China's Strategic Engagement with the New ASEAN

An Exploratory Study of China's Post-Cold War Political, Strategic and Economic Relations with Myanmar, Laos, Cambodia and Vietnam

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Institute of Defence and Strategic Studies

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Table of Contents

List of Tables and Maps

Tables

Maps

Introduction

The post-Cold War world has witnessed a number of changes in strategic relations among countries in the various regions. This process of changes and adjustments is ongoing. Besides the end of the Cold War and the consequent collapse of the former Soviet Union, the greatest influence on the changing strategic equations in the Asia-Pacific region is the emergence of China as a major power. Not only has China excelled economically and pursued its military modernisation programme with sustained drive, there is also a clear articulation of the Chinese desire to assert itself as a decisive centre of power in the Asia-Pacific region as well as the world at large. Almost every country in the region is sensitive towards China and its possible behaviour as a major power in the future. Countries are analysing and scrutinising the perceived dimensions of China's role and impact on the region and trying to adjust their policies to ensure that evolving regional strategic equations do not affect them adversely.

While conscious of its growing capabilities and emerging aspirations, China is also carefully adjusting its relations with regional players so as to avoid any hurdles and resistance to its immediate and long-term interests and objectives. ASEAN occupies an important place in China's calculations in the region. The ASEAN countries are geographically close, historically linked, culturally contiguous and economically vital to China. Their strategic significance in relation to China's emerging aspirations is also critical since many of them have long-standing defence co-operation (some even have alliance relationships) with the United States. In addition, ASEAN itself is changing economically, politically and strategically. The most notable change that has taken place in ASEAN over the last few years is its expansion. ASEAN has expanded from its original six countries to become ten now, with the inclusion of new members Vietnam (1995), Laos (1997), Myanmar (1997) and Cambodia (1999).

These four countries constitute what may be termed as the "New ASEAN", not only because they have acquired membership recently, but because they are also significantly different from the original ASEAN members. They are poorer and underdeveloped. They have centrally controlled systems, with old communist political structures intact in Vietnam, Laos and Cambodia, and a military dictatorship in Myanmar. Their strategic experiences and orientations have been radically different from those of the original members. These four recent ASEAN members occupy a special place in China's strategic engagement with ASEAN because three of them—Vietnam, Laos and Myanmar—share a common border with China in its far flung, underdeveloped and restive provinces of Yunnan and Guangxi. China has no common border with Cambodia but the two countries have had a very close political relationship during the past decades through Cambodia's monarchy and through the insurgent Khmer Rouge. Historically, China has had great affinity towards countries of the former Indochina, and has always wanted to have them under its assertive influence. These countries' membership in ASEAN can provide China with new options and opportunities in the region, as this membership has also been influenced by China's rise to the status of a major regional and global power.

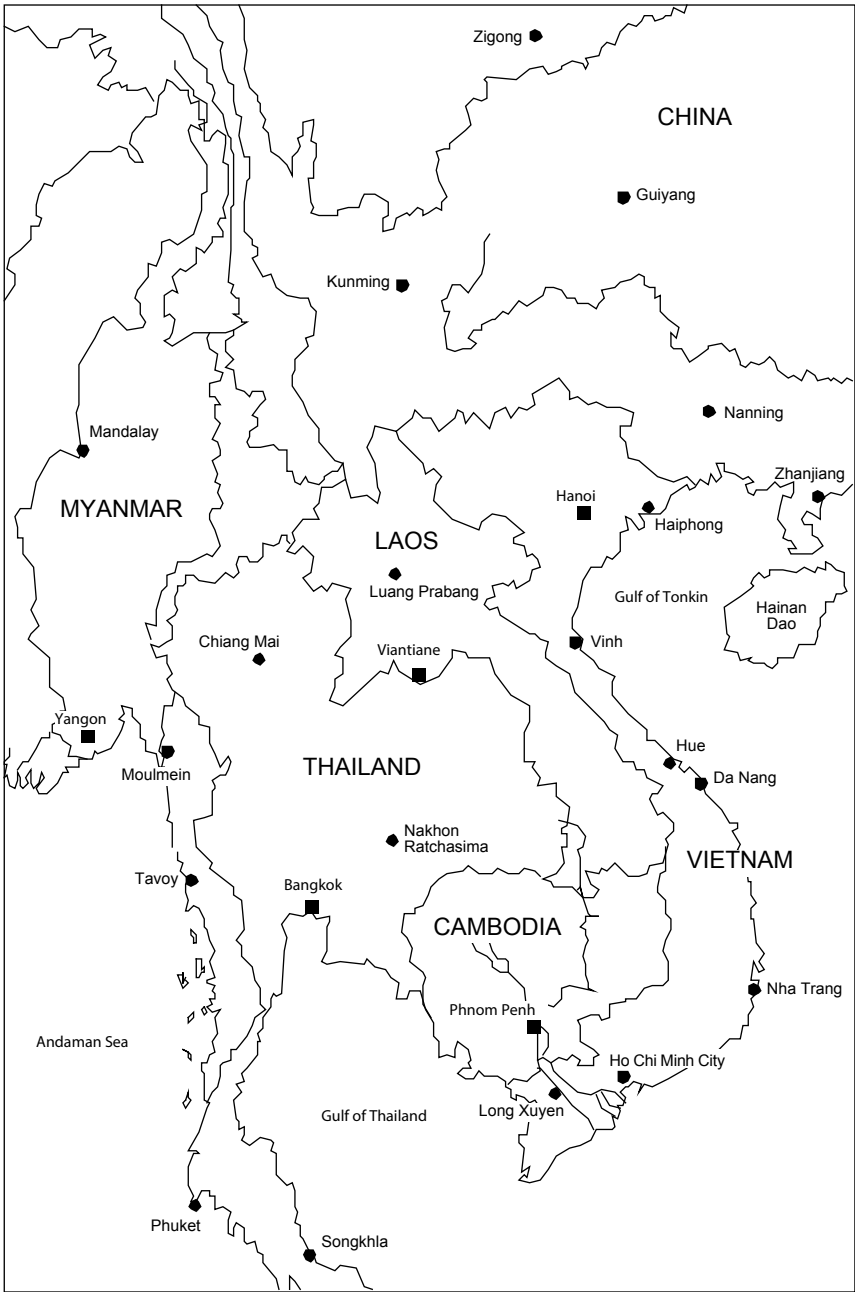
In the present study, we look at China's strategic engagement with the new ASEAN. The recent ASEAN countries have been closed and secluded from mainstream ASEAN life. Their educational levels are low and they have no tradition of organised and open information systems. Their controlled polities further complicate the process of gathering relevant and authentic data on the various aspects of their economy, political dynamics, society, foreign policy and security concerns. This problem is compounded by the language difficulty and the reluctance of their systems to allow people to talk freely and encourage academic interaction. International institutions like the International Monetary Fund (IMF) and the World Bank do help but these institutions have their own respective biases and limitations. They also do not provide much help in understanding the political context in which economic relations of trade and investments take shape.

I am thankful to the IDSS, not only for the fellowship to undertake this research study but also for enabling me to visit these countries and meet people there to help understand their interactions with China. During field visits to these countries, my efforts to set up interviews and visit libraries were greatly facilitated by the logistic help provided by diplomatic missions of India and Singapore based in these countries for which I remain deeply thankful to them. Some of my old contacts in these countries were also

extremely helpful. A list of persons interviewed during my visit is found in Annex 2. It would have been better to visit China for the same purpose as well but constraints of budget and time did not permit that. Visits to these countries have enabled me to understand their perspectives towards their large and powerful neighbour in the regional as well as in the narrow bilateral contexts. In spite of all this, I am acutely aware of the fact that this study suffers from severe constraints. Less than a week spent in each of the new ASEAN countries was woefully inadequate to collect objective and adequate information on the subject. I therefore would like to term this study as an exploratory one and accept full responsibility for all the lapses.

S. D. Muni
28 August 2001

Map A – China and the New ASEAN Countries



1
The Policy Framework

HISTORICAL BACKGROUND

China's relations with its neighbours in Southeast Asia have evolved through different stages. Historically, China has perceived these countries as constituting a natural area of assertion of its influence. Until the advent of European imperialism in Asia, China was the dominant centre of power in Southeast Asia. It saw itself as an overlord and a suzerain to a number of Southeast Asian countries and had a relationship that imposed tributary status on many of them.[1] Such dominant status enabled China to spread its cultural influence and economic interests in the region. Even Buddhism, which originated in India, spread to the Southeast Asian countries through China. Another sect of Buddhism, Teravada Buddhism, went to mainland Southeast Asia directly from India and Sri Lanka (then Ceylon). In the absence of any countervailing influence and in view of the huge difference in capabilities between China and its smaller neighbours, the latter accepted Chinese dominance as a benign and inevitable fact of life.[2] China, on its part, had tried to behave softly with its smaller neighbours by being helpful and co-operative. However, there had been instances when attempts to defy China's 'overlordship' from any quarters were promptly and effectively punished.

