

CHINA'S CHANGING POLITICAL ECONOMY WITH SOUTHEAST ASIA: STARTING A NEW PAGE OF ACCORD

Samuel C. Y. Ku

China was hostile to Southeast Asia in the 1950s and 1960s, but China's relations of political economy with its neighbors in the south have changed since the early 1980s, an evolution that has accelerated since the early 1990s. This article argues that the relationship is being pushed forward by three policy initiatives that started in the early 1980s: the open-door policy, the good-neighbor policy, and the go-global strategy. It uses four indicators to examine China's changing relations with Southeast Asia: exchanges of visits among high-level officials, trade and investment, tourism, and China's linkages with ASEAN. The argument here is that China has changed its political economy not only with individual countries in Southeast Asia but also with the entire region. The article concludes that China's accord with Southeast Asia will continue if China sticks to its current policies toward this region.

Key words: China, Southeast Asia, China-ASEAN relations

Introduction

As a rising power, the People's Republic of China (PRC) has attracted considerable attention from Southeast Asian countries

as well as from other parts of the world. China was actually hostile to its neighbors in the South during the first three decades after the Chinese Communist Party took over the China mainland in October 1949. During the period of China's confrontational relationship with major countries in Southeast Asia, the weak Asian giant was associated with the former Soviet Union in fighting against the United States, then its enemy. The PRC was even in alliance with rebel communist movements in Southeast Asia in the 1950s, the 1960s, and even in the early part of the 1970s.¹ When China broke off with the Soviets in the late 1960s, the still weak Asian giant then changed its policy from relying upon the Soviets to seeking an alliance with the United States, the other superpower. This was a turning point for China in entering the global community, particularly after China's accession to the United Nations in October 1971.

China's relations with Southeast Asia also began to change in the mid-1970s, when the PRC exchanged diplomatic recognition with three Southeast Asian countries—Malaysia in May 1974, and with both Thailand and the Philippines in mid-1975—initiating China's interactions with the members of the Association of Southeast Asian Nations (ASEAN). China made another significant change in December 1979 with the implementation of an open-door policy, partly because of its gradually increasing connections with the capitalist world, and partly because of its weak economy, which was urgently in need of foreign assistance. The new policy not only opened the door to the world but also changed China's relations with the world, including Southeast Asia. Since then, China has been perceived as a rapidly changing society, with changes beyond those of any period in Chinese history.

China's political economy with Southeast Asia has continued to change since the early 1980s, and especially rapidly since the late 1990s. Three key questions are raised in this article.

1. For example, Adam Malik, former foreign minister of Indonesia, accused Beijing of complicity in the communist-led coup in September 1965 in Indonesia despite Malik's long support for the normalization of relations with the People's Republic of China. For details, see Justus van der Kroef, "The Sino-Indonesian Rupture," *China Quarterly*, No. 33 (January-March, 1968), p. 23.

What are the driving forces behind the changing political economy between China and Southeast Asia? What are the programs fostering the changing political economy between China and Southeast Asia? Are there any differences between China's changing political economy with individual Southeast Asian countries and with the entire region? While political scientists point to the primacy of politics due to the nature of China's authoritarianism, economists emphasize the importance of the force of the market economy due to the growing economic development in China.

This article argues that China's recent relations of political economy with Southeast Asia are actually being pushed forward by three important policy initiatives that started in the early 1980s, although China's changing interactions with Southeast Asia from confrontation to harmony involve a variety of factors.² Four indicators are used to examine China's changing political economy with Southeast Asia: exchanges of visits among high-level officials, trade and investment, tourism, and China's linkages with ASEAN.

During the past decade or so, scholars have done a great deal of work on China's changing relations with either individual countries in Southeast Asia or with the entire region (including ASEAN).³ Few scholars put these two approaches together, however. While trying to fill this academic vacuum, this article argues that China has changed its political economy not only

2. These factors include the changing order of international political economy particularly after the end of the cold war, China's domestic political and economic changes, and the changing economic order in the Asia-Pacific. For a comprehensive study on China's overall foreign policy, see Thomas W. Robinson and David Shambaugh, eds., *Chinese Foreign Policy: Theory and Practice* (Oxford: Oxford University Press, 1995).
3. On China's relations with Southeast Asia, for instance, see Joseph Y. S. Cheng, "China's ASEAN Policy in the 1990s: Pushing for Regional Multipolarity," *Contemporary Southeast Asia*, vol. 21, No. 2 (August, 1999), pp. 176-204; S. D. Muni, *China's Strategic Engagement with the New ASEAN* (Singapore: Institute of Defense and Strategic Studies, IDSS Monograph No. 2, 2002); Melissa G. Curley and Hong Liu, eds., *China and Southeast Asia: Changing Socio-cultural Interactions* (Hong Kong: Center of Asian Studies, University of Hong Kong, 2002); and Ho Khai Leong and Samuel C. Y. Ku, eds., *China and Southeast Asia: Global Changes and Regional Challenges* (Singapore: Institute of Southeast Asian Studies, 2005).

with individual countries in Southeast Asia but also with the entire region.

The article is divided into five sections. The first section introduces the three policies that started in the early 1980s: the open-door policy, the good-neighbor policy, and the go-global strategy, which have contributed to China's changing political economy with Southeast Asia. The other four sections examine four indicators of the programs of China's changing political economy with Southeast Asia, covering the Asian giant's relations with individual countries and the entire region as well. The article concludes that China's accord with Southeast Asia will continue, at least in the next decade, as China continues its current policies towards Southeast Asia.

Three Policy Initiatives

China's political economy has changed since the early 1980s as the result of three policy initiatives, namely the open-door policy, the good-neighbor policy, and the "go global" strategy. These policy initiatives have dominated the Asian giant's policy-making process in global affairs, including its relations with Southeast Asia.⁴

The Open-door Policy Since 1980

The open-door policy introduced in late 1978 not only changed the modern development of China's political economy, but also the directions of international political and economic orders. For many Chinese on the mainland, the open-door policy was perceived as an opportunity for many changes, including the improvement of their daily lives due to gradual economic progress, access to foreigners due to the coming of international

4. Jurgen Haacke also argues that China's improving relations with Southeast Asian countries have "largely both rested on Chinese initiative and depended on Beijing's adroit use of foreign policy instruments." Haacke, "The Significance of Beijing's Bilateral Relations: Looking 'Below' the Regional Level in China-ASEAN Ties," in Leong and Samuel C. Y. Ku, eds., *China and Southeast Asia*, pp. 111-45.

investors and visitors, observation of changing global development due to a wider usage of the Internet, the development of cross-strait relations due to frequent exchanges across the Taiwan Strait, changing relations with major countries and neighboring countries, opportunities for overseas study, visitation and tourism, and, probably most important of all, a chance to watch and experience the rise of the ancient kingdom.

