

# Chapter 3

## China and East Asia—good neighbours

Holding high the banner of peace, development and cooperation, China will adhere to the principle of building good-neighbourly relations and partnerships with neighbouring countries and promote the policy of building an amicable, peaceful and prosperous neighbourhood. China will actively participate in and promote Asia's regional cooperation, closely combine its development with the rejuvenation of Asia and integrate the maintenance of its own interests with the promotion of the common interests of all countries in Asia.<sup>1</sup>

### Introduction

3.1 China's emergence as a major economic and political force is having a profound influence on its neighbours in East Asia. The strength of the Chinese economy and its potential economic power in the future has contributed to China's capacity to exert a greater political influence in the region. With China's emergence as a manufacturing powerhouse and untapped consumer market, countries across the Asia-Pacific region, including Australia, view China's booming economy as a source of significant economic opportunities. The willingness of these countries to become politically closer to China in order to secure the benefits of their economic strength is providing China with considerable political leverage in the Asia-Pacific region and beyond. The Secretary General of ASEAN, Mr H.E. Ong Keng Yong has noted:

While it is easy and tempting to see China's rise as an economic threat, it would also be a mistake to do so. A rapidly growing China is the engine which powers regional economies and the global economic train. ASEAN member countries will benefit greatly, provided they adapt fast enough to ride on the train. Indeed, increased trade with China was one reason why many of the crisis-hit economies in ASEAN recovered as quickly as they did [from the Asian financial crisis].<sup>2</sup>

3.2 Although highlighting the opportunities China will offer to its neighbours, he also touched on both the challenges and risks created by China's rapidly expanding economy. Against this backdrop, the committee considers China's foreign policy and its interaction with countries in East Asia. This chapter looks at China's bilateral relations and its involvement in regional fora before taking account of the influence that China's foreign policy in the region has on Australia's interests. This chapter does not examine China's relations with Japan or North Korea, which are considered later in separate chapters.

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1 Premier Wen Jiabao, 'Strengthening Cooperation for Mutual Benefit and a Win-Win Result', Speech given at the 8<sup>th</sup> ASEAN+3 Summit in Vientiane, 29 November 2004.

2 H.E. Ong Keng Yong, Secretary-General of ASEAN, Keynote address at the Chinese Business Leaders Summit, Global Entrepolis@Singapore 2004, 11 October 2004.

## Regional stability a priority

3.3 China needs regional stability to maintain the overall health of its economy and to achieve the status of a first world nation.<sup>3</sup> Disruptions or political upheavals in the region would not only threaten the supply of China's essential energy sources, but would jeopardise trade within the region and deter vital foreign investment into China. This situation would be hazardous not only to the Chinese economy, but to social stability and ultimately the country's leadership. As noted in the previous chapter, Chinese leaders constantly emphasise the importance of a stable and cooperative regional environment to their country's economic wellbeing and their own political legitimacy:

If there is one statement that has been reiterated without variation from Deng to Jiang to Hu it is that China needs a peaceful regional and international environment in order that it can concentrate on domestic development, including shoring up growth patterns and employment levels. The legitimacy of Chinese Communist Party (CCP) rule rests on the ability to maintain high levels of economic growth, perhaps linked now to a better quality of life.<sup>4</sup>

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3.4 The Chinese leadership is therefore actively using the political and diplomatic tools at its disposal to ensure regional stability continues. In recent years, China has presented itself as the 'good neighbour' in a concerted effort to ensure its intentions, policies and acts are interpreted elsewhere as well-meaning. China is hoping to convince its neighbours that they should take a common path toward realising mutually beneficial goals. Chinese leaders want other countries in the region to aspire to increased prosperity through cooperation and partnership with China. It wants its neighbours to celebrate its achievements and to appreciate that China's national interests dovetail with those of the region. In his most recent declaration of friendliness toward the region, Premier Wen stated:

China will never seek domination in East Asia. China will not develop at the expense of others, and its development will not threaten any other country...

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3 Many experts have made this observation. See for example, Tommy Koh, Chairman of Institute of Policy Studies, Singapore, and Ambassador to the United States, 1984–1990, 'Three Messages for America from an Asian Who Loves America', Inaugural Utstarcom Asian Leadership Lecture Series & Distinguished Southeast Asian Lecture Services, 29 September 2005, p. 8. Statement by Ruan Zongze, Deputy Director of China Institute of International Studies, 'China adopts more pragmatic attitude in regional, international affairs', *People's Daily Online*, 5 November 2005.

4 Rosemary Foot, 'China's Regional Activism: Leadership, Leverage, and Protection', *Global Change, Peace and Security*, vol 17, no. 2, June 2005, p. 149.

No matter what may happen in the international arena, China will remain a trustworthy and reliable partner of the people of the region.<sup>5</sup>

3.5 Mr Kuik Cheng-Chwee has noted that China stands to derive significant benefit from positioning itself as a 'good neighbour':

For China, this newly emerged image is not just an end in itself. Rather, it is an effective means for Beijing to materialize its foreign policy goals. Cultivating a responsible image is a sine qua non for China's efforts to alleviate the China threat theory, to expand its influence, as well as to construct a favourable regional order.<sup>6</sup>

3.6 Indeed, Professor Yu Xintian, President of the Shanghai Institute of International Studies, expressed at a public seminar in Jakarta that China would like to co-exist with other countries, and other countries would hopefully welcome China's peaceful rise. She explained further:

China can only rise together with other Asian nations, not alone. Thus China should not be seen as a scary face in the development of Asia.<sup>7</sup>

3.7 China's foreign policy is attempting to win the confidence of its neighbours. One analyst described China's diplomatic skill and grace as 'a thing of beauty'.<sup>8</sup> Most commentators and witnesses before the committee agreed with the view that China has assumed a more active role within East Asia, and furthermore, that its contribution has been constructive.<sup>9</sup> The Department of Foreign Affairs and Trade (DFAT) summarised this viewpoint:

China, like other countries, employs a mix of bilateral, regional and multilateral strategies to further its national interests, and it does so increasingly effectively. I think it is true to say that it is only in relatively recent times that China has developed the broad based expertise that it has now to deal effectively in all of those different institutions—regional, multilateral and bilateral— that it is now a part of.<sup>10</sup>

3.8 Although China is at pains to stress its opposition to hegemony, power politics, and terrorism in all its manifestations, it has a major challenge in allaying

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5 'East Asia should embrace others', Quoted in *China Daily*, 15 December 2005, [http://www.chinadaily.com.cn/english/doc/2005-12/15/content\\_503449.htm](http://www.chinadaily.com.cn/english/doc/2005-12/15/content_503449.htm) (accessed 24 February 2006).

6 Kuik Cheng-Chwee, 'Multilateralism in China's ASEAN Policy: its Evolution, Characteristics, and Aspiration', *Contemporary Southeast Asia*, vol. 27, no. 1, p. 114.

7 Centre for Strategic and International Studies, 'China and the idea of an East Asia Community', *Seminar*, Jakarta.

8 The United States–Indonesia Society, *USINDO Report*, 7 November 2003.

9 For example see, Dr Brendan Taylor, paragraph 2.42.

10 *Committee Hansard*, 13 September 2005, p. 40.

fears that more ambitious and selfish motives underpin its 'peaceful development'.<sup>11</sup> It accepts that some harbour suspicions about China's intentions. For example Madam Fu has noted that:

Others suspect that, while the US is busily engaged in its war against terror, China is expanding the sphere of influence for strategic rivalry with the US. Some even concern that China might seek hegemony in the region.<sup>12</sup>

3.9 China is working to dispel this perception in the region through both bilateral and multilateral means.

### **Active bilateral engagement with East Asia countries**

3.10 For three decades following the Second World War, China's neighbours had cause to distrust it.<sup>13</sup> During the 1950s and 1960s, a number of countries in the region, such as Indonesia, Malaysia, Singapore, Thailand and the Philippines, waged internal counter-insurgency wars against communist groups that were supported politically and financially by China. One analyst has written that:

China's military predominance, its support for communist insurgent groups in the region, and its fallout with Vietnam, therefore resulted in the general perception of China as a powerful destabilising and disruptive actor in the region, which posed both an ideological and security threat.<sup>14</sup>

3.11 Two other commentators have made similar observations:

The virulence of the riots against ethnic Chinese in Malaysia in 1969 was due in part to revelations that Malaysian communists were supported by the PRC. Thailand and Burma both struggled with communist insurgency movements backed by Beijing.<sup>15</sup>

3.12 Indonesia, in particular, experienced a year of internal upheaval in the mid-1960s after an attempted coup by the Chinese-supported Indonesian communist party.

