strategy is that while the US is dominant in the region, Southeast Asians fear not so much its hegemonic intentions but rather its inconstancy. China's most significant contribution, therefore, has been to provide a strategic concern that can help anchor longer-term American attention in Southeast Asia. Along with its role as an engine of economic growth in the region, like the US and Japan, China has perhaps inadvertently fulfilled ASEAN's imperative of strategic diversification.²⁸

Evelyn Goh concurred with Roy's assessment on hedging and its soft balancing component. She mentioned, though, that apart from keeping the US engage, the soft balancing strategy also includes military acquisitions and modernization for regional governments. It is worth noting that Vietnam recently announced plans to purchase from Russia six advanced submarines and 12 fighter aircrafts, and the Philippines as well is pursuing the modernization of its armed forces. Goh also provided some explanation as to why regional governments resort to hedging. She explained that Southeast Asian states are hedging to prevent the occurrence of these three key undesirable outcomes: (1) Chinese domination or hegemony; (2) American withdrawal from the region; and (3) an unstable regional order. According to her, the existence of these three factors and their close interrelation further complicates the nature of hedging behavior in Southeast Asia.²⁹

²⁷ Ibid.

²⁸ Evelyn Goh, "China and Southeast Asia," *Foreign Policy in Focus* (2006), http://www.fpif.org/articles/china_and_southeast_asia.

²⁹ Evelyn Goh, "Meeting the China Challenge: The US in Southeast Asian Regional Strategies," *East-West Center, Policy Studies* 16 (2005), <http://www.eastwestcenter.org/fileadmin/stored/pdfs/PS016.pdf>.

As has been implied, the ongoing interactions among the ASEAN, China and the US work for all sides of the triangular relations. As Evan S. Madeiros pointed out, China's embrace of Asian multilateral organizations like the ASEAN plays a part in its hedging strategy against the US. Over time, Beijing hopes to utilize these venues to shape regional security perceptions, preferences, and agendas in ways that would not hinder, if not deter, its desired emergence as a great power.³⁰ On the other hand, the general consensus is that the US has been forging deep relations, not necessarily military in nature, with Japan, India and key allies in Southeast Asia to be able to create structural constraints that may dissuade China from abusing its growing regional power.³¹

Taking into consideration the above-mentioned literature on the topic at hand, this research will be conducted under the assumption that while China's soft power in Southeast Asia has considerably been effective in the pursuit of some of its regional objectives, their strategic and military dimension remain hindered by the balance of power politics in the region. In this connection, the presence of the US military apparatus in the region will definitely put some limit to the effectiveness of China's soft power statecraft in Southeast Asia as regional governments still see the US at the top of the region's hierarchical order of power. The resurgence of the Philippines-US security partnership post 9/11 attacks despite China's intensified efforts to woo the Philippines clearly illustrates this argument.

Research Design

This research will be carried out through the conduct of a case study. The independent variable being China's soft power, while the reception of Southeast Asia, the Philippines in particular, to Beijing's strategy for increased regional influence serve as dependent variables. Being the US' number one ally in Southeast Asia, this study will argue that the most difficult circumstance for China's application of soft power statecraft in the region will be that of the Philippine response, and as such will provide the most compelling case to gauge its effectiveness. With this in mind, the

³⁰ Evan S. Madeiros, "Strategic Hedging and the Future of Asia-Pacific Stability," *The Washington Quarterly* (2006), http://www.twq.com/06winter/docs/06winter_medeiros.pdf.

³¹ Ibid.

US policy toward Southeast Asia functions as the intervening variable in this research since it will certainly influence, if not dictate, the ASEAN's and the Philippines' response to Beijing's growing encroachment in the region.

This research will be conducted through careful appraisal and review of historical accounts on the topic at hand that are available in second-hand books, academic journals, newspaper reports and other on-line materials. The purpose of this is to have some information on the evolution of China's soft power strategy in Southeast Asia, developments in the US' approach towards the region, as well as the actions taken by ASEAN governments in order to maintain the power equilibrium in the region. Special attention would be afforded to China's charm offensive and the US re-emergence in the Philippines, as well as the country's response to both.

Meanwhile, statistics assessed by trusted financial and other related institutions, as well as public opinion polls conducted by reliable polling bodies will be used to support this study. One objective for this is to prove how public opinion in Southeast Asia towards China and the US has contrastingly changed over the targeted time frame. It will likely illustrate the effectiveness of Beijing's soft power strategy in wooing Southeast Asians, on the one hand, and prove the unpopularity of Washington's foreign policy actions, on the other.

Scope and Limitations

This study will not consider other outside variables to China's soft power in Southeast Asia other than that of the US' approach towards the region. Certainly, regional government's attitude and regard of the US policy in the region will be a key determinant in gauging the effectiveness of China's soft power statecraft in the region. Knowing the motivations and objectives of the US in Southeast Asia and in the Philippines, as well as regional countries' accommodation and reception of such will likely provide some indication as to whether or not China would be able to circumvent regional as well as individual country's opinion to its favor. However, while the foreign policy choices of the US have seriously impaired its credibility in the region, it

is beyond the scope of this research to make a comparative study on the US' soft power with that of China's.

In examining the Chinese soft power, I will not limit myself to Nye's theoretical framework, but also include the other schools of thought that sprung out from the Harvard academic's original idea. Therefore, this paper would likely cover China's various soft power instruments, like increased diplomacy, values and culture promotion, as well as trade and other economic inducements. Since the apparent weakening of the US influence came after it refocused its Southeast Asian strategy toward fighting international terrorism, and that China's own increased in the 1997-98 Asian financial crunch, the time period of this study will cover the most part of the 1990s to the present.

The first part of this research would look into how China's foreign policy strategy in Southeast Asia had evolved, particularly its use of soft power to advance its foreign policy agenda. In this connection, this paper will try to examine the evolution of China's soft power in Southeast Asia, including the foreign policy tools China has been utilizing in order to improve its standing in the region. This section will also try to look at the response of ASEAN governments vis-à-vis China's charm offensive, and their view on Beijing's use of its growing influence in the pursuit of its regional goals. To note, this paper will not examine each of the individual ASEAN countries engagement with China, except that of the Philippines, but rather handle them as one entity.

Secondly, this study will explore already written literature on the US' foreign policy towards Southeast Asia. Specifically, it will try to look at the changes that the US approach had gone through since the end of the Cold War up to the present, specifically the foreign policy priority of past and present administrations in Southeast Asia. It will also try to deliberate on the responses of regional governments regarding the US approach towards the region, and how do regional countries perceive the US in relation to other powers in the region, specifically China. This study will also scrutinize the policy differences between the US and China, and what element of Beijing's soft power has made it more appealing to some regional governments than that of the US

approach. This paper will not explore the specific bilateral relationship of the US with other regional countries other than that with the Philippines.

Accordingly, the last part of this study would attempt to look at the Philippines' position regarding, and actions it has taken vis-à-vis, the seemingly mounting competition for influence between the US and China in Southeast Asia, in the Philippines, in particular. The focus is placed on the security aspect of the Philippines-US relations because it is the most important element of their partnership relative to China's growing regional power. To come up with a viable explanation, this study would examine the apparent transformation of the relationship between the Philippines and China, zeroing in on the soft-power tools that Beijing has employed towards Manila, amid the resurgent Philippine-US security partnership. In this regard, this study will also explore the significant developments that have transpired in the Philippines under the auspices of the Philippine-US security alliance, and see if China's employment of soft power has altered the approach of either Manila or Washington towards their bilateral security accord. To have a better assessment of the Philippine-US security relations vis-à-vis China, this portion will cover the period before and after Beijing employed its soft power scheme in Manila.

CHAPTER II

China's Southeast Asian Strategy: the Use of Soft Power

This Chapter examines the independent variable in this study, which is China's application of soft power statecraft in Southeast Asia, as well as one of its dependent variable that is Southeast Asia's response to Beijing's growing appeal relative to its regional objectives. It is important to examine whether or not Beijing's soft power tools in the region has given it expanded influence and significance in the region for the purpose of luring Southeast Asian governments to become supportive, if not less critical, of whatever objectives and aspirations it is trying to accomplish in the region. Striking a comparison between China's standing in Southeast Asia before and after its soft power application would likely provide a logical explanation on the effectiveness of its soft power in attracting regional countries towards its newfound appeal. Of course, it would be difficult to have a clear calculation and perception of the value of Beijing's soft power without clearly establishing the country's motivations and rationale in aggressively wooing regional countries, and what had been the latter's response to them so far.

China's Soft Power Tools in Southeast Asia

China's soft power turnaround in Southeast Asia began during the 1997-98 Asian Financial Crisis. Due to its response to the crisis coupled with the largely indifference of the West and international institutions' rigid requirements, Beijing was able to project an image as a responsible and reliable neighbor, one which is willing and ready to play a positive and leading role in regional affairs. After the crisis, ASEAN Secretary General Rodolfo Severino declared that "China is really emerging from this smelling good."³² Because its neighbor-countries were impressed that it could succeed where they failed, China may have also inadvertently promoted the so-called "Beijing consensus," a group of authoritarian states with market economies that can eventually

³² Joshua Kurlantzick, "China's Charm: Implications of Chinese Soft Power," *Carnegie Endowment for International Peace*, Policy Paper Number 47, (June 2006), <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=18401&prog=zch>.

challenge the US-led “Washington consensus,” which is composed of liberal market economies governed by democratic regimes.³³

Indeed, China’s relations with the ASEAN have come a long way. To think that several decades ago, most Southeast Asian countries viewed China with fear and utmost concern. From the 1950’s to the 1970s, China advanced the communist ideology and lent support to communist movements in the region. This had prompted some Southeast Asian countries to participate in and form alliances--like regional organizations such as the 1954 Southeast Asian Treaty Organization (SEATO) and the 1971 Five Power Defense Arrangements--with external powers, primarily the US, to protect their interests.³⁴ Because of this, resentments and prejudices have festered against each of Southeast Asian country’s relatively large Chinese minority. In Malaysia, ethnic Chinese were officially discriminated against, and Thai Chinese were forced to adopt Thai surnames. Large number of Chinese was killed in Indonesia in 1965 of Sukarno’s pro-Beijing government because of lingering fears that Chinese living in Southeast Asia would have primary loyalty to China.³⁵ In the 1990s, disputes over the islands and reefs in the SCS were a major cause of tension between China and Southeast Asia. Apart from the aforementioned incident in 1995, conflicting claims over islands in the SCS led to naval clashes between Vietnam and China in 1988 that caused the death of some 70 Vietnamese naval personnel.

Currently, though, the broader security concern for Southeast Asia involving Beijing is the potential competition for regional space between China and the US, still viewed in the region as the preeminent global power. China’s drive to project Chinese influence in Southeast Asia could potentially, but not necessarily, bring American and Chinese interests into a direct collision. Most unsettling for Southeast Asian countries is the possibility of a Sino-American war over Taiwan--still regarded by the Chinese government as part of its territory, but was promised with continuous supply of advanced defensive weaponry by the Americans. Regional governments do not want to

³³ Lai Hongyi, “China’s Evolving Relations with Southeast Asia: Domestic and Strategic Factors,” in *Harmony and Development ASEAN-China Relations*, ed. Lai Hongyi and Lim Tin Seng, (Singapore: World Scientific Publishing, 2007), 27.

³⁴ Jing-dong Yuan, “China-ASEAN Relations: Perspectives, Prospects and Implications for US Interests,” *Strategic Studies Institute* (October 2006), 4.

³⁵ Judith F. Kornberg and John R. Faust, *China and World Politics: Policies, Processes, Prospect*, Second Edition (London: Lyne Rinner Publishers, 2005), 168.

see a scenario wherein they would be forced to choose sides between these two powers in a contingency over Taiwan.

A further manifestation of this apparent desire by the Chinese to challenge the existing US-dominated international balance of power was its unveiling of a New Security Concept in July 2002. The concept serves the multiple goals of trying to: defuse international instabilities that could adversely affect China's own development; expand China's own wealth and influence in ways seen as non-threatening to its neighbors; and balance US global power in a manner that serves China's interests.³⁶ Although the concept offers nothing new, China appeared to be capitalizing on the strong international opposition to US unilateralism in dealing with terrorism, and to promote an alternative to American military framework anchored on alliances. Consistent with this new security concept, senior Chinese leaders also began to speak of China's peaceful rise, which seeks to reassure countries of its benign intention by seeking a "win-win" solution to issues of mutual concern.

In accordance with this principle, Beijing signed numerous accords with the ASEAN that signals Beijing's willingness to take some important and consistent steps toward conforming with the regional status quo in terms of participating in regional institutions and adopting the norms of conduct. First, it signed the protocol to make Southeast Asia a nuclear-free Zone of Peace, Freedom and Neutrality (ZOPFAN) in 2001, and then signed with the ASEAN a Declaration on the Code of Parties in the SCS. The following year, China also became the first external power to formally accede to the ASEAN's TAC. The Joint Declaration on Strategic Partnership for Peace and Prosperity signed in October 2003 usefully indicated the range of political, economic, and cultural mechanisms that had been developed for close Sino-ASEAN cooperation, but it was also a significant indication of high-level Chinese commitment to positive engagement with Southeast Asia.³⁷ In the second half of the 1990s, China began cooperating with ASEAN in its Mekong Basin Development Cooperation, and developing transport links in the basin, which brings together China and mainland

³⁶ Kerry Dumbaugh, "China's Foreign Policy: What Does it Mean for US Global Interests?," *CRS Report for Congress* (July 18, 2008), <http://www.fas.org/sgp/crs/row/RL34588.pdf>.

³⁷ Evelyn Goh, "Southeast Asian Responses to China's Rise," in *The Rise of China and International Security America and Asia Respond*, ed. Kevin J. Cooney and Yoichiro Sato, (New York: Routledge, 2009), 162.

Southeast Asia. In 1994, China joined in setting up the ASEAN Regional Forum (ARF), an Asia-Pacific forum devoted to the discussion of security issues, and three years later, inaugurated--together with Japan and South Korea--a new framework for regional cooperation with the ASEAN + 3.³⁸

Not only in the diplomatic and economic spheres that China wanted to interact more closely with the ASEAN and individual member-countries but through military cooperation and dialogue as well. For instance, China has attended the annual “Cobra Gold” joint exercises involving the US, Thailand and Singapore since 2002, and had ASEAN countries observed one of its major infantry exercises in 2004 and joined a military exercise in July 2007 that dealt with peacekeeping and disaster management as well as reconstruction. In the multilateral realm, Beijing has repeatedly suggested an annual Defense Minister’s meeting with ASEAN, offering an alternative to the lower-level Shangri-la Dialogue organized by the London-based International Institute for Strategic Studies. On the bilateral front, China has particularly targeted countries in the ASEAN that have been least comfortable with its growing strategic weight with increased military contacts and aid. In 2005, Chinese leaders opened annual consultative talks with Vietnam and the Philippines and proposed a similar process with Indonesia.³⁹

Another evidence of how the closeness between the two sides had become is the frequency of high-level exchange visits between China and Southeast Asia. Whereas cabinet ministers dominate the high-level visits between 1988 and the mid-1990s, heads of states from both sides started regular visits with the outbreak of the 1997-98 Asian financial crunch. From then on, the state visits are usually capped by the signing of several joint developmental projects in various fields and/or loan agreements, usually favoring regional governments. Some analysts attributed this to China’s implementation of its “good neighbor” policy which became a priority to the Chinese government after the bloody Tiananmen Square incident in 1989 that caused the country’s international isolation.

³⁸ Ibid.

³⁹ Ibid., p.164.

Apart from security concerns, equally problematic for Southeast Asian governments is the potential impact of China's economic growth to their struggling economies. Although there is no agreement about the net outcome of China's economic growth on Southeast Asia, it is clear that this will bring both benefits and costs, and that a wide range of industries in the region will face stiff competition from their lower-cost Chinese counterparts.⁴⁰ The competition for foreign direct investments (FDI), which has gradually tilted in Beijing's way, is one of the risks that Southeast Asian governments have to face. The fact that China now is capturing a substantial majority of FDI flowing into East Asia, and that ASEAN's share of such is dwindling led some to assert that Beijing's FDI inflows come at the expense of Southeast Asia. Some argued, however, that the shares of FDI into China-ASEAN cannot be viewed in a zero-sum perspective. According to this argument, the variability of FDI flows over the last decade suggests that no fixed sum of investment capital exists over which countries inevitably must compete. On the contrary, others expressed belief that China's FDI data is substantially overstated. Current research outside China has widely acknowledged that China's FDI inflows must be discounted for "round-tripping". "Round-tripping" refers to the phenomenon where Chinese companies move funds out of China to other countries--mainly Hong Kong and the Caribbean tax havens--and bring them into China again in the form of FDI, mostly to take advantage of preferential tax treatment.⁴¹ Figure 1 shows the total FDI inflows to Southeast Asia and China from 1980 to 2007.