Although the open-door policy does not specifically concentrate on China's relations with Southeast Asia, it is a political initiative that changed China's foreign relations with the major countries in the region. Prior to the implementation of the open-door policy, China's relations with Southeast Asia were not stable, and, to some extent, a little hostile, with the exception of a few countries such as Burma and Cambodia.

Taking China's relations with Indonesia as an example, these two big countries exchanged diplomatic recognition in April 1950, but their diplomatic relationship was suspended in October 1967 because of a failed communist-party coup in Jakarta on September 30, 1965. China's relations with Vietnam (then North Vietnam) shared a similar story. These two communist regimes established full diplomatic relations in January 1950, but they broke them off in 1979 because of disputes over the Cambodian issue, territorial conflict along their borders, and China's invasion. The PRC and Laos also exchanged diplomatic recognition quite early in April 1961, but they both suffered a diplomatic dark decade from the late 1970s until the mid-1980s.

Things have gradually changed, however, since China's practice of the open-door policy. In 1981, China, for the first time, established a commercial representative office in Singapore, and so did Singapore in Beijing. China and Indonesia restored direct trade with each other in 1985, a big step forward in their relations. Also in 1985, China began to conduct indirect trade with Brunei. Although the PRC had not yet exchanged diplomatic recognition with these three countries by then, the open-door policy made it possible for China to improve relations with them.

The Good Neighbor Policy Since 1990

While the 1980s witnessed the beginning of China's open door to the world and Southeast Asia, the 1990s was an era in

which China rapidly strengthened relations with its neighbors in Southeast Asia. The Good Neighbor Policy of 1990 was particularly significant after the brutal Tiananmen Square massacre on June 4, 1989,⁵ mainly because long-isolated China desired to promote a new image and a new cordial relationship with its neighbors in Southeast Asia, Central Asia, and South Asia as well. According to S. D. Muni, the good neighbor policy contains seven elements, and four of them have to do with Southeast Asia: the tapping of energy potential in Central Asia and islands in the South China Sea; seeking access to the Indian Ocean through Myanmar and Pakistan; securing, enlarging, and integrating markets, and mobilizing capital, technology, and managerial skills from ASEAN; and filling the power vacuum in Central Asia and Indochina created by the collapse of the Soviet Union.⁶

As China began to implement the good neighbor policy, China's relations with Southeast Asia entered a new stage. Indonesia restored full diplomatic relations with China in August 1990, after a 23-year suspension of bilateral relations dating to 1967. Two months later, China exchanged diplomatic recognition with Singapore, the most modernized country in the region. In 1990, Chinese Premier Li Peng paid a visit to five major countries in Southeast Asia (also the five founding members of ASEAN), visiting Indonesia, Singapore, and Thailand in August 1990, and visiting Malaysia and the Philippines in December 1990. Similarly, three heads of governments in Southeast Asia were invited to visit China in 1990, including President Suharto of Indonesia, Prime Minister Lee Kuan Yew of Singapore, and Prime Minister Chatichai Choonhavan of Thailand.

China had already normalized its relations with Laos in 1989,⁷ and in October 1991 the PRC also normalized relations with

Vietnam.⁸ The 1990s soon came to be seen as an era of increasing exchanges of visits of high-level officials between China and Southeast Asian countries, and a series of agreements, memorandums, declarations, and statements were signed on these occasions. These political initiatives laid a foundation for the expanding economic activities between China and Southeast Asia in the 1990s, including trade, investment, foreign aid, and tourism. In addition to improving relations with individual countries in the region, China also began to participate in the activities of ASEAN, the most important multilateral organization in the region.

The "Go Global" Strategy Since 2002

China's economy has kept on growing since the implementation of the open-door policy. It has become stronger since the early 1990s and even stronger since the beginning of the new century. China's economic achievement, or miracle, has made other countries envious (to some extent, a little worried),⁹ a development in turn that made the Chinese leaders reshape their policy. The year 2002 was the first year after China's entry into the World Trade Organization (WTO), giving China more opportunities to construct a closer relationship of political economy with other countries under the framework of the institutionalized WTO. In so doing, Chinese leaders proposed the strategy of "going global" that is aimed at bringing Chinese enterprises overseas, in contrast to the open-door policy that invited foreign capital into the Chinese market. According to China's Ministry of Commerce, several measures were taken in 2002 to promote the "go global" policy, such as enacting laws and regulations for enterprises' overseas investment; improving the administration

5. In the *Yearbook of China's Diplomacy 1991*, China for the first time indicated that the focus of its diplomacy in 1990 was on the development of its relations with neighboring countries, which initiated the so-called "Good Neighbor Policy." Editorial Office of Diplomatic History, *Yearbook of China's Diplomacy 1991*, Beijing: World Knowledge Publisher, May 1991, p. 11.

6. S.D. Muni, *China's Strategic Engagement with the New ASEAN*, p. 16.

7. The PRC established diplomatic relations with Laos in April 1961, but both sides experienced a strained relationship from the late 1970s to the mid-1980s.

8. China dispatched an official delegation to visit Vietnam in October 1991, the first of its kind since the birth of the PRC in October 1949.

9. There are a number of publications covering the debate over the rise of China. See for instance, David Shambaugh, "China's Military: Real or Paper Tiger?" *Washington Quarterly*, vol. 19, No. 1 (Spring, 1996), pp. 19-36; and David Shambaugh, "Containment or Engagement of China? Calculating Beijing's Response," *International Security*, vol. 21, No. 2 (Autumn, 1996), pp. 180-209.

of the employment of foreign contract workers; helping enterprises to undertake large-scale projects in key countries;¹⁰ fulfilling the achievements of the leaders' visits to foreign countries; and assisting enterprises to develop foreign investment and cooperation.¹¹

The year 2002 also witnessed China's closer linkages with ASEAN. China reached a number of important agreements and held some key meetings with ASEAN in that year, including the agreement to establish a free trade area at the Sixth ASEAN-China Summit on November 4, 2002; the first meeting for ministers responsible for economic affairs in September 2002; the first meeting for ministers responsible for communication affairs, also in September 2002; and the Joint Declaration of ASEAN and China on Cooperation in the Field of Non-Traditional Security Issues in November 2002. In October 2003, at the Seventh ASEAN-China Summit, China endorsed the Instrument of Accession to the Treaty of Amity and Cooperation (TAC) in Southeast Asia, which was enacted in 1976. All these moves took place under the "go global" strategy.