China's influence in this extended neighbourhood was challenged and rolled back to the mainland by the establishment of European imperialism in Asia, particularly by the British and the French. During the initial years when the colonial order was being established, the Chinese fought to retain their hold over countries ranging from Nepal to Myanmar to Vietnam. But the declining strength of the Middle Kingdom could not withstand the superior might of the Europeans. China's status as a suzerain with regard to some

countries and territories, and its tributary relationship with others among its Southeast Asian neighbours, collapsed as the Europeans entrenched themselves. Chinese political influence in the region became a thing of the past for more than a hundred years between the mid-nineteenth and the mid-twentieth centuries. However, China's cultural links with the region were kept alive by a steady flow of Chinese migrants to its neighbouring countries. Some estimates put the number of such Chinese migrants at several millions by the beginning of the twentieth century. Imperial China viewed these migrants as Chinese nationals on the basis of the principle of dual citizenship.[3] Although this principle of dual citizenship has been formally abandoned by China since the mid 1950s, ethnic Chinese present in Southeast Asia continue to display strong cultural affinities towards China, even if their political loyalties may be divided according to their respective places of origin or nationality. They are viewed by many local Southeast Asians as China's fifth column in their societies. The dislike and hatred towards ethnic Chinese sometimes erupt violently as was recently evident during the race riots in Indonesia in 1998–99.

The end of the British and French colonial empires in Asia also coincided with the rise of an assertive Communist China. Maoist China's role in Asia since the 1950s, however, had to be defined in the context of the Cold War and the gradually escalating Sino-Soviet rivalry. In its immediate South and Southeast Asian neighbourhood, China started encouraging and supporting several communist insurgency movements. Some of these movements, in India's northeast and in Myanmar's north and northeast, were more movements of ethnic assertion for autonomy than a communist revolution. In Myanmar, there was a perfect blending of ethnic assertion and communist insurgency. On Myanmar's north and northeast borders, a strong presence of retreating Kuomintang (KMT) troops had joined hands with ethnic forces to continue their fight against China. Even after the victory of the Maoist revolution in 1949, these troops had the support and encouragement (through intelligence agencies) of the U.S. and other anti-communist countries. China's support for communist insurgency was, in part, also to counter this threat and fight the ideological war to the end. It is believed that with the secret approval of Myanmar, Chinese troops entered Myanmar in January 1961 with a force of 20,000 men in three divisions of regulars from the People's Liberation Army to break the back of Kuomintang forces in northeast Myanmar.[4]

The strategy of supporting communist insurgencies brought China into direct conflict with established governments in Southeast Asia and projected China's image in the region as that of a disruptive force.[5] In relation to the former Indochina countries, this image continued even after the weakening of communist insurgency movements in Southeast Asia. China directly intervened in Vietnam in 1979, aided and abetted tribal Hmong forces in northern Vietnam and Laos during the 1980s and fully supported the dreaded Khmer Rouge forces in Cambodia.[6] In doing so, China was seeking to contain the Soviet influence in its neighbourhood and to assert its own primacy in the strategically important Indochina region. To contain the Soviet influence in Asia, China had also worked in tandem with the U.S. and its Western allies in Afghanistan during the 1980s. A similar situation existed in Indochina, except that the U.S. was not directly active following its defeat there in the Vietnam War. However, towards the end of the Vietnam War, in 1973, then Chinese Prime Minister Zhou En Lai envisaged a competition for influence with the former Soviet Union in Indochina. He said:

> The Soviet revisionists will step up economic aid to Vietnam following the cessation of hostilities in an attempt to weaken our influence there… The Vietnamese comrades will strive to maintain an equilibrium between Soviet and Chinese influence. The future turn of events therefore depends on how we will do our job.[7]

Thus, support to rebellious groups continued to be an important plank in China's policy towards some of its neighbouring countries right up to the 1980s. However, the basic rationale of this policy was under serious review in Beijing by the end of the 1970s.

POLICY SHIFT

China's policy to actively support communist and ethnic rebellions in its neighbouring countries was essentially Maoist in its origin and orientation. This policy had to be changed in the aftermath of Mao's death and the elimination of the infamous Gang of Four, which had shattered China internally during the disruptive phase of the Cultural Revolution. The post-Mao leadership, led by Deng Xiaoping, shifted the country's thrust from cultural revolution and ideological assertion to economic reforms and modernisation. In the international field, China launched an Open Door Policy towards the world in general and countries of the developing

world, in particular ASEAN. This was a reflection of its changed priorities defined under the programmes of its Four Modernisations. As a part of its Open Door Policy, China established and enhanced its constructive interaction with major players and important actors in the Asia-Pacific region—concluding a Treaty of Peace and Friendship with Japan in August 1978, and establishing formal diplomatic relations with the U.S. four months later. Chinese leaders assured Malaysia and Indonesia in 1985 that they were interested in the stability of the region and would do nothing to hurt the interests of its ASEAN neighbours. The first Prime Minister of Singapore, Lee Kuan Yew, claimed that he had impressed upon Chinese leader Deng Xiaoping during their bilateral meetings the need to distance China from communist insurgencies if China wanted to befriend ASEAN. China's support of these insurgencies was a major factor in generating suspicions and apprehensions among the ASEAN countries about its dominating and disruptive role in the region.[8] China's main priority was to enhance mutually beneficial co-operative relationships in the areas of trade and investments with them.[9] This was an acceptance by the new Chinese leadership of economic interdependence and co-operation for capitalist growth without endorsing its political implications.[10] The Chinese leadership had, in fact, sought to justify a capitalist road to build socialist development by qualifying it as bearing Chinese characteristics.[11]

Analysts see China's positive responses towards the ASEAN members as part of its attempts to isolate Vietnam during the 1980s. Vietnam's emergence as a victorious and self-respecting nation from the war imposed upon it by the U.S. and France had ostensibly enhanced its regional image. This was followed by its military intervention in Cambodia in December 1978 to stop "encroachments into its territory" encouraged by the Khmer Rouge regime in Phnom Penh, as argued by Vietnam. For China and the ASEAN countries, this was a clear violation of Cambodia's sovereignty and an act of aggression on Vietnam's part. Accordingly, that was not acceptable, particularly to China, which did not favour Vietnam's growing influence on the Indochina region. China was also disturbed because the Vietnamese aggression had removed the Khmer Rouge, a protégé regime of China in Phnom Penh, from power. To teach Vietnam a lesson, China inflicted a punitive war on Vietnam. Only weeks before the Vietnamese aggression on Cambodia, Chinese leader Deng Xiaoping had undertaken a visit to the ASEAN countries where he underlined Vietnam's assertive stance and its adverse regional security implications to his hosts.[12] Commenting on

China's interests in the Cambodian issue in this respect, Michael Leifer, a well-known expert of Southeast Asian affairs said:

> During the Cambodian conflict, China's priority was to deny Vietnam (viewed as an agent of the Soviet Union) the prospects of achieving an undue dominance in Indochina and so revising the distribution of power in the peninsula to Beijing's disadvantage. To that end, its government engaged in a united front policy with the states of ASEAN among others, in a successful attempt to reverse the outcome of Vietnam's invasion of Cambodia in December 1978. Although that alignment was problematic and a source of some discord within ASEAN because of differences of strategic perspective over the identification of primary external threat, it held together during the course of the conflict because of a particular correspondence of interests.[13]

The significance of the Vietnam factor in China's approach towards ASEAN during the 1980s cannot be ignored. However, we need to keep in mind that the shift in China's policy was more substantial and wider. This was evident in relation to China's policy towards other countries and the driving force behind this shift was changes within China and the new economic and political outlook of the post-Mao leadership. Of critical importance in this respect was, as mentioned earlier, the Four Modernisations and the overall Open Door Policy seeking inter-dependence with the world. The economic component of modernisation programmes necessitated a search for new markets for Chinese goods and services in view of the opening up of the Chinese economy and markets for foreign investments, technology and managerial skills. Years later, in 2000, referring to the roots of China's open economy and its consequent need for growing engagement with ASEAN and the rest of the world, Premier Zhu Rongji highlighted the significance of Deng Xiaoping's economic initiatives. In his Singapore Lecture, he said:

> As early as in the 1980s, Mr. Deng Xiaoping put forward two important strategies for China's modernisation drive. One is to accelerate the opening of China's east coast, enabling it to develop first. The other is to ensure the Chinese people a comfortable life by the end of this century and then make more efforts to help accelerate the development of China's central and western regions. President Jiang Zemin has attached great importance to the all out development of western China.[14]

Describing the political advantages of this policy in the present context, China's Assistant Minister of Foreign Trade, Mr. Liu Xiangdong said:

> The Open Door Policy made other nations and regions more reliant on China and gave a visual boost to China's strength. Now when other nations want to take unfriendly action towards us, they must first think about how the actions will affect their own interests.[15]

The foreign policy framework of Deng Xiaoping's China was outlined in the Fourth Session of the Sixth National People's Congress in March 1986. Accordingly, the edifice of post-Mao Chinese foreign policy rested on ten basic principles enunciated in 1982–83, soon after the consolidation of Deng Xiaoping's leadership. Not only were the Five Principles of Peaceful Co-existence of the Mao period reiterated, China's disapproval of hegemonism, its refusal to forge strategic alliances with big powers and its commitment to world peace were also emphasised. The foreign policy report presented by Prime Minister Zhao Ziyang at the Congress in March 1986 also forcefully argued that China would develop its relations with various other countries, irrespective of their social systems and ideologies, and with the aim of promoting people-to-people exchanges, friendship and international prosperity.[16] In November 1988, when Premier Li Peng visited Thailand, he underlined some of these principles as the basis for China's relations with its Asian neighbours, particularly ASEAN. Besides the Five Principles of Peaceful Co-existence and opposition to hegemonism, China also promised to build economic relations on the basis of equality, mutual benefit and joint-development. In international affairs, China committed itself to follow the principles of independence and self-reliance, mutual respect, close co-operation and mutual support.[17] Ideology had clearly receded in importance against economic prosperity and pragmatism in China's approach to the world but it did not completely disappear from China's concerns as the impact of developments during the late 1980s and early 1990s were soon to show.