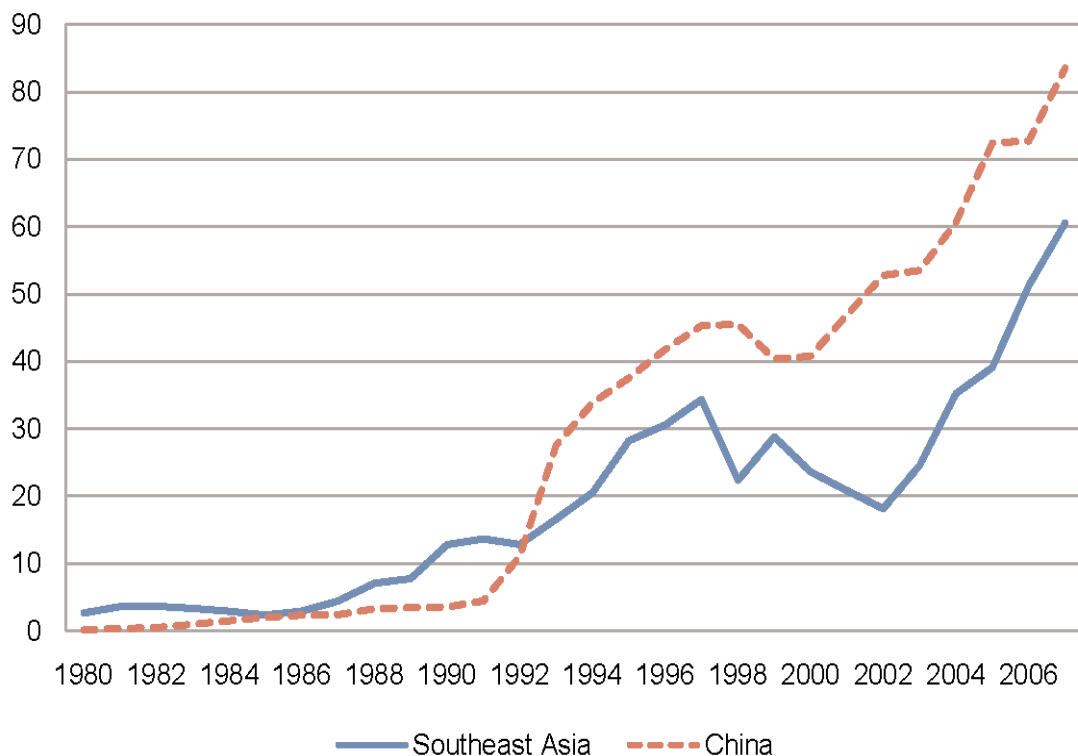
In an effort to assure Southeast Asian governments that China adheres to policies that would be beneficial for all countries concerned--the central idea of its often enunciated "win-win" philosophy--Beijing in 2000 floated with the ASEAN the idea of a free trade agreement. If fully implemented, the China-ASEAN free trade agreement (CAFTA) would create an economic area with a population of 1.7 billion, a combined GDP of over U\$42 trillion, and a total trade volume of US\$1.23 trillion. The deal, which took effect in January 2010 and affects over 7,000 different products, allows for certain industries to be exempt from lower tariffs and also permits participating countries to identify other nationally important industries. Despite the

⁴⁰ Ibid., p.160.

⁴¹ Friedrich Wu, et. al., "Foreign Direct Investments to China and Southeast Asia: Has ASEAN been Losing Out," *Economic Survey of Singapore* (2002), <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN010347.pdf>.

likely loopholes and shortcomings of the agreement, the very prospect of such a large market is already beaming a positive signal to traders and investors as businessmen in the region step up their activities in anticipation of more commercial opportunities.⁴² In 2002, the year the CAFTA was signed, President Arroyo hailed the emergence of a “formidable regional grouping” that would rival the US and the European Union (EU).⁴³

Figure 1. Total FDI Inflows to Southeast Asia and China (1980-2007) (billion US\$)



Source: UNCTAD (2008)

To facilitate the implementation of the CAFTA, the two sides in January 2004 put into action the Early Harvest program. Under the program, China and ASEAN countries have to cut tariffs on about 600 agricultural imports between 2 and 15 percent, and agreed to scrap these tariffs in 2006. In the first half of 2004, China has lauded the program a success, boasting that both sides have benefitted from the tariff-reduction program. Chinese figures showed that the country had imported a total of US\$330

⁴² Ellen L. Frost, “China’s Commercial Diplomacy in Asia,” in *China’s Rise and the Balance of Influence in Asia*, ed. William W. Keller and Thomas G. Rawski, (Pennsylvania: University of Pittsburgh Press, 2007), 102.

⁴³ Walden Bello, “The China-ASEAN Free Trade Area: Propaganda and Reality,” *Focus of the Global South* (January 2010), <http://www.tni.org/article/china-asean-free-trade-area-propaganda-and-reality>.

million-worth of fruits and vegetables from the ASEAN in the first half of that year alone, reflecting an increase of 38.7 percent year-on-year.⁴⁴ While the Early Harvest program's start was very commendable, it did not take long before local sectors complain that they are at the losing end of the program. Take for example the case of Thailand. Reportedly, despite the limited scope of the Thailand-China Early Harvest agreement, it has wiped out northern Thai producers of garlic and red onions and crippled the sale of temperate fruit and vegetables. Thai newspapers pointed to officials in Southern China refusing to bring down tariffs as stipulated in the agreement, while the Thai government brought down the barriers to Chinese products.⁴⁵

It comes not as a surprise, therefore, that the broader CAFTA itself has not been spared from criticisms and apprehensions. A few months after its implementation, already business groups in Indonesia and Thailand have expressed concern that China will reap most of the rewards from this deal, with little benefit flowing to ASEAN countries. Recently, Indonesian Industry Minister MS Hidayat warned parliament that CAFTA would have a serious impact on the steel, inorganic chemical, textile and furniture industries. He said that if protective steps are not taken there would be mass layoffs and some industries would closed down.⁴⁶ In Thailand, government officials are also worried about the impact the deal will have on its local industries. The countries established beer brewing sector has placed new excise taxes on beer imports to ward off the flood of cheap Chinese alternatives. In response to such apprehensions, supporters of the accord in the ASEAN and China argued that there are built-in measures in the agreement that allow certain nationally important industries to retain tariffs.⁴⁷ Apparently, the consensus among ASEAN leaders is that they have no choice but to agree to a more integrated market with China in order to expand their own exports and especially make their economies more appealing to foreign investors. If investors can export freely to China, they will not be tempted to pull up stakes in other parts of Asia.⁴⁸

⁴⁴ China-ASEAN Trade on Fast track, *People's Daily Online*, August 9, 2004, http://english.people.com.cn/200408/09/eng20040809_152306.html.

⁴⁵ Walden Bello, "China Lassoos its Neighbors," *Institute for Policy Studies* (March 8, 2010), http://www.ips-dc.org/articles/china_lassoes_its_neighbors.

⁴⁶ Sarah Danckert, "Is China Exploiting ASEAN," *Business Spectator* (February 5, 2010), <http://www.businessspectator.com.au/bs.nsf/Article/Is-China-exploiting-ASEAN-pd20100205-2CRBK?OpenDocument&src=spb>.

⁴⁷ *Ibid.*

⁴⁸ Frost, *op. cit.*, p.105.

In addition to CAFTA, Beijing is negotiating closer economic partnerships with individual regional states as well. As a result, by the end of 2008, Southeast Asia's total trade with China has jumped six-fold since 2000 to US\$192.5 billion--surpassing that of the US. China's share of Southeast Asia's total commerce has increased to 11.3 percent from four percent in the same period, whereas the US' portion of trade with the region fell to 10.6 percent from 15 percent⁴⁹ Significantly, Table 1 shows that ASEAN trade with China has steadily increased after the 1997-98 Asian Financial crisis, especially so since 2001 when China joined the World Trade Organization (WTO) and the CAFTA talks were initiated.

Table 1: ASEAN Trade with China (1996-2008) (in million US\$)

Year	Exports	Imports	Total Trade
1996	7,474.1	9,217.6	16,691.7
1997	9,167.9	13,482	22,650.8
1998	9,202.6	11,211.5	20,414.1
1999	9,590.8	12,331.7	21,922.5
2000	14,178.9	18,137.0	32,315.9
2001	14,516.0	17,399.2	31,915.2
2002	19,547.5	23,212.2	42,759.7
2003	29,059.9	30,577.0	59,636.9
2004	41,351.8	47,714.2	89,066.0
2005	52,257.5	61,136.1	113,393.6
2006	65,010.2	74,951.0	139,961.2
2007	77,945.0	93,172.7	171,117.7
2008	85,556.5	106,976.6	192,533.1

Source: ASEAN Statistical Yearbook, 2008

⁴⁹ "Free Trade Agreement Between China, ASEAN Grouping Comes into Force," *The China Post*, January 1, 2010, <http://www.chinapost.com.tw/business/asia/asian-market/2010/01/01/238917/Free-trade-agreement.htm>.

While this fledgling trade relationship bodes well for the meager economies of some regional countries, it did not ensure that China would not use its increasing economic weight to pressure Southeast Asian governments to turn a blind eye on certain issues deemed detrimental to Beijing's national interests and/or global credibility. In 2007, for example, as concerns rose throughout many parts of the world regarding the safety of Chinese products, officials in Indonesia, Malaysia, and the Philippines reportedly complained that China was pressuring them not to raise the issue, even when such imported goods were found to be dangerous. When they banned the sale of unsafe items from China, the Chinese government reportedly threatened and/or imposed retaliatory actions, causing consternation among many Southeast Asian leaders.⁵⁰ In Cambodia, the government in December 2009 ordered the deportation of 20 asylum-seeking ethnic Uyghur Chinese--bowing to pressure from China which branded the group as criminals.

Admittedly, there are some risks involved in dealing with China, but the Chinese government has effectively offset this by offering aid and investments for Southeast Asian economies. This was clearly illustrated in December last year when Vice President Xi Jinping thanked the Cambodian government for deporting the Uyghur asylum-seekers while handing the country US\$1.2 billion in aid. On investments, China's State Council and Ministry of Commerce estimated that, by the end of 2004, China's accumulated overseas investment (including investments by both the government and companies) was US\$44.8 billion, 75 percent of which (or US\$33.4 billion) went to Asia. Of the amount, about 70 percent went to Hong Kong and the remaining to other Asian economies, including the ASEAN.⁵¹ According to the statistics compiled by ASEAN Secretariat (as shown in Table 2), FDI from China to Southeast Asia was US\$1.49 billion in 2008, which was just about 2.4 percent of its total FDI. The main sources of FDI in the region in 2008 are still the EU, which invested US\$12.44 billion; Japan with US\$7.65 billion, and the US with US\$3.39 billion.⁵² Although China's FDI to the region is still relatively small compared to

⁵⁰ Lum, et al., "Comparing Global Influence," op. cit.

⁵¹ Sheng Lijun, "China's Peaceful Rise and its Political and Security Implications for Southeast Asia," in *Harmony and Development ASEAN-China Relations*, ed. Lai Hongyi and Lim Tin Seng, (Singapore: World Scientific Publishing, 2007), 38.

⁵² ASEAN Statistical Yearbook (2008), 129, <http://archive.asean.org/Publication-ASEAN-SYB-2008.pdf>.

investments made by either the US or Japan, it is growing faster than many have predicted.

Table 2: FDI Inflows into ASEAN by Top 3 Sources and China, 1996-2008
(US\$ million)

Year	EU	Japan	US	China
1996	7,362.0	5,283.3	5,177.2	117.9
1997	6,333.6	5,229.5	4,950.1	62.1
1998	5,553.3	3,937.6	3,222.3	291.3
1999	9,806.0	1,688.2	5,931.7	62.5
2000	13,469.1	5,028.0	7,292.7	-133.4
2001	6,946.4	2,204.0	4,816.9	144.0
2002	3,743.5	3,026.4	-212.9	-71.9
2003	6,679.2	3,908.4	1,494.7	186.6
2004	11,270.2	5,667.4	4,384.4	735.0
2005	10,015.6	6,655.0	3,945.8	537.7
2006	10,672.2	10,222.8	3,406.4	1,016.2
2007	18,383.5	8,382.0	6,345.6	1,226.9
2008	12,445.3	7,653.6	3,392.5	1,497.3

Source: 2000-2008 Figures from ASEAN Statistical Yearbook, 2008
1996-1999 Figures from ASEAN Statistical Yearbook, 2005

While most countries in Southeast Asia are receiving aid from China, the focus of its developmental assistance program are reportedly Cambodia, Laos and Myanmar--the poorest countries in the region and ones that have unfriendly relations with the US. One reason for this is that China offers assistance without conditions that others like the US places on aid, such as democratic reform, market opening and environmental protection. China also financed infrastructure and energy-related projects in these countries, most of which enabled Beijing to access oil and raw materials.⁵³ Evidenced of this is when China unveiled in April 2009 a plan to offer US\$39.7 million in special aid to Cambodia, Laos and Myanmar to meet these countries' "urgent needs." The aid excludes that of the total US\$15 billion in credit that China plans to offer the ASEAN

⁵³ Lum, et al., "China's Soft Power in Southeast Asia," op.cit.

over the next three to five years.⁵⁴ According to one study that compiled a database of Chinese foreign aid projects, China pledged US\$12.6 billion in economic assistance to Southeast Asian countries for the period 2002 to 2007. Of this amount, 59 percent was promised for infrastructure and 38 percent for investment in natural resources. The remaining three percent was divided among humanitarian assistance, military assistance, high profile “gifts” such as cultural centers and sports facilities.⁵⁵

A further evidence of China’s willingness to take a larger responsibility and accountability, at least in regional affairs, has been its approach in dealing with transnational issues that have been plaguing the region for years. What better way to illustrate this apparent policy transformation than its attitude in addressing the Severe Acute Respiratory Syndrome (SARS) that originated at the southern part of China in 2003 and spread in other countries. While the country was in a state of denial at first and trying to contain the disease, China from April 2003 onwards initiated vigorous measures to fight the epidemic jointly with the ASEAN, which was also receptive to China’s olive branch for epidemic cooperation.⁵⁶ Further cooperation against transnational issues include the fight against trafficking in illegal drugs, people smuggling--women and children in particular--sea piracy, terrorism, arms-smuggling, money laundering, international economic crime and cyber crime. To deal with these concerns in cooperative fashion, the ASEAN and China in November 2002 adopted the Joint Declaration of ASEAN and China on Cooperation in the Field of Non-Traditional Security issues--which calls for strengthening information exchange, reinforcing personnel exchange and training, as well as enhancing capacity-building, among other efforts.⁵⁷

While China has made significant headway in luring Southeast Asian countries towards its charm in the political and economic arena, however, the social basis for a rising China to transform the regional strategic landscape is still relatively weak. China’s relationship with many ASEAN countries remains mainly at the governmental

⁵⁴ “China Offers Funds to Boost ASEAN,” *BBC News*, April 13, 2009, <http://news.bbc.co.uk/2/hi/asia-pacific/7996300.stm>.

⁵⁵ Lum, et al., “Comparing Global Influence,” op. cit.

⁵⁶ John Wong, Zou Keyuan and Zeng Huaqun, “New Dimensions in China-ASEAN Relations,” in *China-ASEAN Relations Economic and Legal Dimensions*, ed. John Wong, et al., (Singapore: World Scientific Publishing, 2004), 5.

⁵⁷ *Ibid.*

level and has not penetrated deeply and substantively to the middle and lower levels of society.⁵⁸ Not that China is not trying to address this apparent gap. For instance, Beijing is steadily increasing its support for cultural exchanges, sending doctors and teachers to work abroad, welcoming students from other nations to study in China, and paying for Chinese-language programs abroad. According to China's Ministry of Education, students from Southeast Asia make up a sizeable number of the more than 230,000 overseas students from 190 countries and region who studied in China in 2009. Among them, more than 18,000 students obtained scholarships provided by the Chinese government. Vietnam, Thailand and Indonesia were among the top ten in the student nationalities list.⁵⁹

To promote outbound tourism, China also has expanded the use of Approved Destination Status (ADS)--a bilateral tourism arrangement it maintains with selected countries that facilitate Chinese group tourism.⁶⁰ ADS was first introduced in the early nineties for destinations in Southeast Asia, such as Singapore, Thailand and Malaysia, but now has expanded to cover 100 destinations, to include all the countries in the region. According to ASEAN tourist data, China was one of the largest sources of tourist arrivals in the region in 2008 at 4.48 million, accounting for 6.9 percent of ASEAN's total 65.47 million visitors.⁶¹ Table 3 shows the steady increase of tourist arrivals coming from China from 1996 to 2008.

In the past decade, Beijing also has rebuilt relations with Southeast Asian ethnic Chinese organizations. In Cambodia, a feeder system has been created in which Cambodian students attend Chinese-language schools that receive assistance from mainland Chinese sources. Students who do well can obtain scholarships to continue their studies in China. In 2004, according to Georgetown's Southeast Asia Survey, the number of Indonesians getting visas for study in China was double the number obtaining visas to study in the US.⁶² China's announcement at the ASEAN-China Commemorative Summit in October 2006 in Nanning that it would invite 1,000 youths from ASEAN member-countries to visit China and to train 8,000 ASEAN professionals

⁵⁸ Lijun, op. cit., p.44.

⁵⁹ "Record Number of Foreign Students in China in 2009," *Global Times* (March 23, 2010) <http://www.globaltimes.cn/www/english/sci-edu/china/2010-03/515173.html>.

⁶⁰ Dumbaugh, op. cit., p.10.

⁶¹ ASEAN Statistical Yearbook (2008), p.165.

⁶² Kurlantzick, "China's Charm," op. cit.

in different fields in the coming five years are good gestures in fostering people-to-people interaction, especially among the young people.⁶³

Table 3: Visitors Arrival to ASEAN, China vis-à-vis Total (in thousands)

Year	China	Total
1996	1,275	31,193
1997	1,299	31,340
1998	1,512	29,733
1999	1,919	34,215
2000	2,312	39,136
2001	2,433	42,202
2002	2,837	43,763
2003	2,393	18,371
2004	3,181	49,082
2005	1,605	51,288
2006	3,335	56,914
2007	3,926	62,285
2008	4,487	65,471

Source: 1996-2001 Figures from ASEAN Statistics Yearbook, 2003
2001-2008 Figures from ASEAN Statistics Yearbook, 2008

As a result of Beijing's adept use of its soft power tools in Southeast Asia, there is some evidence of a notable shift in perceptions of China as a potentially destabilizing power. In Thailand, there is a rise in Thai-Chinese power and influence, not only in commerce and business, but also in politics, the bureaucracy, and the intelligentsia. Indonesia has "rehabilitated" its Indonesian-Chinese community, as the Lunar New Year or "Imlek" has since 2003 been designated an official Indonesian public holiday. Vietnam is following the "China model" economically and even politically, as returning overseas Vietnamese are expected to lead Vietnam's economic recovery, like overseas Chinese did so 15 years ago. In Malaysia, Chinese tycoons are playing an increasingly prominent role both domestically and externally, especially in leading economic

⁶³ Gan Kim Yong, "China-ASEAN Relations: A key to the Region's Stability and Prosperity," in *Harmony and Development ASEAN-China Relations*, ed. Lai Hongyi and Lim Tin Seng, (Singapore: World Scientific Publishing, 2007), 9.

recovery.⁶⁴ China may be gaining on the US in the areas of cultural and political soft power as well, at least in some countries in the region. A 2007 Pew Research survey found that only 29 percent of Indonesians and 27 percent of Malaysians had a favorable view of the US as opposed to 83 percent of Malaysians and 65 percent of Indonesians who had favorable views of China.⁶⁵

China's Objectives in the Region

In 2003, the Stanley Foundation conducted a study conference about the US' and China's approaches toward Southeast Asia, during which participants did not come up with a common agreement on what China's goals and interests are in the region. While participants agreed broadly that China is seeking to expand its regional role and influence, some argued that--in line with its historical attitude toward its frontiers--China's goal might be "defensive" in order to create a buffer against external influences, including the US. Other participants ascribed a more ambitious and troubling strategy to Chinese motives, arguing that China is deliberately creating a sphere of influence in its backyard in which it will be the dominant power. In other words, the Chinese leadership might have a "defensive" strategy as its short-term goal to gain influence in Southeast Asia, but a longer-term goal of establishing hegemony.⁶⁶ While analysts differ on China's long-term objectives in the region, the conservative view is that Beijing's immediate goal is to create a peaceful and stable environment that would be conducive to its economic growth. Of course, it is no accident that this objective comes with strategic and economic dimensions that could pose a challenge to regional governments' political disposition, especially in the event that they clash with that of other major players--such as the US and Japan--and if China becomes more assertive and punitive in the pursuit of these goals.