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11 Part VII, *Report on the Work of the Government* delivered by Premier Wen Jiabao at the Third Session of the 10<sup>th</sup> National People's Congress, 15 March 2005.

12 Madame Fu Ying, Ambassador of P.R. China, 'China's Role in Regional and Global Security', Speech at ASPI, Canberra, 17 February 2005, p. 1.

13 See comments by H.E. Ong Keng Yong, Secretary General of ASEAN, 'Developing ASEAN-China Relations: Realities and Prospects', Keynote address at the ASEAN-China Forum 2004, Singapore, 23 June 2004.

14 Koong Pai Ching, 'Southeast Asian Countries' Perceptions of China's Military Modernisation', *SIGUR Center Asia Papers*, No. 5, 1999, <http://www.gwu.edu/~sigur/pubs/SCAP5-Ching.pdf> (accessed 20 February 2006).

15 Catharin Dalpino and Juo-yu Lin, 'China and Southeast Asia: The Difference of a Decade', *Brookings Northeast Asia Survey*, 2002-03, p. 78.

Discrimination against Indonesian ethnic Chinese, including a ban on all publications containing Chinese characters, was in place for decades.<sup>16</sup>

3.13 China's relations with these countries began to improve during the 1980s as China opened up to the outside world and adopted a friendly stance toward its neighbours. Underlying tensions, however, continue to surface over territorial disputes. These quarrels are mainly centred in the South China Sea where China contests claims with Brunei, Malaysia, the Philippines and Vietnam over the Spratly Islands and with Indonesia over the territorial waters of the Natuna Islands. Japan and China are in dispute over the Senkaku Islands and East China Sea energy exploration.<sup>17</sup> China also has disagreements with some neighbours over border questions.<sup>18</sup>

3.14 Generally, trade links have paved the way for greater political understanding between China and its neighbours by helping China to win trust and eliminate past suspicions. In particular, the Asian financial crisis provided China with an opportunity to demonstrate leadership in the region and a commitment to building a secure and prosperous region. Its assistance has been openly recognised by ASEAN leaders who, in a joint statement, expressed their appreciation of China's contribution to the financing packages in the region. They reaffirmed 'the importance of enhanced cooperation on economic and financial issues between the Finance Ministers of ASEAN and the People's Republic of China'.<sup>19</sup>

3.15 Similarly, Hunt and Hunt Lawyers submitted to the committee that China's role during the Asian economic crisis was constructive. They stated:

During the Asian financial crisis China's decision not to devalue the Chinese currency played a considerable part in limiting economic impact of the financial crisis in Asia. It should be recognised that this decision by the Chinese Government was courageous as it created some risks in terms of

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16 Catharin Dalpino and Juo-yu Lin, 'China and Southeast Asia: The Difference of a Decade', *Brookings Northeast Asia Survey, 2002–03*, p. 78. See also Hadi Soesastro, *The United States–Indonesia Society, USINDO Report*, 7 November 2003.

17 See paragraphs 8.31–8.33.

18 See for example, Koong Pai Ching, Associate Research Fellow, Institute of Defence and Strategic Studies, Singapore, 'Southeast Asian Countries' Perceptions of China's Military Modernization', Conference Paper, The SIGUR Center, <http://www.gwu.edu/~sigur/publications/koong.htm> (accessed 19 December 2005). See also Statement of Catherin E. Dalpino, Adjunct Professor, Southeast Asian Studies, Georgetown University and the George Washington University,, before the United States Senate Foreign Relations Committee, 7 June 2005 and Statement by Christopher R. Hill, Assistant Secretary for East Asian and Pacific Affairs, 7 June 2005.

19 Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China, Kuala Lumpur, Malaysia, 16 December 1997.

the Chinese domestic economy but reflected consideration of the broader impact of such a decision rather than self-interest.<sup>20</sup>

3.16 Mr Raymond Lim, then Singaporean Minister of State for Foreign Affairs and Trade and Industry, remarked in February 2004 that China's "prosper thy neighbour" thinking is not only forward-looking but also contributes to regional integration, stability and prosperity'.<sup>21</sup>

3.17 China is energetically and deliberately cultivating better relations that go beyond trade links with the countries of East Asia. For example, Chinese President Hu, accompanied by Foreign Minister Li Zhaoxing, visited Brunei, Indonesia and the Philippines in April 2005. According to Mr Li:

During this visit...nearly 30 cooperative agreements have been signed covering such fields as politics, economy, trade, security, science, technology, culture, health, disaster relief, personnel exchange and the exchanges between civilians. In the field of economic and trade cooperation, President Hu particularly pointed out that trade volume between China and Brunei is expected to reach US\$1 billion by 2010, the bilateral trade volume between China and Indonesia will reach US\$20 billion within 2 or 3 years and the trade volume between China and the Philippines will reach US\$30 billion by 2010.<sup>22</sup>

3.18 He observed that friendly and mutually beneficial cooperation is certain to inject new vitalities into China's relations with the three countries and benefit the people and development of these nations.<sup>23</sup>

3.19 The President of Indonesia, Dr Susilo Bambang Yudhoyono, reciprocated with a visit to China in July 2005. He thanked the Chinese government and people for their assistance in the wake of the tsunami and earthquake disaster in Aceh and North Sumatra and for China's participation in assisting Indonesia's infrastructure development through the provision of grants and concessional loans. The leaders of both countries highlighted the importance of strengthening cooperation, particularly in capacity building and technical assistance in combating terrorism and transnational organised crimes. They gave commitments to intensify bilateral cooperation in the defence and military fields and signed five documents covering a range of activities

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20 *Submission P24*, p. 5.

21 Ministry of Foreign Affairs, Singapore, Speech by Minister of State Raymond Lim at the Fourth Singapore International Foundation Overseas Conference, 28 February 2004, Shanghai.

22 Embassy of the PRC, 'Li Zhaoxing says that President Hu Jintao's Tour to three Southeast Asian Countries Made Fruitful Achievements', <http://ee.chineseembassy.org/eng/dtxw/t194137.htm> (accessed 25 November 2005).

23 Embassy of the PRC, 'Li Zhaoxing says that President Hu Jintao's Tour to three Southeast Asian Countries Made Fruitful Achievements', <http://ee.chineseembassy.org/eng/dtxw/t194137.htm> (accessed 25 November 2005).

that would 'give substance to the implementation of the Joint Declaration on Strategic Partnership between the Republic of Indonesia and the People's Republic of China'.<sup>24</sup>

3.20 These two high level visits and the agreements reached during the meetings are indicative of the high priority China places on developing and strengthening bilateral ties with its neighbours. Although it is beyond the scope of this inquiry to consider in detail the extensive nature and effect of this public diplomacy on all countries in East Asia, it is clear that China has enthusiastically and successfully fostered sound relations with its neighbours. It is equally clear that the countries of East Asia welcome the opportunity to engage with China in high-level exchanges and wide-ranging talks to improve cooperation in politics, trade, cultural activities and military and security matters.

### **China's new multilateralism/multilateral framework**

3.21 Alongside its bilateral endeavours to forge friendly relations, China is also supporting regional political and economic structures. China has now adopted a pragmatic approach to the prevalence of multilateral fora operating within the region and is using the same 'peaceful development' stance in its relationship with such groups. As part of its new security concept, China has abandoned the notion that participation in multilateral fora will impinge on or curb its independence. It embraces involvement in multilateral arrangements, actively espousing the potential for mutual benefit through cooperation and frequent dialogue. This approach has led China to participate—often taking the lead—in a number of multilateral fora on economic and security issues.