While the "go global" strategy continues to target African countries—China's traditional partners—this policy has also put much weight on China's neighboring countries in Southeast Asia. It should be noted that when China initiated the "go global" strategy, it also continued its "good neighbor" policy. When Hu Jintao paid a visit to three Southeast Asian countries (Indonesia, Brunei, and the Philippines) in April 2005, he publicly reiterated three key elements for China's policy toward Southeast Asia: good neighbors, stabilizing neighbors, and enriching neighbors. The "go global" strategy actually has been empowered by the continual practice of the "good neighbor" policy.

10. For instance, railway building in the south of Malaysia and a cement mill in Burma were two of the major projects undertaken in 2002. *Yearbook of China's Foreign Economic Relations and Trade 2003*, English edition, p. 53.

11. *Yearbook of China's Foreign Economic Relations and Trade 2003*, English ed., pp. 52-53.

Exchanges of Visits by High-Level Officials

Visits of Ministerial Officials

The exchange of visits of high-level officials is the most significant indicator of closeness among nations. The more frequent the visits of high-level officials between two countries, the better the relations between the two. High-level officials rarely exchange visits when a cordial relationship does not exist between two countries. Thus, an initial understanding of China's changing political economy with Southeast Asia can emerge by considering the frequency of visits of high-level officials in the last two decades.

Due to its unstable relations with Southeast Asia in the 1960s and 1970s, China rarely dispatched high-level delegations to Southeast Asia. Even when China began to implement the open-door policy in 1979, the mainland's relations with Southeast Asia were not significant, as compared for instance to its connections with Africa. China improved its relations with Southeast Asia starting in the late 1980s, however. Between 1988 and the mid-1990s, cabinet ministers from China and Southeast Asian countries were the key actors in the exchange of high-level visits, whereas heads of states from both sides started regular exchanges of visits with the outbreak of the Asian financial crisis.

The most significant exchange of visits was of cabinet ministers responsible for trade affairs between China and Malaysia in 1988. Then, both countries signed an Investment Protection Agreement and an Agreement for the Establishment of a Sino-Malaysian Joint Economic and Trade Committee. Malaysia's Minister of Trade and Industry, Datuk Seri Paduka Rafidah Aziz, visited China again in 1989, and so did Tan Sri Wee Bon Pin, chairman of the Malaysian Chinese Chambers of Commerce in 1989. Two years later in 1991, China and Malaysia started the first Joint Committee on Trade and Economic Cooperation. Malaysia's relations with China were further upgraded when Prime Minister Dr. Mahathir Mohamad led a large delegation to China in 1993.

China and Thailand also exchanged diplomatic recognition in the mid-1970s, but they did not increase the frequency of the exchange of visits of cabinet ministers until the late 1980s. In

addition to the exchange of the visit of a trade group between the two countries in 1988, Thailand's Deputy Minister of Foreign Affairs Lt. Prapas Limpabandhu, in February 1989, led a delegation to visit China and co-chaired the Fourth Session of the Sino-Thai Joint Committee on Economic Cooperation with his Chinese counterpart, Li Xuejian. Both officials signed a trade protocol between the two countries. China's relations with Thailand further improved thereafter thanks to more frequent exchanges of visits among high-level officials, including Chinese Premier Li Peng's visit in 1990, China's President Yang Shanquan's visit in June 1991, and Thai Deputy Prime Minister Amnuay Viranvan's visit to China in March 1996.

Regarding China's relations with the Philippines, the most significant visit was that of former president Corazon Aquino in April 1988, the first one after the "people power" revolution in February 1986. This was also the first head of government from Southeast Asia to visit China after Singapore's Prime Minister Lee Kuan Yew's visits to China in the 1970s.¹² Although Mrs. Aquino's visit to Beijing was oriented toward economics through the signing of two agreements (the Sino-Philippines Trade Protocol 1988 and the Memorandum of Understanding on Trade), both countries greatly improved their political relations. President Fidel Ramos, Mrs. Aquino's successor, also paid a state visit to China in early 1993, and later in November 1996, China's President Jiang Zemin visited the Philippines, attending an informal summit of the Asia-Pacific Economic Cooperation (APEC) forum. It should be noted that the Philippines was the first Southeast Asian country to establish a joint meeting on bilateral economic cooperation with China. The joint meeting started in the late 1970s and was directed by the ministers responsible for trade affairs in both countries.

The year 1990 showed, due to the implementation of the good-neighbor policy, a leap in China's relations with Indonesia when the two countries restored their full diplomatic relations in August 1990.¹³ Premier Li Peng paid a state visit to five Southeast Asian countries in August 1990—Indonesia, Singapore, Thailand,

Malaysia, and the Philippines. In return, President Suharto of Indonesia led a large delegation to visit China in November 1990, the first time that the leader of the Muslim state had paid a state visit to China since the abortive communist coup in 1965. Both governments signed a Memorandum of Understanding on the Establishment of the Sino-Indonesian Joint Committee on Economic, Trade, Scientific and Technological Cooperation. The year 1991 was also significant for both China and Indonesia, because the two governments dispatched more than ten cabinet ministers to the other country.¹⁴ Also, China and Indonesia began the first Joint Committee on Trade and Economic Cooperation in 1991,¹⁵ laying a foundation for further economic cooperation between the two giants in Asia.

China's relations with Singapore have been further strengthened since 1990, not only because of the already close political and economic relations between the two parties, but also because of the diplomatic exchanges of these two countries in October 1990. In 1991, Singapore dispatched three high-level delegations to visit China, including Lee Hsien Loong (then Deputy Prime Minister and Minister of Trade and Industry) in May, and Mah Bow Tan (then State Minister of Ministry of Trade and Industry) and President Wee Kim Wee in September. In particular, the Singapore government in 1991 relaxed restrictions on the establishment of Chinese economic and trade organizations in Singapore and allowed China to establish solely Chinese-funded enterprises in Singapore, widening the political and economic relationship between the two Chinese-oriented countries. Frequent visits of high-level officials between these two countries continued thereafter, including Chinese President Yang Shangkun's visit to Singapore in January 1992, Singapore Prime Minister Goh Chok Tong's visit to China in early 1993, and Senior Minister Lee Kuan Yew's visit to China in October 1994.

12. Lee paid his first official visit to China in May 1976, one year after his foreign minister, S. Rajaratnam, visited China in March 1975.

13. Afterwards, China established full diplomatic relations with Singapore in October 1990 and with Negara Brunei Darussalam in October 1991.

14. Seventeen Indonesian ministers visited China, while the latter dispatched thirteen ministers to visit the former. See *Almanac of China's Foreign Economic Relations and Trade 1992/1993*, English ed. (Beijing: China's Foreign Economic Relations and Trade Publishing House, 1992), p. 426.