President Jiang Zemin has reiterated this aspect of China's foreign policy in his address at the 80th anniversary of the Chinese Communist Party. He said:

> Our world is rich and colourful. The diversity of civilisations is the basic feature of human society and also the driving force behind the progress of human civilisation. Respect should be given to the history, culture, social system and mode of development of each individual country. Diversity of the world is a reality that should be recognised. Different civilisations and social systems should enjoy long-term co-existence and draw upon and benefit from each other in the process of competition and comparison and achieve common development while seeking common ground and shelving differences. We will continue to work with the people of all countries for a world of lasting peace and universal prosperity.[18]

TIANANMEN, THE END OF THE COLD WAR AND THE SOVIET DISINTEGRATION

The Chinese leadership was rudely shaken by the events of Tiananmen Square in June 1989. The Tiananmen uprising marked the first bold and powerful manifestation of democratic movement in Communist China. Forceful and ruthless suppression of this manifestation by the Chinese authorities invited strong criticism from the U.S. and Western countries as their sympathies and support lay with the cause of democracy. The U.S. and other Western countries even imposed sanctions on China for violating human rights in dealing with the Tiananmen incident. As opposed to this Western criticism, most of China's Asian neighbours and other Third World countries displayed an understanding and even supported China's handling of Tiananmen. Taking note of this contrast, the Chinese leadership started reinforcing their relations with Asian neighbours and other Third World countries, at the same time showing caution towards the ideological agenda of the West as the latter could exploit fast growing democracy sentiment to subvert China's communist polity. Accordingly, a policy directive formulated by the Politburo of the Communist Party of China in mid-1989 stated that "from now on, China will put more effort into resuming and developing relations with old friends (in Africa) and Third World countries."[19] Chinese Foreign Minister Qian Qichen, during his official visit to Africa, noted that

out of a total of 137 countries which had diplomatic relations with China, only 20 criticised it for the way the Tiananmen Square incident was handled.[20] Reflecting on this foreign policy realisation in China, Deng Xiaoping said:

> In the past several years we have concentrated too much on one part of the world and neglected the other. …the U.S.A. and other Western nations invoked sanctions against us but those who are truly sympathetic and support us are some old friends in the developing countries… This course may not be altered for 20 years.[21]

The new thrust of expanding co-operation with developing countries found a clear reflection in China's efforts to normalise its relations with ASEAN and other Asian neighbours.[22] In China's foreign policy pronouncements, rejection of Western values and denunciation of Western dominance against a greater identity with Asian values became louder. Such efforts were reinforced and even widened as a result of two developments that quickly followed the Tiananmen incident—the end of the Cold War and the collapse of communism in the Soviet Union, including its disintegration in 1990–91, and in Eastern Europe. The implications of these developments held worries and concerns as well as hopes and opportunities for the Chinese leadership.

A matter of concern to China was the emergence of the U.S. as the sole superpower, heading the so-called uni-polar world. It also witnessed radical transformations in Eastern Europe and the Soviet Union with dismay and even a sense of fear. The Chinese leadership was acutely aware of the apparent and theoretical incompatibility between an open economy and the controlled polity operated by them. They were also aware of the growing disparity between China's economically prosperous coastal regions and its underdeveloped interior provinces, particularly the western and central regions. In the context of Tiananmen and clear Western support for the democratic movement in China, the Chinese leadership shuddered to think that the Soviet fate may befall their country as well. They were particularly worried that the Western strategy of peaceful evolution which was employed to change Eastern Europe and the Soviet Union would be activated to exploit China's disparities and internal weaknesses.[23]

On the positive side, the beginning of a change in the Soviet Union ushered in by Mikhail Gorbachev had benign implications for China. Gorbachev's foreign policy under perestroika included arguments for

normalisation of relations with China, including party-to-party relations. His clear articulation of this was evident in the famous speeches of Vladivostock in July 1986 and Krasnoyarsk in September 1988 where he talked of special relations between China and the Soviet Union. China started responding to the Soviet gestures but made full Sino-Soviet normalisation conditional on the resolution of the Cambodian conflict through the withdrawal of the Vietnamese military presence.[24] In negotiations from 1986 to 1989 between the two countries towards normalisation of their relations, China insisted to the Soviets that Vietnamese withdrawal from Cambodia is a vital factor. The Soviet position was to let China deal directly with Vietnam in this respect but China refused to respond to this suggestion. Chinese leader Deng Xiaoping confided to Singapore's Lee Kuan Yew that as a pre-condition to normalising China's relations with the former Soviet Union, he had asked then Soviet leader Gorbachev to stop helping Vietnam and ask Vietnam to withdraw its forces from Cambodia.[25] Eventually, in February 1989, while preparing for the first summit between the two Communist major powers, the Chinese and Soviet Foreign Ministers agreed in Beijing on the need for an "effective control mechanism" to monitor the Vietnamese withdrawal, an end to military aid to the opposing factions and the need for free elections.[26] The implied operative part of this understanding was that while the Soviet Union would stop assisting Vietnam in its control of Cambodia, China will stop assistance to the Khmer Rouge, who were fighting against Vietnamese presence in Cambodia.

In 1986, the Soviet Union began nudging Vietnam to seek accommodation with China. Keeping in view the changing Soviet attitude and its own internal programme of economic reforms and renovation (doi moi), Vietnam also expressed its willingness to normalise relations with China. The political report of the Vietnamese Communist Party at its Sixth Congress said: " Once again we officially declare that Vietnam is ready to negotiate with China at any time, at any level and in any place to normalise relations between the two countries".[27] This was in continuation and conformity with the position taken at the 13th Conference of Indochina Foreign Ministers in August 1986 where the usual criticism of Chinese expansionism and hegemonism was not repeated. Instead, it was stated that "the Indochinese countries always treasure and wish to soon restore the long standing friendship with the Chinese people".[28]

In the absence of Soviet support, which amounted to nearly US$1 billion annually, Vietnam could not have continued to keep Cambodia under its occupation.[29] In September 1985, Chinese Prime Minister Zhao Ziyang admitted to his Singapore counterpart that Vietnam had asked China for secret negotiations to resolve the Cambodian issue, but China refused as it wanted Vietnam to withdraw from Cambodia without any conditions.[30] Vietnam had earlier announced in 1985 at a meeting of Indochinese Foreign Ministers to withdraw its troops from Cambodia in 1990 but, as a result of the Soviet-Chinese understanding on the issue, the date was brought forward to September 1989. While informal contacts between China and Vietnam for normalisation were going on, the Tiananmen incident took place. This was followed by the disintegration of the Soviet Union. These developments added an urgency to the normalisation process and also opened the opportunity for China to reassert its influence in Indochina in the aftermath of the Soviet decline. Deng Xiaoping envisaged in 1979 that China would need some ten years to pull Vietnam out of the Soviet sphere of influence.[31] And this could be done more expeditiously by winning over Vietnam, Laos and Cambodia rather than by browbeating them into it, since these countries also had a common interest with China in preserving their socialist systems and communist regimes against the forces that brought about transformations in Eastern Europe and the Soviet Union. Similarly, newly emerged Central Asian states, having a common border with China's fragile and restive western provinces, were also looking for support and leadership, which China could offer. Cultivating Central Asia accordingly became an essential part of the Chinese strategy to develop its western region.