3.22 Most notably these include China as an ASEAN dialogue partner, the ASEAN+3 grouping (ASEAN plus China, Japan and South Korea),<sup>25</sup> the ASEAN Regional Forum (ARF), the Asia-Pacific Economic Cooperation (APEC) forum and, most recently, the East Asia Summit (EAS). By participating in, and helping to, guide their direction, China is able to use these fora as a diplomatic platform to advance its own interests. From China's perspective, these bodies are:

...the best means of ensuring [a] peaceful regional environment: they help to promote economic exchanges that assist with China's economic development, and they help to reassure Beijing's neighbours about the strategic consequences of China's rising power, thus encouraging political and economic cooperation.<sup>26</sup>

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24 Joint Statement between the Republic of Indonesia and the People's Republic of China, 30 July 2005, *People's Daily Online*, [http://english.people.com.cn/200507/30/eng20050730\\_199170.html](http://english.people.com.cn/200507/30/eng20050730_199170.html), (accessed 20 February 2006).

25 The ten member countries of ASEAN are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), Philippines, Singapore, Thailand and Vietnam.

26 Rosemary Foot, 'China's Regional Activism: Leadership, Leverage, and Protection', *Global Change, Peace and Security*, vol. 17, no. 2, June 2005, p. 149.

3.23 China's growing and active engagement with ASEAN and associated fora in East Asia allows it to exercise a greater degree of influence through the use of soft power diplomacy. On numerous occasions, however, China has stated that it does not seek a leadership role in regional co-operation and that China's support to ASEAN is 'sincere without any political strings attached'.<sup>27</sup> Most recently, Premier Wen asserted that China's rapid economic rise spells an opportunity, not a threat to the rest of East Asia.<sup>28</sup>

3.24 He used the ASEAN Summit in 2005 to underline China's message to its neighbours that 'all the countries in this region are equal members of the East Asian family'.<sup>29</sup> As noted earlier, despite countries in the region welcoming China's increasing involvement in regional institutions, there are some who are troubled by China's growing presence, especially with respect to the shifting balance of influence in the region between China and the United States. This issue is discussed at length in Chapter 5.

3.25 China's multilateral approach is best exemplified in its relations with ASEAN.

### **China and ASEAN**

3.26 As noted in paragraphs 3.10–3.12, China's relations with the ASEAN countries have not been easy over the past decades.<sup>30</sup> Mr H.E. Ong Keng Yong, Secretary General of ASEAN, noted that the relationship has had 'its ups and downs'. He stated:

Before ties between ASEAN and China were formally established in 1991, they were marked by mutual suspicion, mistrust and animosity largely because of China's support for the communist parties in ASEAN countries.

The normalisation of relations with China in 1990 by Indonesia and then Singapore and Brunei Darussalam acted as a catalyst to set the path for China's admission into the ASEAN Regional Forum (ARF) in 1994 and eventually the granting of ASEAN dialogue partnership in 1996. Since then, the partnership grew from strength to strength resulting in the

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27 Premier Wen Jiabao, Quoted in *China Daily*, 'Beijing against exclusive bloc in East Asia', 13 December 2005, [http://english.people.com.cn/200512/13/eng20051213\\_227590.html](http://english.people.com.cn/200512/13/eng20051213_227590.html) (accessed 24 February 2006).

28 'Wen: Growth poses no threat to neighbours', *China Daily*, 12 December 2005, [http://www.chinadaily.com.cn/english/doc/2005-12/12/content\\_502728.htm](http://www.chinadaily.com.cn/english/doc/2005-12/12/content_502728.htm), (accessed 24 February 2006).

29 Embassy of the PRC, Foreign Ministry Spokesman Qin Gang's Press Conference on 1 December 2005, <http://www.china-embassy.org/eng/fyrth/t224426.htm> (accessed 24 February 2006).

30 H.E. Ong Keng Yong, Secretary General of ASEAN, 'Developing ASEAN–China Relations: Realities and Prospects', Keynote address at the ASEAN–China Forum 2004, Singapore, 23 June 2004.



expansion and deepening of cooperation in the economic, political and security, social and cultural and development cooperation areas.<sup>31</sup>

3.27 In 1997, a year after China was accorded full Dialogue Partner status of ASEAN, the leaders of the member states of ASEAN and the People's Republic of China agreed that the consolidation of their developing relations 'served the fundamental interests of their respective peoples as well as the peace, stability and prosperity of the Asia-Pacific region'.<sup>32</sup> This move toward greater cooperation included developing closer economic relations by 'promoting trade and investment, facilitating market access, improving the flow of technology and enhancing the flow of and access to trade and investment related information'.<sup>33</sup>

3.28 Indeed, since that time, the ASEAN countries and China have consistently worked together to improve their relations. In November 2002, China and ASEAN signed the Declaration on the Conduct of Parties in the South China Sea. This document demonstrated a common desire to maintain stability and carry out cooperation in the region. The parties undertook to resolve their territorial and jurisdictional disputes by peaceful means and to refrain from taking actions that would complicate or escalate disputes. The emphasis was on promoting mutual trust through dialogue.<sup>34</sup>

3.29 Most recently, the ASEAN–China Eminent Persons Group, established in 2004, produced a report which recommended that in 'the next 15 years and beyond, ASEAN and China should strengthen and deepen their strategic partnership on all fronts with focus on economic, political security, social and cultural cooperation'.<sup>35</sup> Former diplomat and Australian Ambassador to the PRC, Mr Garry Woodard, told the committee:

China now has far better relations than we do with practically all the governments of Asia; it certainly has more intricate and better developed relationships. Their diplomacy now is extremely skilful, whereas it was rather awkward in those early days. China is now a member—indeed, in

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31 H.E. Ong Keng Yong, Secretary General of ASEAN, 'Developing ASEAN–China Relations: Realities and Prospects', Keynote address at the ASEAN–China Forum 2004, Singapore, 23 June 2004.

32 Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China, Kuala Lumpur, Malaysia, 16 December 1997.

33 Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China, Kuala Lumpur, Malaysia, 16 December 1997.

34 Press Statement by the Chairman of the 8<sup>th</sup> ASEAN Summit and the 6<sup>th</sup> ASEAN + 3 Summit and the ASEAN–China Summit, Phnom Penh, Cambodia, 4 November 2002.

35 Co-Chairman Press Statement of the ASEAN–China Eminent Persons Group, Kuala Lumpur, 9 December 2005.

regard to political dialogue, the leading member—of regional institutions in Asia, some of which we are not yet in. That change is absolutely radical.<sup>36</sup>

3.30 Although at times criticised for its lack of concrete action, many commentators recognise the contribution that ASEAN has made to regional stability. The Singaporean Minister for Foreign Affairs, Mr George Yeo, suggested that people:

...take a step back and look at ASEAN in its historical development. It has been very good for all of Southeast Asia...a weak ASEAN would mean that Southeast Asia would be balkanized and new security problems will appear.<sup>37</sup>

3.31 Professor Stuart Harris, a China specialist in the Department of International Relations at the Research School of Pacific and Asian Studies (ANU), has argued that the success of ASEAN is not fully appreciated. Even though it does not appear to have achieved significant concrete results on paper, he noted that ASEAN had been 'one of the most successful arrangements ever, because all of those countries would otherwise have gone to war with each other'. He noted that 'they have all got disputed borders and a range of conflicts—ethnic and whatever'. He stated:

I think the process of multilateralism is not meant to give you easy results quickly; it is supposed to get you thinking along somewhat similar lines, exchanging information, getting some sense out of them that you understand what they are thinking and why they are thinking that, trying to persuade them, trying to get expectations coming together and eventually building norms. It is a long, slow process, but we spent ages doing it bilaterally, and it does not work anyway.<sup>38</sup>

3.32 Professor William Tow, Director of the International Studies Program at the University of Queensland, agreed with this view stating that ASEAN has been useful because it 'essentially has been a conflict prevention mechanism'.<sup>39</sup>

3.33 The effectiveness of ASEAN as a multilateral force is set to improve with the prospect of a trade agreement with China. At the moment, China is ASEAN's fourth largest trading partner and vice versa.<sup>40</sup>

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36 Garry Woodard, *Committee Hansard*, 27 June 2005, p. 27.