In the economic sphere, China has sought access to regional energy resources and raw materials to fuel its thriving economy, particularly in the southern province of Yunnan, which borders Southeast Asia. As was mentioned earlier, China is achieving

⁶⁴ Eric Teo Chu Cheow, "China's Rising Soft Power in Southeast Asia," *Global Communications Platform* (May 6, 2004), http://www.glocom.org/debates/20040506_cheow_china.

⁶⁵ Lum, et al., "China's Soft Power in Southeast Asia," op. cit.

⁶⁶ "China and Southeast Asia," *The Stanley Foundation*, 44th Strategy for Peace Conference (October 16-18, 2003), <http://www.stanleyfoundation.org/publications/archive/SPC03Bpb.pdf>.

this through the provision of aid and finance of various infrastructure projects for roads, dams, mines, oil, irrigation and telecommunications. For instance, Vice President Xi was in Myanmar in December 2009 to sign with senior general Than Shwe, the leader of the reclusive state's ruling junta, a deal for a 1,240-kilometer pipeline to bring crude oil from western Myanmar to southern China.⁶⁷ Other than oil, ASEAN's top exports to China include electrical equipment, computer, machinery, lubricants, organic chemicals, plastics, fats and rubber. Notably, these products are mostly intermediate goods to China's exports to third countries. It can be expected, therefore, that in the process of China's economic expansion and with the free trade agreement between the two sides in place, Beijing will import more from Southeast Asian countries for its required inputs in its production processes and for its needs.⁶⁸

Sadly, China's desire to sustain its fledgling economy with raw materials and energy resources has taken its toll, not only on its own environment, but that of its Southeast Asian neighbors as well. A case in point is the 3,000-mile long Mekong River, which rises in the Tibetan plateau and flows down through Myanmar, Thailand, Laos, Cambodia and Vietnam (as shown in Figure 2). Mekong's water levels have fallen to their lowest point in nearly half a century, and this is adversely affecting the livelihoods of more than 65 million people in the Mekong Basin who depend on the river for drinking, irrigation, fishing and transportation. Environmentalists have blamed record low water levels on dams constructed along the upper reaches of the river in Yunnan province where the Chinese authorities have envisioned construction of eight hydroelectric dams; three are already in operation, two more are nearing completion. Although the problem of falling water levels in the Mekong has been apparent for several years, regional governments have been reluctant to confront China for fear of losing economic aid. Yet as the situation worsened, Southeast Asian officials have become less restrained about raising the issue with their Chinese counterparts. The most high-level expression of concern occurred in March 2010 when Thai Prime Minister

⁶⁷ Brendan Brady, "Beijing's Moneyed Advance on Southeast Asia," *CBC News*, March 8, 2010, <http://www.cbc.ca/world/story/2010/03/05/f-china-economic-muscle.html>.

⁶⁸ Raul L. Cordenillo, "The Economic Benefits of ASEAN of the ASEAN-China Free Trade Area," *Bureau of Economic Integration ASEAN Secretariat* (January 18, 2005), <http://www.aseansec.org/17310.htm>.

Abhisit Vejjajiva told visiting Chinese Assistant Foreign Minister Hu Zhengyue that Thailand expected China's cooperation in dealing with the problem.⁶⁹

Figure 2. Map of Mekong River



Source: Google Maps

Because majority of China's oil and energy supplies from the Middle East flow through the pirate-infested Strait of Malacca along with concerns that a potential conflict with the US could choke off Chinese shipments through the waterway, Beijing has been seeking alternative ways to transport its commercial activities. In this regard, China's neighbors in Southeast Asia have had played an increasing strategic importance. For instance, the Mekong River has been the focus of Chinese infrastructure planning and development for years. Notably, transportation of people and trade goods on the river have already increased dramatically since 2004, when the blasting away of rapids by Chinese engineers in the Laotian section of the Mekong made possible passage by ships carrying up to 300 tons.⁷⁰ In December 2006, China has started to use the river as a new oil-shipping route.

Other than the Mekong River oil route, China has also unveiled another plan in an effort to avoid the Strait of Malacca. As was mentioned, China has inked a deal

⁶⁹ Ian Storey, "China's Charm Offensive Losses Momentum in Southeast Asia (Part II)," *Jamestown Foundation, China Brief, Volume 10* (May 13, 2010), http://www.jamestown/single/?no_cache=1&tx_ttnews%5Btt_news%5D=36372.

⁷⁰ "China Gets Trade Route Instead of Dam on the Mekong River," *The Vancouver Sun*, January 29, 2007, <http://www.canada.com/vancouversun/news/story.html?id=cdfb5693-b84c-4b3b-97dc-7ccda28b79a3&k=95889&p=1>.

with Myanmar to build an oil pipeline linking Myanmar's deep-water port of Sittwe to the Yunnan provincial capital of Kunming. One of the proposed routes for the pipeline begins at the Myanmar port in the Bay of Bengal, heading east through Arakan state to the Arakan Yoma mountain range, through the Magway and Mandalay divisions and then through Shan state before entering southern China.⁷¹ Myanmar is not the only trade route China hopes to revitalize. It wants a railway south from Jinghong in southern Yunnan through Laos to Thailand's deep sea port at Laem Chabang, near Bangkok. Furthering its cause are United Nation efforts to fill gaps in the Eurasian railways and ASEAN's talk of a Kunming-Singapore railway.⁷²

It has been inconclusively assessed that China's desire to forge beneficial economic relations with Southeast Asia is part of its grand strategy of virtually turning the region into its exclusive sphere of influence by having some leverage as far as the region's interactions towards and policy direction regarding key regional actors, such as the US, Japan and Taiwan. It has been clear based on China's past actions and positions that it desires to reduce the three countries' influence in Southeast Asia by, if possible, pushing them out of regional diplomacy. China's competition with Japan over Asian supremacy became more apparent after Beijing's economy soars to a new high, and Tokyo's became stagnant, if not suffering a steady decline. When China signed an FTA with the ASEAN in 2002, then Japanese Prime Minister Junichiro Koizumi visited the five original members of the ASEAN, putting forward the "Koizumi Initiative," and signing an FTA with Singapore. The competition between the two to entice Southeast Asia, however, has gradually moved beyond the economic arena. After China signed the ASEAN TAC in 2003, Japan attempted to sustain its leadership in the region by promoting the concept of an "East Asia Community" and the strengthening of economic integration through promotion of comprehensive economic partnership in "The Tokyo Declaration," adopted at the Japan-ASEAN summit in December of that year.⁷³

⁷¹ Marwaan Macan-Markar, "Sparks Fly as China Moves Oil Up Mekong," *Asia Times*, January 9, 2007, http://www.atimes.com/atimes/Southeast_Asia/IA09Ae01.html.

⁷² David Fullbrook, "China to Europe via a New Burma Road," *Asia Times*, September 23, 2004, <http://www.atimes.com/atimes/China/FI23Ad06.html>.

⁷³ Kim Jae Cheol, "Competition Among China, Japan, Korea to Woo ASEAN," *East Asian Integration Studies* (June 3, 2009), http://asianintegration.org/index.php?option=com_content&task=view&id=38&Itemid=26.

On Taiwan, China's policy extends beyond pushing nations to adhere to its "one-China" policy and includes trying to keep Taiwanese officials from participating in non-governmental regional forums, making it clear to government leaders that any official contact or semblance of accommodation to Taiwan comes with a high price. For instance, Beijing reportedly halted a US\$200 million aid to Vietnam after the country invited Taiwan to the Asia-Pacific Economic Cooperation (APEC) summit in Hanoi a few years ago. In July 2004, China protested a personal visit to Taiwan by Singapore Prime Minister Lee Hsien-loong, threatening punitive measures if the leader did not apologize and promise not to do it again. While he initially resisted, Lee quickly relented when China cancelled a major Singapore trade show in Shanghai.⁷⁴ China's decision to complain about Lee's visit to Taiwan when his father and predecessor, Lee Kuan Yew, had visited Taiwan several times during his tenure as Singapore's prime minister suggests that Beijing now believes it no longer needs to put up with actions taken by its Southeast Asian neighbors that it disapproves of. Definitely, Singapore's unique and extensive military cooperation with Taiwan added another dimension to Beijing's resolve.

Other than to undermine Taiwan's influence over Southeast Asia, China hopes to strengthen its web of relationships with its neighbors through various multilateral linkages as part of its grand strategy to thwart perceived US-led attempts at strategic encirclement or containment. Specifically, it is part of its off-shore military strategy termed "anti-access," which involves creating pressures on or inducements for Southeast Asian countries to deny American forward-deployed forces their military or diplomatic support and the use of their territories in the event of a US-China face-off in the Taiwan Strait, SCS or even East China Sea.⁷⁵ The US is very much aware of this Chinese strategy, and has sought to neutralize any headway Beijing has made in this regard. The US 2010 Quadrennial Defense Review (QDR), released in February this year, addresses the anti-access problem head-on. It makes the point that America's ability to deter conflict is directly related to its ability to be able to fight both "...limited and large scale conflicts in environments where anti-access weaponry and tactics are used." In other words, the US Department of Defense recognizes Washington's

⁷⁴ Dillon and Tkacik, Jr., op. cit.

⁷⁵ Renato De Castro, "Confronting China's Charm Offensive in East Asia: A Simple Case of Fighting Fire with Fire?," *Issues and Studies A Social Science Quarterly on China, Taiwan and East Asian Affairs*, Volume 45, Number 1 (March 2009), 107.

credibility as a force for stability is directly related to its ability to convincingly deal with attempts by the Chinese government to deny the US military access.⁷⁶

As part of Beijing's grand security design, the Chinese are not only out to limit the Americans' military options in case of a conflict with them, but had wanted to shift influence in Southeast Asia away from Washington. In this regard, China has been very active in regional organizations that the US is not involved with, and where it thought it can wield its influence over. Foremost of this is the ASEAN + 3 forum, which Beijing has constantly promoted as the venue for regional community building. In there, Beijing believes it could marginalize Japan more by asserting its economic weight over ASEAN member-countries and establishing a united front with South Korea over historical issues. Both China and South Korea were victims of Japan's imperialism. Previously, China was excited about the prospects of the East Asia Summit (EAS), which held its first summit in December 2005, comprising the ASEAN + 3 countries, as well as Australia, New Zealand and India. However, Beijing of late appeared to have been lukewarm of pushing for the EAS as engine of regional integration and cooperation. For one, the formation of the EAS demonstrated the differing levels of comfort that ASEAN member-states have with China.⁷⁷ Some ASEAN states preferred bringing in India, Australia, and New Zealand as a non-American balance to Chinese influence. For another, Japan has tried to make the EAS the main channel for community building because it could get extra help from other countries in preventing China from dominating the regional grouping. Aware of this, China, on the eve of the first EAS summit, proposed that the ASEAN + 3 and not the 16-member EAS control the formation of any East Asian Community initiative, a proposal that caused disagreements among members.

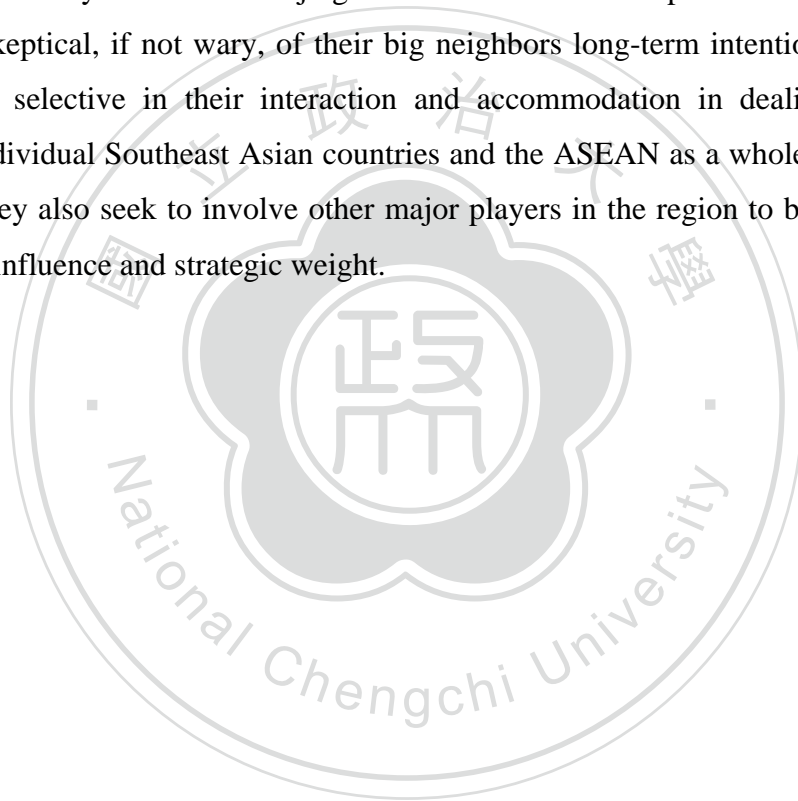
Summary

While there have been some indications that China has been able to use its expanded influence and increasing strategic weight to sway the decision-making process of regional governments to its favor, this has remained confined mostly on economic issues and concerns. Aware of the risks involved in forging close economic

⁷⁶ Michael McDevitt, "The 2010 QDR and Asia: Messages for the Region," *Pacific Forum CSIS* (March 15, 2010), <http://csis.org/files/publication/pac1012.pdf>.

⁷⁷ Lum, et al., "China's Soft Power in Southeast Asia," op. cit.

cooperation and interaction with China, it appears that regional governments have come to a conclusion that it is better to engage China economically now than being left out of its potential benefits in the end. Of course, the level of confidence that each of the ASEAN member-countries in dealing with China varies as they have diverged economic standing and unequal opportunities and alternatives. Outside the economic realm, while regional countries may have succumbed to Chinese influence in some instances, they remain cautious and critical of giving China much credit in a grander and bigger audience like the EAS, especially in the absence of the US' stabilizing presence. Overall, while regional governments' perception of China has dramatically improved mostly because of Beijing's skillful use of its soft power tools, most of them remain skeptical, if not wary, of their big neighbors long-term intentions, and as such remained selective in their interaction and accommodation in dealing with China. While individual Southeast Asian countries and the ASEAN as a whole tried to engage China, they also seek to involve other major players in the region to balance Beijing's growing influence and strategic weight.



CHAPTER III

US Policy in Southeast Asia: Declining influence?

This Chapter examines the intervening variable in this research that is the US foreign policy towards Southeast Asia. It will take a look at the changes, if any, that the US approach towards the region had undergone through in recent years--beginning at the end of the Cold War into the administrations of Presidents Bill Clinton (1993-2001), George W. Bush (2001-2009), and Barack Obama (2001-present). The timeframe is significant because this coincided with China's apparent recognition that its rise threatens Southeast Asian countries, and as such commenced execution of its charm offensive in the region to ease out this growing concern. Examining the transformation of the US approach towards the region and underlying rationale behind its stance, as well as Southeast Asia's attitude relative to such may provide some indications as to whether or not this has affected regional government's accommodation of China's soft power statecraft in the region.

Clinton Administration

The end of the Cold War brought about a significant change in the foreign policy goals and motivations of all the stakeholders not only in Southeast Asia but the whole of Asia-Pacific. Communism was no longer a contentious and divisive issue, if not been temporary set aside in favor of economic vitality and regional cooperation. Not long before the demise of the Soviet Union that all of Southeast Asia, including Vietnam, Laos and Cambodia, adhered to advancing capitalist development and to establishing good relations with the West. Partly because of this change in the region's security environment, the US shifted its strategic focus in Southeast Asia from security to economic concerns. Contributing to this policy shift was that the arms race with the Soviet Union during the Reagan administration has taken its toll on the post-Cold War US economy, while Asian economies, on the other hand, were experiencing a significant growth. The changing orientation of US strategy in Asia was reflected in its policy towards the APEC--which was established in 1989 to manage intra-regional trade and tackle extra-regional pressures. While the US was passive and reluctant toward multilateral institutions before, the US see it fit to be more active in pursuing

multilateral cooperation seeing that the economic success of Asian economies in the 1980s has reduced its political and economic leverage in this part of the globe.⁷⁸

Although the US did refocus its interests in Southeast Asia toward securing vibrant economic interactions, there is still no denying that the end of the Cold War did not alter Washington's tendency to view the region in the wider context of the Asia-Pacific. For the US, Southeast Asia matters only when it comes to the larger American strategic interests in Asia-Pacific; namely, preventing any other major power or group of powers from dominating the region and maintaining open access to the sea lanes and freedom of transit for US navy and air force.⁷⁹ This has caused regional governments to feel less significant to the US' foreign policy calculations other than being a mere function of its broader strategic goals relative to major players in East Asia, particularly China and Japan. Worse, some in the region view that the US interactions with the ASEAN as a group was a mere aggregation of Washington's bilateral relations with individual member-countries, both in economic and strategic terms. Many in the region resent this American attitude because, for them, ASEAN had helped the US advanced its strategic goals in the region. During the Cold War period, ASEAN proved that the "domino theory" of a communist take-over had not become a reality in the aftermath of Communist victory in Vietnam. More importantly, the ASEAN had also played a critical role in managing intra-ASEAN relations and ensure a relatively stable regional order.⁸⁰

Despite this feeling of bitterness over perceived US treatment as a second-tier priority, most of the original members of the ASEAN still see the importance of maintaining American military presence in the region. Due to this judgment, President George H. W. Bush's cost-cutting program that would see the reduction of the US' 135,000 contingent in Asia--most of them are stationed in Japan and South Korea--caused some alarm in the region. Indeed, for much of the first few years after the collapse of the Soviet Union, some Southeast Asian leaders were preoccupied with concerns that the US might reduce or withdraw its forward deployed forces in the

⁷⁸ Kai He, "America's Institutional Balancing Pragmatic Engagement," in *Institutional Balancing in the Asia Pacific Economic Interdependence and China's Rise*, (New York: Routledge, 2009), 66.