15. Indonesia also removed restrictions on visits by its citizens to China in 1991.

Visits of Heads of State

While ministerial officials kept exchanging visits, China and Southeast Asia began to have more frequent visits of heads of state at the turn of the century, demonstrating a closer political partnership between the two sides.

Taking the Sino-Vietnamese relationship as an example, most Chinese leaders have visited Vietnam since 1997, and some of them even visited the communist party-led socialist neighbor more than once. Former President Jiang Zemin, for example, paid a visit to Vietnam in February 2002, while Premier Zhu Rongji visited Vietnam in December 1999. Before becoming China's president, Hu Jintao (then vice president) visited Vietnam twice in December 1998 and in April 2000. After assuming China's top leadership post in March 2003,¹⁶ Hu paid his first state visit to Vietnam on November 1, 2005. During his two-day visit to Vietnam, Hu not only met his Vietnamese counterpart but also was invited to make a speech before Vietnam's National Assembly.

As for Vietnam, almost all of its leaders have visited China since 1998, including Prime Minister Phan Van Khai in October 1998, in February 2000, in May 2004, and in June 2005; the former secretary general of the Communist Party of Vietnam, Le Kha Phiew, in February 1999; and State President Tran Duc Luong in December 2000 and in July 2005. Nong Duc Manh, the current Secretary General of the Communist Party of Vietnam, visited China twice (in November 2001 and April 2003) after taking the highest post in Vietnam.¹⁷

The leaders of the Philippines have also visited China since the downfall of Ferdinand Marcos in February 1986, including Corazon Aquino in April 1988, Fidel Ramos in April 1993, and Joseph Estrada in May 2000. Mrs. Gloria Macapagal-Arroyo, the incumbent president of the Philippines, visited China twice in October 2001 and in September 2004, after becoming the head of

state.¹⁸ Similarly, most Chinese leaders have also visited the Philippines during the past decade, including Jiang Zemin in 1996, Zhu Rongji in November 1999, Li Peng (then Chairman of the Standing Committee of the National People's Congress) in September 2002, and Wu Bangguo (Chairman of the Standing Committee of the National People's Congress) in August 2003. Hu Jintao also paid a state visit to the Philippines in April 2005 after becoming the top leader in China.

China's relationship with Singapore is even more significant. When Goh Chok Tong was serving as Singapore's prime minister, he visited China six times (in 1992, 1993, 1995, 1998, 2000, and 2003). After Lee Hsien Loong was sworn in to the highest post in the Singapore government in August 2004, he met Chinese leaders three times on different official occasions before making his first official visit to the PRC in October 2005.¹⁹ Minister Mentor Lee Kuan Yew has also visited China more than twenty times (including official visits and conference visits) since resigning from the post of prime minister in November 1990. A number of Chinese leaders have also been invited to visit Singapore in the last decade, including Li Peng in 1997, Zhu Rongji in 1999 and 2001, Hu Jintao (then vice president) in April 2002, and Vice Premier Wu Yi in September 2005.

Indonesia restored full diplomatic relations with China only in late 1990, but all of its leaders were invited to visit China after the downfall of Suharto in May 1998. These included former President Wahid in December 1999 and former President Megawathi Sukarnoputri in March 2002. Susilo Bambang Yudhoyono, the current president, was also invited to visit China in July 2005, after becoming the head of state in October 2004.²⁰ Chinese leader Hu Jintao actually had met President Yudhoyono earlier during the APEC informal summit in San Diego in November 2004. Simi-

16. Hu Jintao actually succeeded Jiang Zemin as Secretary General of the Chinese Communist Party at the 16th National Party Congress in November 2002.

17. Nong Duc Manh became the new leader of the Communist Party of Vietnam at the Ninth National Party Congress in April 2001.

18. Mrs. Arroyo took the presidency in January 2001 and won the presidential election in May 2004.

19. Lee Hsien Loong met Chinese Premier Wen Jiabao twice (i.e., at the 5th Asia-Europe Meeting in October 2004 and at the ASEAN Plus Three Summit in late November 2004), and he also met Chinese President Hu Jintao during the APEC Summit in Chile on November 20, 2004.

20. After a two-round presidential election, Yudhoyono finally won the campaign and was sworn in as the sixth president of Indonesia on October 20, 2004.

larly, Indonesia has also invited Chinese leaders to visit the Muslim state, including Zhu Rongji in November 2001, Li Peng in September 2002, and Premier Wen Jiabao in January 2005. Hu Jintao was specifically invited to visit Jakarta, attending the celebration of the fiftieth anniversary of the Asia-Africa Summit in April 2005.

Chinese leaders have also been frequently invited to visit Thailand since the outbreak of the Asian financial crisis, including Jiang Zemin in 1999 and Zhu Rongji in 2001. Hu Jintao also visited Thailand twice in 2000 as vice president, and in October 2003 as president. Similarly, most of Thailand's prime ministers have also been invited to visit China in the last decade, including Prime Minister Thaksin Shinawatra in August 2001, in June 2004, and in July 2005 for the celebrations of the thirtieth anniversary of establishing full diplomatic relations between the two countries.²¹ In late November 2005, Thailand's Deputy Prime Minister Surakiart Sathirathai paid a visit to China for the Sino-Thai Joint Committee on Economic Cooperation and Development. In addition, members of Thailand's royal family have also visited China in the last decade, strengthening bilateral relations between the two countries.

China has made similar efforts in promoting its relations with Malaysia since the turn of the century. Former Prime Minister Dr. Mahathir Mohamad was invited to visit China several times before he stepped down in October 2003, and Dato'Seri Abdullah Ahmad Badawi,²² the current prime minister of Malaysia, was also invited to visit China in May 2004 to celebrate the thirtieth anniversary of establishing full diplomatic relations of the two countries. Chinese leaders, by the same token, have also frequently visited Malaysia, including former premiers Li Peng and Zhu Rongji (in 1997 and in 1999, respectively), and then vice president Hu Jintao in 2002. More recently, Chinese Premier Wen Jiabao paid an official visit to Malaysia on December 11, 2005 for the Ninth ASEAN-China Summit, the Ninth ASEAN Plus Three Summit

21. Thaksin was recently ousted by a military coup on September 19, 2006, only a few hours prior to his speech at the United Nations General Assembly.

22. Badawi succeeded Mahathir as the fifth prime minister of Malaysia on October 31, 2003.

(i.e., China, Japan and South Korea), and the first East Asia Summit (EAS) in Kuala Lumpur.²³

As for China's relations with Cambodia, Laos, Burma, and Brunei, the exchange of visits among top leaders has also been frequent in the last decade, showing a closer relationship between China and these neighboring countries. For instance, Cambodia's Prime Minister Hong Sen, Burma's Prime Minister General Soe Win, and Laos' Vice President Chou Ali Saignason paid visits to China for the Second ASEAN-China Fair in Guangxi on October 19, 2005. With four parts (individual countries, product exhibition, investment cooperation, and tourism), the theme of this Second ASEAN-China Fair was the promotion of free trade areas between the two parties, an event that attracted more than 2,100 enterprises.