37 Singapore Ministry of Foreign Affairs, Remarks by Singapore Minister for Foreign Affairs, George Yeo, Parliament on the Strategic Overview, 4 March 2005.

38 Stuart Harris, *Committee Hansard*, 13 September 2005, p. 19.

39 William Tow, *Committee Hansard*, 13 September 2005, p. 21.

40 Welcome remarks by H.E. Ong Keng Yong, Secretary General of ASEAN, at the 2<sup>nd</sup> China–ASEAN Business and Investment, Nanning, China, 19 October 2005; 'Wen: Growth poses no threat to neighbours', *China Daily*, 12 December 2005.

## ASEAN Free Trade Agreement

3.34 One of China's most significant recent multilateral initiatives has been the decision to negotiate and implement a China-ASEAN free trade agreement (ACFTA). At the ASEAN summit in November 2000, Chinese and ASEAN leaders agreed to begin the process of establishing a free trade area between China and ASEAN.<sup>41</sup> At the next summit, held on 6 November 2001, leaders of ASEAN and China decided to work toward an ACFTA within ten years.<sup>42</sup> A year later they concluded a Framework Agreement on Economic Co-operation including a commitment 'to negotiate expeditiously in order to establish an ASEAN–China FTA within 10 years, and to strengthen and enhance economic co-operation through a number of trade liberalisation measures'. They included:

- progressive elimination of tariffs and non-tariff barriers in substantially all trade in goods;
- progressive liberalisation of trade in services with substantial sectoral coverage;
- establishment of an open and competitive investment regime that facilitates and promotes investment within the ASEAN–China FTA; and
- establishment of effective trade and investment facilitation measures, including, but not limited to, simplification of customs procedures and development of mutual recognition arrangements.<sup>43</sup>

3.35 To date, progress towards realising the objectives set by the proposed FTA appears promising. In October 2004, the Secretary General of ASEAN told an audience:

The establishment of ACFTA by 2010 looks set to enhance economic cooperation and integration between ASEAN and China. The market and purchasing power are very much enlarged by the FTA. Preliminary estimates suggest that the ASEAN-China FTA would raise ASEAN's exports to China by 48% and China's export to ASEAN, by 51%. At the same time, the combined GDP of ASEAN would expand by at least US\$1

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41 Jose Tongzon, 'ASEAN–China Free Trade Area: A Bane or Boon for ASEAN Countries', *World Economy*, February 2005, vol. 28 (2), p. 191.

42 ASEAN, *Framework Agreement on Comprehensive Economic Co-operation between the Association of South East Asian Nations and the People's Republic of China*, 4 November 2002.

43 ASEAN, *Framework Agreement on Comprehensive Economic Co-operation between the Association of South East Asian Nations and the People's Republic of China*, 4 November 2002.

billion while that of China, by some US\$ 2.3 billion (Note assuming a 6% annual growth rate in ASEAN and 7% in China).<sup>44</sup>

3.36 More recent trade figures continue to show cause for optimism. For the period 2002–2004, bilateral trade grew at an annual rate of 38.9 per cent, reaching US\$105.9 billion in 2004. During the first half of 2005 it grew to US\$59.76 billion. For 2004, Chinese investments to ASEAN grew by 20 per cent to US\$226 million.<sup>45</sup> In October 2005, the Secretary General of ASEAN remarked that:

These encouraging figures could, therefore, only improve as ASEAN and China realise all the agreements envisaged under the Free Trade Area.

The prospects for trade and investment between ASEAN and China are bright as policies that are directed towards closer economic integration and conducive to doing business are realised.<sup>46</sup>

3.37 The ACFTA represents a significant cooperative initiative that bolsters China's soft power. Once the economies of ASEAN become further intertwined with the Chinese economy, regional security interests will likewise converge. Essentially, ASEAN member states will be drawn more tightly into China's orbit of influence. Additionally, the agreement will assist China with its energy needs, contributing further to its capacity for economic growth and hence its ability to spread political influence and continue its process of military modernisation.

3.38 In addressing the China–ASEAN Free Trade Agreement, Reg Little and James Flowers were of the view that the arrangement is 'likely to be little more than a stepping stone to closer China-led regional cooperation, designed to protect against a repeat of the 1997 Asian financial crisis and against regional groupings in Europe and the Americas'. In their submission they stated:

It is hard to see how Australia can protect and advance its interests except by displaying a preparedness to respond constructively to developments of this nature. It is likely to best optimize its negotiating position if it is playing a pro-active, strategic role that is built on an astute understanding of regional interactions and regional sensitivities about the influence of non-regional and alien cultural norms.<sup>47</sup>

The importance of Australia's engagement with major regional institutions is discussed more fully later in this chapter.

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44 H. E. Ong Keng Yong, Secretary-General of ASEAN, The Chinese Business Leaders Summit Global Entrepolis, Singapore 2004, Keynote address, 11 October 2004.

45 Welcome remarks by H. E. Ong Keng Yong, Secretary General of ASEAN, at the 2<sup>nd</sup> China–ASEAN Business and Investment, Nanning, China, 19 October 2005.

46 Welcome remarks by H. E. Ong Keng Yong, Secretary General of ASEAN, at the 2<sup>nd</sup> China–ASEAN Business and Investment, Nanning, China, 19 October 2005.

47 R. Little and J. Flowers, *Submission P26*, p. 9.

## **ASEAN plus three**

3.39 China is also a member of the ASEAN+3 group, which has brought together leaders of the 10 ASEAN member states and China, Japan and South Korea. The first ASEAN+3 Summit was held in 1997. At this meeting, China's President and leaders of ASEAN undertook to promote good-neighbourly and friendly relations, increase high-level exchanges and strengthen dialogue and cooperation in all areas 'to enhance understanding and mutual benefit'.<sup>48</sup>

3.40 By 2002, the process had matured and expanded to include 'regional political and security issues such as the fight against terrorism and transnational crime'. The leaders also expressed a willingness to 'explore the phased evolution of the ASEAN+3 summit into an East Asian summit'.<sup>49</sup>

3.41 At the 8th ASEAN+3 Summit in November 2004, the leaders reiterated their determination to make concerted efforts to fight terrorism in East Asia. They reaffirmed their commitment 'to a peaceful and comprehensive solution to the nuclear issue on the Korean Peninsular and the necessity to engage in dialogue to promote mutual confidence and common approach'.<sup>50</sup> They also discussed positive actions taken by the group including energy cooperation and the establishment of the ASEAN+3 unit in the ASEAN secretariat. The leaders also recognised the need to develop the Asian bond market and to introduce mechanisms to combat emerging diseases. Their support of the ASEAN Leaders' agreement to convene the first East Asia Summit (EAS) in Malaysia in 2005 was a notable milestone in the evolution of the concept of an East Asian community.<sup>51</sup>

3.42 In December 2004, the Prime Minister of Malaysia, the Hon Abdullah Ahmad Badawi, announced that although East Asia as a community had been a work in progress for some time it was 'no longer an idealism'.<sup>52</sup> He noted that there were now 48 ASEAN+3 forums, ranging from the leadership summits down to expert-groups covering many subjects of common interest.<sup>53</sup> Indeed, according to Premier Wen,

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48 Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China, Kuala Lumpur, Malaysia, 16 December 1997.

49 Chairman of the 8<sup>th</sup> ASEAN Summit, the 6<sup>th</sup> ASEAN+3 Summit and the ASEAN–China Summit, Cambodia, 4 November 2002.

