

(Comment) Chapter 2. Diverging Interests and Responses to Regional Cooperation of ASEAN Countries: 4. China's Current and Future Southeast Asian Policy

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Comment

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I have just read the paper by Tian Zhongqing, but unfortunately have lost the chance for asking Mr. Tian directly for his opinions. I hope to have an opportunity for this at some other occasion. Therefore, here, I would like to raise some issues which I felt relevant regarding the paper of Mr. Tian and, in relation to this, outline some of my own thinking.

There were two points which left a lasting impression on me in Mr. Tian's paper.

The first was the point that relations between China and Southeast Asia have been better in recent years than at any other time in history. I completely agree with this.

This assessment at the same time raises the important questions as to if these historically unprecedentedly good relations are a temporary phenomenon caused by the Post-Cold War international scene and if these good relations can be maintained forever. Mr. Tian states that no matter how serious individual problems become in the short term, they will never go so far as to destroy the overall good relations between China and the countries of Southeast Asia. This is an important statement. This should be the goal toward which the countries of Asia to work together in realizing peace and stability in Asia.

In relation to this, second, China's Asian policy and overall foreign policy are founded on the central goal of the construction of a modern economy in China. Stress is made of the point that a peaceful international environment is required for this. China designated peace and growth as objectives of its foreign policy in 1982 and has been faithfully pursuing the same ever since. This, I believe, should be assessed as the basic stance taken by China.

Having underlined these two points, there are still the following problems in China's policy toward Southeast Asia.

First, relating to China's foreign policy as a whole, China has already entered the post-Deng Xiaoping transitional period. General Secretary Jiang Zemin is trying to consolidate his grip over not only the Party, but the military as well. There are fears that this will lead to stronger demands from the military and to subsequent effects on foreign policy matters as well.

Second, recently, stronger efforts have been made by the Taiwanese government to regain its position in international organizations. This is seemed to be causing turmoil in China's foreign policy.

Third, there is the point that the Southeast Asian countries, which are all embroiled in the Spratley Island issue, believe that China's military policies and modernization of its forces will have a directly impact on the peace and stability of Southeast Asia.

These points may all have serious effects on the future of relations between China and the countries of Southeast Asia. It is difficult, however, to accurately gauge to what extent these fears will come true. This has the danger of triggering an over-reaction on the part of the Southeast Asian nations.

In particular, China is expected to tremendously increase its economic power in the 21st century, so neighboring countries will have to work to objectively gauge and assess real trends in China. China, on its part, will have to work to publicize what is actually going on in it to the outside.

From this standpoint, I would like to mention some of my own thoughts on economic and military matters and issues of sovereignty. Mr. Liu will be speaking on relations between China and Taiwan, so I will leave that area of discussion to him.

1. Economic Issues

The question of whether economic relations between ASEAN and China would become complementary or competitive was raised quite a long time ago. Mr. Tian pointed to the fact that trade between the two reached US\$10.7 billion in 1993 and that relations between China and ASEAN have become complementary. Here, however, I feel it necessary to consider this in terms of two separate issues:

The first is the formation of economic relations based on a horizontal division of labor as seen in relations between China and Singapore. As seen from the recent construction of an industrial estate by Singapore in Suzhou of Jiangsu province, various types of horizontal divisions of labor are being formed between Singapore and China.

The second, however, looking at trade relations between China and other ASEAN countries, is the trend toward a greater vertical division of labor as a result of the growth in Chinese exports of manufactured goods and the growth in ASEAN exports of primary products. This is also an interdependent relationship, but I believe it necessary to consider how to raise the weight of the horizontal division of labor in order to form a deeper economic interdependence in the future.

Regarding sub-regional cooperation, Mr. Tian mentioned cooperation between China and the Southeast Asian insular nations plus Hong Kong and Taiwan, and economic cooperation between China and the countries of the Southeast Asian peninsula, but I feel the former may be more appropriately termed as a South China-ASEAN linkage and the latter as a wide Indochinese economy.

The wide Indochinese economy has just started to form. It can be said to offer huge possibilities for combining the hydroelectric power of the rivers flowing out of China and the resources and labor of the countries involved.

Here, it is important to note exactly what kind of economic exchanges are being built up. I believe that it would be useful if the economic authorities of Guangdong and Fujian provinces in the former case and the economic authorities of Yunnan province and the Guangxi autonomous region in the latter, would monitor the actual developments and put them together in something like a "white paper on regional cooperation" so as to publicize information from China.

2. Military Issue

China's foreign policy is clearly centered on relations with the U.S. Even looking just at 1994, we see that all the important items in foreign policy were clearly matters

involving negotiations with the U.S., such as the most favored nation status, the membership in the GATT, the North Korean nuclear program, the change in American policy toward Taiwan, and the resumption of military talks with the U.S. China can be said to have gained considerable ground in these negotiations in 1994 by dangling its giant market as a prize.

Seen from the standpoint of the countries of Southeast Asia, while China participated in the first ASEAN regional forum and the APEC unofficial summit conference, China is not a major player in the region. Rather, China seems to be trying to push its own global foreign policy using these multilateral forums.

From this, we can understand that China's policy toward Southeast Asia is based on a maintenance of the status quo, that is, maintenance and promotion of friendly neighborly relations founded on peace and growth. What the countries of Southeast Asia are most interested in when it comes to China is how China is going to approach the issue of the Spratley Islands.