⁷⁹ Rizal Sukma, "US-Southeast Asia Relations After the Crisis: The Security Dimension," *The Asia Foundation* (March 22-24, 2000), http://www.asiafoundation.org/pdf/ussearelations_aria.pdf.

⁸⁰ Ibid.

region. While social forces within Southeast Asian countries--such as the anti-bases movement in the Philippines and pro-democracy developments in Thailand and the general rapprochement of the Indochinese states with non-communist Southeast Asia--has contributed greatly to this process,⁸¹ there is still no denying the strategic importance of having the Americans around.

For one, the US military presence was seen as providing peace and stability, a precondition for advancing and sustaining regional economic growth. For another, these countries were worried that a possible reduction of the American security presence might lead to other regional actors, China and Japan in particular, to aspire for greater strategic weight in the region. Singapore Senior Minister Lee Kwan Yew, on a visit to Tokyo in December 1992, cautioned that such a move (US forces reduction) would be profoundly destabilizing and would undermine the rapid economic growth that has made the region a major trading partner of the US. He said Washington should recall its troops from the region as gradually as possible, to allow a new power balance to emerge and prevent "unstable forces" from filling any vacuum.⁸² In the wake of the American forces' pull out from the Philippines in 1991, Singapore's then foreign Minister S. Jayakumar observed: "the US remains an indispensable factor of any new configuration for peace, security and economic growth in the Asia-Pacific. Only the US has the strategic credence, economic strength and political clout to hold the ring in Asia-Pacific."⁸³

As such, it came not as a surprise that after the Philippines terminated the bases agreement with the US in 1991, some regional countries, albeit varies in opinion on the necessity and urgency of having the Americans around--allowed the US limited use of their facilities. The first to do so was Singapore. Without consulting its neighbors, Singapore in November 1990 offered new facilities for American warships and military personnel--not bases, but access to military facilities. While other regional countries have voiced reservations over Singapore's action, later on they privately acknowledged

⁸¹ Johan Saravannuttu, "Uncle Sam Swaggers Back," *Aliran Monthly* (2002), <http://www.aliran.com/oldsite/monthly/2002/7f.html>.

⁸² Michael Richardson, "Listing Its Concerns, Southeast Asia Girds for Miyasawa Visit," *The New York Times*, January 8, 1993, http://www.nytimes.com/1993/01/08/news/08iht-japa_0.html?pagewanted+1.

⁸³ Emrys Chew, "US Foreign Policy and Southeast Asia: From Manifest Destiny to Shared Destiny," *S. Rajaratnam School of International Studies* (October 29, 2009), <http://www.rsis.edu.sg/publications/WorkingPapers/WP185.pdf>.

the importance of maintaining American military presence in the region. Malaysia reacted initially with measured hostility to Singapore's move but soon after allowed US warships to visit its ports. Thailand too was also concerned to maintain an American presence, but like the other states it accepted the need to have the US Navy nearby to help protect the sea lanes important to them all. Thus, by 1998 Singapore, Thailand, Indonesia, and Malaysia had signed military access arrangements with the US, and by 1998 the Philippines had signed a VFA with Washington.⁸⁴ Some analysts explained that many in the region would rather have the US as the hegemon than any other major power because they consider the US as more benign and generally less abusive.⁸⁵

It is equally important to acknowledge, however, that such a low standing of the ASEAN in the hierarchy of US security and foreign policy priorities is not merely caused by the strategic importance of major regional powers, especially China and Japan, vis-à-vis Southeast Asia in the US' East Asian policy calculation. ASEAN, for its part, is also constrained by the prevailing ambivalence of some member-states regarding its relations with the US. The ambiguous attitudes shown by key ASEAN governments in the early 1990s towards American bases in the region illustrated this contradictory approach. On the other hand, while the US acknowledged the key role of the ASEAN in establishing an ARF-style multilateral institution, Washington is apparently frustrated with the inefficient "ASEAN way" in dealing with security issues.⁸⁶ Some analysts assessed that due to the impatience in the US for the perceived "chaos" and "messiness" of politics in Southeast Asia, American policymakers have a hard time "selling" the importance of investing time and energy to cultivate relationships with the region, despite the fact that such nurturing of relationships--through frequent and regular contact and meetings--is the basis of building trust and confidence.⁸⁷

When President Clinton came to office in 1993, Southeast Asia again played only a meager role in the US broader strategic goal in the region. In the four Asian security policy statements in the 1990s that defined America's vital interests in the area,

⁸⁴ Diane K. Mauzy and Brian L. Job, "US Policy in Southeast Asia Limited Re-engagement After Years of Benign Neglect," *Asian Survey*, Volume 47, Issue 4, (2007), http://www.hks.harvard.edu/fs/pnorris/Acrobat/Burma_Mauzy_Job.pdf.

⁸⁵ Sukma, op.cit.

⁸⁶ He, op. cit., p.75.

⁸⁷ "China and Southeast Asia," *The Stanley Foundation*, op.cit.

Southeast Asia figured only peripherally, basically in the context of America's interest in maintaining freedom of navigation along some of the world's most critical sea lanes. At any rate, President Clinton continued his predecessor's view of Southeast Asia as a peaceful region of energetic economic growth. However, greater emphasis was placed on multilateral institutions, particularly US participation in the APEC forum and later on support for the ARF.⁸⁸ Support to both organizations illustrated Washington's acknowledgement that confidence over US arrangements based on bilateral alliances in managing regional security has eroded. So, in response, the US started embracing the idea of multilateral security institutions, especially the ARF, if only to complement its existing bilateral security arrangements, as well as to lower the costs of US engagement in Asia.

This same approach towards multilateral security efforts was one of the key elements of President Clinton's global security policy, which was coordinated under the concept of "engagement and enlargement." The term "engagement" means strengthening US relationships with its allies and friendly countries in the Asia-Pacific, while "enlargement" means improving its relationships with non-allies and spreading democracy in these countries. The specifics of the engagement concept were spelled out by the East Asian Strategy Report--also called the Nye Report--released on February 27, 1995. It stressed the necessity to maintain the forward deployment of 100,000 troops in the region and reaffirmed its commitment to the existing alliance arrangements it had made with regional countries.⁸⁹

As the "enlargement" policy signaled that the US would actively involve itself in the domestic affairs of other countries, it has inevitably brought about friction with other countries in the region that takes a different view on human rights and that are under US pressure to open their markets to solve trade friction. For instance, ASEAN's policy of "constructive engagement" and its decision to admit Myanmar as a full member in 1997 drew heated criticisms from officials in Washington. In 1998, US ties with Malaysia were strained and hit an historic low when Vice President Al Gore spoke in favor of the local reform movement, and the US State Department criticized

⁸⁸ Mauzy and Job, op. cit.

⁸⁹ "US Security Policy for East Asia: Eight Years Under the Clinton Administration," *East-Asian Strategic Review* (2001), http://www.nids.go.jp/english/publication/east-asian/pdf/2001/east-asian_e2001_8.pdf.

the trial and imprisonment of the movement's initiator, former Deputy Prime Minister Anwar Ibrahim.⁹⁰ Indonesia too also became a target of Washington's criticisms over human rights issues, particularly the handling of the Indonesian military of the East Timor conflict that resulted in the displacement and death of some 200,000 East Timorese.

By mid-1990s, President Clinton was involved with Bosnia, for which there was little public support following the ugly withdrawal from Somalia in 1993. This event has in part influenced Washington's handling of what others called China's creeping assertiveness in the disputed SCS in 1995 and 1999. Apparently, after the Bosnia incident, President Clinton and his strategic advisers agreed that the US should use military force only where national interests were clearly at stake, and only if it seemed likely that success could be achieved reasonably quick and less costly. With this cautious strategy in mind, coupled with the Clinton administration's determination to engage China as a "strategic partner," the US attitude toward Beijing's SCS encroachments in 1995 and 1999 was neutral and muted.⁹¹ It is worthy to note, however, that Washington did make clear that it would quickly become a decisive player if the management of the conflict over the SCS is in any way challenged the area's freedom of navigation.

Perhaps the most damning for US' standing in Southeast Asia came with its action, or better yet inaction, during the 1997-98 Asian financial crisis. Washington failed to offer any bilateral bailouts to the hardest-hit states three years after having done so for Mexico, and instead wielded the IMF to make heavy-handed demands for reform and to impose its "one size fits all" solution on the region. What is worse is that some in Washington opined that non-democratic governance, lack of transparency, and "Asian values" had caused the problems.⁹² This behavior seriously undermined confidence in the US and convinced Asians that no non-Asian power or institution can be counted on to help. Although ASEAN as a collective body was also on the sidelines, Malaysia and Singapore, along with Japan and Australia offered assistance to

⁹⁰ David Capie and Amitav Acharya, "A Fine Balance: US Relations with Southeast Asia Since 9/11," *CERI* (December 2002), <http://www.ceri-sciencespo.com/archive/jan03/artca.pdf>.

⁹¹ Mauzy and Job, op. cit.

⁹² Ibid.

hardest hit Indonesia, and Japan proposed an Asian Monetary Fund--which the US vetoed subsequently.⁹³

Largely because of the 1997-98 financial crisis, American attitude towards the ARF and multilateral institutions in general experienced a slight decline. Because the US came out of the crisis virtually unscathed combined with the apparent demise of the Asian economic miracle, the US became more confident in sustaining its hegemony in the region, seeing an increased leverage in dealing with the challenges in Asia-Pacific. Although multilateralism was still officially endorsed by the US government in the late 1990s, no real and concrete actions followed that rhetoric.⁹⁴

Bush Administration

Just like his predecessor, Southeast Asia initially did not figure prominently in President George W. Bush's administration despite its economic importance to the US as its fourth largest trading partner and the geostrategic significance of the region's maritime lines of communication. Again, Southeast Asia was only a function of President Bush's broader Asian strategy, which for its earlier stage did not bring much comfort for Southeast Asian leaders relative to increased American involvement in the region. For one, they were made uneasy by President Bush's reference to Australia as the region's "deputy sheriff," interpreting this to mean that Washington might be delegating authority to a surrogate instead of being seriously involved itself. For another, they were apprehensive about President Bush's initial view of China as a "competitor and potential regional rival."⁹⁵

Not that there were insufficient voices for the Bush administration to be more involved in Southeast Asia. A task force of academics, corporate executives and officials under the auspices of the Council on Foreign Relations in May 2001 released a memorandum to President Bush entitled "The United States and Southeast Asia: A Policy Agenda for the New Administration." The report pointed out that American influence in Southeast Asia has waned as a result of a mix of inattentiveness

⁹³ Frost, "China's Commercial Diplomacy in Asia," op. cit., p.106.

⁹⁴ He, op. cit., p.76.

⁹⁵ Mauzy and Job, op. cit.

and imperious hectoring, and the perception of a belated and inadequate response to the traumatic 1997-98 financial crisis. In addition, an American preoccupation with developments in East Timor distorted the overall US approach to Indonesia and may have distracted policymakers from focusing on broader regional concerns. The report asserted that this was exemplified by the US' delayed and lackadaisical attitude towards Chinese encroachments in the SCS in 1995 and 1999.⁹⁶

However, while various US strategists and analysts viewed the installation of the Bush administration as an opportunity to push for decisive American action in Southeast Asia, prior to 9/11, regional governments remained unenthusiastic to either provoking anti-US opposition within their own countries or unnecessarily alienating China by developing close links to the US military.⁹⁷ The global war on terrorism, however, proved to be an effective instrument for Washington to reign over local opposition and enhanced American military presence in Southeast Asia.⁹⁸ Under strong pressure from Washington, regional leaders were compelled to offer varied levels of support to American operations in Afghanistan with President Arroyo at the forefront.

At first, the renewed attention towards the region was a welcome development among regional leaders as depicted by the strong stamp of approval granted by the ASEAN to the US-led counterterrorism drive. Immediately after the attacks, ASEAN adopted a Joint Communiqué of the Third ASEAN Ministerial Meeting on Transnational Crime on October 11, 2001. Combating against terrorism constituted one of its agendas. ASEAN also adopted the Declaration on Joint Action to Counter Terrorism on November 5, 2001. In 2004, the US announced the creation of the ASEAN Cooperation Plan--a US-funded initiative that supports US-ASEAN activities to advance mutual interests in areas such as promoting trade and countering transnational crime, including terrorism, human trafficking, and infectious diseases; and fostering ASEAN economic integration and development.⁹⁹ Despite the initial pledge of support, however, Washington's actions after the 9/11 incident proved to be

⁹⁶ J. Robert Kerrey and Robert A. Manning, "The United States and Southeast Asia: A Policy Agenda for the New Administration," *Council on Foreign Relations* (2001), http://www.cfr.org/publication/3979/united_states_and_southeast_asia.html.

⁹⁷ Peter Symonds, "Why has Southeast Asia Become the Second Front in Bush's "War on Terrorism," *World Socialist Website* (April 26, 2002), <http://www.wsws.org/articles/2002/apr2002/asia-a26.shtml>.

⁹⁸ Ibid.

⁹⁹ Anak Agung Banyu Perwita, "ASEAN-US Relations: Challenges Ahead," *Paper Presented at the ASEAN Think Tank Forum "ASEAN and its External Relations,"* (August 5-6, 2009), <http://www.siaaonline.org/files/Prof.%20Anak%20Agung%20Banyu%20Perwita.pdf>

unpopular with some countries in Southeast Asia. For one, by attacking Iraq without UN approval, American actions undercut the norms of sovereignty, territoriality, and non-interference that were seen by Southeast Asian states as fundamental to legitimacy. Second, by fostering the impression of having mounted a campaign against Islam, Washington angered the moderate Muslim populations of key Southeast Asian states, such as Indonesia and Malaysia.¹⁰⁰

As a result of this focus on terrorism, the US re-engagement with Southeast Asia has proven to be uneven. Washington's security apparatus are centered on maritime Southeast Asia, with a perceptible divide between countries where Islam is important and the rest. These are the Southeast Asian states of Indonesia, Malaysia, the Philippines, Singapore, and Thailand. As one analyst pointed out the Bush administration's policy toward Southeast Asia tends to bifurcate the region into countries with significant Muslim populations, and those without them, paying greater attention to the former group. US attention can be seen in its engagements with the maritime countries' governments in intelligence collaboration, bilateral military-to-military ties, and targeted economic and military assistance.¹⁰¹ Douglas Paal at the Carnegie Endowment for International Peace said that when President Bush visited Indonesia after 9/11, he was "in and out as fast as he could" and focused almost exclusively in many countries on terrorism. As President Bush came to dwell more and more on wars in Afghanistan and Iraq, it started to send a message that the US cared about these issues to the exclusion of all others.¹⁰²

On the other side of the spectrum is Southeast Asia's continental states, which attract US attention primarily as problem areas. This is especially true because these countries historically have been either communist or had allied with communist powers. All are mainland states, are heavily influenced by China and all but Cambodia have long borders with China.¹⁰³ Noticeably, American relations with Cambodia, Laos, Myanmar and Vietnam remain largely unchanged. Vietnam has a "love-hate" relationship with China, but American interactions with the Vietnamese have been

¹⁰⁰ Mauzy and Job, op. cit.

¹⁰¹ Ibid.

¹⁰² "Obama Renews Focus on Southeast Asia," *Newsweek* (November, 2009), <http://www.newsweek.com/blogs/wealth-of-nations/2009/11/09/obama-renews-focus-on-southeast-asia.html>.

¹⁰³ Wayne Bert, "The Southeast Asian Nations: Views of China and the US," in *The United States, China and Southeast Asian Security A Changing of the Guard* (New York: Palgrave MacMillan, 2003), 175.

dominated by economics issues, culminating in a signing of a bilateral trade agreement in 2000. On the other hand, Myanmar, with its increasing ties to China and India, continues to frustrate intermittent attempts by Washington to pressure its despotic regime to improve its human rights record.¹⁰⁴ At the center of the issue is the continued detention of democracy leader Aung San Suu Kyi, whose party won the elections in 1990, but the military junta never relinquished power. The efficacy of the US policy stressing moral values and principle, however, has been met with reservations by some observers who argued that it enabled China to increase its influence in Southeast Asia. Table 4 illustrates the orientation of regional countries with the US and China.

