

China Builds Historic Links to ASEAN Nations

by Mary Burdman

The increasing economic linkage and interdependence among China and the ten nations of the Association of Southeast Asian Nations (ASEAN), is a development of great importance for the stability of Asia at this time. Many of these nations—Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand, Singapore, and Vietnam—never recovered from the catastrophic global crisis which broke out in Asia in 1997-98. The newest ASEAN members, Cambodia, Laos, and Vietnam, had been devastated by the prolonged war with the United States in the 1970s, and Myanmar has remained isolated and impoverished for decades.

Several of the most important ASEAN nations, including Indonesia, the Philippines, and, potentially, Thailand, are being hit by serious political turmoil, amid the unresolved social effects of the Asian crisis, including unemployment and the collapse of basic living standards. In this situation, ASEAN nations view positively the continued real growth of the Chinese economy, which was hit by, but survived, the 1997-99 regional collapse. As one analyst told *EIR*, they see that China is “moving fast,” and want to increase cooperation.

China-Southeast Asian economic ties are active and long-standing, not only because of geography and the large Chinese community in the region, but also because both sides have highly coherent economic interests. China, like the ASEAN nations, is a developing-sector nation, with 80% of its population still employed in agriculture. Both China and Southeast Asia urgently need a prolonged period of stability for economic development.

Infrastructure—physical infrastructure for transport, energy, and water management, as well as social infrastructure, including education and medical care—is the greatest need overall in the region. To develop these, cooperation among China and ASEAN are essential.

Enormous Requirements

A map of the region (see page 11) makes clear, how enormous the requirements are. The Mekong River valley, with a population of 240 million, is the gateway to six nations, from Vietnam to southwest China. Yet this river valley was devastated this Summer and Autumn by the worst floods in 70 years, at great cost in lives and livelihood. At a conference in Phnom Penh, the capital of Cambodia, on Nov. 1, Cambodian

Prime Minister Hun Sen called for urgent action to harness the Mekong and turn this impoverished region into an “oasis of prosperity.” Vital measures to “ensure the sustainability of our Mekong . . . are of highest priority for all countries,” he said. The region’s backwardness offers “great potential” for economic growth and development, as the gateway linking Southeast Asia to China.

Already, China’s river port of Simao, on the Lankang (the Mekong in China) River in Yunnan province, has developed into an international port, handling 70,000 tons of cargo and 40,000 passengers a year. China began building Simao port in 1990, and now it has opened water connections with Laos, Thailand, and Cambodia. Yunnan’s trade with Southeast Asia was 30% of the province’s overall exports and imports last year.

Rail infrastructure is another great need. The main rail routes in Southeast Asia date back to the pre-World War II period: Singapore via Malaysia to Chiang Mai, Thailand; Yangon to Myitkynia, in Myanmar; and Ho Chi Minh City to Hanoi, in Vietnam. There are only two, antiquated rail links between southern China and Vietnam. There are no rail links to the Indian subcontinent, home to more than 1 billion people.

Here China can play a critical role. China is continuing to build its rail network, as one of the foundations of its national construction. Currently, China has 70,000 kilometers of railroads, the biggest network in Asia. While, given the size of China’s land and population, much more construction must be done, in comparison, all of Southeast Asia has, according to ASEAN figures from the late 1990s, only some 13,000 km of rail lines! In addition, China has built several rail lines into its extremely rugged southwest, giving it experience which would be extremely useful in the difficult terrain of northern Thailand and Myanmar.

Energy cooperation also has great potential. Already, China and Thailand are concluding agreements for the joint construction of hydropower plants in Yunnan, which will export electricity to Thailand in the coming decade. The hydroelectric potential of this region overall is enormous, and could contribute greatly to the energy needs of Asia’s billions of people.

There are other essential areas of cooperation, vital to the national security of these nations. The opium production and transport from the border regions of Myanmar, Thailand, and China, must be stopped. Interlinked with the drug threat, is the grave danger posed by the rapidly growing AIDS epidemic in the region.

Finally, there is the potential for regional security cooperation. As Kavi Chongkittavorn, executive editor of Bangkok’s *The Nation*, noted in a commentary on Dec. 4, new security ties are emerging. One basis for them is the reconciliation on the Korean peninsula; “the second pillar rests on China’s relations with the ASEAN” since 1995. “Beijing is mulling ways to promote bilateral security cooper-

ation with ASEAN countries. In the past 20 months, China has successfully concluded a comprehensive cooperation framework with seven ASEAN members,” Kavi wrote. “China needs Southeast Asia as a backdrop for its diplomatic offensive against the United States.” Asian cooperation has grown in the wake of the Asian economic crisis. While “cooperation in financial and foreign affairs is still in a nascent stage, . . . it would surprise no one if they were to discuss security matters on their own in the future.”