POLICY OF GOOD NEIGHBOURLINESS

The combined impact of the Soviet transformation followed by its disintegration; the end of the Cold War which radically altered the global distribution of power; the Tiananmen Square incident which enhanced concerns for systemic-political security and the pressures of domestic economic policy which forced China to search for new markets and trade relations; all brought its neighbouring countries into sharper focus in China's foreign policy framework. In response, China sought to revive and vigorously pursue its traditional Policy of Good Neighbourliness since the 1990s. In this policy, the concept of neighbourhood spanned from the newly created Central Asian Republics to the countries of Indochina. This neighbourhood

also included bigger countries like India and Russia. The Policy of Good Neighbourliness was characterised by accommodation and restraint towards its neighbours on China's part. Commenting on such approach, Michael Yahuda wrote:

> The new co-operative approach may be said to stem from a redefinition of the main threat to Chinese security in the new international security environment… in the new era, the threat had become mainly political, concerning the survival of Communist Party rule. Since that was best addressed through rapid economic development, the need for improved relations with neighbours and a stable regional environment was self evident. The disengagement of the region from superpower rivalry also gave China's leaders the opportunity to develop a regional policy for the first time, and the opportunity was provided by the reluctance of countries within the region to follow the Western lead of imposing sanctions on Beijing in the wake of the Tiananmen crisis.[32]

It should be noted that China's interests behind the new Good Neighbourliness Policy went beyond the political security of preserving Communist Party rule. Included in the policy were other diverse elements as well.

- The defence of its Western provinces against the rising tide of Islamic fundamentalist and separatist forces which were active in Central Asia
- Curbing activities of inimical forces in neighbouring countries aimed at subverting China's unity and political stability in the name of human rights, religious freedom, democracy and political liberalisation
- 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 mobilising capital, technology and managerial skills from ASEAN
- Filling the power vacuum in Central Asia and Indochina created by the collapse of the Soviet Union
- Countering as much U.S. pressures and 'machinations' against China's interests in the Asia-Pacific as possible

As noted earlier, ASEAN occupies an important position in China's changing policy towards its Asian neighbours. The enlargement of ASEAN during the latter half of the 1990s, with the admission of four new members—Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999—further enhanced its strategic significance to China. On the one hand, this larger grouping can help China to enhance its economic integration with the region. On the other hand, it can also help absorb some of the undesirable ideological (human rights and political liberalisation) and security pressures of the West. A Chinese analyst says in this respect:

> ASEAN as an integrated development group of peace, stability, independence and economic vigour provides a good environment for China's economic development on its periphery and at the same time enhances the voice and weight of the developing countries in the fight against hegemonic diplomacy and power politics…
>
> Both sides share a lot of common points in international affairs especially in Asia-Pacific affairs among which the core and the most important points are that both sides have been opposed politically to the hegemonic acts of a superpower using "impediment to human rights" as an excuse and economic sanctions as the means to interfere in the internal affairs of countries in the Asia-Pacific, infringe upon the sovereignty and suppress the development of other countries.[33]

According to Vietnamese analysts, China's need for an amicable relationship with ASEAN arises not only in the context of economic engagement and U.S. pressures on human right issues, but also in relation to the emerging tensions on the Taiwan question. With regards to China's competition with other big neighbours and potential rivals in the region such as Japan, India and Russia, better understanding and co-operation with ASEAN may provide the much needed cushion and space for strategic manoeuvring since small and medium-sized countries of this regional grouping are not by any means potential rivals or are in a position to pose a threat to China's security.[34]

The other dimension of a larger ASEAN is that it can contain China without confronting it and put restrictions on its power ambitions in the region, especially if China fails to cultivate ASEAN thus letting its potential rivals and competitors in the region engage ASEAN as an ally against China. ASEAN's strategy of constructive engagement with China is prompted by the desire of tying China in silken threads of co-operation so as to contain

its assertion in the region.[35] China was not very happy with Vietnam's membership in ASEAN as it came in the wake of tensions between Vietnam and China over the issue of claims on the Spratly Islands. On the eve of Vietnam's admission into ASEAN, a Hong Kong newspaper quoted sources in Beijing as having said:

> To increase their strength against China, ASEAN decided to admit Vietnam into the group. In this way it will increase, after the United States withdraws its forces from Southeast Asia, its strength to half as much as China's, which it is not now [sentence as published]. And more importantly, Vietnam would then become the organisation's main force deterring China in disputes on sovereignty over Nansha Islands.[36]

China's apprehensions of ASEAN playing a containment role also influenced its initial reservations on the establishment of the ASEAN Regional Forum (ARF) and this apprehension continues to guide its deliberations in the ARF. China, accordingly, prefers an ASEAN-driven and informal ARF, which should not become a negotiating forum.[37] China would prefer an ARF-type of flexible and consultative mechanism to keep the U.S. engaged in the region rather than the U.S.-dominated alliances of the Cold War period.[38]

There is no denying that Vietnam sees its ASEAN membership as a source of strength in dealing with China on the question of the South China Sea islands.[39] Even earlier, during its conflict with China in 1978–79, Vietnam had already sought membership to ASEAN.[40] By becoming a member, Vietnam would also seek to get the issue of China's forcible occupation of its Paracel Islands in 1974 included in the mechanism of territorial dispute settlement in the South China Sea. That is why Vietnam has sought to widen the scope of application of the ARF's code of conduct in relation to the South China Sea dispute.[41] In seeking membership to ASEAN, Vietnam was prompted by the hope of economic benefits, bargaining advantage vis-a-vis China and the U.S., and considerations of integrating its security with that of the Southeast Asian region as a whole.[42] Similarly, ASEAN's invitations of membership to Myanmar, Laos and Cambodia were also guided by the consideration of helping them to distance themselves from China. These new members also see in ASEAN an organisation for wider regional interactions where they can enhance their diplomatic manoeuvrability and foreign policy autonomy.

Whatever the objectives of ASEAN in expanding its regional organisation, ASEAN membership for Vietnam, Laos, Myanmar and Cambodia has enhanced their importance to China within the framework of its Good Neighbourliness Policy. These countries share a 4,060-km long border with China in its southwestern province, Yunnan, which has been left undeveloped and neglected for years. Besides being an ethnically and culturally distinct province, Yunnan is also difficult to access from the mainland and has been one of China's underdeveloped provinces.[43] For faster and proper development of Yunnan under the post-Mao thrust of economic modernisation and development of Western provinces, it was necessary to pursue a policy of economic opening up and integration with these countries. There is evidence of a strong case being made for China's Opening to the Southwest as early as in 1985.[44] Besides economic considerations, there were also strategic imperatives behind this policy, as it needed access to the Indian Ocean and alternative routes to facilitate its energy imports and economic trade.[45] A co-operative relationship with the southwestern neighbours like Myanmar, Laos, Thailand and Vietnam was also necessary for China to deal with the fast growing drug menace.

To facilitate multi-dimensional co-operation with its southwestern neighbours, it was necessary for China to establish a greater political understanding with them. Reinforcement of the political relationship between China and these southwestern neighbours was also an important part of China's search for political security in the aftermath of the Tiananmen incident and the Soviet disintegration. China's borders with these countries are turbulent and fraught with gun-running, drug trafficking, illegal migration and other social crimes. They have traditionally been vulnerable to foreign intelligence operations and have been exploited by China's tormentors. Two of these four countries, Vietnam and Laos, had socialist systems and communist party regimes like that of China. They were members of a socialist fraternity which had to be preserved to reinforce China's own systemic credibility in the region. In Cambodia, China had a strong ally in its King and an ideological affinity with the dominant political faction led by strongman Hun Sen. Both Laos and Cambodia, if properly cultivated, could also play an important role in strengthening China's influence and presence in the strategically important Indochina peninsula. Their support could help China contain Vietnam's influence in this region. Myanmar was not a communist country but was being governed by a military junta in a dictatorial manner to keep democratic forces led by Aung San Suu Kyi out of power. The

absence of democratic governance in all these southern countries suited a Tiananmen-shocked China admirably.

The ASEAN membership of China's southern neighbours made them potential allies in China's regional role. China, as everyone else, was aware of the divergence between the old and the new ASEAN members. The new members are poor and underdeveloped, have politically closed systems and are anti-West in their strategic orientation. Three of them, Laos, Myanmar and Cambodia, have a strong undercurrent of insecurity and unease vis-a-vis their immediate larger neighbours like Thailand and Vietnam. By cultivating friendship and co-operation with them, China could exploit the intra-ASEAN divergence to its advantage in the process of emerging regional dynamics. With the help of the new ASEAN members, China could hope to diffuse some of the adverse collective ASEAN pressures on it.

Since the late 1980s and the beginning of the 1990s, China has pursued a sustained approach to cultivate its southwestern neighbours, which subsequently came to constitute the new ASEAN, within the framework of its Good Neighbourliness Policy. Four notable dimensions of this approach can be identified. First, it extended unqualified support to their political systems, both against external pressures and internal demands for liberalisation. China has been making a conscious effort to befriend powerful sections of the leadership at various levels in these countries so as to create long-term and lasting constituencies in favour of closer bilateral relations. Next, China has also carefully pursued a policy of strategic engagement with them in the interest of overall sub-regional stability that included stability of borders between them and China. Some of these borders were fragile and turbulent until recent times, generating mutual suspicion and misunderstanding, and hindering smooth economic and cultural exchanges. China not only co-operated with them militarily but has also sought to obtain transit facilities for access to the wider region and sea communication.

