

Agenda

China's emerging role in Southeast Asian Affairs

- 1 Introduction China's insertion to the IPE
- 2 A critical perspective
- 3 How China's Soft Power Strategy Emerges
- 4 Components of Chinese Strategy
- 5 Chinese Tools of Influence
- 6 Decline of US soft power in SE Asia
- 7 Potential Chinese goals
- 8 Matrices of Chinese Success
- 9 Impact on the region and on US interests
- 10 Bilateral or regional!

Introduction

Globalization is rapidly changing the overall structure of the international division of labour with the shift of services and manufacturing from the old industrialized economies to the new emerging giants – the global office platform in India and the global factory floor in China

China a new 'Asian miracle' based on the premises and earlier experiences of the developmental state as exemplified in the 'command capitalist' strategy in Japan, South Korea and Taiwan

Literature on China concentrates on the country's ability and success to attract foreign investment and the accompanying high economic growth rates

World's most populous nation of some 1.3 billion- seventh largest economy in terms of GDP

Third-biggest trading nation after Germany and the US

FDI worth more than \$60 billion in 2004, the world's biggest FDI recipient

More than \$700 billion in foreign reserves

Spectacular rise in its share of world GDP, nearly tripling from 5 percent to 14 percent in a quarter of a century.

Total employment estimated around 750 million - one and a half times that of the whole of the OECD with enormous labour reserve in agriculture and the informal sector

These issues are well covered in the academic literature, but what is really new, is the fact that Chinese enterprises themselves are now investing worldwide and across a broad range of economic activities, ranging from trading and banking, to manufacturing and natural resource exploitation

UNCTAD (2005) China's outward FDI amounted to almost 39 billion in 2004. These data indicate that China has become a global player with operations established in more than 160 countries.

While the US administrations increase US indebtedness with billions and billions in order to keep forces in Afghanistan and Iraq and provide stimuli packages and nationalize banks and industries, China offered more than \$50 billion in investment and credits to countries inside the traditional Monroe Doctrine's shield

That sum surpasses President Kennedy's well known \$20 billion package for the decade of the Alliance for Progress in the 1960s

In 1975, Chinese trade with Latin America mounted to \$200 million; in 2004, it had reached over \$40 billion

China has become one of the foremost players in the era of globalization, which US leaders promoted without considering that China might avail itself of this opportunity to move into previously sacrosanct US spheres

It seems clear that the Chinese leadership attempts to increase its ability to attract and persuade the world community, regional groups and individual states to comply with its interests

A Critical Perspective

Critical comparative international political economy perspective (Cox 1990; Evans & Stephens 1988a and 1988b; Strange 1994 & 1996) which seeks to explain the interrelated variables, inconsistencies and disruptive effects of China's dramatic rise and insertion into the global political economy, and the concomitant increase of foreign debt in the United States and its obsession with security and terrorism, respectively

The focus then is broadened into one that not only takes the state alone into consideration but also realizes that: Through conscious political decision, elements of the Chinese leadership have chosen to integrate China – or at least, parts of China – into the global political economy. In the process, they have allowed Chinese sovereignty, in the economic sphere at least, to become 'perforated', and increased the number of actors in the policy sphere

However, any analysis of China's present overseas economic expansion and foreign policy interests, must also consider Chinese realpolitik and the underlying forces which shape these interests. It should especially include the fact that the state and local government authorities play a significant role makes it imperative to focus on these factors which are unique to China.

Thus include a security perspective on whether China's reliance on soft power is only a temporary phase on its way to regional cum global hegemony

The critical comparative international political economy perspective is based on an eclectic approach to East and Southeast Asian international relations, employing realism, liberalism and constructivism to analytically differentiate between the different dimensions of the system's *modus vivendi*

How China's Soft Power Strategy Emerges

- Domestic changes in China lead to pressure for a more proactive foreign policy
- Chinese leadership more engaged with the world
- Failure of more aggressive mid-1990s policies
- Impact of Asian financial crisis and beginning of American soft power decline
- China is using 'soft power' remedies to nurture 'alliances with many developing countries to solidify its position in the World Trade Organization, flex its muscles on the world stage and act as a counterbalance to US power'

Soft power arises from the attractiveness of a country's culture, political ideals, and policies. Hard power remains crucial in a world of states trying to guard their independence and of non-state groups willing to turn to violence

The neo-conservatives who advised Bush were making a major miscalculation: They focused too heavily on using military power to force other nations to do America's will, and they pay too little heed to US soft power. It is soft power that will help prevent terrorists from recruiting supporters from among the moderate majority. And it is soft power that will help us deal with critical global issues that require multilateral cooperation among states. And it is soft power that will help the US to deal with critical global issues that require multilateral cooperation among states. That is why it is so essential that America better understands and applies soft power (Joseph Nye)