50 Chairman's Statement of the 8<sup>th</sup> ASEAN + 3 Summit Vientiane, 29 November 2004.

51 Chairman's Statement of the 8<sup>th</sup> ASEAN + 3 Summit Vientiane, 29 November 2004.

52 'Towards an Integrated East Asia Community', Keynote Address by YAB dato' Seri Abdullah HJ Ahmad Badawi, Prime Minister of Malaysia, Second East Asia Forum, Kuala Lumpur, 6 December 2004.

53 'Towards an Integrated East Asia Community', Keynote Address by YAB dato' Seri Abdullah HJ Ahmad Badawi, Prime Minister of Malaysia, Second East Asia Forum, Kuala Lumpur, 6 December 2004.

ASEAN+3 had become 'the most dynamic and promising regional cooperation mechanism in Asia'.<sup>54</sup>

3.43 During 2005, however, there was a cooling in the relationship between China and Japan, aggravated in particular by the Japanese Prime Minister's visit to the Yasukuni shrine. In December, China withdrew from the trilateral annual meeting with Japan and the Republic of Korea (ROK) that was usually held on the sidelines of the ASEAN Summit. In reference to Japan, a Chinese spokesperson announced that China hoped that 'the country in question will create proper atmosphere and condition for stronger tripartite cooperation'.<sup>55</sup> This matter is considered further in chapter 7.

### **ASEAN Regional Forum (ARF)**

3.44 The ASEAN Regional Forum (ARF) is another key multilateral forum in East Asia. It is the primary regional group concentrating on security. It places emphasis on the peaceful settlement of differences and conflicts between states through dialogue and negotiations.<sup>56</sup>

3.45 In 1994, ASEAN and its dialogue partners decided to establish the ARF to facilitate multilateral consultations, confidence building and the prevention of conflict. Forum participants included China as a 'consultative partner' of ASEAN.

3.46 According to ASEAN members, the ARF has taken an evolutionary approach since its inception, incorporating 'the promotion of confidence building among participants, the development of preventive diplomacy and the elaboration of approaches to conflicts'. It argues that this approach enables participants 'to deal constructively with political and security issues that bear on regional peace and stability, including new issues that have emerged as a result of globalisation'.<sup>57</sup> In its view, the ARF is the principal consultative and cooperative forum for political and security matters in the Asia-Pacific.<sup>58</sup>

3.47 China attaches great importance to, and actively participates in, the ARF. Since 1997, it has hosted two inter-sessional meetings on confidence building measures and undertaken eight confidence building programs, including training

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54 'Strengthening Cooperation for Mutual Benefit and a Win-Win Result', Speech by Premier Wen Jiabao at the 8<sup>th</sup> ASEAN+3 Summit in Vientiane, 29 November 2004.

55 Embassy of the PRC, Foreign Ministry Spokesman Qin Gang's Press Conference on 6 December 2005, <http://www.china-embassy.org/eng/fyrth/t225189.htm> (accessed 24 February 2006).

56 See Chairman's statement: the Tenth ASEAN Regional Forum Ministerial Meeting, Phnom Penh, Cambodia, 18 June 2003.

57 Association of Southeast Asian Nations, Overview, <http://www.aseansec.org/92.htm> (accessed 29 November 2005).

58 See Chairman's statement: the Tenth ASEAN Regional Forum Ministerial Meeting, Phnom Penh, Cambodia, 18 June 2003.

courses on Chinese security policies and seminars on military logistics support and strengthening cooperation in non-traditional security issues.<sup>59</sup> China is using this forum to promote its message that it is serious about working 'to maintain a peaceful and stable international environment as well the good neighbourly surroundings' in the region.<sup>60</sup> China's soft power gains from its participation in the ARF have been noted:

Beijing has seen the value of the ARF...in providing it with a venue to explain its point of view, ensuring that its interests are not overridden, and assisting with the building of security cooperation rather than exacerbating the security dilemma. These have been matters of major importance given that the Chinese leadership has been engaged in a process designed to undercut the 'China threat' argument in the context of its rising power.<sup>61</sup>

3.48 China has proposed a number of initiatives that have been approved by the ARF foreign ministers' meetings. For example, in 2003 it proposed the convening of an ARF Security Policy Conference in which high military officials as well as government officers would be invited to participate.<sup>62</sup> The first meeting of the new conference was held in Beijing in November 2004. It recommended that the conference explore and develop ways and means of cooperating bilaterally and multilaterally in areas such as 'intelligence and information sharing, capacity building, training programmes, consequence management, sharing experience on legal aspects on the role of armed forces in dealing with non-traditional security issues'.<sup>63</sup> A second conference was held in Vientiane, Laos, in May 2005.<sup>64</sup>

3.49 Some question the effectiveness of the ARF. Professor Paul Dibb, Director of the Strategic and Defence Studies Centre at the Australian National University, observed that it was little more than 'a karaoke-singing talk shop'. He noted in evidence that:

In this part of the world, unlike in Europe, there are no overarching arms control agreements at all. There are no disarmament agreements at all. There are no naval incidents at sea agreements at all. There are no open skies agreements at all. The West had those with the Soviet Union at the height of the Cold War.<sup>65</sup>

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59 See Section IV, Text of White Paper on Arms Control, 1 September 2005.

60 'Wen: More opportunities than challenges', *China Daily*, 6 November 2004, [http://www.chinadaily.com.cn/english/doc/2004-11/06/content\\_389025.htm](http://www.chinadaily.com.cn/english/doc/2004-11/06/content_389025.htm) (accessed 24 February 2006).

61 Rosemary Foot, 'China's Regional Activism: Leadership, Leverage, and Protection', *Global Change, Peace and Security*, volume 17 no. 2, June 2005, p. 149.

62 See Chairman's statement: the Tenth ASEAN Regional Forum Ministerial Meeting, Phnom Penh, Cambodia, 18 June 2003.

63 ASEAN, 2004–2005 *ASEAN Annual Report*, pp. 14–15.

64 ASEAN, 2004–2005 *ASEAN Annual Report*, pp. 14–15.

65 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 14.

3.50 Appreciating that multilateralism is slow to produce concrete results, Professor Harris saw the ARF in a positive light. He noted that Japan and America perceive China as a threat, and referred to the military posturing that goes on in the region. In his view:

It may take a long time to get anywhere, but it may be that the way you get information out of them is by reassuring them on some of their suspicions and getting a better idea of what they are doing. I think we have moved some way down the track with the ARF.<sup>66</sup>

3.51 Mr Garry Woodard took the same approach. He noted:

...the more China is conducting dialogue with other countries and is promoting cooperation with other countries and is developing a normative framework of agreement with regard to matters like security and non-interference and so on, the better it is for Australia and for the world generally.<sup>67</sup>

### ***Committee view***

3.52 The committee recognises that the ARF plays an important role in making it easier for members to talk about regional security issues, as well as more generally assisting to foster mutual understanding in the Asia-Pacific region.

### **Asia Pacific Economic Cooperation**

3.53 The Asia Pacific Economic Cooperation (APEC) forum is a much larger grouping in the region that comprises 21 member states, including the United States and China.<sup>68</sup> The following section considers the significance of APEC as a regional forum.

3.54 In 1989, the then Australian Prime Minister, the Hon Bob Hawke, proposed a meeting of regional countries to discuss the creation of a more formal inter-governmental forum for regional cooperation. After a period of intense diplomatic activity, 26 ministers from twelve regional economies gathered in Canberra to talk about their shared economic future. The forum was called the Asia Pacific Economic Cooperation.

3.55 From its inception, participants in APEC shared the basic understanding that it would be an informal consensus-building body, sensitive to the cultural, political and economic diversity among its members. In 1993, APEC gained greater international

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66 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 19.

67 Mr Garry Woodard, *Committee Hansard*, 27 June 2005, p. 27.

68 The members are: Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russia; Singapore, Chinese Taipei; Thailand; United States; Vietnam.



credibility and authority when the leaders of the member economies met as part of the APEC process. This leaders' meeting is now an annual event.