Seen in the medium and long term, the scale and nature of the modernization of China's military forces are considered to be of important significance. Interest is growing in the defense budget and the possibilities of China acquiring aircraft carriers.

Mr. Tian points out that defense expenditures account for about one-tenth of the state budget or less than 1.75 percent of the GNP and that they have increased by about the same rate as with inflation in recent years, so have not increased substantively at all. This is true, but the actual military expenditures of China, according to Japanese experts, are estimated to be two to three times the expenditures in the state budget [Ikuo Kayahara, *Chinese Military*, p. 289].

It is necessary to take note of the following facts. In the 1980s, the defense budget was held constant until 1988. This meant a substantive reduction in expenditure when inflation was taken into account. The reduction is even more considerable when viewed in dollar terms. Starting in 1989, the defense budget increased by over 10 percent and started growing even in dollar terms. From 1989 to 1992, it grew by a large amount in real terms due to the low inflation rate. In 1993 and 1994, it grew by about the same rate as inflation, due to the high rate of inflation, and therefore remained the same in real terms. Its share of the GDP stood at 1.4 percent in 1993. If total military expenditures are considered to be three times the defense budget, this would mean a share of about 4 percent.

The size of the defense budget is also important to the Chinese, but what is more important is the quality of armament. When it comes to the quality of armament, the Chinese have set for themselves the goal of improving the quality and raising the level of technology to modernize national defense since the 1991 Gulf War. It should be noted that priority has been given to military industries in plans for increasing the level of technology of industry as a whole.

Regarding the issue of Chinese aircraft carriers, recently, the *Far Eastern Economic Review* (October 20 issue) reported that a Chinese magazine had carried an article calling for China to acquire aircraft carriers for the defense of the Spratley Islands. The article stressed the protection of the oil and natural gas resources.

Japanese experts do not consider reports that China has decided to acquire two medium sized aircraft carriers by the beginning of the 21st century to be far-fetched. [Kensuke Ebata, *The Day China Has Aircraft Carriers*, p.116].

Much of the official announcements regarding foreign affairs and military matters in China comes only from the central government. The more detailed news which occasionally leaks out is often mixed in signals. Unquestionably, there are chances that this might cause neighboring countries to view China in a dangerous way. I think it would be better for military spokesmen to hold periodic news briefings or at least for areas of China's defense which can be made public to be periodically publicized in the form of a "white paper on defense" etc.

3. Issue of Spratley Islands

The biggest point of contention between China and the countries of Southeast Asia is the Spratley Islands. Mr. Tian is aware that this is a major problem in the Post-Cold War Asia Pacific Region. He reaffirms his position that China holds sovereignty over the Spratley Islands in his explanation of China's policy, and then states that he clearly understands this issue to be a very complicated one. Regarding the policy of the Chinese government, he proposes that the dispute be ceased and that the parties involved take part in joint development. He considers that it is possible to start from simple areas in joint development. Another important point is that he reaffirms China's position of opposing any military resolutions and of opposing internationalization of the issue.

In this way, China's position was clearly set forth. The continued participation and discussion in the nongovernmental workshops of experts, held by Indonesia since 1991, are contributing to confidence building.

On the other hand, regarding actual development of oil in the Spratley Islands, China has authorized exploration by an American company in a region in dispute with Vietnam. The Vietnamese, on their part, started moving to give oil development rights in areas of dispute to another American companies. It is clear that this mutual contest over establishing existing facts runs counter to the efforts at confidence building.

I would like to point out here the severe energy problem caused by the sustained high economic growth rate of China. In particular, it is important to note that demand is soaring for oil and natural gas, which are both industrial materials and essential for automobile usage. China had already become a net importer of a million tons of oil last year.

At the present time, oil production in the northeast and central regions of China has started slowing. There are believed to be reserves equal to those of the Middle East in the Xinjiang autonomous region and development has been started, but these reserves will probably not come on line in time to meet demand in the near future. Therefore, there is no question that development of the reserves off the Spratley Islands, which are easier to develop and easy in terms of shipment as well, is becoming an important issue for the Chinese.

Relations between China and Vietnam in particular should continue to be tense up until some agreement is reached on joint development. While somewhat roundabout, I would like to watch the speed and future possibilities of Chinese development of oil and natural gas in Xinjiang for the time being.

Finally, I would like to bring up the new trends in Chinese think tanks as a phenomenon to be watched.

On March 7 of this year, General Secretary Jiang Zemin made an important speech about research. In his speech, he mentioned the following as important theoretical issues which the Chinese Communist Party and Government had to study: domestically, increasing the efficiency of large and medium sized state owned enterprises, the reduction of the disparity between regions in the East and West, and the reconstruction of the Communist Party and, internationally, the establishment of a firm, unshakable position in international competition.

A decision was made to designate five think tanks to study these issues. These were the Central Party Academy, the State Education Commission, the Academy of Social Sciences of China, the National Defense University, and the Shanghai Academy of Social Sciences. The interesting thing here is the special position held by Shanghai and the military. Accordingly, China's international political, economic, and military strategies will be studied at several centers and put together at the central government. What is going to happen with the diverse research in international military strategy and the debate over this problem? I am going to watch this with great interest.