Table 4 : Orientation of Southeast Asian Countries to US and China

China and Southeast Asia					
Alliance	Arms Sales	Bases, logistics or common exercises	Past	Military	Conflict
	Myanmar Thailand	Myanmar		Vietnam Philippines	
United States and Southeast Asia					
Alliance	Arms Sales	Bases, logistics or common exercises	Past	Military	Conflict
Philippines Thailand	Thailand Philippines Indonesia Cambodia	Thailand Philippines Malaysia Singapore Indonesia Brunei		Vietnam Cambodia Philippines	

Source: The United States, China and Southeast Asian Security, p176

In the Bush administrations singular obsession with the war on terrorism, other regional issues and political challenges have not been given much attention, and diplomatic, cultural, and economic approaches have been inadequate. In economic terms, the emphasis has turned away from the APEC to bilateral FTAs and to concern over ever-growing trade deficits. On free trade, the US Trade Representative in 2006 signed a Trade and Investment Framework Agreement (TIFA) with the ASEAN to establish a ministerial-level economic dialogue and facilitate market access. But even under the best of circumstances a US-ASEAN FTA is not expected to be quick or easy to negotiate. The US-ASEAN TIFA carries an implicit possibility for a regional FTA, but the US has not fared well in two out of three

¹⁰⁴ Mauzy and Job, op. cit.

attempts to forge bilateral FTA's with ASEAN member-states. The US-Singapore FTA is in place, but negotiations with Thailand broke down in 2006 because of Thai political instability at the time and domestic opposition to the FTA. Talks with Malaysia for an FTA are yet to be completed. Although Kuala Lumpur has expressed a desire to resume talks at the earliest opportunity, a variety of factors have thus far prevented that.¹⁰⁵ Albeit an FTA with ASEAN is far from being realized, US trade with ASEAN (US\$169 billion in 2007 as shown in Table 5) represents 5.4 percent of the US total. US exports to the ASEAN and China are about equal, but on per capita basis, the ASEAN buys twice as much from the US than China does. US imports from China are about three times as high as those from the ASEAN. Southeast Asia is also a key location for the world's multinational corporations and hosts US\$99 billion in US investments.¹⁰⁶

Table 5. US Trade with the ASEAN in 2007 (billion US\$)

Country	US Exports to	US Imports from
Brunei	0.1	0.4
Indonesia	4.2	14.3
Laos	0.01	0.02
Malaysia	11.7	32.8
Myanmar	—	—
Philippines	7.7	9.4
Singapore	26.3	18.4
Thailand	8.4	22.8
Vietnam	1.1	10.6
Total	60.4	108.7

Source: East-West Center (2009)

In security terms, US relations in Southeast Asia are centered around two treaty allies: the Philippines and Thailand--which have been both elevated to non-NATO ally status. The US holds major military exercises with both countries annually; Cobra Gold with Thailand and the Balikatan Exercises with the Philippines. The US also has a very close security relationship with Singapore. The US-Singapore Strategic Framework Agreement covers cooperation in areas such as counterterrorism, counter-proliferation, joint military exercises and training, policy dialogues, and defense technology. Combined with Singapore's first-class full accommodation of the US Navy, the

¹⁰⁵ Catharin Dalpino, "Two Leaps in US-ASEAN Relations," *Asia Security Initiative* (October 11, 2009), http://asiasecurity.macfound.org/blog/entry/two_leaps_in_us-asean_relations/.

¹⁰⁶ Michael G. Plummer, "How (and Why) the United States Should Help to Build the ASEAN Economic Community," *East-West Center* (2008), <http://www.eastwestcenter.org/fileadmin/stored/pdfs/dialogue002.pdf>.

framework provides a perfect example of the “places, not bases” approach to aligning security cooperation. At the same time, the US has also attempted to nurture military relations with Indonesia, Malaysia and Vietnam. Indonesia has been participating in Cobra Gold, and Exercise Garuda Shield brings together American and Indonesian soldiers for peace support exercises. Malaysian and US air forces exchange combat tactics in Exercise Cope Taufan. And since 2008, Vietnamese and American officers have met annually for dialogues on security issues and defense cooperation.¹⁰⁷

Noticeably, the US security cooperation in Southeast Asia has been undertaken through bilateral cooperation and partnerships rather than via the multilateral arrangements provided by the ASEAN. While the traditional hub-and-spokes configuration of US security policy in the Asia-Pacific still holds, many in the region still feel slighted that the US does not approach the region collectively. The US tends to distrust multilateral fora that take a least common denominator approach, because they can hold cooperation hostage to one or two dissenting countries or link it to grievances that have little to do with the issue at hand.¹⁰⁸ However, a tepid multilateral policy makes it more difficult for the US to encourage greater cooperation among the ASEAN states, which is an obvious handicap for counterterrorism policy.¹⁰⁹ The one multilateral organization that has interested the Bush administration is the APEC, which it had called “by far the most robust multilateral grouping in Asia.”¹¹⁰ However, Washington’s attempts to mobilize the organization for security purposes may have been counterproductive. Furthermore, the US’ strong ambivalence toward multilateralism and its eschewing of diplomatic approaches have led Asians to consider new arrangements.¹¹¹ The EAS and the ASEAN + 3 are prime examples.

ASEAN’s perception of US neglect towards the region has been further reinforced by the approach taken by American leaders involving the regional bloc.

¹⁰⁷ Joey Long, “The 2010 US Quadrennial Review: Implications for Southeast Asia,” *S. Rajaratnam School of International Studies* (February 17, 2010), <http://www.rsis.edu.sg/publications/Perspective/RSIS0192010.pdf>.

¹⁰⁸ “A Dual Challenge Southeast Asia in the Twenty-First Century: Issues and Options for US Policy,” *The Stanley Foundation* (March 11-12, 2004), <http://www.stanleyfoundation.org/publications/pdb/SEAA04pb.pdf>.

¹⁰⁹ Ibid.

¹¹⁰ Bruce Vaughn, “East Asian Summit: Issues for Congress,” *CRS Report for Congress* (December 9, 2005), <http://www.au.af.mil/au/awc/awcgate/crs/rs22346.pdf>.

¹¹¹ Mauzy and Job, op.cit.

In 2007, Secretary Rice bypassed the annual ARF gathering, as she had in 2005, and instead traveled to the Middle East, while President Bush postponed the US-ASEAN summit, set for Singapore in September that year, and left the APEC summit a day early reportedly because of commitments related to the Iraq war, renewing concerns about the level of US commitment to the region. In an apparent effort to reverse this trend, the US Senate in March 2007 called for the appointment of an ambassador to the ASEAN reportedly in recognition of the growing importance of the regional bloc as an institution and belief that the US should increase its engagement and cooperation with the region. In April 2008, the Senate confirmed Deputy Assistant Secretary of State for East Asia and Pacific Affairs Scot Marciel as Ambassador to ASEAN.¹¹²

Perhaps the biggest strategic consequence of the Bush administration's overly zealousness in the "war on terror" is its failure to retard the growing power and influence of China in Southeast Asia and elsewhere. Interestingly, to contain China's rise was the key consideration mentioned by the RAND Corporation in its 2000 report, entitled "The Role of Southeast Asia in US Strategy Toward China," for the US to increase its military presence in Southeast Asia. Indeed, the US is aware of the sharp intensification of China's efforts to become a primary consideration in ASEAN leaders future political calculations. However, some combination of preoccupation with Iraq and the war on terror, an assessment that China was doing little to be concerned about, and confidence that Japan in particular (despite its prolonged economic difficulties) could contain China's influence, translated into a characteristically low US profile in Southeast Asia--a willingness in Washington to be reactive rather than the shaper of developments.¹¹³ Instead of focusing on containing China's influence in less strategically important small countries, Washington aimed to strengthen its ties with its allies and big powers in the region such as Japan, Australia and India. It appears that Washington's aim is to seek a favorable balance of power instead of absolute dominance. The US is convinced that because China's economic, political and social basis in the region is still weak, it cannot overturn the regional balance of power overnight.¹¹⁴

¹¹² Lum, et al, "Comparing Global Influence," op. cit.

¹¹³ Ron Huisken, "Southeast Asia: Major Power Playground or Finishing School," *Strategic and Defense Studies Center* (April 2008), http://rspas.anu.edu.au/papers/sdsc/wp/wp_sdsc_408.pdf.

¹¹⁴ Lijun, op. cit., p.45.

The same conviction appears to resonate from most of the countries in the region, especially maritime Southeast Asia. These countries generally do not feel immediately threatened or alarmed by the rise of Chinese power, but they are uneasy about the long term.¹¹⁵ However, these countries growing confidence regarding the challenges posed by a rising China is also the result of their relative success in maintaining and increasing US military and strategic support over the last fifteen years. The global war on terrorism has certainly benefitted some regional countries in this regard. Singapore has expanded its strategic partnership with the US; the Philippines and Thailand enjoy better access to American training and equipment; and Indonesia had military-military relations with the US reinstated. These strategic ties with the US are perceived to boost their ability to meet potential Chinese military threats, but more importantly, to facilitate a long-term American military presence in the region that would deter potential Chinese hegemonic ambitions.¹¹⁶

Some analysts, however, cautioned that such behavior on the part of most Southeast Asian states poses certain conceptual problems when it comes to developing strategic cooperation with the US because American analysts and policymakers tend to read the situation in terms of power balancing. The preferred balance of power in Southeast Asia is not one brought about by two or more powers of roughly equal capabilities balancing out one another's strength, but the preservation of a regional equilibrium based on the predominance of US power.¹¹⁷ Rather than encouraging the US to target its forces directly against China, though, the goal is to further buttress American military superiority in the region, and to demonstrate the ability to harness it, in order to persuade Beijing that an aggressive action would be too costly and/or unlikely to succeed.¹¹⁸ In ASEAN's view, an expanded, reinforced regional architecture that engages and enmeshes both China and the US can only be a positive and constructive development. ASEAN's aspiration is to embed them in a cooperative mechanism, thereby reducing potential for misunderstanding and enhancing prospects of stability.¹¹⁹

¹¹⁵ Bert, op. cit., p.176.

¹¹⁶ Goh, "Southeast Asian Responses to China's Rise," op. cit., p.169.

¹¹⁷ Goh, "Meeting the China Challenge," op. cit., p.35.

¹¹⁸ Goh, "Southeast Asian Responses to China's Rise," op. cit., p.169.

¹¹⁹ Chew, op. cit.

Of course, the US has been very conscious of China's increasing influence in Southeast Asia, although it appears unfazed by various assessments that it came at its own expense. Albeit seemed selective, it tried to embark on efforts that seek to endear Washington to regional countries once again. For example, Washington was a major contributor to countries hit by the 2004 Indian Ocean tsunami, which affected several Southeast Asian countries. The scale and speed of America's response to the disaster offered a timely reminder of the exceptional capacities possessed by US armed forces.¹²⁰ The US emergency response helped to improve the image of the US in the region, particularly in Indonesia, a small step forward to reverse a dramatic rise in negative public perceptions of Washington after the US-led invasion of Iraq in 2003. Still, there remains significant unease arising from perceptions of the US as imposing its military might to bring forth democratic reforms in authoritarian governments. In the wake of Cyclone Nargis, which struck coastal Myanmar in May 2008, neither the US Navy nor non-governmental organizations were permitted by the country's military regime to intervene for fear that under the cover of humanitarian assistance, the US had a political agenda that included regime change.¹²¹

Obama Administration

While it is too early to accurately predict the policy trajectory that President Obama will take with regards to his approach towards Southeast Asia, recent actions made by his administration provide some sense of enthusiasm in the direction of a deeper engagement. As ASEAN Secretary General Surin Pitsuwan pointed out at the sidelines of the APEC summit and prior to the US-ASEAN meeting in Singapore on November 15, 2009: "I believe that the United States is taking the relationship seriously at the highest levels. There is now a momentum that is created."¹²² Indeed, the US-ASEAN meeting was heralded as an historic one, with President Obama sitting with all the members of the ASEAN, including Myanmar's prime minister. In other words, President Obama recognizes that the ASEAN is vitally important to the US in terms of national security, trade, as well as socially and culturally. And while the situation in Myanmar remains untenable, the US is saying "we cannot let one issue keep us from

¹²⁰ Huisken, op. cit.

¹²¹ Chew, op. cit.

¹²² "Obama Meets Friends, Foes in Southeast Asia Summit," *Bangkok Post*, November 15, 2009, <http://www.bangkokpost.com/news/asia/160092/obama-meets-friends-foes-in-southeast-asia-summit>.

deepening ties with our ASEAN counterparts and working with them to strengthen relationships and trying to make progress in Myanmar as well as other areas."¹²³ Significantly, President Obama's visit came immediately after Kurt Campbell, an assistant secretary of state, became the highest-ranking US official to hold talks in Myanmar in more than a decade.¹²⁴

As was mentioned earlier, Secretary Clinton has made three trips to the region since taking office in January 2009, a remarkable level of engagement. In February that year, she was the first US Secretary of State, and the first US government cabinet member, to visit the ASEAN Secretariat. That July, the Secretary signed the TAC with the ASEAN. It is important to note that Washington has been reluctant to sign the non-aggression pact for years, fearing it would leave little room for it to exert its influence on political and security issues in the region. However, US influence over Southeast Asia is facing growing competition from China, which signed the same treaty with the ASEAN six years ago and has emerged as a key player in meetings with the ASEAN.¹²⁵

Secretary Clinton announced also in July 2009 that the US would establish a mission to the ASEAN Secretariat in Jakarta. The US will also be ASEAN's first dialogue partner to set up an independent mission to ASEAN with an ambassador based in Indonesia. The details on the establishment of the mission will be further discussed with the Indonesian government and Secretary General Pitsuwan. In his initial reactions to the announcement, Secretary General Pitsuwan said, "We very much welcome Secretary Clinton's announcement to elevate US-ASEAN diplomatic relations to a residence Ambassador, working directly and exclusively with the ASEAN Secretariat."¹²⁶

¹²³ Ernest Bower, "President Obama Engages Southeast Asia," *Real Clear World* (November 12, 2009), http://www.realclearworld.com/articles/2009/11/12/president_obama_engages_southeast_asia_97350.html.

¹²⁴ "Obama Renews Focus on Southeast Asia," *Newsweek* (November 9, 2009), <http://www.newsweek.com/blogs/wealth-of-nations/2009/11/09/obama-renews-focus-on-southeast-asia.html>.

¹²⁵ "Clinton Signs Landmark US-ASEAN Friendship Pact," *Agence France-Presse*, July 22, 2009, <http://www.abs-cbnnews.com/world/07/22/09/clinton-signs-landmark-us-asean-friendship-pact>.

¹²⁶ "US to Open Mission to ASEAN in Jakarta," *ASEAN Affairs* (July 22, 2009), http://www.aseanaffairs.com/press_releases/us_to_open_mission_to_asean_in_jakarta.

As part of its efforts to boost relations with Southeast Asia, President Obama in June 2009 removed Cambodia and Laos from a trade blacklist, opening the way for US loans to companies doing business in the former US adversaries. US ties with Cambodia and Laos were long tainted by concerns about the fate of American service members missing since the Vietnam War. In Cambodia, the US worried about corruption and accountability for Khmer Rouge war crimes. But the US has been moving closer to both nations, where China is also stepping up influence. Washington established normal trade ties with Laos in 2004 and three years later lifted all restrictions on aid to Cambodia.¹²⁷

While there are early signs that the Obama administration would be more active and flexible in dealing with Southeast Asia, the region would likely remain a secondary priority among US policy-makers for the time being. Washington is still faced with the problems brought by the American operations in Iraq and Afghanistan, and in 2009 North Korea undertook some provocative actions that necessitate the Obama administration to change priorities and give premium to dealing with the reclusive country. On top of that, the US since 2008 has been experiencing its worst economy downturn in decades. Reportedly, active efforts by the US and other governments to deal with the causes and effects of the global financial crisis have showed little signs of substantially reversing economic fortunes.¹²⁸ Indeed, Obama will have his hands full, and his actions towards Southeast Asia despite these woes would likely demonstrate how determined he is in reinvigorating the US' relations with the whole region.

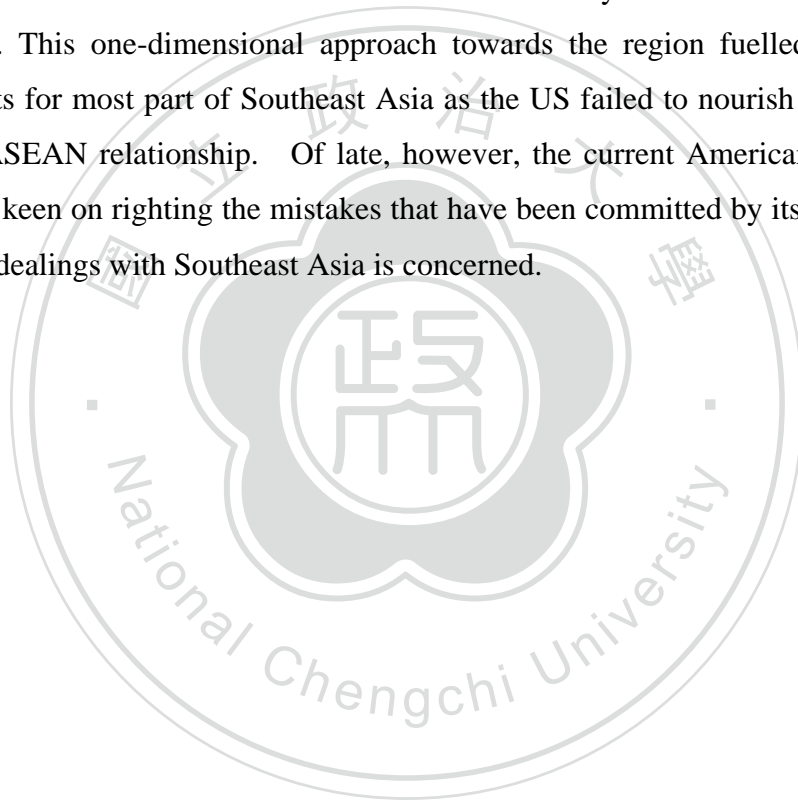
Summary

After the end of the Cold War, the US has changed its priorities in dealing with Southeast Asia from security to economic concerns, primarily because of the absence of the threat emanating from the spread of communist ideology. This change in attitude, however, had made some regional countries suspect that the US is losing interest in the region, a concern that can be traced from their fear that the departure of the American military presence in Southeast Asia would create a power vacuum that other external

¹²⁷ "US Removes Cambodia, Laos from Trade Blacklist," *Bangkok Post* (June 13, 2009), <http://www.bangkokpost.com/news/asia/145970/us-removes-laos-cambodia-from-trade-blacklist>.

¹²⁸ Robert Sutter, "The Obama Administration and US Policy in Asia," *Contemporary Southeast Asia* Vol. 31, No. 2 (2009), http://www.viet-studies.info/kinhte/Obama_US_Asia_Poliicy_CSA.pdf.

powers would aggressively try to fill. For most countries in the region, it is better to have the US as the region's hegemonic power than other external powers if an hegemonic environment is unavoidable. At the same time, however, the ASEAN has expressed disgust over the US treatment of Southeast Asia as a mere function of its broader security agenda in East Asia, and only appear in the American foreign policy radar because of its importance in keeping the sea lines of communication open. This feeling of neglect ran through for the most part of the 1990s. When the 9/11 attacks occurred, however, Southeast Asia again caught the attention of US policy-makers, initially a welcome development for regional countries. In the long run, Southeast Asian saw its attraction to the US as narrowly focused on the global war on terrorism. This one-dimensional approach towards the region fuelled anti-American sentiments for most part of Southeast Asia as the US failed to nourish other aspects of the US-ASEAN relationship. Of late, however, the current American administration appeared keen on righting the mistakes that have been committed by its predecessors as far as its dealings with Southeast Asia is concerned.