3.56 Since then, this informal group of economies has grown into an important regional forum of members who share a commitment to free and open trade in the region. In working towards this goal, members have established strong links and developed a better understanding and appreciation of the diversity among member countries. Although tensions still exist between some members, APEC has nurtured a sense of community in the region and has set down a substantial sub-structure of economic cooperation.<sup>69</sup>

3.57 Until recently, APEC had rejected attempts to broaden its mandate to include security issues. Changing world events, however, have drawn APEC into security matters. DFAT explained to the committee:

...APEC has been evolving...over the last several years. You saw in the early period of APEC's development a focus on a set of trade and economic issues but not really a security agenda. You have seen over the last decade, increasingly, APEC members recognising that the division between economic prosperity and security is a very hard one to define. So, with the unfortunate rise in global terrorism and the threat that poses to economic development, APEC leaders have increasingly shown their willingness to address security issues. China has been part of that.

At the APEC leaders meeting in Mexico a couple of years ago, there was agreement on a statement expressing concern about the DPRK and its nuclear activities. We have seen statements condemning terrorism. We have seen agreement on limiting the spread of MANPADS throughout the Asia-Pacific region. They have all come out of APEC meetings. I think we have worked pretty hard to ensure that China is engaged within APEC. It is one of more than 20 members, as you know, and APEC does not revolve around China; it revolves around the broader membership. Of course China is an important part of that.<sup>70</sup>

3.58 More recently, the Australian Prime Minister, the Hon. John Howard, noted the inclusion of security issues on APEC's agenda since the September 11 attack in New York, with 'major initiatives on counter-terrorism and travel security'.<sup>71</sup>

3.59 APEC, however, has been dogged for many years by criticism that it is a political 'talk-fest'.<sup>72</sup> Dr Hadi Soesastro, executive director of Jakarta's Center for

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69 Senate Foreign Affairs, Defence and Trade References Committee, *Australia and APEC: A review of Asia Pacific Economic Cooperation*, July 2000.

70 *Committee Hansard*, 13 September 2005, p. 41.

71 Prime Minister the Hon John Howard MP, *Transcript*, Address to the Asia Society Lunch, The Asia Society, New York City, 12 September 2005.

72 Comment in the media in particular question the effectiveness of APEC. See for example, *The China Post*, 'Action or just talk, APEC meetings will go on despite detractors', 20 November 2005.

Strategic and International Studies, noted that APEC had become 'unwieldy'.<sup>73</sup> Before the 2004 APEC leaders' meeting, the Australian Prime Minister stated that he did not sense that 'we will be treading water' in a way that he felt was the case on a number of occasions in recent years.<sup>74</sup> In October 2005, the Lowy Institute observed that APEC is 'balanced on the brink of terminal irrelevance'. It noted that APEC's reputation among journalists, officials and academics is 'sagging' and even those directly engaged in APEC activities do not seem able 'to muster much enthusiasm for it'.<sup>75</sup>

3.60 Professor Dibb argued that Australia should try to reinvigorate APEC 'not least because of its huge economic content, and the fact that leaders meet and the United States is in it'. He stated:

I think APEC has become, again, something of a talking shop and a bit boring. It needs some usefulness put into it. If Australia can talk to America about that it would, in my view, be extremely good.<sup>76</sup>

3.61 DFAT officers told the committee that it was sometimes easy for people to be critical of APEC because 'it perhaps does not produce a huge number of headlines every time there is a leaders' meeting'. He noted, however, that:

...if you look over the period of time since APEC was established, its track record stands up pretty well against other regional and multilateral institutions in terms of achievements that it has made.<sup>77</sup>

3.62 Although APEC may be seen to be slow in achieving its stated goals of free and open trade in the region, this informal group has grown into an important regional forum of 21 members who share a bold commitment to economic cooperation. It has nurtured a sense of community in the region and has laid substantial foundations for economic cooperation. Its value as a regional forum cannot be underestimated and its influence has spread beyond the boundaries of economics and trade. In 2000, the Senate Foreign Affairs, Defence and Trade References Committee found that:

Over the years, through dialogue and cooperation, APEC had built up a reservoir of goodwill and understanding between members and established a wide and deepening network of diplomatic relations.<sup>78</sup>

3.63 Despite concerns that APEC has failed to meet expectations and its own stated goals, it continues to provide constructive opportunities for its members to meet and to

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73 Hadi Soesastro, Executive Director of Jakarta's Center for Strategic and International Studies, USINDO Report, 7 November 2003.

74 Prime Minister the Hon. John Howard MP, *Transcript*, 'Sunday Sunrise', 21 November 2004.

75 Lowy Institute for International Policy, 'How to save APEC', *Policy Brief*, October 2005, p. 4.

76 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 20.

77 *Committee Hansard*, 13 September 2005, p. 41.

78 Senate Foreign Affairs, Defence and Trade References Committee, *Australia and APEC: A review of Asia Pacific Economic Cooperation*, July 2000, p. 41.

resolve actual or potential tensions between them. This aspect of APEC is particularly important for members such as China, the United States and Japan.

### **East Asia Summit**

3.64 The East Asia Summit (EAS) is the most recent initiative in the development of multilateral fora in East Asia. The EAS concept grew out of a nascent sense of regionalism in East Asia. Its genesis reaches back to the early 1990s when the then Malaysian Prime Minister, Dr Mahathir Mohamad, proposed the formation of an East Asian Trade Group. It was to include ASEAN countries, Hong Kong, China, South Korea, Taiwan, Japan and economies in the Indochina area. At that time, Dr Mahathir argued that Australia and New Zealand were part of Australasia and not East Asia, and since his proposal was to be a geographical grouping, they would not qualify for membership.<sup>79</sup>

3.65 In 1991, ASEAN Trade Ministers supported the notion of an East Asian trade group as an ASEAN initiative after Indonesia proposed successfully that it be known as the East Asian Economic Caucus. At the ASEAN Ministerial meeting in July 1997, the Foreign Ministers expressed their hope that the Caucus would be formally instituted for the benefit of members.

3.66 The idea never really took form until 2000 when the leaders of the member ASEAN countries, China, Japan and Korea agreed to establish an East Asia Study Group. In its final report in 2002, the group concluded that growing interdependence and the recent financial crisis in East Asia provided a 'strong impetus for institutionalizing cooperation in the region'. It recommended that East Asian countries pursue the evolution of the ASEAN+3 Summit into an East Asian Summit.<sup>80</sup> The ASEAN+3 Summit endorsed this view.

3.67 As noted above, ASEAN leaders took the decisive step in 2004 of agreeing to convene the first East Asia Summit in 2005. The Prime Minister of Malaysia, Abdullah Ahmad Badawi, explained that the summit would be more than a political symbol and should 'carry and drive the process of East Asia Community Building'. He stated further:

...an East Asia Summit of Leaders would send a powerful signal of the existence of trust and confidence among regional countries, something that our region needs now and something that the world has been waiting to witness.<sup>81</sup>

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79 For a detailed account of the EAEC see Report of the Senate Foreign Affairs, Defence and Trade References Committee, *Australia and APEC: A review of Asia Pacific Economic Cooperation*, July 2000, pp. 202–4.

80 *Final Report of the East Asia Study Group*, ASEAN+3 Summit, Phnom Penh, 4 November 2002.

81 Prime Minister of Malaysia, 'Towards an Integrated East Asia Community', Keynote Address at the Second East Asia Forum, Kuala Lumpur, 6 December 2004.