Thirdly, China has encouraged economic co-operation with these countries in various fields. Formal and informal trade links have been established and expanded, and economic assistance has been offered through soft loans and grants to help their developmental plans. To facilitate long-term economic integration of these countries with China, emphasis has been on establishing and enlarging transport and communication links so that the flow of goods and people between these countries and their neighbouring Chinese provinces will be smooth. Lastly, China encouraged cultural and

political exchanges with them. Under cultural exchanges and economic co-operation in the areas of trade and investments, China has also encouraged the consolidation and expansion of the Chinese ethnic presence in these countries. All these aspects of China's relationship with the new ASEAN will be discussed in subsequent chapters of this study.

The new ASEAN members had their own reasons to cultivate China's friendship and co-operation. They could not afford to ignore or offend a giant northern neighbour which was also emerging as a major regional and global power. Howsoever conditional and controversial it was, China provided them with a political shield against human rights and democratic pressures from the West as well as other ASEAN members and gave them a sense of protection in the absence of the hitherto available Soviet umbrella. These four countries adopted the Chinese model of gradually opening up their respective economies—with varying speed and scope—while keeping their controlled political systems intact. Communist countries like Vietnam and Laos have adopted political resolutions to declare that they will follow the Chinese model of development.

An economically fast-growing China could also help them diversify their trade and investment links to reduce dependence upon immediate, domineering and often troublesome big neighbours, particularly Thailand (for Laos, Myanmar and Cambodia) and Vietnam (for Laos and Cambodia). The China card also gave them a better bargaining position in dealing with major global and regional powers in the post-Cold War era. Theoretically, these countries are aware that they should not get too close to China in the interests of their own independence and freedom of action. But this is a concern that seem relevant to them only in the long run and they are still not sure how close is too close for comfort in relation to China. Accordingly, they are happy to take the occasional measures to keep their distance from China, such as seeking ASEAN membership and encouraging a multi-lateral balance of power in regional affairs. The only country which seems sharply conscious of and resolutely active in not allowing China to assert its influence deeply is Vietnam, but in the absence of other viable economic and political options, China has the advantage.

Therefore, China is as important to the new ASEAN countries as they are to China. This mutual realisation has made them generally amenable and receptive to each other. This has proved to be an opportunity for China not only to highlight the efficacy and success of its Good Neighbourliness Policy

but also to project itself as a stabilising force and a mature power in the Asia-Pacific region. There are underlying apprehensions on both sides towards each other—China fearing that other interested countries may use them to the detriment of China's interest and the new ASEAN countries suspecting that too close an embrace with China may cost them their independence and dynamism in foreign policy. But such apprehensions have so far remained generally dormant.

Notes

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24. This was one of the three conditions. The other two were related to bilateral Sino-Soviet relations.
25. Lee Kuan Yew, op. cit., n. 8, pp. 670–80
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28. Veng Pobez, op. cit., n. 7, p. 281
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2
Regime Support and Political Constituencies

INTRODUCTION

Political understanding is the basis of any strategic engagement. Under its Policy of Good Neighbourliness, China's strategic engagement with the new ASEAN members, the countries that constituted its southwestern neighbourhood, has been based on establishing a sound political understanding with them. Before, a great deal of misunderstanding and apprehension had existed in these countries towards China as the latter had been a supporter of their rebellious, communist and anti-regime forces. In Myanmar, China had long supported the Burma Communist Party (BCP), which was allied with ethnic groups clamouring for independence in the northern and northeastern borders to fight the persistent Kuomintang resistance. In Laos, pro-Monarchist and anti-communist Hmong rebels had sought sanctuary and support in Chinese territory during the Second and Third Indochina Wars. The Hmong rebels received active Chinese support and encouragement after the 1972 Sino-U.S. understanding and more so during the Third Indochina War starting in 1978, when Laos allied itself with Vietnam against China's punitive war.[1] In Cambodia, China's support and sympathies lay with the Khmer Rouge and the monarchy during the 1970s and 1980s. In the case of Vietnam, existing historical misunderstanding between the two countries was exacerbated as a result of the Third Indochina War.

China's policymakers approached the question of normalising relations and building political understanding with these countries at three levels. First, China had to distance itself militarily and ideologically from anti-regime and anti-system forces in these countries in order to remove years

of mistrust and apprehension from the minds of the people and regimes in power. Next, bridges of understanding and trust had to be built between China and its southwestern neighbours through institutional political linkages at various levels of the ruling parties and other dominant political institutions, like the military in the case of Myanmar and the monarchy in Cambodia. In doing so, China also cultivated contacts with the leadership at various levels in these countries through the grant of generous personal favours and political support. Thirdly, China sought to extend its cultural influence at the mass level to generate goodwill and support on a wider basis. The role played by the ethnic Chinese minority in this respect has been an important factor. China encouraged and/or connived at the flow of ethnic Chinese into these countries through economic co-operation projects. It patronised the growth of cultural and professional organisations among the ethnic Chinese and even encouraged such organisations to garner support in these countries for China-specific causes.

NORMALISATION OF DIPLOMATIC AND POLITICAL RELATIONS

We have noted earlier that China's Good Neighbourliness Policy evolved during the 1980s. The application of this policy on its southwestern neighbours has been actively pursued since the late 1980s. In political contexts and time frames, the Chinese approach varied from country to country. In the case of Myanmar, there was no breakdown in normal diplomatic and political relations. In fact, the two sides were already rebuilding their relations even during the first half of the 1980s, though this process only gained momentum later. With Laos, Cambodia and Vietnam, a serious breakdown in China's relations took place between 1978 and 1979, though tensions had already started building up with Vietnam even earlier. A careful look at the normalisation of relations between China and these countries will show that a closely intertwined aspect of it was China distancing itself from the anti-regime forces that had been operating for years with its material and political support.

Myanmar

China's support for the BCP-led insurgency was the main irritant in Sino-Myanmar relations. Several attempts made by the Burmese Socialist Party regime under General Ne Win during the late 1970s and early 1980s to distance Beijing from the communist-led insurgency did not succeed. China, however, started softening its stance by the mid 1980s when greater emphasis was laid by the post-Mao leadership on economic co-operation in bilateral relations. Chinese President Li Xiannian, during his visit to Myanmar in March 1985, explained the new thrust in China's policy towards its neighbours and gave the assurance that China would never practice hegemonism nor approve of any policy by the big and powerful to suppress and bully small and weak countries.[2] Emphasis was placed by the Chinese President on building bilateral economic relations. By 1985, opinions were expressed in China for opening up the southwest, and the Chinese Communist Party started reviewing its support of the BCP and its insurgent activities in Myanmar. By 1989, financial support to the BCP stopped and BCP insurgents were asked to close their camps in Chinese territory. Even Myanmar military operations against the insurgents along their common border were not hindered by Chinese military guards. In September 1988, the army took power in Myanmar and, by April 1989, BCP resistance had by and large died out.[3] By February 1990, Taiwan had formally declared its decisions to give up military efforts through the Kuomintang forces to take control of the mainland. It may be recalled here that part of the reason behind China's support of the BCP was to counter the persistent resistance offered by the KMT forces from Myanmar's border areas. Once this resistance was openly abandoned, the rationale for fighting it through the BCP could no longer be justified. Ethnic insurgencies, however, continued and some ethnic resistance is active even now.

China has provided massive military assistance to the Myanmar military regime in its fight against these ethnic insurgencies. This aspect of bilateral co-operation will be discussed in another chapter. In addition to military supplies, China has also provided logistical support to the Myanmar Armed Forces to get border areas cleared of insurgent activities. Describing an incident of such support in operations against the Kachin Independent Army (KIA), an influential Southeast Asian weekly wrote in 1992:

> Reports from Kachin state indicate that on 29 March more than 20 Chinese army trucks carried Burmese troops from the border crossing point at Nong Tao near Ruili, through Chinese territory to the Burmese garrison at Loije, near the frontier south of the KIA base. On 30 March, five Chinese trucks carrying arms and ammunition for the Burmese army also crossed the frontier. The Chinese have expressed interest for some time in helping the Burmese Government build a hydro-electric power station in the border area.[4]

Such co-operation eventually helped the Myanmar government bring an end to insurgency movements, save for some groups, by striking deals known as "arms for peace". It is believed that Chinese provincial authorities in Yunnan, with the encouragement and support of the central authorities, exercised their influence and good offices in facilitating such deals along the Myanmar-Chinese border. "Arms for peace" deals have brought peace to the border regions without forcing any unacceptable compromise on the part of the ethnic groups.[5] It has also reduced the insecurity burden on Myanmar's military rulers, giving them a sense of stability and greater confidence to deal with the challenges of democratic opposition. There is, however, no hope for the stability and opportunity accorded by the ad hoc "arms for peace" arrangements to be used for finding a lasting political solution to the ethnic issue and to rebuild the economy of the border region. One wonders if there is any direct link between the "arms for peace" arrangements and the Chinese formula of One Country Two Systems that was recommended by Chinese leaders to Myanmar rulers during the mid 1980s.[6] There is a striking similarity between the two formulations because the Myanmar arrangement leaves the turbulent areas to their respective ethnic order, economic freedom (even to carry on with the drug trade) and security structure. The Myanmar military leaders have to rely entirely upon the ethnic warlords even for their own security while travelling in areas under "arms for peace" arrangements.[7]