Taiwan’s Complementary Role

China has many economic enterprises — construction and energy, as well as services — which can play a useful role in China-ASEAN economic cooperation, and China needs raw materials from ASEAN. China is increasing its investment in ASEAN for “revitalizing infrastructure,” including manufacturing and energy. As a leading regional analyst in Taipei told *EIR*, Taiwan is playing a complementary role here — Taiwan is already the number-one investor in Vietnam, and number-three investor in Malaysia. With the recent moves to make exchanges and cooperation between China and Taiwan easier, coordinated Mainland-Taiwan efforts to develop infrastructure in Southeast Asia are likely, he said.

These China-ASEAN-Taiwan developments are moving more rapidly than relations in Northeast Asia. While China’s trade with Japan is increasing, political relations still need improvement. China’s key concern is its internal security and stability, and developing its vast internal economy and market. Its overall regional policy is to deal with individual countries. Beijing will continue to move slowly and steadily, and if any serious challenges to its stability emerge, the leadership will move even more cautiously. There are real problems with corruption, but these are seen by the Communist Party leadership — which remains very much in control — as related to what has come into China with the “opening up” policy.

The two seminal political events in recent China-ASEAN ties, were the state visits of President Jiang Zemin to Laos and Cambodia on Nov. 12-14, and Prime Minister Zhu Rongji’s participation in the ASEAN summits in Singapore at the end of the month (see *EIR*, Dec. 8, 2000). At the China-ASEAN meeting there, Zhu Rongji proposed stronger trade and investment links between China and ASEAN, and urged that both sides explore the possibility of eventually establishing a free-trade relationship.

Such moves to create a regional trading bloc, are “very, very significant,” as a counter to the “enormous pressures, primarily from the United States, to open their markets as part of globalization,” and a means whereby various regional conflicts and disputes can be set aside, as a well-informed senior Asian banking source told *EIR*. “What is going on now in Asia, particularly the efforts to create a regional trading system, must be seen as a crucial countermeasure to this pressure to ‘open up’ and to conform to ‘globalization,’ ” he

stated. Of the greatest importance, is the talk about the effective admission of China into the ASEAN complex.

The basis now exists, he said, for resolving Chinese-Japanese problems. For this, Japan must finally eliminate obstacles dating back to World War II, but this “now can be easily overcome. The precedent has been set on the Korean peninsula.”

In an interview with *EIR* (see Dec. 8, 2000 issue), U.S. Asian analyst Dr. Chalmers Johnson stated: “The fact that China is so committed to ASEAN, to some kind of customs union, is extremely encouraging. Chinese President Jiang Zemin’s recent visit to Cambodia, which was all but blacked out in the U.S. press, was extremely important, a key initiative to reopen China’s ties to ASEAN.”

New Openings

On Nov. 12-13, Jiang Zemin became the most senior Chinese leader ever to visit Laos. His visit to Cambodia on Nov. 13-14, was the first of a Chinese head of state since 1963, and an essential visit of reconciliation after the Khmer Rouge holocaust. China has already established strong ties with Vietnam, with which it had briefly fought militarily in 1979; there are regular political, economic, and military delegations between the two countries.

The central issue of the visits to Laos and Cambodia, was economic cooperation. On his arrival in the Laotian capital, Vientiane, on Nov. 12, Jiang Zemin said to his host, Lao President Khamtay Siphandone, that China would support mutually beneficial collaboration with Laos in trade, investment, and agriculture. Laos has been hit hard by the economic problems of Thailand, which had been its biggest investor and trade partner. Laos has been struck with hyperinflation and currency weakness since 1998. China has provided interest-free loans to support Laos’ currency. The two sides agreed to improve laws and regulations to enhance economic and trade activity, and to increase two-way trade.

The two sides issued a joint statement, which is of special importance. It calls for cooperation in political, economic, trade, military, cultural, and educational areas. It also goes beyond bilateral ties. Article nine states: “Both sides agree that to strengthen quadrilateral economic cooperation [among China, Laos, Burma, and Thailand] and economic cooperation in the Mekong subregion [with China, Laos, Cambodia, Burma, Thailand, and Vietnam] caters to the long-term interests of both countries and other relevant countries in the region. Both sides shall offer greater support and cooperation to this end.”

On the political level, both sides supported increasing the multipolarization of the world, and opposed any attempts at unipolar dominance. Most important, the agreement said that China and Cambodia “shall jointly commit themselves to establishing a fair and rational new order in international politics and economy” — an overall political aim, which has not, so far, been put forward in the ASEAN-Plus-3 (ASEAN plus

China, Japan, and South Korea) negotiations.