Components of Chinese Strategy

- Leverage Rhetoric on Cooperation/Noninterference
- Pragmatism
- Born-again multilateralist
- Focus on countries where US bilateral relationship is faltering; outreach to developing nations
- China as a model for developing nations

Chinese Tools of Influence

- More sophisticated development assistance
- Better public diplomacy –media, informal summitry, visitor programming, Chinese Peace Corps
- More skilled formal diplomacy
- Outreach to ethnic Chinese in SE Asia
- Promotion of Chinese language and culture studies
- Promotion of China's future potential for outward investment
- Leveraging FTAs
- Outmigration to northern SE Asia

Decline of US soft power in SE Asia

- Financial crisis blowback
- Focus on counterterrorism
- The war in Iraq and Afghanistan
- Abu Ghraib, Guantanamo: US no longer viewed as lawful actor
- Decline of multilateralism
- Decrease in public diplomacy resources
- Changing regional economic models
- Visa policies
- Decline of US corporate brand appeal

Potential Chinese goals

- Stability on the perimeter
- Economic development and trade
- Perceptions of China as benign actor
- Control of waterways?
- Reducing Taiwan's and Japan's influence
- Access to resources
- A Chinese Monroe Doctrine?

Matrices of Chinese Success

- Perceptions of China as benign/ Perceptions of Chinese economic growth
- Public opinion polling
- Interest in Chinese language and culture
- Reception of Chinese elites
- Interest in China's model of development
- Perceptions of SE Asian Chinese
- Access to resources
- Taiwan increasingly excluded
- China using influence to persuade

Impact on the region and on US interests

- Positive: China becomes regional leader by mediating disputes
- Positive: China takes lead on nontraditional transnational issues
- Positive: China prods regional free trade
- Negative: China exporting its labor and environmental practices
- Negative: Chinese aid undermining tying of aid to better governance, and US influence over authoritarian nations: Weakens US promotion of democratization and good governance
- Negative: China could eventually use influence to push back at American relationships in SE Asia
- Negative: Potential structures in the region exclude US
- All in all a change in US policy towards China from a friendly competitor to a strategic rival.

Bilateral or regional

China's renewed interest in bilateral engagement with Southeast Asia comes in several spates

First and foremost, is the increase in development aid and trade volumes

Second is the increase of FDI both inward and outward

Third is related to China's need for oil, gas and other energy sources; and

Finally security, defence and diplomacy related matters which cannot be separated from the above

This strategy is embedded in a regional and multilateral umbrella

The figures imply that there is a clear strategic link between trade, FDI, ODA, military support and a specific focus on export of cultural values

China is already supporting language training in dozens of countries and reportedly has set a target of raising the number of foreigners studying Mandarin around the world to 100 million by 2010.

Currently, more than 30 million people worldwide are studying Mandarin. Since 2004, China's Education Ministry has opened cultural language centres called Confucius Institutes in over 20 countries. In 2004, 110,844 foreigners from 178 countries were studying Mandarin in China up 43 percent on 2003

In Southeast Asia, private language schools in Malaysia and Indonesia report rising enrolment in Chinese classes

This will also have important spill-over effects on future trade and investment patterns

- IMPACT

Globalization and Chinese encroachment into SEA has now turned the world into a beauty contest where the most attractive country or region will stand to gain the most from the flows of funds

In other words, the region has entered the race-to-the-bottom which implies a decrease in regulation levels of labour relations, as well as an irreversible process that seeks to exert a downward pressure on welfare and social benefits that are presumed to 'inhibit' the incentive to work

China has shown a definite readiness to use its growing soft power, notably economic leverage and national image and the benefits that accrue from non-material, ideational and cultural influences as a persuasive means to translate its influence into concrete policy interests

Beijing's new security concept can also be interpreted as aiming at undermining US influence in Southeast Asia and loosen its alliances with Thailand and the Philippines

Related to the soft power engagement in the region, China has taken a more active role in the ADB and was the prime mover in the establishment of the Boao Forum, the Asian version of Davos. All of these initiatives can be grouped under the rubric of China's new soft power security concept, which emphasizes cooperative (win-win) security, confidence building, and multilateral engagement. The popularity China has garnered from these activities is no doubt also enhanced by the economic opportunities it presents to regional states. Yet, without China's active engagement of multilateral institutions, its growing bulk might provoke more fear than admiration, much as it did during the early and mid-1990s. Beijing's multilateral engagement has enabled it to improve its material position and its image simultaneously. The fact that this engagement furthers Chinese interests does not make it any less welcome in the region