Enhancing Economic Relations: Trade and Investment

As China upgraded its political interactions with Southeast Asia due to the above three policy initiatives, its economic relations with Southeast Asia also significantly strengthened. In examining economic relations between the two, two indicators—trade and investment—are used here.

China's Trade with Southeast Asia

Trade includes imports and exports, which reflect economic needs and supplies among countries. These economic interactions, however, are not purely oriented by economics; by and large they are influenced by politics. Countries with cordial relationships or with certain official agreements between them are likely to foster a favorable trade environment. Conversely, hostile countries or closed societies are not likely to have significant trade relations with other countries, which sometimes even place prohibitions or set up hurdles to discourage trade with countries in disfavor. Prior to the implementation of the open-door policy in 1979, China did not maintain a favorable relationship with its southern neighbors,

23. The EAS has sixteen members: China, Japan, South Korea, India, Australia, New Zealand, and the ten ASEAN states.

which slowed down trade interactions between the two sides.

China's trade relations with Southeast Asia have changed, however, since China opened its door to the world, particularly since the early 1990s. When China and Indonesia restored full diplomatic relations in 1990, for example, both countries not only signed a memorandum on the restoration of full diplomatic relations, they also established the first Joint Committee on Economic, Trade and Technical Cooperation. Due to the increasing interactions between these two countries during the 1990s, China and Indonesia decided, in December 2001, to expand the scope of bilateral economic cooperation to include cooperation in agriculture, energy and natural resources, and basic infrastructure. In March 2002, China and Indonesia established a Forum on Energy, and later in September 2002, they convened the first meeting on energy.²⁴ It is in this way that China has expanded its trade with Indonesia since 1990, and this course of events is one similar to that of China's trade relations with other countries in Southeast Asia.

In addition, China established a Joint Committee on Economic, Trade and Technical Cooperation with almost every country in Southeast Asia. Some countries like the Philippines set up a joint committee with China earlier, in the late 1970s, while Burma and Laos were the last two Southeast Asian countries to establish a committee with China, in June 1997.²⁵ Furthermore, various agreements and memoranda have been signed during the exchange of visits among high-level officials between China and Southeast Asian countries since the late 1980s, including China's trade and aviation agreements with the Philippines, Thailand, and Singapore in 1988, and naval agreements with Thailand and Malaysia, also in 1988. These agreements have since contributed to the expanding trade between China and almost all countries in Southeast Asia.

According to China's official statistics, the volume of China's trade with Southeast Asia has shown great progress since the

late 1980s, as demonstrated in *Table 1*. In 1988, for example, the volume of bilateral trade between China and ASEAN was \$3.8 billion, but this figure kept expanding dramatically, from over \$4.3 billion in 1990 to over \$10.6 billion in 1993 and to \$19.4 billion in 1995, whereby ASEAN's share in China's entire trade reached just under 7 percent by 1995.²⁶ One more thing to be noted on China's trade with Southeast Asia prior to 1995 is that bilateral trade was generally in favor of China, despite the gradual narrowing of the gap between the two.

Since 1996, China's trade with Southeast Asia has significantly changed, not only because of the expanding trade volume between the two but also because of China's increasing deficits in its trade with Southeast Asia. The volume of bilateral trade has dramatically enlarged, from \$20.39 billion in 1996 to \$39.52 billion in 2000, \$78.25 billion in 2003, and \$105.9 billion in 2004, as shown in *Table 1*. The share of China-ASEAN trade in China's entire trade volume has also kept increasing, from 7 percent in 1996 to 8.2 percent in 2001 and 9.2 percent in 2004, showing closer economic relations between the two.

It is more important to examine the structural change of China's trade with Southeast Asia since 1996, mainly because the bilateral trade has become favorable to Southeast Asia. China's unfavorable trade balance with Southeast Asia has kept enlarging, from \$1 billion in 1996 to \$4.82 billion in 2000, \$16.4 billion in 2003, and \$20.08 billion in 2004. This figure also means that Southeast Asia's exports to China have significantly expanded since 1996, implying Southeast Asia's increasing trade dependence on China. Moreover, at the Fifth ASEAN-China Summit in November 2001, both sides identified information and communications technology (ICT) as one of the five priority areas of cooperation between ASEAN and China. This was strengthened upon the signing of the Memorandum of Understanding between ASEAN and China on Cooperation in Information and Communications Technology in October 2003, and was further upgraded as the PRC and ASEAN ministers responsible for ICT convened the first meeting and reached a series of agreements in May 2005.

24. See at www.fmprc.gov.cn/chn/wjlb/zzjg/yzs/gjlb/1333/default.htm (July 13, 2005).

25. *Almanac of China's Foreign Economic Relations and Trade 1998/99* (Beijing: China's Foreign Economic Relations and Trade Publish Housing, 1998), p. 420.

26. Southeast Asia could generally be represented by ASEAN, which has since 1999 included all countries in Southeast Asia except for East Timor, which declared independence on May 20, 2002.

Table 1. China's Trade with ASEAN

(in US\$ billions)

	Imports	Exports	Total	Share of China's total trade
1988	1.53	2.28	3.81	4.74%
1989	1.62	2.52	4.14	5.1%
1990	1.26	3.12	4.38	5.15%
1991	3.82	4.14	7.96	5.9%
1992	4.20	4.26	8.46	5.1%
1993	6.00	4.68	10.68	5.4%
1994	6.83	6.37	13.20	5.57%
1995	9.73	9.76	19.49	6.95%
1996	10.69	9.69	20.39	7.0%
1997	12.33	12.03	24.36	7.5%
1998	12.56	10.92	23.48	7.2%
1999	14.9	12.3	27.2	7.5%
2000	22.18	17.34	39.52	8.3%
2001	23.23	18.38	41.61	8.2%
2002	31.20	23.56	54.76	8.8%
2003	47.33	30.92	78.25	9.2%
2004	62.97	42.90	105.9	9.2%

Sources: *Almanac of China's Foreign Economic and Trade Relations* (Beijing: China Foreign Economic Relations and Trade Publishing House, various issues). In 2003, *The Almanac of China's Foreign Economic and Trade Relations* was renamed the *Yearbook of China's Foreign Economic Relations and Trade*, which was renamed again the *China Commerce Yearbook* in 2004.

Notes: (1) The 1995 figure includes Vietnam, because it joined ASEAN on July 28, 1995.