CHAPTER IV

The Philippine-US Security Alliance: The China Factor

This chapter provides a test case for China's soft power statecraft in one particular country in Southeast Asia. The Philippines has been the most important and reliable security ally of the US for decades now, and examining the advances Beijing has made in wooing Manila towards its charm offer the most revealing information in the overall calculation on the effectiveness of China's soft power statecraft in the region. Particularly important to this estimation is determining China's rationale behind its goal of attaining unparalleled relations with the Philippines as well as Manila's motivation in reciprocating Beijing's charm offensive. Equally important is the evolution of the Philippine-US relations and what drives these two countries to reinvigorate their security partnership, previously the cornerstone of American military apparatus in Southeast Asia, amid China's growing penetration in the region.

China's Soft Power in the Philippines

The Philippines-China relations have undergone a remarkable transformation in the last decade. As President Arroyo declared in a meeting with Chinese Premier Wen Jiabao before her five-day trip to Beijing in October 2006, the Sino-Philippine relations are experiencing a "golden age of partnership."¹²⁹ It is hard to imagine that just fifteen years ago the two countries were locked in a bitter conflict over portion of the contested SCS region. Since the two countries established diplomatic contacts in the mid-1970s, their relationship has been characterized as generally cordial at the political level, although economic interactions were somewhat erratic. That friendly tone changed, however, when China in 1995 surreptitiously established structures in the Philippine-claimed Mischief Reef located in the SCS, much to the surprise and dismay of the Philippines. Manila, with its inferior military capabilities, had no choice but to lodge a formal protest against Beijing and successfully elevated the issue before the ASEAN, and later on re-established military relations with the US. Although Beijing did add structures in the same reef in 1999, the events of 1995 may have made the Chinese

¹²⁹“RP's Arroyo Heralds 'Golden Age' with China Ahead of Visit,” *China Post*, October 27, 2006, <http://www.chinapost.com.tw/asiapacific/detail.asp?ID=93823&GRP=C>.

leadership realized that its earlier assertive actions only compounded allegations that China's rise poses a threat, especially to its neighbors.

After that incident, China consciously embarked on adroit diplomatic maneuvering to placate concerns of ASEAN countries that suddenly became highly wary of their prospering big neighbor's intentions, and what would be these intentions broader security ramifications. With regards to the SCS, in particular, China in 1995 agreed to discuss the issue on a multilateral basis with the ASEAN and also indicated willingness to abide by international law in settling the territorial dispute. This was followed by the signing of an agreement with Manila on further confidence-building measures, shelving the dispute temporarily in favor of joint development. From 1998 to 2000, China and the Philippines held frequent high-level meetings and state visits that enabled them to exchange views and coordinate positions on bilateral concerns as well as on major international and regional issues.¹³⁰ Such diplomatic forays on the part of China towards Southeast Asia, of course, have what appears to be favorable economic dimension--mostly via increased trade, aid and investments--which reached its peak during the 1997 Asian Financial Crisis. As was suggested earlier, China came out of the crisis smelling pretty good throughout the region. And in the Philippines, the story was no different.

Of course, it helped that the Philippines became one of primary targets of China's good neighbor policy in Southeast Asia. While the Philippines has a trade deficit with China in the 1990s, Beijing implemented various favorable measures that ultimately expanded Philippine exports to China¹³¹ To date, the Philippines, unlike some of its ASEAN partners, has in years enjoyed a healthy trade surplus with China. As Table 6 illustrates, the balance of trade from 1996 to 2001 has been in favor of China, but swung in favor of the Philippines since 2002. China is now the Philippines third largest trading partner after the US and Japan, respectively. According to the statistics of Chinese Customs, the bilateral trade volume of 2007 between the two

¹³⁰ De Castro, "China, the Philippines and the US Influence in Asia," op. cit.

¹³¹ Shen Hofang, "Managing Philippines-China Relations Through Dialogue," in *Harmony and Development ASEAN-China Relations*, ed. Lai Hongyi and Lim Tin Seng, (Singapore: World Scientific Publishing, 2007), 156.

countries amounted to US\$30.6 billion, which accomplished the US\$30 billion trade target for 2010 set by the two countries presidents three years ahead of schedule.

Table 6: Philippines Trade with China (1996 to 2008) (in US\$ million)

Year	Exports to China	Imports from China
1996	328	676
1997	244	871
1998	344	1,199
1999	575	1,038
2000	663	768
2001	793	953
2002	1,353	1,231
2003	2,143	1,793
2004	2,653	2,659
2005	4,076	2,972
2006	4,627	3,647
2007	5,749	4,001
2008	5,466	4,245

Source: 1996-2003 Figures from Backgrounder @ <http://www.ops.gov.ph>
2004-2008 Figures from Philippine Statistics Coordination Board

On aid and investment projects, the Philippines became one of China's leading recipients in the region. The total amount of Chinese money going to the Philippines reached US\$5.4 billion between 2002 and 2007 compared to US\$3.4 billion for Vietnam and US\$3.1 billion for Myanmar. The major types of projects in the Philippines were infrastructure, particularly railway and mining, as well as military training. The largest Chinese development project in the Philippines so far is the construction of railroads: a North Rail going north of Manila and a South Rail which goes to the south. A concession loan of US\$900 million has been committed by China for this project: US\$500 million for the railroad construction and US\$400 million for the construction of housing units for those affected by the railroad construction.¹³² Meanwhile, the rehabilitation of the nickel refinery, which was estimated to cost US\$950 million, was potentially the Philippines' biggest mining investment in decades and expected to boost Philippine mineral exports by US\$300 million a year, mostly to

¹³² Ibid., p.153.

China, and to employ at least 3,000 people from 2010.¹³³ Additionally, China has offered the Philippines US\$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.¹³⁴

The Chinese military assistance program is the continuation of the steps taken earlier toward the establishment of an informal defense and military relationship between the two sides. To note, the top Philippine defense official visited Beijing in 1996 and was reciprocated by his Chinese counterpart later in the same year. After that, the Philippines and Chinese defense establishments began a series of high-level official visits, intelligence exchanges and ship visits.¹³⁵ Reportedly, President Arroyo has also taken the position that China will play an increasingly important role not only in economic terms but also in a security context and that for these reasons it is in the Philippines interests to develop its bilateral relationship with China.¹³⁶ Some analysts attributed this to three factors: (1) the desire of the Arroyo administration to become less militarily dependent on the US, especially in the aftermath of the Philippine humanitarian contingent withdrawal from Iraq; (2) China's attempts to take advantage of this opportunity by exploring an expansion of defense ties with the Philippine military; and (3) the general improvement in ASEAN-China relations in the context of ASEAN + 3 and the East Asia Community building projects.¹³⁷

The broadening bilateral relations have been made possible by the intensified high-level exchange visits between the two sides in the last few years. President Arroyo made a state visit in October 2003 to China, which was reciprocated by President Hu in April 2005. In October 2006, President Arroyo, as the rotating president of the ASEAN, also attended the China-ASEAN Investment and Business summit in

¹³³ Roel Landingin, "Chinese Foreign Aid Goes Off track in the Philippines," *Philippine Center for Investigative Journalism* (Undated), http://www.realityofaid.org/userfiles/roareports/roareport_452449c76e.pdf.

¹³⁴ Dillon, "Endangered American Primacy in Southeast Asia," op. cit.

¹³⁵ De Castro, "The Limits to Chinese Soft-power," op. cit.

¹³⁶ Bruce Vaughn and Wayne M. Morrison, "China-Southeast Asia Relations: Trends, Issues and Implications for the United States," *CRS Report for Congress* (April 4, 2006), <http://www.fas.org/sgp/crs/row/RL32688.pdf>.

¹³⁷ Noel M. Morada, "The Rise of China and Regional Responses: A Philippine Perspective," *The National Institute for Defense Studies, Joint Research Series Number 4* (2009), http://www.nids.go.jp/english/publication/joint_research/series4/pdf/4-4.pdf.

Nanning where she was met by Premier Wen. From there, she visited two more provinces: Fujian and Jiangxi. In January 2007, Premier Wen made a state visit to the Philippines after the EAS.¹³⁸ Significantly, these visits were usually marked by the signing of bilateral accords on a wide range of areas. In Premier Wen's last visit to the Philippines alone, the two sides signed 32 accords, representing more than one-third of the total agreements reached since they established relations in 1975.

Apart from official contacts, people-to-people interactions have also been promising. Tourism between the two countries has also improved. According to the Chinese Embassy in Manila, tourists from China in 2009 reached 220,000--a 37 percent increase from the 160,000 Chinese visitors in Manila in 2008.¹³⁹ Philippine officials in China expressed optimism that more Chinese travelers would come to the Philippines with the opening of direct flights to and from China. Also, the Chinese government had reportedly promised to coordinate with the Philippines' Department of Tourism to promote the Philippines, including various special package tours and arrangements with Chinese companies to include the Philippines in their itinerary.¹⁴⁰ With respect to promoting economic cooperation between China and ASEAN through people-to-people contacts, the Nanning Expo has been very successful. Another venue for such contacts is the Confucius Institute--a global chain of Chinese cultural centers which is growing very quickly. So far, the Philippines hosts one Confucian Institute at the Ateneo de Manila University.¹⁴¹

It is not that China's cultural presence and influence in the Philippines is lacking. In the local business scene, most of the country's top conglomerate owners have cultural and familial ties with China. The likes of Lucion Tan of the Lucio Tan Group of Companies, Geroge Ty of Metrobank Group of Companies, and Henry Sy of the SM Group of Companies to name a few have long been the driver of the Philippine economy. In entertainment, Filipino-Chinese movies have captured the top prizes in the Metro-Manila Film Festival in the past three years. Actors like Jackie Chan, Jet Li

¹³⁸ Hopang, op. cit., p.149.

¹³⁹ "More Chinese Tourists to Visit RP," *Manila Bulletin*, February 17, 2010, <http://www.mb.com.ph/articles/243865/more-chinese-tourists-visit-rp>.

¹⁴⁰ Ibid.

¹⁴¹ Ellen Palanca, "Philippines-China Relations 'Golden Age' of Partnership," in *Harmony and Development ASEAN-China Relations*, ed. Lai Hongyi and Lim Tin Seng, (Singapore: World Scientific Publishing, 2007), 154.

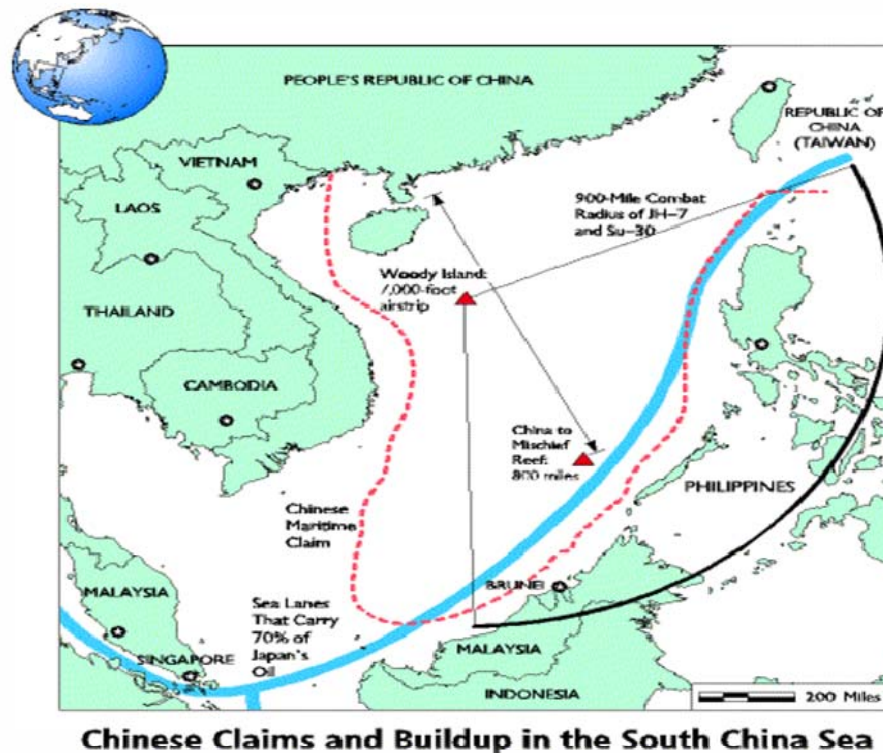
and Chow Yun-fat are idolized, while NBA player Yao Ming is one of the favorites when it comes to sports. In food, Chinese cuisines are favorites, and the origin of some local dishes can be traced from China, like pansit, hopia, siopao, etc.

Indeed, China's increased presence in the Philippines can be felt not only at the government, but the social level as well. One may wonder what drives Beijing to forge close relations with Manila. Some analysts point to China's desire to establish cooperative and cordial ties with the ASEAN as the primary reason behind this. Without a doubt, the opinion and position of the Philippines, an influential entity within the bloc being one of its founding-member, carry a significant weight within the ASEAN relative to issues close to Beijing's heart: the SCS and Taiwan, as well as China's broader security objective relative to the US pertaining these twin issues.

Despite the mutual adoption of declarations stressing the use of non-violence means toward its resolution and establishment of confidence-building measures to this effect, the SCS remains a tricky issue between China and the Philippines. The Philippines, along with Vietnam, remains wary of China's long-term intentions toward the SCS, owing to the widening gap between the capabilities of their militaries, as well as projections that the body of water possesses a significant amount of energy resource. The latter grounds certainly will figure prominently in Beijing's future policy calculations in the light of its mounting energy needs amidst the dwindling reserves in the global market. Figure 3 shows China's claims and build-up in the SCS. By increasing its soft power in the Philippines, China sought to influence public perception that its growing power is benign and will continue to be favorable to all parties concerned. Already, China has reaped the fruits of its labor in this regard when the Philippine government in 2004 agreed to undertake the three-year Joint Marine Seismic Undertaking (JMSU) with China, and later on including Vietnam, in the SCS that purportedly fall within Manila's exclusive economic zone. Furthermore, while Beijing did not expect its territorial dispute over the Spratlys to be resolved in the near future, it feared that armed clashes affecting freedom of navigation in the SCS could invite an American military response.¹⁴²

¹⁴² De Castro, "China, the Philippines, and US Influence in Asia," *op. cit.*

Figure 3: Map of Chinese Claims and Build-up in the SCS



Source: The Heritage Foundation (1999)

On the other hand, the Philippines is Taiwan's closest ASEAN neighbor. Before the normalization of relations between China and the Philippines in 1975, the Philippines and Taiwan were bound by the fear of communism. Pragmatism led the Philippines to shift diplomatic recognition to China. While the Philippines adheres to Beijing's "one-China" policy, there is no denying that Manila maintains friendly relations with Taipei, especially sustaining such through their de facto embassies: the Taiwan Economic Cultural Office in Manila and the Manila Economic Cultural Office in Taipei. As the offices suggest, bilateral relations are anchored on strong economic and cultural ties. The Philippines is Taiwan's 14th largest trade partner, while Taipei is Manila's eighth largest trade partner. Bilateral trade totaled US\$7.03 billion in 2008. Estimates by Taiwan's Ministry of Economic Affairs showed a combined US\$1.17 billion in Philippine investment projects in Taiwan as of December 2008, while Taiwanese investment in the Philippines amounted to 974 cases, worth a combined

US\$1.84 billion as of June 2008.¹⁴³ Also contributing immensely to the Philippine economy is the remittances coming from the estimated 75,000 Filipinos currently working in Taiwan. Given the Philippines' close historical ties with Taiwan, good relations between China and the Philippines becomes another entry for China to deal with the challenges of having "one country and two systems" and neutralizing any US intention to exploit the Beijing-Taipei split.¹⁴⁴ Raising the economic stakes for the Philippines might make it harder for Manila to promptly align with the US in case of a contingency in the Taiwan Straits.

Certainly, the possible US involvement in the cross-Strait situation or conflict over the SCS is another reason for China's desire to closely interact with the Philippines--which houses vital US military logistics and supplies, as well as hosts the American military via the conduct of regular military exercises. As with others, China perceives the Philippines as the weakest link in the ASEAN, especially for being the most reliable ally of the US in Southeast Asia.¹⁴⁵ And China has exploited every opportunity to woo the Philippines towards its charm. When the US showed displeasure with President Arroyo after she ordered the withdrawal of the Philippine contingent in Iraq in 2004, China's courtship provided Manila with the vital diplomatic leverage it badly needed. After the incident, President Arroyo paid an official visit to China. Two months later, Filipino and Chinese military officials signed a Memorandum of Understanding on Defense Cooperation, and in May 2005, the two countries signed agreements related to the following: annual defense and security dialogues; training of Filipino soldiers; Chinese technical assistance to the Philippine armed forces; and a gift of non-lethal military equipment worth US\$6 million.¹⁴⁶

It is, however, not a coincidence that the improving relations between China and the Philippines came with President Arroyo at the helm, who has characterized her approach to Beijing as one of comprehensive engagement, aimed at the development of what she described as all round, multidimensional, and far-sighted relations. In office

¹⁴³ "Taiwan, Philippines sign four MOUs after economic cooperation," *Taipei Times*, February 14, 2009, <http://www.taipetimes.com/News/biz/archives/2009/02/14/2003436103>.

¹⁴⁴ Filomeno Sta. Ana III and Alvin Firmeza, "China's Investments and Development Assistance in the Philippines: Boon or Bane?" (April 2008), http://www.oxfam.org.hk/fs/view/downloadables/china-footprint/China_Investments_Development_Philippines.pdf.