Facilitating economic regeneration of the Sino-Myanmar border region has been an important objective behind China's help to Myanmar. In this respect, the location of a proposed hydropower station in the area where Chinese authorities provided logistical support to Myanmar's anti-insurgency operations is relevant. This was in conformity with the economic thrust in China's Good Neighbourliness Policy which was also aimed at increasing state-to-state economic co-operation with its neighbours. In pursuance of such co-operation, the new military government of Myanmar

accepted the Chinese proposal to open border trade between the two countries. An agreement to that effect was concluded in August 1989 between the Myanmar Export Import Corporation (MEIC) and its counterpart in the Chinese border province of Yunnan. The Myanmar authorities provided financial incentives to attract traders and investors from rebel-held areas to government-controlled territories along the border.[8] These measures facilitated the growing exchange of goods and services between the two countries. Thus the economic regeneration of the border areas through co-operation with China was seen as an important means to weaken the social base of ethnic insurgency in Myanmar's periphery. Myanmar tried to emulate this pattern with other neighbours such as Thailand, Laos and India as well but success has been most significant on its border with China.

Laos

It was noted in the previous chapter that in the process of normalisation of relations between China and the three Indochina states of Laos, Cambodia and Vietnam, the most important facilitating role was played by the former Soviet Union. As relations between the Soviet Union and China started to warm up by the late 1980s, the Indochina states also started to prepare for normal relations with their giant northern neighbour, as reflected in a resolution adopted by the three Indochina Foreign Ministers in August 1986. The former Soviet Union had been nudging all the Indochina states to move towards normal relations with China.[9]

There was a clear distinction in the speed and extent with which China pursued its normalisation with the respective Indochina states during the latter half of the 1980s. This process moved faster with Laos than with Vietnam and Cambodia, the reason being there was no direct conflict between Laos and China. In fact, China had more than 10,000 troops and workers in the northern areas of Laos, constructing a network of some 800 km of road when the Third Indochina War broke out in 1978.[10] During the conflict, Laos asked the Chinese to withdraw these men and the Lao Ambassador from Beijing was also recalled. Laos initially adopted a neutral stand in the conflict between its eastern and northern neighbours. Describing this attitude as one of ambiguity, an Australian scholar of Lao affairs writes:

> …there was an unaccountable ambiguity in Lao policy towards Beijing. On the one hand, an active effort was made to discredit PRC and to eliminate Chinese influence in northern Laos; on the other, some attempt was made to let the Chinese know that the Lao regime was unhappy with the turn events had taken. If, as seems likely, this ambiguity reflected differences within the Lao Politburo, these were not sufficient to destroy the cohesion and solidarity that had characterised the upper echelons of the Lao ruling elite since the formation of Lao Peoples Revolutionary Party.[11]

But in view of the 25-Year Treaty of Friendship and Co-operation underlining the special relations between Vietnam and Laos signed in July 1977, Laos had to proclaim its solidarity with Vietnam in the wake of the Sino-Vietnamese conflict. The Sino-Lao border had also become tense, with considerable deployment of Chinese troops in the fear that Vietnam could open a diversionary front on this border. During the Second Indochina War, the famous Ho Chi Minh Trail of Vietnamese soldiers passed through Lao territory. Despite these tensions along the Laos-China border, channels of diplomatic communication between the two countries were kept open, albeit at very low levels. The Lao Deputy Foreign Minister Phongsavan Boupah who has been actively involved in the conduct of Lao PDR's relations with its neighbours for the past twenty years, recalls:

> In 1978–79, Lao-Chinese relations had obstacles and difficulties. The political, economic, cultural and other relations deteriorated to the freezing point. From June 1979, the two sides reduced their diplomats, including recalling the ambassadors and retained the relations between them at Charge d'Affaires level. (sic)

Although the relations of friendship and the tradition of solidarity between the Lao PDR and Chinese were severely affected, the leadership of the two countries were successful in restraining themselves from taking extreme actions that might lead to skirmishes.[12]

This restraint at the leadership level on both sides was reflected in the gap between political statements and reality. In the midst of mutual denunciations, friendly informal contacts between the two armies and border trade exchanges between the two sides were resumed by 1983.[13] With the change in Sino-Soviet relations and the express desire of the Indochina states to have normal political relations with China, informal contacts were established between China and Laos. The Indochina Foreign Ministers

Meeting held in Hanoi in August 1986 endorsed Lao PDR's stand on the normalisation of relations with China. At the 41st UN General Assembly session in 1986, Lao Deputy Foreign Minister Sobhan Sirithirath declared:

> The Lao PDR government always regards the time-honoured friendship with the Chinese people as a great value and wishes to restore and consolidate the normal relations of good neighbourliness with the People's Republic of China on the basis of the Chinese side's respect for Lao's independence, sovereignty and territorial integrity and its pledge to refrain from aggression against and interfering in the internal affairs of Laos and of peaceful co-existence…[14]

The condition of the "Chinese side's respect for Lao's independence…" was in conformity with the position of the Lao People's Revolutionary Party (LPRP) and its leadership. In November 1986, in his Political Report to the Fourth Congress of the LPRP, the Lao Prime Minister and Party leader Kaysone Phomvihane affirmed:

> Towards China we always have an affection and care for our friendship with the Chinese people; we always affirm that we would uncompromisingly strive for maintaining this friendship. China is a great power, one of the permanent members of the Security Council of the UN, having the responsibility for the peace and security in Southeast Asia, Asia-Pacific and the world. We hope that the relations between our two countries would be normalised on the basis of the respect for each other's independence, sovereignty and territorial integrity, of non-interference into internal affairs of one another, of non-aggression, of equality and mutual benefit, and of peaceful co-existence.[15]

A month after this statement, from 20 to 25 December 1986, Chinese Deputy Foreign Minister Liu Shuqing visited Laos to propose the reopening of embassies and normalisation of diplomatic relations.[16] This led to further official level discussions and finally, from 24 to 30 November 1987, Lao Deputy Foreign Minister Khampahy Boupah led a delegation to China where both countries agreed to resume trade, cultural, commercial and economic relations. Ambassadors were exchanged between them in May 1988.

In normalising relations with China, one of the major Lao concerns has been to ensure that Chinese support for the Hmong ethnic rebels and pro-Monarchist forces ceased. This concern was reflected in the Lao side's underlining the condition of "respect for each other's independence … non-interference into internal affairs…". The Chinese assured Laos that they had

stopped all support and encouragement to the Hmong rebels. Endorsing this, Deputy Foreign Minister Sobhan Sirithirath disclosed that Chinese support for the Lao resistance forces had "decreased".[17] The question continued to be discussed during high level visits between the two countries during from 1989 to 1991. By 1989, following the Tiananmen incident, the urgency of preserving the remaining socialist systems in Asia had become an important factor in Laos-China relations. There were continued discussions on the subject of Hmong resistance forces between the two sides throughout the 1990s, as the Hmong resistance continued to erupt occasionally in the northern provinces of Laos. The Hmong forces had their sources of support intact in the West and Thailand, and they continued to seek sanctuaries in the border areas of Yunnan where they had sympathies of ethnically akin social groups.[18] The Chinese authorities co-operated with Laos and through the good offices of the UN High Commission of Refugees, several groups of ethnic refugees affected by, and/or involved in, anti-Laos resistance returned from southern China to Laos.[19] When the Hmong trouble erupted again in early 2000, Laos sought military support from Vietnam.[20] The question was discussed during the visits of Chinese Communist Party Politburo member Huang Ju to Laos in May and the Lao Defence Minister's visit to China in August 2000. China assured Laos that it would take necessary steps to check the movements of Hmong rebels who were clandestinely using Chinese territory for support and sanctuary.

Vietnam

In the normalisation of relations with Vietnam, the main hurdle for the Chinese was the withdrawal of Vietnamese forces from Cambodia. Vietnam had announced as early as 1985, at an Indochina foreign ministers' forum, that it would withdraw its forces from Cambodia by 1990.[21] Strong and multi-dimensional international pressures (that united the U.S., China and the ASEAN countries), the economic burden of sustaining a military presence in Cambodia with declining prospects of continued Soviet assistance and support, and internal economic reforms had compelled Vietnam to do so. The implications of changes in the Soviet policy towards China was also a factor, as evident in the Indochina foreign ministers' call to normalise relations with China in August 1986. To work on this policy, Vietnam wanted to have direct negotiations with China so as to ensure that while it withdrew its forces, the Chinese would also stop supporting Khmer Rouge guerrillas to help stabilise the Vietnamese-installed Cambodian government. China

was unwilling to deal with Vietnam directly on the question of withdrawal. It wanted the Soviet Union to play an active role in ensuring this withdrawal. It may be recalled that China even made its normalisation with the Soviet Union conditional upon Vietnamese withdrawal from Cambodia. Accordingly, the process of Sino-Vietnamese normalisation gathered momentum only after the Soviet and Chinese foreign ministers meeting in Beijing in February 1989, as discussed in the previous chapter.