### ***China's role in EAS***

3.68 Before the first meeting, the Chairman of the 11<sup>th</sup> ASEAN Summit made clear that the EAS was to be 'an open and inclusive forum with ASEAN as the driving force for broad strategic, political, economic issues of common interest'.<sup>82</sup> Premier Wen expressed similar sentiments stating that China opposed the building of 'any self-enclosed or exclusive bloc in the East Asia region'.<sup>83</sup> He indicated further, however, that China did 'not seek a leadership role in regional co-operation'.<sup>84</sup> Indeed, China publicly expressed support for the leading role of ASEAN in the summit:<sup>85</sup>

ASEAN has been playing a leading role. China thinks that we should respect the consensus of ASEAN and support its leading role.<sup>86</sup>

### ***The EAS and Australia***

3.69 When Dr Mahathir first proposed an East Asian trade group, Australia and the United States opposed the suggestion because of concerns that such an association might undermine the effectiveness of APEC. At the time, Australia was also concerned about being excluded from the group.<sup>87</sup>

3.70 By the time the proposal for an EAS had gained broad support from the ASEAN countries, Australia had altered its stance, indicating that it would like to participate in the summit.<sup>88</sup> In the Prime Minister's view, it would be 'sensible and logical' for Australia to be part of the EAS.<sup>89</sup> Australia's Minister for Foreign Affairs

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82 Chairman's Statement of the 11<sup>th</sup> ASEAN Summit, 'One Vision, One Identity, One Community', 12 December 2005.

83 *China Daily*, 'Beijing against exclusive bloc in East Asia', 13 December 2005, [http://english.people.com.cn/200512/13/eng20051213\\_227590.html](http://english.people.com.cn/200512/13/eng20051213_227590.html) (accessed 24 February 2006).

84 *China Daily*, 'Beijing against exclusive bloc in East Asia', 13 December 2005, [http://english.people.com.cn/200512/13/eng20051213\\_227590.html](http://english.people.com.cn/200512/13/eng20051213_227590.html) (accessed 24 February 2006).

85 Foreign Ministry Spokesman Qin Gang's Press Conference on 1 December 2005, <http://www.fmprc.gov.cn/eng/xwfw/s2510/t224426.htm> (accessed 14 December 2005).

86 Foreign Ministry Spokesman Qin Gang's Press Conference on 6 December 2005, <http://www.fmprc.gov.cn/eng/xwfw/s2510/t224426.htm> (accessed 14 December 2005).

87 Senate Foreign Affairs, Defence and Trade References Committee, *Australia and APEC: A review of Asia Pacific Economic Cooperation*, July 2000.

88 The Hon Alexander Downer MP, Minister for Foreign Affairs, Australia, *Transcript*, ABC Radio National Interview, 8 April 2005.

89 Prime Minister the Hon. John Howard MP, *Transcript*, Press Conference, Imperial Hotel, Tokyo, 20 April 2005.

suggested that it would be 'most unfortunate' if Australia were left out of the summit.<sup>90</sup> He stated:

...because the East Asia Summit could be a very important component of building an East Asian community and for Australia to be part of that right from the beginning is an enormously important development for Australian diplomacy.<sup>91</sup>

3.71 Singapore, Indonesia and Japan actively promoted Australia's participation in the EAS, as did Vietnam in May 2005.<sup>92</sup> For example, Singapore's Minister for Foreign Affairs argued that it was important that the EAS should not be seen by the U.S., India, Europe and others to be 'an exclusive East Asian close grouping'. He stated clearly that Singapore supported the inclusion of India, Australia and New Zealand in the EAS, concluding that their participation would 'keep ASEAN at the centre and put it beyond doubt that we are externally-oriented and inclusive in our deep construction'.<sup>93</sup>

3.72 China was initially unenthusiastic in its support for Australia's involvement in the EAS, but on 18 April 2005 Premier Wen Jiabao stated:

China would like to continue to enhance consultation and coordination with Australia in important international and regional issues in a bid to jointly promote peace and development of the Asia Pacific. China welcomes Australia to play an active role in the regional cooperation within East Asia.<sup>94</sup>

3.73 The following day, the Australian Prime Minister indicated that China would support Australia's inclusion in the East Asia Summit.<sup>95</sup> He said:

...the Premier expressed stronger views about Australia's participation than had previously been expressed by China. And that was a view that was essentially confirmed in a different way by the President.<sup>96</sup>

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90 The Hon. Alexander Downer MP, Minister for Foreign Affairs, Australia, *Transcript*, 'Doorstop—ITECC, Vientiane Laos, 29 July 2005.

91 The Hon. Alexander Downer MP, Minister for Foreign Affairs, *ABC AM*, 27 July 2005.

92 The Hon. Alexander Downer, MP, Minister for Foreign Affairs, Australia, *Transcript*, ABC Radio National Interview, 8 April 2005; *Transcript of the Prime Minister, the Hon John Howard MP Joint Press Conference Imperial Hotel, Tokyo, 20 April 2005*; *Transcript of the Prime Minister, the Hon John Howard MP Joint Press Conference with the Vietnamese Prime Minister, Mr Khai, Parliament House, Canberra, 5 May 2005*.

93 Ministry of Foreign Affairs, Singapore, Remarks by Singapore Minister for Foreign Affairs, George Yeo in Parliament on the Strategic Overview, 4 March 2005.

94 Embassy of the People's Republic of China, 'Wen Jiabao holds talks with Australian Prime Minister John Howard', 18 April 2005.

95 Prime Minister the Hon John Howard MP, *Transcript*, Doorstop interview, Great Hall of the People, Beijing, China, 19 April 2005.

3.74 Immediately before the summit, China was more direct in its support for Australia and stated clearly that:

China sticks to the principle of openness and transparency. We oppose the exclusive cooperation targeting any third party. China welcomes the attendance of Australia, India and New Zealand at the first East Asia Summit. We are willing to maintain contact and coordination with these countries through the summit, bring the friendly cooperation between us closer and jointly promote the peace, development and cooperation in this region.<sup>97</sup>

3.75 In April 2005, ASEAN foreign ministers agreed on the criteria that would allow India, Australia and New Zealand to participate in the summit. As noted earlier, by including non-East Asian members, the EAS departed from the original exclusive East Asian grouping envisaged by Dr Mahathir. According to Mr Goh Chok Tong, Prime Minister of the Republic of Singapore, it was a wise decision: 'It kept East Asia regionalism inclusive, forward looking and open'.<sup>98</sup>

3.76 Participants to the EAS were required to meet three conditions—agree to ASEAN's Treaty of Amity and Cooperation (TAC), hold full dialogue partner status with ASEAN and have substantial economic links with the region.<sup>99</sup> ASEAN stipulated that Australia must sign the TAC as a precondition for Australia attending the inaugural EAS.<sup>100</sup> The treaty is a code of conduct for inter-state relations and ASEAN's founding nonaggression pact aimed at promoting regional stability.<sup>101</sup> ASEAN members look upon this treaty as 'a unique diplomatic instrument for regional confidence-building, preventive diplomacy, and political and security cooperation.'<sup>102</sup> Signatories renounce using violence to settle conflicts in the region.

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96 Prime Minister the Hon John Howard MP, *Transcript*, Doorstop interview, Great Hall of the People, Beijing, China, 19 April 2005.

97 Foreign Ministry Spokesman Qin Gang's Press Conference on 6 December 2005, <http://www.fmprc.gov.cn/eng/xwfw/s2510/t225189.htm> (accessed 14 December 2005).

98 Goh Chok Tong, 15<sup>th</sup> Asian Corporate Conference, 'Southeast Asia Rising: A Region Booming among Asia's Economic Giants', 9 June 2005.

99 See for example, 'Australia signs ASEAN friendship pact', *China Daily*, 10 December 2005 and 'Step closer to a unified Asia', *China Daily*, 12 December 2005.

100 ASEAN Secretariat, 'Australia Ready to Sign ASEAN Peace Pact: Foreign Minister', 27 June 2005.

101 ARF Unit, ASEAN Secretariat, *Matrix of ASEAN Regional Forum Decisions and their Status 1994–2005*, May 2005.

102 ARF Unit, ASEAN Secretariat, *Matrix of ASEAN Regional Forum Decisions and their Status 1994–2005*, May 2005.

3.77 According to the Prime Minister of Malaysia the treaty is now 'the de facto East Asian charter for peace and good neighbourliness'.<sup>103</sup> All ASEAN+3 members have acceded to the treaty, with China the first non-ASEAN state to do so in October 2003. Notably, this was the first of its kind that China had signed with a regional grouping.<sup>104</sup>

3.78 On 27 July 2005, after some initial reluctance, Australia's Foreign Minister announced that Australia would be signing the Treaty. He stated:

We are happy with the arrangements that have been made in relation to the Treaty of Amity and Cooperation and the ASEAN countries made it clear that that would be a pre-condition for participation in the East Asia Summit. So laying all these things in the balance and applying a bit of common sense and wisdom we have come to the conclusion that the best thing is for Australia, Australia's long term interest not just the interests of the next two or three years, but our long term interests, is to be a key player in the East Asia Summit and the emerging East Asian community—I think that is terribly important for Australia.<sup>105</sup>

3.79 He signed the declaration of intention to accede to TAC on 28 July 2005 and the instrument of accession on 10 December 2005. The summit was held on 14 December. Participants endorsed the position that it would remain open and outward looking and welcomed Russia's expression of interest to participate in the EAS. The United States was not invited to the Summit.