¹⁴⁵ *Ibid.*

¹⁴⁶ Lum and Niksch, *op. cit.*

since 2000 after a people power revolt oust former president Joseph Estrada, President Arroyo has not fulfilled her promise to turn the country around, at least economically, despite various government released economic figures that dispel this assumption. A survey conducted by the Social Weather Station in September 2009 showed that 53 percent of Filipino households still called themselves poor.¹⁴⁷ Compounding this quandary are allegations of misappropriation and corruption--even against the president's immediate family members and inner circles--widespread human rights violations, as well as charges that President Arroyo influenced the result of the 2004 presidential elections to her advantage. All these, and the fact that nearly 90 percent of national government revenue go to debt servicing¹⁴⁸, prompted President Arroyo to turn to China for help. China's explicit policy of "not interfering in the internal affairs" of other countries as opposed to the West's "do good, before aid" policy makes Beijing a perfect partner to fix the Arroyo regime's economic and political woes. That there is a large community of ethnic Chinese entrepreneurs in the Philippines with close political ties also ensures that there is a significant domestic China lobby.¹⁴⁹ In fairness to President Arroyo, however, given China's growth that signals economic and political might in the global stage, it would likely be a mistake not to ride the so-called Chinese bandwagon while the rest of the region is doing so.

Nevertheless, the budding Philippine-China ties did not come without controversies. In the January-February 2008 issue of the *Far Eastern Economic Review*, Barry Wain of the Institute for Southeast Asian Studies contends that in signing the JMSU, the Arroyo government had not only broken ranks with its ASEAN partners by cutting a bilateral deal with China without consulting them, but that more seriously Manila had made "breathtaking concessions" to Beijing since approximately one-sixth of the area designated for the seismic survey lay within Philippine territorial waters, and outside the claims of both China and Vietnam.¹⁵⁰ President Arroyo's opponents were quick to capitalize on this, with some of them charging that the government sold out its national patrimony in favor of economic concessions from

¹⁴⁷ Rommel C. Lontayao, "9.7 Million Filipinos Rate Themselves as Poor," *The Manila Times*, November 6, 2009, <http://www.manilatimes.net/index.php/top-stories/5406-97-million-filipinos-rate-themselves-as-poor>.

¹⁴⁸ Sta. Ana III and Firmeza, op.cit.

¹⁴⁹ Ibid.

¹⁵⁰ Barry Wain, "Manila's Bungle in the South China Sea," *Far Eastern Economic Review* (March 10, 2008), http://www.paracelspratly.com/home/index2.php?option=com_content&do_pdf=1&id=54.

China. Although her detractors did not show any evidence to prove this, early on various developmental projects financed by Chinese developmental assistance had come under heavy criticisms for their lack of transparency, overpricing and allegations of kick-backs.¹⁵¹ The one accord that came under intense scrutiny the most was the ZTE-National Broadband Network (NBN) deal--a US\$329.5 million initiative designed to link the country's 2,295 national offices and 23,549 village and municipal offices--with allegations that the first family benefitted from it. The uproar--which prompted a Senate inquiry on the matter--over this deal was so intensified that President Arroyo decided to scrap the project all together.

Although some Philippine politicians and opinion leaders have been critical of Philippine-China economic arrangements, some analysts argue that the focus of their disapproval has been their domestic political opponents rather than China. Many Filipinos view the two countries relations as positive overall and China's intentions as benign. They have expressed more concern about political corruption and the lack of government transparency regarding these deals than about China per se.¹⁵² This is evident in the results of the survey conducted by the Chicago Council on Global Affairs' World Public Opinion in 2007.¹⁵³ Specifically, the survey showed that 57 percent of Filipinos say they trust China to act responsibly in the world. However, that was still fewer than those who trust Japan (67 percent) and far fewer than those that trust the US (85 percent). Clearly, Filipinos still have high regard for the US as far as global leadership is concerned--but that does not overshadowed the fact that China has made significant headway in this regard.

Philippine-US Security Relations

The Filipinos high esteem for the US is a result of a long friendly and cooperative relationship that goes back to the colonial times. The Philippines and the US fought together against Japanese Imperialism in World War II and have a number of agreements signed during the Cold War to provide a legal framework to assist each

¹⁵¹ Ian Storey, "Trouble and Strife in the South China Sea Part II: The Philippines and China," *The Jamestown Foundation, China Brief* Volume 8, Issue 9 (April 28, 2008), [http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews\[tt_news\]=4886&tx_ttnews\[backPid\]=168&no_cache=1](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=4886&tx_ttnews[backPid]=168&no_cache=1).

¹⁵² Lum and Niksch, op. cit.

¹⁵³ Morada, op. cit.

other against the threat of communism--the most important of which is the 1951 MDT. One of these agreements also provided for the US establishment of two military bases in the Philippines: the Clark Air Force Base and the Subic Naval Bay--both of which served as the cornerstone of the Philippine external security at that time. During the Cold War, there were views that the Philippine foreign policy was a mere extension of the US,¹⁵⁴ and that has somewhat deterred Manila from establishing meaningful relations with its neighbors--most of which were communists or choose to be neutral. While the country and people absorbed substantial American influence, however, the close relationship also generated a strong Philippine nationalism.¹⁵⁵ Hence the end of the Cold War coupled with the view of the absence of an external threat led the Philippines to re-examine its security relations with the US, especially the bases agreement. The Mount Pinatubo eruption made decision for both sides easy as it destroyed the bases' facilities. Thus, in 1991 the American military forces was asked to leave the Philippines.

In 1995, however, the Philippines asked the US forces back in a limited basis because the China-initiated Mischief Reef encroachment made the Philippine government realized that the poor state of the Philippine military has no way can effectively respond to the more advanced capabilities of the Chinese navy. Also, it may also have judged that while the collapse of the Soviet Union has weakened the threat emanating from communism, it nevertheless brought to life other issues and concerns, such as territorial and border conflicts, that were suppressed during the Cold War era. So after that incident, the Philippine defense establishment pushed Congress to approve a military modernization plan and at the same time began work to revitalize the US-Philippine security alliance by negotiating a VFA, and by requesting military assistance to supplement its desired modernization program.¹⁵⁶ A VFA, allowing joint Philippine-US military operations, was signed by the two countries in 1998 and ratified by the Philippine Senate in 1999, despite pronouncements by the American military that it would not come to the aid of Manila if conflict broke out over the SCS. In January 2000, the Balikatan military exercises were held following a five-year hiatus, in which

¹⁵⁴ Edgardo E. Dagdag, "Philippine-US Defense Relations After 1991," *Asian Center University of the Philippines* (December 2005), 4.

¹⁵⁵ Bert, op. cit., p.196.

¹⁵⁶ Carl Baker, "China-Philippines Relations: Cautious Cooperation," *Asia Pacific Center for Security Studies* (October 2004), <http://www.apcss.org/Publications/SAS/AsiaBilateralRelations/China-PhilippinesRelationsBaker.pdf>.

the US assumed a non-combat role.¹⁵⁷ In the beginning of 2001 the number and size of troops involved in the exercises jumped significantly. In 2006, up to 37 exercises were scheduled, up from 17 to 24 in the preceding years.¹⁵⁸ The VFA and the consequent military activities, however, illicit protests from the local Catholic church, leftist and other concerned groups. Some critics asserted that the government resorted to a “quick fix” solution to modernize the armed forces after it failed to do so following the Americans’ departure. They explained that the country’s vulnerability to external threats, like China, and now terrorists in the region, has heightened the need for a strong defense ally that could deter potential aggression.¹⁵⁹

Certainly, the increased joint military activities have a lot to do with the global war on terror, at least that is what the governments of both sides had wanted to advance and propagated for the most part by the media. Indeed, apart from other terror groups, southern Philippines is home to the dreaded Abu Sayyaf Group, whom the US State Department has labeled as “foreign terrorist organization.” In early 2002, a US military unit, composed of about 100 to 450 American troops in rotation, has based itself indefinitely in southern Mindanao.¹⁶⁰ In any given year since then, few are the days or weeks when there would be no US troops somewhere in the country, giving lectures to Philippine troops, participating in large-scale maneuvers, joining command exercises, simulating war games or taking part in other related activities.¹⁶¹ Along with troops, an increasing number of ships have also been entering the country’s territorial waters and docking at various ports with growing frequency. In 2002, the two sides signed the Mutual Logistics Support Agreement (MLSA), which allows US forces to set up storage centers for supplies such as ammunition, food, water and fuel as well as support and services such as billeting, transportation, communications, and medical services. The Arroyo administration was quick to point out that it prohibits the transfer of major armaments such as weapons systems, guided missiles, naval mines, nuclear ammunition and warheads and chemical weapons to placate local concerns about the

¹⁵⁷ Lum and Niksch, op. cit.

¹⁵⁸ Herbert Docena, “How the US Got its Philippine Bases Back,” *World Sprout Assembly* (November 28, 2007), http://www.worldproutassembly.org/archives/2007/11/how_the_us_got.html.

¹⁵⁹ Chay Florentino Hofileña, “Philippines: Quick Fix from America,” *World Press* (August 2002), <http://worldpress.org/Asia/681.cfm>.

¹⁶⁰ Hebert Docena, “At the Door of All the East The Philippines in the United States Military Strategy,” *Focus on the Global South* (November 2007), <http://www.scribd.com/doc/23203884/The-Philippines-in-US-Military-Strategy>.

¹⁶¹ Docena, “How the US,” op. cit.

new deal. In 2006, another agreement was signed, establishing a Security Engagement Board, which serves as a mechanism for consultation and planning of measures and arrangements focused on addressing non-traditional security concerns.

A significant part of the US support efforts to the Philippine military is the provision of monetary aid. Since 2001, the Philippines has received the most remarkable increases in US foreign assistance in Southeast Asia. Between 2002 and 2006, the US had been providing an average of US\$54 million per year in military aid to the Philippine government, up from US\$1.6 million annually in the period after the closure of the bases and before the signing of the VFA.¹⁶² It is significant to note, however, Washington has the propensity to punish the Philippines to make known its approval or disapproval of certain developments in the country, especially those that have direct impact on its interests. As Table 7 shows, the US dramatically reduced its military aid to the Philippines after the bases pullout, and only resumed it after the signing of the VFA in 1998.

Table 7: US Military Assistance to the Philippines (1991-2006)

Year	Amount (in million US\$)
1991	200.00
1992	25.00
1993	15.00
1994-1998	0
1999	1.00
2000	0.44
2001	23.43 or 38.03
2002-2006	54.00* (average)

Source: Years 1991 to 2003 from Philippine-US Defense Relations After 1991 by Edgardo E. Dagdag

* Focus on the Global South

For 2010, the US Congress has approved a US\$30 million military assistance to the Philippines, US\$2 million of which may not be obligated until the Secretary of State reports in writing to the committees on appropriations that the Philippines has complied with three conditions.¹⁶³ A local newspaper reported that conditions include the

¹⁶² Docena, "At the Door of All the East," op. cit.

¹⁶³ "A Turning Point in US-RP Relations," *Asian Journal* (November 10, 2009), <http://www.asianjournal.com/editorial/5-editorial/3518-a-turning-point-in-us-rp-relations.html?showall=1>.

implementation of the recommendations of UN rapporteur Philip Alston, the investigation and prosecution of military officials accused of human rights violations, and that violence and intimidation of legal organizations should not form part of the Philippine military policy. It is significant to note, however, that the US\$30 million military assistance is just a fraction of the staggering US\$667 million aid package inclusive of economic assistance and poverty alleviation under the Millennium Challenge Account. In November 2009, President Obama asked the US Congress to remove the conditions on the US\$2 million military aid to the Philippines.¹⁶⁴

Meanwhile, the Philippine Senate has adopted a resolution which seeks to negotiate the 10-year old VFA and also demands that the Philippine government terminate the pact altogether should the US refuse to negotiate. One of the proponents of the resolution alleged that the VFA violates the Philippine Constitution and actually lets the US operate “forward operating bases” in the Philippines. Amid public uproar questioning the legality of the VFA, Secretary Clinton embarked on a two-day visit to the Philippines, during which she suggested that Washington is not in favor of terminating the Philippines-US VFA. Secretary Clinton maintained that the treaty is beneficial to both countries, particularly to the Philippines, by providing disaster relief assistance in times of calamities and helping its cash-strapped military eradicate terrorism. In a related development, the Philippine Supreme Court in March 2010 upheld with finality the constitutionality of the RP-US joint military exercises under the VFA, which is based on the two countries MDT. In its February 2009 decision, the High Court said that the VFA was duly concurred in by the Philippine Senate and has been recognized as a treaty by the US. Earlier, former Senator Jovito Salonga and other groups have asked the Supreme Court to revisit its decision in light of reports of prolonged stay of US troops in the country and their alleged participation in combat operations against terrorist and Muslim rebels in Mindanao.¹⁶⁵

The US is very much aware of this long-term domestic sensitivity to permanent American military presence in the country, and has moved to have the same ability brought by the former bases through various ways. The frequent and regular military

¹⁶⁴ “Obama Asks US Congress to Remove Conditions on Military Aid,” *The Philippine Star*, November 10, 2009, <http://www.philstar.com/Article.aspx?articleId=522045&publicationSubCategoryId=63>.

¹⁶⁵ Rey E. Requejo, “High Court Upholds Visiting Forces Pact,” *Manila Standard Today*, March 3, 2010, <http://www.manilastandardtoday.com/insideNation.htm?f=2010/march/3/nation1.isx&d=2010/march/3>.

exercises, for instance, enabled American troops to have a formidable forward presence that takes them to areas where possible hostilities could occur without having to construct large infrastructure to support them and prevent any unnecessary conflict with the locality. The US has also tried to endear itself to national and local governments by constructing structures and facilities, many of which could be useful for the US military when any contingency arises. In various parts of the country, especially in the southern regions of Mindanao, the US has been engaged in a flurry of construction activities, building or renovating airports, piers, wharves, roads and other infrastructures.¹⁶⁶

Despite this ongoing strategy, the US is said to be still maintaining a fortified military base inside the headquarters of the Western Mindanao Command in Zamboanga City, Mindanao. The base is purportedly the headquarters of US Joint Special Operations Task Force-Philippines (JSOTF-P), a unit of the US Special Forces that has been deploying troops to various parts of Mindanao since 2002. According to Focus' research, the special forces' stationing in the south is a prototype of the new kind of overseas basing that the US has introduced as part of its ongoing effort to realign its global basing structure. Since 2001, the US--which has more than 700 bases and installations in over 100 countries around the world--has embarked on the most radical realignment of its overseas basing network since World War II. Part of the changes is the move away from large permanent bases--such as the ones in Subic and Clark--in favor of smaller, more austere, more low profile bases, such as the JSOTF-P's presence in Zamboanga and in other places in Mindanao.¹⁶⁷

While all these military activities in the Philippines have been undertaken by Washington in the guise of fighting international terrorism, the broader security goal is to contain what many American analysts and strategists believe has the greatest potential to challenge the US' global supremacy, which is China. When President Bush assumed the presidency in 2001, his administration's overarching military principle was to perpetuate America's sole super-power status. To ascertain this, the

¹⁶⁶ Herbert Docena, "In the Dragon's Lair: US Prowls for China in the Philippines," *World Prout Assembly* (February 28, 2008), http://www.worldproutassembly.org/archives/2008/02/in_the_dragons.html.

¹⁶⁷ "What Bases? They are Temporary Military Facilities," *The Mindanao Examiner* (February 22, 2008), <http://zamboangajournal.blogspot.com/2008/02/what-us-bases-they-are-temporary.html>.

US strategy is to prevent the rise of any rivals, and China has been predetermined to be the only country that possesses both economic and military power to do this. And while the events of 9/11 may have forced top Bush administration officials to refocus attention to the fight against global terrorism, and consequently the invasion of Iraq, they never lost their sight on China, especially in the light of Beijing's increasing diplomatic and economic advances in areas where US influence seems to be dwindling. By 2005, it was evident that the US was turning back to its original strategic goal, which is to contain China before it becomes even more powerful. The 2006 US Quadrennial Defense Review stated that "of the major and emerging powers, China has the greatest potential to compete militarily with the US and field disruptive military technologies that could overtime offset traditional American military advantages, absent counter strategies."¹⁶⁸ To persuade China that it is better to submit to a US-dominated world order, Washington is attempting to convince Beijing that the alternative will be worse and that defeat will be inevitable. To make this threat credible, the US is attempting to enlist countries around China to take its side and to encircle China with bases and troops.¹⁶⁹

In Southeast Asia, the Philippines is important in this regard because of two compelling reasons. First, due to the country's strategic location. The Philippines is shown in a 2007 study for the US Air Force to be within the so-called "dragon's lair" or those areas in the Western Pacific where China could pursue an "anti-access strategy" of preventing the US military from deploying in case of war (see Figure 4). Because of this, the Philippines is among the countries in which the US wants to secure access agreements and station troops.¹⁷⁰ A RAND 2007 study, which attempted to determine what types of anti-access measure China might employ in the event of a conflict with the US, assessed that in addition to military strategies, Chinese security analysts has also been discussing a number of diplomatic and political means to be able to deny or limit US military access to the Asia-Pacific in the event of a Sino-American conflict. It added that it seems likely that diplomatic and political anti-access strategies would be at least partly aimed at pressuring countries in the region to deny use of bases and

¹⁶⁸ "Quadrennial Defense Review Report," *US Department of Defense* (February 6, 2006), <http://www.defense.gov/qdr/report/Report20060203.pdf>.

¹⁶⁹ Docena, "At the Door of All the East," op. cit.

¹⁷⁰ Ibid.

refuse to provide other critical forms of assistance to the US.¹⁷¹ Although the RAND study pointed to Japan as the primary target of China’s political and diplomatic anti-access strategies, it averred that this is only specially so because of the closure of the US military bases in the Philippines. Hence, it could be surmised that Manila has already been the target of Beijing’s diplomatic and political anti-access strategies to prevent Washington from having some semblance of support capability that the former military bases in the Philippines had offered.