The Vietnamese date of withdrawal was advanced to September 1989 and in August 1990, China asserted that it would withdraw support from the Khmer Rouge.[22] This led to a secret meeting in Chengdu on 3–7 September 1990 between Chinese and Vietnamese leaders on resolving the Cambodian issue and normalising their relations. The outcome of this meeting was endorsed by the Communist Party of Vietnam at its Seventh Congress in June 1991. This led to another meeting between the two sides at party level in Beijing in November 1991 where details of the normalisation process were given final shape in the form of an eleven-point agenda for gradual improvement in the development of bilateral relations.[23] It is important to keep in mind that there were sharp differences within the Vietnamese Communist Party on the pace and extent of normalisation with China. These differences melted away and dissenting voices were marginalised because Vietnam did not have many options in view of the Soviet disintegration by this time. However, to accommodate some of these dissenting viewpoints, the Seventh Party Congress also approved a broad foreign policy strategy for Vietnam to evolve a balanced relationship with ASEAN, the U.S. and other countries while normalising relations with China. Support for normalisation with China within the party came from a powerful section of the army's leadership in the hope that it would blunt China's aggressive designs against Vietnam and provide Vietnam with a sense of security and ideological umbrella.[24] The army leadership had been concerned since 1989 that, in view of the promised Soviet withdrawal of its offensive forces and naval presence from Cam Ranh Bay, China may encroach upon Vietnamese territory and territorial waters. The eleven-point Joint Communique on normalisation included a provision for peaceful settlement of border disputes (territorial and maritime) and efforts to maintain the status quo by both sides on such disputes. By the later half of 1989, there were also signs of improvement in relations between the U.S. and Vietnam.

It is also pertinent to recall here that there were strong regional and international pressures, both on Vietnam and China, to get the Cambodian issue resolved. These pressures led to the conclusion of the Paris Peace Accord in October 1991, under which Vietnam ended its special relations with Cambodia and China offered to participate in the UN peacekeeping operations in Cambodia, implying the end of its support for the Khmer Rouge. This Paris Peace Accord on Cambodia provided a conducive backdrop to the Sino-Vietnamese meeting of November 1991 on normalisation.

Cambodia

The normalisation of relations between China and Cambodia was linked to the Sino-Vietnamese normalisation. Even during the Vietnamese control of Cambodia from 1979, China already had two strong allies in Cambodia, namely, the Cambodian monarchy (particularly Prince, and later King, Norodom Sihanouk) and the Khmer Rouge. The latter had been China's ideological and military protégé since the early 1970s, cultivated primarily to counteract the Vietnamese influence in Cambodia.[25] The withdrawal of Vietnamese forces from Cambodia, and the Paris Peace Accord of 1991, did not immediately bring peace and stability to Cambodia. The conflict dragged on for almost eight years after that, mainly due to the refusal of Khmer Rouge forces to lay down arms and work in a coalition with other political groups, namely, the pro-Monarchists and the Cambodian People's Party (CPP) led by Hun Sen. The conflict also persisted because of internecine struggle for power among non-Khmer Rouge forces which precipitated another clash in July 1997.[26]

China, as noted earlier, claimed in 1990 to have stopped its military and material support for the Khmer Rouge, without cutting off its relationship with this extremist force. China's links and influence with the Khmer Rouge were used to nudge them towards a peaceful settlement to the Cambodian conflict. China even hosted a conference in Beijing in November 1992 to facilitate a reconciliation among the warring Cambodian factions.[27] This attempt failed and China had to become party to the UN Security Council embargo imposed on the Khmer Rouge in December 1992. The Cambodian situation continued to pose a dilemma for Chinese policy even after the Vietnamese withdrawal. On the one hand, as a Security Council member, China would have liked to keep a 'statesman-like' distance from its radical

former clients. On the other hand, China's wariness of Vietnam, coupled with long standing links with the Khmer Rouge and the Thais, made it awkward for China to join a group that imposed sanctions on the Khmer Rouge.[28]

The main reason behind this dilemma was that China wanted to keep its strong stakes in the Cambodian political structure without eroding its links and influence with competing factions. A former Australian Ambassador in Phnom Penh, commenting on the role of external forces in the Cambodian peace process said:

> More broadly, ASEAN and China at the time still felt they had prestige at stake in terms of the side they had respectively supported in the civil war—the Royalist / Republican / Khmer Rouge military resistance—getting at least a chance to share power in Phnom Penh.[29]

In its pursuit of this objective, China had tried to persuade both Prince Sihanouk and the Khmer Rouge to form a coalition with the CPP.[30] The Chinese were closely taking note of the fact that the CPP-led government, due to its own internal urge as well as to the influence of other regional and global forces, was trying to become independent of its Vietnam connection. Since 1989–90, the Cambodian government led by the CPP had reiterated its policy of non-alignment and tried to revise its 1979 Friendship Treaty with Vietnam in favour of greater independence for itself. China, accordingly, also exercised its influence in building confidence between the Royalist forces and Vietnam, which gradually led to the development of a working relationship between them. However, the Khmer Rouge proved difficult to be moderated and China had to distance itself from them as much as possible, at least in appearance. More so because the Cambodian government was keen on China doing so. A keen scholar of Cambodian affairs writes in this respect:

> Cambodia's China policy has other domestic strategic implications as well. The coalition leadership has one enemy who was Beijing's best ally in Indochina—the Khmer Rouge. After the elections, the war did not come to an end as the Khmer Rouge rebels still battled their way to get a piece of the power pie. Although the Khmer Rouge threat has been over-exaggerated, the war has kept Cambodia on its knees, as much of the national budget has been spent on defence and internal security. Phnom Penh's China policy was, therefore, to deny the Khmer Rouge access to its most important friend by wooing leaders in Beijing to its side. Although China recognised the elections that led to the formation of the coalition

> government and has since supported King Sihanouk and Phnom Penh, the Cambodian government's policy is to weaken the rebels by adopting a strategy of turning its foe's friend into its own.[31]

It was in pursuance of this policy that in 1994, Cambodia's two Prime Ministers, Prince Ranariddh and Hun Sen, visited Beijing. China viewed this as an endorsement of its approach to the Cambodian peace process. President Jiang Zemin, in welcoming them, said: "The visit of the two premiers, so shortly after the creation of the Kingdom demonstrates the attention you are paying to the development of Sino-Cambodian relations".[32] The two Prime Ministers also sought assurances from China that the Khmer Rouge, which was continuing to fight against their coalition government, would not be supported. In response, Chinese Premier Li Peng wrote to his Cambodian counterparts:

> I have received the letter dated 12th July from both of you the prime ministers. I would like to thank you for the sketch of the latest developments in Cambodia.
>
> We would like to welcome His Majesty King Norodom Sihanouk's position and initiative to settle internal affairs through peaceful means with a view to restoring national reconciliation. We sincerely hope that under King Norodom Sihanouk's leadership, Cambodia's internal affairs will be resolved correctly, thus facilitating the reconstruction of an independent, united and glorious Cambodia.
>
> Concerning the Khmer Rouge problem, which is an internal issue for Cambodia, the Chinese government will not interfere. Regarding the two prime ministers' proposal calling on the Chinese side to stop providing benefits to the Khmer Rouge, I would like to inform you that according to our inquiry, the Khmer Rouge has not received any benefit from the Chinese side at all. China and Cambodia will remain time-honoured good friends forever.
>
> The Chinese government is prepared to expand the relations of friendship and co-operation with the RGC (Royal Government of Cambodia) based on the five elements of peaceful co-existence. China will continue to render support and assistance to Cambodia's national reconciliation and reconstruction. It will also promote economic and trade co-operation and exchange and other areas with Cambodia on the basis of equality and mutual interests.

> I firmly hope and believe that the RGC and the Cambodian people will be able to overcome all obstacles and difficulties to step forward on the path of prosperity and to achieve fine results for the cause of peace and national reconstruction.[33] [italics added]

Even if this statement is taken at its face value, it does not appear to be convincing evidence of China's emphatic denial of its links with the Khmer Rouge. All it reiterates is the stoppage of Chinese material assistance ("benefits") to the group. Furthermore, there is a clear emphasis on reconciliation and peace, and even an attempt to link it with bilateral co-operation with China, as if that may be an unexpressed condition for such co-operation.