(2) The 1998 figure includes Laos and Burma, because of their new membership in ASEAN.

(3) Cambodia joined ASEAN on April 30, 1999 and is therefore included in the 1999 figure of China's trade with ASEAN.

China's Investments in Southeast Asia

Both China and Southeast Asia are major destinations for foreign direct investment (FDI), rather than sources of FDI into each other. From the perspective of Southeast Asia, China is not a major foreign investor in the region in spite of agreements reached with most of the ASEAN states on investment protec-

tion during the 1980s and 1990s. According to ASEAN's statistics, China's investment in Southeast Asia was only \$136.7 million in 1996, and this figure has gradually declined a little since then to \$62.5 million in 1999, \$60.8 million in 2001, and \$12.8 million in 2003.²⁷ The share of China's investment in the region's entire FDI has also declined since 1996, from 0.49 percent in 1996 to 0.23 percent in 1999, 0.31 percent in 2001, and 0.07 percent in 2003. It should be noted that 2002 even showed negative growth in both the amount of China's investment in Southeast Asia and the share of China's investment in the region's entire FDI.

Despite these low figures, things have changed since the beginning of the new century and China's implementation of the "Go Global" strategy in 2002. This policy is aimed at encouraging China's enterprises to make investments overseas, which is empowered by a series of favorable policies and measures, including the Provisional Regulations on Overseas Investment Administration (drawn up in 2002), the Regulations on the Administration of Foreign Contract Works (in active preparation since 2002), the Provisions Dealing with Quality and Safety Problems of Foreign Contract Works (issued in 2002), and Administrative Regulations on Foreign Labor Cooperation (drafted in 2002).

According to China's official statistics, Chinese investments in Southeast Asia have increased, and are much larger than those shown in ASEAN's statistics. By the end of 1997, China's total investment in seven Southeast Asian countries was \$870 million, including joint ventures or joint management ventures, of which \$320 million came out of China.²⁸ By the end of 2000, the amount invested by Chinese enterprises in Southeast Asia totaled \$893 million, \$458 million of which was from China.²⁹

In recent years, Chinese official reports continue to show an increase in its investment in Southeast Asia. By the end of 2002, Chinese enterprises had invested a total of \$1.2 billion in Southeast

27. The ASEAN Secretariat, *ASEAN Statistical Yearbook, 2004* (Jakarta: ASEAN Secretariat, 2004), p. 142.

28. *Almanac of China's Foreign Economic Relations and Trade 1998/1999*, English ed. (Beijing: China's Foreign Economic Relations and Trade Publishing House, 1998), p. 420.

29. *Almanac of China's Foreign Economic Relations and Trade 2001*, English ed., p. 547.

Asia, of which \$716 million came out of China.³⁰ In 2002 alone, Chinese enterprises made a total investment, including joint ventures and joint management ventures, of \$109 million in Southeast Asia, \$66.4 million of which was from China.³¹ In 2004, China contributed \$224 million of investment in Southeast Asia, bringing China's entire investment in Southeast Asia up to \$775 million by the end of 2004.³²

Accordingly, China can count some achievements in its investments in Southeast Asia since the beginning of the new century. Singapore has absorbed the largest amount of investment from China during the last two decades, and, as a result, has become a platform for Chinese enterprises doing business in the region. Among the 1,500 Chinese companies registered in Singapore, the five largest banks in China have already established branch offices in the city-state; and Singapore Airlines alone gets 80 percent of its flight attendants from China. In addition, according to Li Zichun, while China's entire outward FDI was estimated at less than \$40 billion prior to 2000, it invested another \$40 billion abroad in the period from 2000 to 2004.³³ It is, therefore, predictable that China's investment in Southeast Asia will continue to expand in the years ahead as China's economy keeps on growing and China sustains its "go global" strategy.

Expanding Tourism

Tourism is not seen as a basic economic activity; rather, it is regarded as part of the entertainment and recreation industry. International tourists from a sending country to a receiving country, however, will bring progress in a series of industries (e.g. hotel, restaurant, transportation, and entertainment-related manufacturing) to the receiving country, which will then contribute to creating new job opportunities and economic develop-

ment in the receiving country. As a result, tourism has become an indicator of the economic strength of a sending country due to the financial capability of its citizens to go abroad. The more tourists one country can bring to other countries, the better the economy. Tourism has also become an indicator by its share in gross national product (GNP) of the receiving country. The greater the share of tourism in a country's GNP, the better the capability of this country in attracting foreign visitors. International tourism, for example, accounted for 5.3 percent of the GDP of Southeast Asian countries in 2002, a figure that declined a little to 4.57 percent in 2003.

The course of China's tourism with Southeast Asia also explains the changing political economy of the two sides in the last decade. The number of international arrivals from China to ASEAN countries in the 1980s was insignificant. But a gradual improvement has occurred since the early 1990s, and China has become the fourth largest country of origin of international visitors to Southeast Asia since 1999, next to Singapore, Malaysia, and Japan. The year 1999 also shows for the first time that the number of China's visitors to Southeast Asia exceeded that of Taiwan's and South Korea's.³⁴ If Singapore and Malaysia, the two Southeast Asian countries, are excluded, the number of China's visitors to Southeast Asia is next only to Japan since the beginning of the new century.

If China and Malaysia are compared, while China's visitors to Southeast Asia have significantly increased, there has only been a small increase in the number of Malaysian visitors to the region. Comparing 2003 and 2004, China's visitors to Southeast Asia were 708,178 fewer than those of Malaysia in 2003, but this figure was reduced to only 178,901 in 2004.³⁵ This suggests that the number of China's tourists to Southeast Asia is gradually catching up to that of Malaysia, and it is predictable that China will soon exceed Malaysia, becoming the third-largest source of international arrivals to Southeast Asia.

Comparing China's and Japan's growth rate in the number

30. *Yearbook of China's Foreign Economic Relations and Trade 2003*, English ed., pp. 257-58.

31. *Ibid.*, English ed., p. 257.

32. *China Commerce Yearbook 2005*, English ed., p. 123.

33. From a speech delivered by Li Zichun (Councilor of Commerce, Chinese Embassy in Singapore) on July 7, 2005.

34. In 1999, China's visitors to Southeast Asia numbered 1.9 million, whereas those of Taiwan were 1.7 million and South Korea's were 1.1 million.