Figure 4: Map of the Philippines Relative to US Bases and China



Source: RAND (2007)

The second reason for the importance of the Philippines is the country’s receptiveness towards the US military demands compared to other countries in the region. Other countries in the vicinity of China have proven to be less inclined to consent to American requests for basing or access, and if they are their location is less ideal for such. For instance, Singapore, while it has proven to be more accommodating to the US than others, its small size is seen as limiting US options. On the other hand, Indonesia and Malaysia have not only openly criticized American military actions in Iraq and Afghanistan, they have also rejected US demands to station in and operate

¹⁷¹ Roger Cliff, Mark Burles, et.al., “Entering the Dragon’s Lair Chinese AntiAccess Strategies and their Implications for the United States,” *RAND Corporation* (2007), http://www.rand.org/pubs/monographs/2007/RAND_MG524.pdf.

from their countries. Even Thailand, which is a close US ally, has actually rejected US overtures to be allowed to station ships in or to deploy troops to its territory. Regardless of their attitudes toward the US, most countries in the region simply do not see China as a threat for now and have therefore refused to go along any strategy that could antagonize it.¹⁷² The aforementioned RAND study reported, citing Hong Kong media account, that Chinese analysts are generally dismissive of Washington's ability to gain military assistance from regional countries, like Singapore and Thailand in a US-China conflict scenario. Hence, the US, more than ever, finds it necessary to re-establish military links with the Philippines. Not only is it ideally located, its government has so far stood out among its neighbors for being far more willing to align itself with US demands.¹⁷³

Summary

The Philippines has been undertaking a delicate balancing act vis-à-vis the economic opportunities offered by China and the regional stability provided by the US security apparatus. Both China and the US are determined to closely interact with the Philippines in the pursuit of their respective goals and interests in the region. The Philippines has been the target of China's soft power statecraft since the mid-1990s in line with its "good neighbor" policy of reassuring countries that its rise is benign, and thus non-threatening. As a principal member of the ASEAN, China is hoping that increased influence in the Philippines will reduce, if not mute, dissenting voices within the regional bloc vis-à-vis Beijing's broader economic and politico-strategic goals in Southeast Asia. Individually, China's diplomatic sojourn in the Philippines is a key component of its so-called anti-access strategy against perceived US encirclement. To counter this Chinese strategy is believed to be one of the key driving forces of the US in re-establishing military relations with the Philippines. While initially the revival of the Philippines-US security partnership was put in place in the guise of fighting terrorism, which for some time was the focus of American strategy in Southeast Asia, it became evident later on that to curtail China's rise is the US' foremost motivation in re-establishing military presence in some major strategic parts

¹⁷² Docena, "In the Dragon's Lair," op. cit.

¹⁷³ Ibid.

of the Philippines. The Philippines appeared to have played its card well so far, exploring the economic and other benefits that China brings to the table while relying on the US security apparatus to balance China's huge military advantage



CHAPTER V

Conclusion

China's influence in Southeast Asia has dramatically increased in the last fifteen years owing to the Chinese leadership's acknowledgement of the growing uneasiness among regional governments about its expanding economic and military clout, and accordingly taking affirmative actions to eliminate, if not reduce, this discomfort by promoting and initiating bilateral and multilateral endeavors with the promise and prospect of mutually beneficial outcome to all parties concerned. Beijing did this by relying mostly on its skillful use of its soft power statecraft--by providing economic inducements such as increased trade, aid and investment opportunities--to regional governments and backing this up with intensified diplomatic interactions with individual ASEAN member-states, and increased cooperation with the regional bloc in addressing issues of mutual concerns. Conforming to Southeast Asia's goal for regional status quo has also helped Beijing placate worried voices within the region about the potential disruptive and irreversible consequences of their big neighbor's rise. Despite the advances Beijing has made in this regard, however, there are still lingering concerns and skepticisms within the ASEAN about China's long-term intentions, especially over issues that directly involve regional states, the SCS, and that could potentially embroil some regional countries, such as a US-China confrontation in the Taiwan Straits.

Against this backdrop, this study finds out--in answer to the first question raised in this research--that while some regional governments may have tolerated Beijing's use of its growing economic and diplomatic weight in the region toward the attainment and/or promotion of its interests, it is a mistake, if not premature, to assume that Southeast Asia has already been won over by China. In fact, Southeast Asian governments for now appear to reserve judgment on whether China is ultimately a benign regional power or not. Apparently, the ASEAN has taken the approach of engaging China in regional organizations, expressing optimism that by enmeshing Beijing in an array of bilateral and multilateral agreements the country would be encouraged to adopt a more peaceful and cooperative behavior towards the region. At the same time, Southeast Asian leaders may have judged that by giving China a leading role in regional organizations increases the possibility that other major powers will become more attracted to the region, and as such, engage with individual Southeast

Asian countries on an even more enticing and beneficial term. This strategy of having more powers involve in the region is not at all confined to the economic realm. The ASEAN seeks to ensure that all interested major powers have a stake in keeping regional peace and stability. This, in effect, the ASEAN believes, would create some constraints on how these powers intend to accumulate influence in Southeast Asia, thereby ensuring ASEAN's objective of maintaining the status quo.

In keeping with this apparent ASEAN strategy of diversification, it appears that Southeast Asia has conceded to the idea that its relations with China, how enticing its soft power application may be, should not be developed separately but rather concurrently with other key extra-regional relationships, foremost of which is with the US. For the last fifteen years, Southeast Asia has sought maintaining the regional status quo and key to this objective is to keep the balance of power in the region. The course and manner by which the ASEAN has handled the scheme of things, however, seem to suggest that the power equilibrium the regional bloc was aspiring for to be able to effectively manage and direct the attitude of major powers towards Southeast Asia is to retain the hierarchical regional order in which the US holds the preeminent superpower position. In order for this to work out, the challenge for the ASEAN is to keep the US committed to the region beyond its single focus on the war against international terrorism.

This answers the second inquiry raised in this research, that is: the level of Washington's involvement in the region in the realm of economic, diplomacy and security had influenced, if not dictated, how some regional governments respond to China's soft power initiative. Clearly, the inability of the US to demonstrate its willingness or readiness to play a more constructive role in the region outside the war on terrorism, had increased the likelihood that Southeast Asian countries would be drawn further toward Beijing's charm. Apart from that, the US' policy of tying developmental assistance to human rights and democratic reforms has only driven some countries away, especially those whose government were deemed by Washington as self-serving and shun the international rule of law. As a result, these countries have had limited diplomatic and economic options, and as such are receptive to courtship by other external powers that would be willing to afford their leadership some semblance

of diplomatic recognition and legitimacy in the international stage that otherwise been deprived by Washington.

On top of that, the US policy in the region that centered narrowly on the war on terrorism has had negative effects on Washington's image in the region, especially in countries where there are large Islamic communities. While these countries may have benefitted from this US single-minded approach via increased military exchanges and interactions as a balance to Beijing's expanding security apparatus, the ASEAN believes that Washington could do a lot more in terms of getting more deeply involved, not only bilaterally but multilaterally, through increased and consistent diplomatic arrangements and interactions. In security, the ASEAN would likely appreciate it more if Washington diverts attention from humanitarian issues like Myanmar to the more critical ones, like the SCS.

On the contrary, China's policy of non-interference on countries internal affairs bodes well to some countries in the region which are in the process of building their political legitimacy or have merely run out of options to develop their struggling economies. This element of China's soft power has all the more enamored Beijing, not only in Southeast Asia, but in other parts of the globe as well. Beijing has skillfully played this card to its advantage, wooing countries that have strained or limited relations with the West. Of course, this policy does not come without gains for Beijing. In Southeast Asia, countries targeted are those that meet Beijing's thirst for energy and raw materials, and offer alternative trade routes--all of which are key ingredients to China's desire to sustain its thriving economy. Apart from this policy, the idea of offering "win-win" outcome to Beijing's external relations has also weakened negative perceptions vis-à-vis China's rise, and has somewhat transformed the country's image into a benign and non-threatening regional power. While some quarters in the region might still have reservations about the specific gains that this "win-win" strategy brings to the table, as in the case of the CAFTA, regional governments appear resolve to the idea that there are some risks involve in dealing with China, expressing optimism that at the end of the day the overall benefits would outweigh all the risks. But since the ASEAN comprises of countries with varied economic status and political system the potential for disparity in individual gains, and even risks, would be evident under this Chinese strategy.

Having said this, it is probably a mistake to assume that the ASEAN functions and acts as a coherent and cohesive entity with regards to its interactions with major powers in the region. Southeast Asia is composed of countries with varied history, ethnicity and geography relative to China and the US, and as such does not display a coherent and collective stance in terms of strategic attitude and calculation vis-à-vis Beijing and Washington, especially the respective roles that the two countries should play in regional security. To assume otherwise would likely be flawed and produce unsatisfactory calculations. There are several ways to draw the divide, but the most obvious would be between maritime and continental Southeast Asia. Maritime Southeast Asia, composed of the original members of the ASEAN, has a more vibrant economic and security relations with the US, and as such cannot be easily drawn by China's courtship. On the other hand, continental Southeast Asia, mostly have long borders with China, is more susceptible to Beijing's soft power statecraft, primarily because of the lack of other options available to them largely due to the West's indifference. This diverge attitude towards the US and China in the long run may pose a challenge for the ASEAN as an organization. If the ASEAN views Washington's attention and commitment towards the region as lacking, individual countries might feel compelled to take advantage of Beijing's soft power initiative has to offer, and in the process, could provoke unnecessary competition among regional governments that could lead to member-countries giving premium to their respective interests ahead of the ASEAN as a whole.

The latter concern had been the criticism thrown at the Philippines when it signed an agreement with Beijing to allow the exploration of portions of the SCS purportedly without first consulting the ASEAN on the matter. Significantly, the Philippines, one of Southeast Asia's maritime states, has had relied on the multilateral setting of the ASEAN, as well as the security provided by the US military apparatus as buffer in its dealings with China, especially relative to their conflicting claims over the SCS. With this in mind, Manila's attitude, or change thereof, towards the ASEAN's declared desire to settle the SCS issue multilaterally, as well as its accommodation of the US' military establishments may provide an important test case to determine the effectiveness of China's soft power statecraft in Southeast Asia.

So to answer the third question raised in this research, this study determines that the growing Chinese penetration in the Philippines has all the more compelled the US to re-engage Manila more closely, especially in the security realm, knowing very well the significance that the Southeast Asian country offers in its strategy to ward off China's rise. On the part of the Philippines, however, it seems that Manila's tactic is to secure only the best possible concessions from both Beijing and Washington while playing a delicate balancing game to accommodate both countries intensified competition for influence in the country. The Philippine decision to have some lower level contacts with China in the security realm may be a tactic to compel the US to expedite support for the modernization program of the Philippine military lest the country be forced to look elsewhere to accomplish this goal. In other words, the Philippines appeared to be using its China card to have some leverage in its relations with the US. However, this could prove to be problematic for the Philippines in the long run, because the deeper its relations with China gets, the harder it would be for the country to make a popular stand in case of a Sino-American contingency.

As it is, the Philippines appears to be falling into China's gambit. The Philippines should be aware by now that Beijing is trying to overcome any advantages that Washington's influence has over Manila in the wake of their long history of economic, military and social interaction and cooperation. By relying on its adept use of its soft power tools, Beijing is trying to win over Manila, aware of the strategic importance of the Philippines' location to the US policy of containment against China. Although there have been remarkable improvement in relations between the Philippines and China, however, privately Manila is still uneasy with the potential security repercussions that Beijing's rise might engender, especially with regards to the SCS issue. It is, therefore, safe to say that the Philippines' increased confidence in dealing with China can be rooted on its ability to keep the American military engaged in the country for whatever purpose the US deemed it fit. As with most of the ASEAN member-countries, the Philippines still see the US as the pre-eminent global superpower, and as such will continue to use its close security relations with Washington to balance Beijing's growing military might.

As has been articulated earlier, the ASEAN is composed of countries with different political and economic background. In the Philippines, public sentiments are

still very important, even with regards to the country's foreign policy discharge. Both the US and China may woo the Philippine leadership at any time they want, but the Filipino public's perception still carry a significant weight in the country's decision-making apparatus as has been demonstrated by the outcry over the Philippine bases in the 1990s and the uproar generated by the alleged shady deals that the previous administration made with China in the last few years. This could spell the difference in the end as regards US-China competition for influence in the Philippines. For now, while China's soft power statecraft has made significant inroads to improve its image among Filipinos, most of them still see the US with the highest esteem. A fact bolstered further by the assumption to office by the Obama administration, who has shown keenness in repairing the US' damaged global reputation brought by the Iraq war. For instance, President Obama's decision to designate Manila as coordinator of US affairs in the ASEAN is a reassurance that Washington still consider the Philippines its most important ally in Southeast Asia, and this has been welcomed with open arms by both the government and the people.

Not only this, Obama's regional approach has so far been impressive. The Obama administration has aspired to reverse the popular anti-Americanism incurred by the previous regime and the widespread perception of US neglect through several symbolic gestures, including the signing of ASEAN's TAC capped by President Obama's historic meeting with all of the ASEAN member-countries. Indeed, President Obama's recent pronouncements and policy actions suggest an open admission that the previous administration's policy toward Southeast Asia has faltered, and that the US has already lost a lot of ground to China as far as its relations with the ASEAN and individual regional countries is concerned. The Obama government appears ready and willing now to satisfy ASEAN's oft-enunciated demand for consistent commitment in terms of interaction and cooperation not only with individual countries but the ASEAN as one solid entity in a broader spectrum. If this is to be the case, then and only then would ASEAN's thirst for regional power balance be quenched.

Nevertheless, Southeast Asia is expected to continue playing the balancing game, and all indications point to China as the concentration of this strategy. This does not mean, however, that there is already a fundamental shift in the balance of power in the region, or that Southeast Asia has conceded to the idea that the region is

part of China's sphere of influence, whose interests should be put ahead of other major powers. On the contrary, this is a mere recognition that China's soft power statecraft in Southeast Asia has already put it in a position to compete with the US and Japan for increased influence in the region. Southeast Asia wants to accommodate this, but have to include other powers in the equation to ensure that the ASEAN still has control in managing the engagement of major powers in the region. Indeed, the one purpose that the ASEAN has handled so well for the last fifteen years has been to deny any major power from dominating the region and to keep aggressive competition among these major powers in check. With this, there is no doubt that China's soft power statecraft has served its purpose well for the Chinese leadership, but Southeast Asia's desire to sustain the regional balance of power, apparently with the US still standing at the top, would continue to put some limits to Beijing's charm offensive in the region. This would further be complicated should the US made true on its promise that it is back in Southeast Asia.

Overall, this research strives to provide a general and updated discussion on China's approach toward Southeast Asia, with the focus on its skillful use of its soft power in the region, as well as the effects of the US policy, if any, to regional countries' accommodation of Beijing's charm offensive. Perhaps what differentiate this from other research on China's soft power is that it tried to find a connection between this diplomatic gambit by Beijing and Southeast Asia's desire for the maintenance of the regional balance of power, primarily by keeping the US engage in the region. To achieve this end, this research tackled perhaps the most important relations of the US in Southeast Asia, which is its military partnership with the Philippines. Undoubtedly, this security alliance would be an important factor in the general calculation of both the US and China in their power play in Southeast Asia, especially in the unfortunate event that this rivalry increases the likelihood of a military confrontation in the future. As such, this research provides a timely examination of Beijing's use of its soft power tools to weaken Washington's influence in one particular country, in this case the Philippines, in the advancement of its regional goals, if not to defeat that of the US. This research also provides a glimpse of how the Philippines reacts to balance these two big powers, and what other considerations and situations motivate or influence its behavior to turn the US-China rivalry for influence towards its favor.

Meanwhile, one factor that hindered a thorough examination of the questions raised in this research is the limited capability of the author to decipher the Chinese language. Certainly, there are a lot more literature available out there on China's soft power that were written in Chinese, most likely the works of Chinese experts and analysts, which had been overlooked, if not ignored, by the author due to his inability to effectively comprehend the language. Had the author been more language-savvy, this research would have covered more bases, and could have come up with a more in-depth analysis of the topic under evaluation.

On the other hand, this research's aspiration to cover all the facets involve in China's soft power initiative in Southeast Asia and the US' regional policy hindered the attainment of a more detailed and calculated outcome that this study had hoped for. Has the research been focused solely on the implications of China's soft power initiative in the Philippine-US security relations, then its discussions on the latter topic would have been more wide-ranging and far-reaching than in its present form. Hence, the calculation reached would have been more comprehensive and detailed. Regardless, several other factors have hampered the exclusivity of this research. A clear limitation of this study would be the time element. Other note-worthy developments would have probably unfolded in the short term, especially relative to President Obama's approach towards Southeast Asia, and the reciprocating responses by the ASEAN and individual regional governments. It seems clear from his actions that he acknowledges that the previous US president's policy actions in Southeast Asia were flawed, and it would have been interesting to see how President Obama would steer his administration's policy direction toward the region. Of particular interest would be his approach towards the Philippines, and how he intends to recover the US' lost ground that China has already occupied in the country.

Speaking of the Philippines, the country has recently sworn in a new president, and this research believes--in view of the afore-mentioned discourses--that it would be imperative for the new Philippine administration to reassure the US that the country is still its most reliable ally in Southeast Asia. Since China views the Philippines as an integral part of America's containment policy, then Beijing is expected to continue wooing the Philippine government to drive the country away from US influence.

Hence, Manila is expected to continue to be the target of Beijing's soft power initiative, affording the Philippines with all the benefits that this brings to the table, such as increased trade, as well as investments and financial assistance. However, as China realizes later on that its charm offensive has been hindered by Southeast Asia's desire for balance of power, then it may potentially resort to the use of its hard power, perhaps along with its soft power, in order to advance its regional goals--most likely to include laying claim over all of the SCS area. And this would prove to be problematic for the Philippines in the future. In view thereof, this research would articulate that while it is understandable for weaker states--to stay relevant--to resort to balance of power politics, the Philippines would probably find it less stressful to be at the safe side of this power struggle in the long-run.

China's potential use of both soft power and hard power (smart power) to advance its regional objectives would be an interesting topic for any future research work. While Beijing's military capability is still relatively weak compared to that of the US, there is no denying that China holds the comparative edge over all of the countries in Southeast Asia. And while Beijing for now appears satisfied with the favorable results brought by its adept use of its soft power tools, it simultaneously strives for the modernization of its armed forces, including the development of a blue water navy. The double digit increase in China's annual defense expenditure has always been a source of criticisms among stakeholders in the Asia-Pacific, including the US and Japan, which are wary of Beijing's military intentions as well as the lack of transparency regarding its military development. Increasingly, China has also been securing weaponries that are more than defensive in nature, and this certainly compounded discourses and debates about what the Chinese government intends to accomplish in the future. In view of this, it is likely that China may resort to the use of its smart power in the future in order to have its way among other countries, especially as it comes to a conclusion that its soft power would not be sufficient to achieve its grander strategic goals, not only in Southeast Asia, but other parts of the globe as well. Hence, this thesis recommends that a future research on this topic be conducted as the next step to this study.

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