3.80 Members agreed that it would continue to be a 'leaders-led' summit that would meet annually for strategic discussions on key issues affecting the region and the evolving regional architecture.<sup>106</sup> Derived from the ASEAN+3 grouping, the focus of the EAS, however, is primarily an economic one. According to Malaysian Foreign Minister, Syed Hamid Albar, its architects are aiming for regional economic integration.<sup>107</sup>

3.81 Mr Peter Jennings, Director of the Australian Strategic Policy Institute (ASPI), was optimistic about EAS' potential. He told the committee that it provides one of the best opportunities 'for the major players of the region to get together in

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103 'Towards an Integrated East Asia Community', Keynote Address by YAB dato' Seri Abdullah HJ Ahmad Badawi, Prime Minister of Malaysia, Second East Asia Forum, Kuala Lumpur, 6 December 2004.

104 Professor Jean Garrison, 'China's Prudent Cultivation of "Soft" Power and Implications for US policy in East Asia', *Asian Affairs*, Spring 2005, p. 26.

105 The Hon Alexander Downer, MP, Minister for Foreign Affairs, *Transcript*, Doorstop interview, Vientiane Laos, 27 July 2005.

106 Chairman's Statement of the First East Asia Summit, Kuala Lumpur, 14 December 2005; Kuala Lumpur Declaration on the East Asia Summit, 14 December 2005.

107 Connie Levett and Cynthia Banham, 'East Asia faces tricky task of harnessing the dragon', *Sydney Morning Herald*, 30 July 2005, p. 18.

ways which will make it possible to start opening up points of transparency about military thinking'.<sup>108</sup> On the other hand, Professor Dibb was sceptical. He questioned whether the EAS was a device through which China could exclude the United States from the region. He noted that this was the first time that Australia had joined a regional security organisation without the United States and concluded: 'We will see whether China manipulates EAS or whether it is a good multilateral security partner'.<sup>109</sup> Despite these reservations he was of the view that Australia must participate in the EAS.<sup>110</sup>

### *Committee view*

3.82 Australia's acceptance into the EAS marks a general recognition by East Asian countries, including China, that Australia has an important and constructive place in the region. The exclusion of the United States from this summit has, however, raised concerns and ignited debate about the role of the United States in the region. This matter is discussed in the following chapter.

### *EAS and APEC*

3.83 As noted earlier, the newly formed EAS has broad support across the countries of East Asia. Australia, however, is strongly advocating the importance of APEC. On 12 September 2005, the Australian Prime Minister told an audience in New York City that 'APEC has served us well as the pre-eminent regional institution and Australia remains strongly committed to ensuring that it remains responsive to emerging regional challenges'.<sup>111</sup> Mr Jennings of ASPI told the committee that in his view:

...the Prime Minister was doing a bit of hedging or bandwagoning himself because he, I think for the first time, started to create a hierarchy for these things. He described APEC as being 'the pre-eminent regional institution' and he described the East Asian summit as 'an important gathering'.<sup>112</sup>

3.84 He believed this statement was intended to send a clear signal to the United States, urging them to assume an active role in APEC:

...what the Prime Minister is actually delivering in that speech is a message to the Americans saying: 'It's about time you woke up and put a bit of substance into the APEC processes if you wish to stay engaged in this part of the world. And if you're not, then the East Asian summit will start to

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108 *Committee Hansard*, 13 September 2005, p. 17.

109 *Committee Hansard*, 13 September 2005, p. 20.

110 *Committee Hansard*, 13 September 2005, p. 20.

111 Prime Minister the Hon John Howard MP, *Transcript*, Address to the Asia Society Lunch, The Asia Society, New York City, 12 September 2005, p.17.

112 *Committee Hansard*, 13 September 2005.



step in and take some of that heavy lifting as far as the security game is concerned.

3.85 At the time of the EAS Summit, the Prime Minister, Mr Howard, again stated his belief that APEC should be the key body:

The premier body in this part of the world should remain APEC because it crucially brings in countries of South and Central America and of course the United States...I certainly don't see it [EAS] replacing the premier role of APEC. I am very pleased that Australia is part of it but I don't think we should get exaggerated views about its relevance at this point.<sup>113</sup>

### ***Committee view***

3.86 The committee recognises the significant role that APEC has in the region not only in facilitating trade but in promoting regional cooperation, good will and security. It is important for both Australia and the U.S. to ensure that APEC remains relevant to members and active in pursuing regional goals. That said, the committee supports equally the work being done in other regional fora such as ASEAN, the ARF and the EAS. It believes that they also have an important place in developing a sense of regional community and warrant the strongest support from Australia.

### **Australia and the growing integration of East Asia**

3.87 There is a web of economic interdependence developing in the region in which China will eventually occupy a central position. With its strong trading links with Japan, Korea and China, Australia has a vested interest in ensuring that the network continues to thrive. The Australian government has indicated that China's spreading influence has been constructive and cooperative in its nature. In evidence to the committee, DFAT stated that:

... as China develops its linkages within East Asia, it would seek to play a more active role within East Asian regional architecture. Clearly that is happening, and it is a constructive development. There is no sense that we have that China's engagement in regional institutions that have been created has been as anything other than a full participant and as a participant that is prepared to discuss issues constructively and to look at ways in which greater cooperation between members of the region can be fostered.<sup>114</sup>

3.88 Even so, a more closely integrated economic community in East and South East Asia means that Australia, many of whose economic and commercial interests are concentrated in this region, will have to monitor these developments carefully. Reg Little and James Flowers observed:

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113 Prime Minister the Hon John Howard MP, *Transcript*, Doorstop Interview, Regent Hotel, Kuala Lumpur, 13 December 2005.

114 *Committee Hansard*, 13 September 2005, p. 40.

Given current trends, it is becoming imperative to base an important portion of Australia's strategic planning on the contingency that China in particular, and East Asia in general, will re-emerge at the centre of global trading, first rivalling and later overshadowing Anglo-American power. In such circumstances, it is apparent that Australian policy cannot afford to be ill-informed about powerful, deep-rooted cultural qualities, largely suppressed and disguised over much of the past century, that direct behaviour among its most powerful neighbours.<sup>115</sup>

3.89 This imperative will increase in importance if there is further movement towards an Asian trade and financial grouping to match European and American regional groupings. Australia will not only need to be closely in tune with developments in China, but also with other key members of any such grouping so as to ensure it can negotiate from a position of strength.<sup>116</sup>

### Recommendation 1

**3.90 The committee recommends that the Australian government demonstrate to East Asian countries a genuine interest in and support for ASEAN and the ARF, redouble its efforts to reinvigorate APEC and remain fully engaged with the East Asia Summit. The committee believes that the Australian government should look upon these fora as complementary.**

3.91 The committee notes that China's smile strategy or soft power diplomacy is working in the East Asia region. Together with its growing economic presence in the region, China is exerting greater influence. However, some view the rise of China as a threat to the interests of the United States in the region. The next chapter examines the bilateral relationship between China and the United States, while Chapter 5 considers the repercussions of this relationship for other countries in the region.

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115 Reg Little and James Flowers, *Submission P26*, p. 5.

116 Reg Little and James Flowers, *Submission P26*, p. 5.