35. See www.aseansec.org/tour_stat/Top%2010%20Visitor-2004.htm (July 18, 2005).

of arrivals to Southeast Asia, it is significant to note that China has also shown a much faster growth rate, not only from 1995 to 1998 (22.74 percent for China versus -2.33 percent for Japan), but also from 1998 to 2004 (13.09 percent for China versus 2.12 percent for Japan).³⁶ Comparing China's and Japan's share of visitor arrivals to Southeast Asian countries, we find that Japan's share has gradually declined since 1997 (from 11.7 percent in 1997 to 8.4 percent in 2001 and to 7.0 percent in 2004) whereas China's share shows an increase from 4.1 percent in 1997 to 5.8 percent in 2001 and 6.3 percent in 2004.³⁷ Accordingly, it is anticipated that China's share of visitor arrivals to Southeast Asia will exceed that of Japan in the near future.

Similarly, China's growing rate of visitor arrivals to Southeast Asia has been the largest since the mid-1990s. The turning point came in 1996 when the number of visitors from China grew by 55.9 percent in that year, the largest growth rate of any country. If growth rates in the number of visitors to Southeast Asia during the period from 1995 to 2002 are compared, China demonstrates the highest (19.41 percent) in contrast with the average of ASEAN countries (6.21 percent) and the rest of the world (5.50 percent).³⁸ Accordingly, as China's economy keeps on growing, it seems that China will continue to expand its tourism to Southeast Asia, showing its greater importance and contributions to the economic development of Southeast Asia.

Closer Linkages with ASEAN

In addition to strengthening political-economic relations with individual countries in Southeast Asia, China has also been very active in cultivating ties with ASEAN. The PRC was actually hostile to the creation of ASEAN when it was founded in August 1967, mainly because of China's confrontational relationship with the United States during the cold war.³⁹ Circumstances gradually

36. *ASEAN Statistical Yearbook 2005* (Jakarta: ASEAN Secretariat, 2005), pp. 234-35.

37. *Ibid.*, pp. 235-36.

38. ASEAN Secretariat, *ASEAN Statistical Yearbook, 2004* (Jakarta: ASEAN Secretariat, 2004), p. 227.

39. China was even contemplating exerting control over Southeast Asia in

changed once the PRC entered the United Nations in 1971, replacing the Republic of China (ROC, Taiwan) as a permanent member of the UN Security Council. As the PRC continues to open its doors to the world, and with the implementation of the good-neighbor and "go global" policies, its linkages with global institutions are strengthening, including its connections with ASEAN, particularly since the early 1990s.

China was, for the first time, invited to participate in ASEAN in July 1991 for the Twenty-fourth ASEAN Post-Ministerial Meeting as a consultative partner. Qian Qichen, then China's foreign minister, expressed interest in strengthening cooperation with ASEAN, officially introducing the policy of good neighborliness. Three years later, in July 1994, China and ASEAN established two committees, the ASEAN-China Joint Committee on Economic and Trade Cooperation and the ASEAN-China Joint Committee on Science and Technology. That same month the PRC joined and became one of the founding members of the ASEAN Regional Forum (ARF),⁴⁰ agreeing to have consultations on political and security issues of common concern with ASEAN countries. China's attachment to the ARF is very significant, mainly because it indicates China's increasing linkages with Southeast Asia not only in economic affairs but also in political and security matters.

In July 1996, China was accepted as a full dialogue partner of ASEAN, beginning a new era of linkages with ASEAN. The outbreak of the Asian financial crisis hurt most Southeast Asian economies, but it gave China another opportunity to upgrade its relations with ASEAN; the First ASEAN-China Summit (the so-called "10+1" Summit) was convened in November 1997 and it

the 1960s. In August 1965, Chairman Mao Zedong delivered a speech to the Communist Party politburo in which he reportedly said: "We must without fail get hold of Southeast Asia, including South Vietnam, Thailand, Burma, Malaysia, and Singapore. . . . After we get hold of Southeast Asia, the wind from the East will prevail over the wind from the West." G. K. Gahrana, *China, Asia and the World* (New Delhi: New Delhi Publications, 1984), p. 7.

40. Founded in July 1994, the objectives of the ARF include: fostering constructive dialogue and consultation on political and security issues of common interest and concern; and making significant contributions to confidence building and preventive diplomacy in the Asia-Pacific region. See www.aseansec.org/3530.htm for July 21, 2005.

has continued to meet to the present.⁴¹ At that time China provided a loan of \$1 billion to Thailand under the framework of the International Monetary Fund, offered preferential loans to Burma, Vietnam, and Laos, and granted economic aid to Burma, Vietnam, Laos, Cambodia, and Indonesia.

China's linkages with ASEAN continue to expand at the turn of the century. In November 2000 at the Fourth ASEAN-China Summit,⁴² Premier Zhu proposed to strengthen China's economic relations with ASEAN by establishing a free trade area (FTA) between the two sides. After a series of talks among high-level officials, this proposal was officially announced at the November 2001 ASEAN-China Summit and was enacted on November 4, 2002 at the Sixth ASEAN-China Summit in Phnom Penh, Cambodia.⁴³ At that time Zhu and ASEAN leaders signed the "Framework Agreement on Comprehensive Economic Co-operation between the ASEAN and the PRC."⁴⁴ This framework laid the foundation for the eventual establishment of an ASEAN-China FTA by 2010 for ASEAN's older members and 2015 for the new members.⁴⁵ The agreement went into force on July 1, 2003.

In addition to this significant achievement for China and ASEAN, the year 2002 also demonstrated overall progress on the linkages between the two parties. In September, China and ASEAN started the First Economic and Trade Meeting for Economic Ministers and the First Meeting for Ministers of Transportation. Later, at the Sixth ASEAN-China Summit on November 4, 2002, leaders of China and ASEAN also publicized the Joint Decla-

41. The ASEAN Plus Three Summit (the "three" refers to China, Japan and South Korea) was also, for the first time, convened in November 1997, and China has been participating in the "10+3" Summit since then.

42. The Sixth ASEAN Summit was held at the same time.

43. The Eighth ASEAN Summit was held at the same time.

44. There are many studies of the ASEAN-China FTA; see, for example, Kevin G. Cai, "The ASEAN-China Free Trade Agreement and East Asian Regional Grouping," *Contemporary Southeast Asia*, vol. 25, No. 3 (December, 2003), pp. 387-402; and S. Chirathivat, "ASEAN-China FTA: Background, Implications and Future Development," *Journal of Asian Economics*, No. 13 (2002), pp. 671-86.

45. The old members of ASEAN include Thailand, Malaysia, Singapore, Indonesia, the Philippines, and Brunei; ASEAN's new members are Vietnam, Cambodia, Laos, and Burma.

ration of ASEAN and China on Cooperation in the Field of Non-Traditional Security Issues, which set up priorities on bilateral cooperation to combat trafficking in illegal drugs, people-smuggling (including trafficking in women and children), piracy on the high seas, terrorism, arms-smuggling, money-smuggling, money-laundering, international economic crime, and cyber crime.⁴⁶

China's linkages with ASEAN have continued to strengthen in recent years. In October 2003 at the Seventh ASEAN-China Summit, China endorsed the Instrument of Accession to the Treaty of Amity and Cooperation (TAC) in Southeast Asia, which was originally enacted in 1976. Also in October 2003, leaders of China and ASEAN publicized the Declaration on Strategic Partnership for Peace and Prosperity, which was enforced by the signing of another Declaration on the Plan of Action to implement the above Declaration at the Eighth ASEAN-China Summit in November 2004.