Jiang Zemin then went to Cambodia for two days, where he was warmly received both by King Sihanouk, an old friend of China, and Prime Minister Hun Sen. Jiang said that “mutually beneficial cooperation is in the fundamental interests of our two peoples and serves peace and development of the region.” The two sides signed an economic and trade deal worth \$12 million, and Jiang proposed to Hun Sen, that economic and trade cooperation between the two countries should be put “in a more important position.” Hun, joining with other Cambodian leaders, described Jiang’s visit as “historic.” He told Jiang that the four-point proposal is “a precious gift” for the whole Cambodian people. “Cambodia attaches importance to its ties with China and considers such a relationship of long-term and strategic significance for our country.”

Jiang praised Cambodia’s leaders for the country’s current “hard-won peace and stability” and economic development.

Meetings in Singapore

As Jiang Zemin was leaving for his visits, it was announced in Beijing that Prime Minister Zhu Rongji would attend both the ASEAN-Plus-3 and the ASEAN-Plus-1 (China) summits in Singapore, both held in the context of ASEAN’s fourth informal summit, on Nov. 22-27.

There, Zhu met separately with ASEAN leaders, including Malaysian Prime Minister Dr. Mahathir bin Mohamad, and Singapore Prime Minister Goh Chok Tong, during the two days, and spoke to the assembled ASEAN leaders on Nov. 25. In his speech, Zhu suggested, on the basis of the strong momentum of China-ASEAN economic and trade ties, that the two sides eventually form a free-trade relationship, to allow exchange of goods, technologies, capital, and information. Zhu said that China’s new “going abroad” strategy is helping relevant enterprises invest and work abroad, and ASEAN could become a priority area for this investment.

“Information technology” would be one area for cooperation, Zhu proposed, but, of real importance, was his call to strengthen infrastructure building in the Mekong River Basin and to deepen agricultural cooperation. Building up the Mekong Basin will reduce the development gap among East Asian countries, Zhu said, and China is ready to increase its contribution.

China will finance the transport “lane” on the Mekong-Lancang River within Laos and Myanmar, to help complete the river transport system, Zhu said. He also noted the importance of completing the road between Kunming, China and Bangkok. “When conditions permit, we would like to work with Laos, Thailand, and the Asia Development Bank to construct the road section with the border of Laos and make a contribution to the early completion of Kunming-Bangkok road,” he said.

Prime Minister Zhu also discussed the Trans-Asia Rail-

road with Malaysia’s Prime Minister Mahathir, and told him that Chinese companies are ready to participate in the construction of Malaysia’s domestic railroad, as part of the Trans-Asia system. Mahathir responded that there is huge potential for future cooperation. He described Malaysia’s plans for the Trans-Asia railroad to Zhu, and welcomed China’s role in its construction. Zhu said that, when the Trans-Asia is completed, it can be connected to the Asia-Europe Continental Bridge within China, to form an inter-connected international link open to all nations.

Zhu noted that China and ASEAN are not trade competitors, and would not be when China eventually joins the World Trade Organization. China exports mostly light industrial products to the U.S. market, while ASEAN’s leading product is integrated circuits. Also, most of the overseas capital coming into China, a leading world recipient, is from Hong Kong and Taiwan, not from developed countries, he said.

ASEAN has suffered a sharp fall-off of overseas capital flows since 1998.

‘The Sense of Community’

These November events have been greeted very favorably in commentaries by leading Chinese policymakers. Zhou Xiaobing, deputy director of the Institute of Asia-Pacific Studies of the Chinese Academy of Social Sciences, told the *China Daily Business Weekly*, in an interview on Dec. 3, that “competition” among China and ASEAN nations will *not* hinder their increasing economic cooperation. “It’s very important for East Asian countries to cooperate in order to maintain a stable and continuous development in the region,” he said. Free-trade agreements and, ultimately, an East Asian free-trade zone, would help create solid markets, essential for stable and continuous development. The East Asian economies depend heavily on expanding global demand, Zhou said. While external demand is volatile, the rapidly growing trade among East Asian countries has stabilized local demand, Zhou said. Trade within the region (which had fallen sharply in 1998-99) accounted for half of East Asian countries’ total foreign trade last year, a higher proportion than in the North American Free Trade Agreement. This need for stable markets underlay Zhu Rongji’s call for free-trade relationships with ASEAN members, Zhou said.

Ma Yanbin, of the China Institute of Contemporary International Relations, told the *China Daily* on Dec. 12, that “the sense of community is a signal that Asian countries are beginning to re-evaluate the significance of regional cooperation following the 1997 Asian financial crisis.” ASEAN and Northeast Asia have learned that “closer cooperation is a weapon against any future financial crisis,” Ma said. Burdened with economic and political instability, “many Asian countries are now not strong enough to ward off future financial crisis on their own. This is why Chinese Prime Minister Zhu Rongji’s idea of establishing an Asia-wide free-trade zone has received such a warm response.”