China's recent economic linkages with ASEAN are particularly significant. During the Eighth China-ASEAN Summit on November 29, 2004 in Laos, leaders from both sides signed three more important documents: the Agreement on Trade in Goods, the Agreement on Dispute Settlement Mechanism of the Framework, and the Agreement on Comprehensive Economic Cooperation between ASEAN and PRC for the China-ASEAN Free Trade Area. Both sides actually have started their tariff concession process since the beginning of July 2005. Tariffs on most products will be reduced to zero from 2005 to 2010, implying further economic cooperation and integration between the two sides.

With the signing of these official documents since the late 1990s, it goes without saying that China is strengthening its linkages, on a wide range of issues,⁴⁷ with ASEAN. It is apparent that this development will be sustained for the foreseeable future.

46. For details, visit www.aseansec.org/13185.htm.

47. Recently, on October 30, 2006, Premier Wen Jiabao said, at a summit marking the fifteenth anniversary of ASEAN-China dialogue, that China and ASEAN should expand already blossoming economic links and "step up cooperation on cross-border issues concerning counter-terrorism. See transnational crimes, maritime security, rescue operations and disaster relief," at http://today.reuters.com/news/articlenews.aspx?type=politicsNews&storyid=2006-10-30T100539Z_01_SP196546_RTRU KOC_0_US-CHINA-ASEAN.xml (November 2, 2006).

It should be also noted that the ASEAN Plus Three (also known as "10+3") was expanded to the EAS when the EAS was first held in December 2005. The EAS will be convened once every other year, providing China with another opportunity to play a larger role in the development of political economy in the entire region.

Conclusion

This article has shown China's changing political economy with Southeast Asia, starting in the early 1980s with three key policy initiatives. The open-door policy, introduced in 1979, was a comprehensive mechanism that changed China's overall relations with the world, including Southeast Asia. The good-neighbor policy of 1990 was directed at China's neighbors, Southeast Asia principal among them. The "go global" strategy of 2002 aimed at pushing China's investments and enterprises abroad, in contrast with the open-door policy that brought international capital into the Chinese market.

China actually experienced a confrontational relationship with Southeast Asia from the 1950s to the 1970s, but because of these three policies, China has changed its political economy with both individual Southeast Asian countries and with the region as a whole. This article has demonstrated China's accord with Southeast Asia through four indicators. The first is the frequent exchanges of visits among high-level officials between China and Southeast Asian countries. Both sides rarely exchanged such visits during the first three decades after World War II, but visits between both sides since the late 1980s have been both regular and frequent. This is also the first time in history that high-level officials from both China and Southeast Asia have interacted so frequently.

The second indicator showing China's accord with Southeast Asia is China's increasing trade and investment relationship with Southeast Asia. Imports and exports between China and Southeast Asia have grown markedly. Although Southeast Asia has enjoyed a trade surplus with China since 1996, Southeast Asian countries have, in the meantime, enlarged their trade dependence on China. China's investment in Southeast Asia is

not as significant as its trade, but China has expanded its investments in Southeast Asia, particularly since the implementation of the "go global" policy in 2002.

The third indicator is China's expanding tourism to Southeast Asia. China has become the fourth-largest source of international arrivals to Southeast Asia since 1999, after Japan, Singapore, and Malaysia. If Singapore and Malaysia are excluded, China is the second-largest source of overseas visitors to Southeast Asia. As shown in this study, the growth rate in the numbers of China's visitors to Southeast Asia has been greater than that of Japan's to Southeast Asia since 1995, and China has also narrowed the gap with Japan in the share of international arrivals to Southeast Asia. It is predictable that China will exceed Japan as the largest source of international arrivals to the region in the near future.

The last indicator of China's accord with Southeast Asia is China's closer linkage with ASEAN in recent years. When China was first invited to attend the Twenty-fourth ASEAN Post-Ministerial Meeting as a consultative partner in July 1991, it began to strengthen its political economy with the most important regional organization. China has not only joined the decision-making process in economic affairs with Southeast Asia but also has taken part in consultation on political and security issues through the ARF. In addition to China's regular summit with ASEAN since 1997, China is scheduled to establish a free trade area with Southeast Asian countries beginning in 2010, a development that brings to fruition a series of agreements and memorandums between China and Southeast Asian countries, bilaterally and multilaterally.

Given the three policy initiatives from China and the ongoing developments between China and Southeast Asia since the late 1980s, it is apparent that China has changed its political economy with its neighbors to the south. Although some problems still exist between China and Southeast Asia (e.g., territorial disputes over the South China Sea⁴⁸ and China's increasing military strength in the region), the Asian giant has abandoned its confrontational relationship with Southeast Asia to history, and a new page of accord with countries in Southeast Asia has been turned. Given

48. China and the Southeast Asian countries have, in the 2002 Phnom Penh agreement, reached a consensus to respect the status quo over the sovereignty issue in the South China Sea.

China's sustained economic growth and the ongoing economic integration in the Asia-Pacific, it is predictable that China's accord with Southeast Asia will continue in the years ahead.

Principal References

- ASEAN Statistical Yearbook*. Jakarta: ASEAN Secretariat, various issues.
- Curley, Melissa G. and Hong Liu, eds. *China and Southeast Asia: Changing Socio-cultural Interactions*. Hong Kong: Center of Asian Studies, University of Hong Kong, 2002.
- Ho, Khai Leong and Samuel C. Y. Ku, eds. *China and Southeast Asia: Global Changes and Regional Challenges*. Singapore: Institute of Southeast Asian Studies, 2005.
- Muni, D. S. *China's Strategic Engagement with the New ASEAN*. Singapore: Institute of Defense and Strategic Studies, IDSS Monograph No. 2, 2002.
- Robinson, Thomas W. and David Shambaugh, eds. *Chinese Foreign Policy: Theory and Practice*. Oxford: Oxford University Press, 1995.
- Shambaugh, David. "Containment or Engagement of China? Calculating Beijing's Response," *International Security*, vol. 21, No. 2 (Autumn, 1996), pp. 180-209.
- Yearbook of China's Diplomacy*. Beijing: World Knowledge Publisher, various issues.
- Yearbook of China's Foreign Economic Relations and Trade*, English ed., various issues.