It may be that China kept informal and secret contacts with the Khmer Rouge, possibly not to alienate a former close ally, and in the hope of reviving their old relationship, partially or fully, if and when the political situation in Cambodia so warranted. China's preference for reconciliation and unity was also aimed at accommodating the Khmer Rouge in Cambodia's political structure, as this was the only group that had refused to join the Royal Cambodian Government established through a coalition of various political forces after the elections of 1993. The Khmer Rouge became deeply divided in 1996, with mass defections by dissidents to the government between 1996 and 1998. With the death of top Khmer Rouge leader Pol Pot in June 1998 and the surrender of his senior lieutenants, Khieu Samphan and Noun Chea, in late December 1998, Prime Minister Hun Sen declared the end of the guerrilla resistance.[34] The last Khmer Rouge leader, Ta Mok, was captured in March 1999.

The question of trying the Khmer Rouge for its genocide and crimes against humanity before an international tribunal has emerged as an important issue in Cambodia's domestic and international affairs. We shall see below that China has opposed the international tribunal. With the disintegration of the Khmer Rouge and the emergence of Hun Sen and his CPP as the dominant political force after the violence of July 1997 and the elections of July 1998, China's relations with the CPP faction of the Cambodian government have also improved significantly.

Thus by the end of the 1990s, one could say that China has completely distanced itself from the anti-regime and anti-system forces in the new ASEAN countries. The Burma Communist Party (BCP) had ceased to exist and there was no Chinese support for either the Khmer Rouge in Cambodia or the Hmong tribal rebels in the northern regions of Laos and Vietnam. Thus all political and diplomatic aspects of normalisation have been completed. This, however, does not rule out the theoretical possibility of China reviving its links with the ethnic insurgencies in Myanmar's northeastern states as well as with other such forces in the Indochina region, if the situation in these countries were to change to China's disadvantage.

REGIME SUPPORT AND SYSTEMIC SOLIDARITY

Political systems and power structures in the new ASEAN countries have broadly remained stable for more than a decade, ever since China pursued its active co-operation with these countries within the framework of its Good Neighbourliness Policy. Leadership changes in these countries, except Myanmar, have been brought about through their respective constitutional processes albeit with some violence in Cambodia. Support for the leadership and political systems of these countries have been reiterated and reinforced through extensive exchange of visits at various levels. According to a Vietnamese source, the total number of visits exchanged between Vietnam and China came to about 700 annually, which on an average would work out to two visits a day.[35] Underlining the importance of frequent visits in cementing Sino-Myanmar ties, The People's Daily (17 July 2000) of China wrote:

> Since the two countries forged ties, there have been frequent exchange of high level visits between the two countries. The late premier Zhou Enlai of China made nine visits to Myanmar, while former Myanmar leaders went to China for 12 occasions.

In recent years, Chairman of the Chinese People's Political Consultative Conference National Committee, Li Ruihuan, State Councillor Luo Gan, Vice Premier Wu Bangguo and State Councillor Ismail Amat successively visited Myanmar, while the Chairman of the Myanmar State Peace and Development Council (SPDC) and Prime Minister Senior General Than Shwe, SPDC Vice-Chairman General Maung Aye, SPDC Secretary-1 Lieutenant-General Khin Nyunt, Deputy Prime Minister Lieutenant-General Tin Hla and Foreign

Minister U Win Aung toured China. The exchange of such high level visits has given impetus to the development of the two countries' friendly ties.

The numbers and levels of the visits may vary from country to country and year to year but in the case of all these four countries and China, there has been a heavy two-way flow of visitors between them. There has, however, been some resentment in Myanmar over the recent years that no senior Chinese leader has visited Myanmar, though such leaders have been visiting its neighbours like Laos, Cambodia and Vietnam. This resentment has been addressed with President Jiang Zemin's visit to Myanmar in December 2001. The importance of such visits have been highlighted as symbols of the upgraded political relationship between China and these countries.[36] Some of the important visits exchanged between China and these countries are listed in Annex 1. During such exchanges of visits at the highest levels, Chinese leaders have praised the leadership in these countries and assured them of China's continued support for their policies and developmental programmes. For instance, in January 1994, when the two Cambodian Prime Ministers, Prince Ranariddh and Hun Sen, visited China together, President Jiang Zemin promised them Chinese support in the rebuilding of a conflict-ravaged Cambodia.[37] Such promises have been made to other leaders as well, on their visits to China. Similarly, on their visits to these countries, the Chinese leaders have extended support to their hosts and promised Chinese assistance in their developmental efforts. The visits of top Chinese leaders Li Peng and Jiang Zemin during 2000 and 2001 may be seen in this respect.

In addition to maintaining state-to-state relations, China has also maintained close party-to-party relations with these countries, particularly Vietnam, Cambodia and Laos, where old communist party structures are still relevant. In the cases of Laos and Vietnam, China has exchanged party delegations at party congresses and pledged ideological and political support. Welcoming Vietnamese Prime Minister Phan Van Khai in Beijing, Chinese Prime Minister Zhu Rongji underlined that both the countries, adhering to economic reforms, had opened up and been able to ride out the Asian financial crisis owing to the advantages of socialism. On this occasion, the Chinese media also highlighted four areas of similarity between the two countries:

- pursuing socialism according to each country's situation,
- juggling economic development and the stabilisation of their political systems,
- mobilising domestic resources and maximising international co-operation, and
- ensuring the continuation of communist leadership.[38]

In Cambodia, where there are more than one party, China has been sending delegations to the party conferences of all competing groups in order to keep its links with all of them.[39] China had no formal party-to-party relations with Hun Sen's CPP for a long time because of the conflict between them on the Khmer Rouge issue. In 1996, then Second Prime Minister and CPP leader Hun Sen visited China and signed an agreement for formal party level relations with the Communist Party of China (CPC).[40] It has also been noted above that relations between China and Hun Sen's CPP have become closer since the latter's emergence as the dominant political force in Cambodia after the so-called coup of July 1997. Another consideration that brought China closer to the CPP was that during the events of 1997–98, there was a possibility of the U.S. taking sides with anti-Hun Sen forces and even intervening on their behalf in Cambodian politics.[41]

Myanmar does not have a party structure but China has kept close contacts with the military through various official exchanges and programmes of military assistance. Anniversaries of the establishment of party-to-party and diplomatic relations, and of the signing of important bilateral treaties and agreements, have also been celebrated with fanfare by China to reinforce its relations with these countries.

In evolving its Open Door and Good Neighbourliness Policies, China has liberated its foreign policy from ideological constraints. Accordingly, the nature of the political system of each country has not been a decisive factor in the building of state-to-state relations between China and other Asian countries. Notwithstanding this broad policy thrust, ideological and structural preferences did come into play in the practice of China's policy. In the case of its new ASEAN neighbours, there was no systemic dichotomy as such between China and each of these countries. Vietnam and Laos had identical political systems with China. With a time gap of about seven and ten years respectively, they also started opening their economies without liberalising polities. Of course, there were substantial differences of pace, extent and quality of economic openings between China and these two countries, but both of them have openly endorsed the Chinese path of development and declared their desire to learn from it and to follow it.[42] They were frightened by the collapse of the socialist system in the former Soviet Union and were keen to go along with China to preserve their political order in the spirit of socialist fraternity. This gave them a peculiar sense of systemic solidarity.

There were also elements of such solidarity between China and Myanmar. The military regime in Myanmar that came to power in 1988 was incompatible with political freedom and functioned on a basis of close control within the military as a corporate organisation. Myanmar's military junta changed the facade of their political structure by renaming it in 1998 from SLORC (State Law and Order Restoration Council) to SPDC (State Peace and Development Council) to suggest a shift from law and order to peace and development in the regime's programmes and objectives. This was done in response to international pressures and suggestions from friends like China, Laos and ASEAN to diffuse such pressures, at least for propaganda purposes. Official propaganda described the change as an indication "that the military government regards itself as a transitional or a caretaker government exacting a step-by-step transformation to democracy it cherishes for the entire nation."[43]

In Cambodia, a liberal democratic order and free elections characterised the system ushered in under the Paris Peace Accord of 1991. Through subsequent elections and complex evolution through conflict, the CPP under Hun Sen has emerged as the dominant political force.[44] The CPP has its structural lineage with the traditional communist parties in Vietnam and China. It has also been noted earlier that since 1996, party-to-party relations have been established between the CPP and the CPC. China's real close ally in Cambodia was the Khmer Rouge but its political strength and clout have already been seriously eroded over the last few years. There is also a close political affinity between Chinese leadership and the Cambodian monarchy. This affinity has been nurtured by keeping close personal links with King Norodom Sihanouk and a political relationship with the party (FUNCINPEC) led by members of the royal family like Prince Ranariddh. Thus in a multi-party, liberal political system, China has maintained and reinforced, wherever possible, a diversity of political and personal linkages.

From the 1990s to the present, two sets of systemic challenges have impinged on China and its southwestern neighbours. One relates to international pressures on issues of human rights, religious freedoms and forced labour (particularly in case of Myanmar), while the other relates to political reforms and democratisation. A great sense of systemic solidarity has been displayed on reciprocal basis between China and the new ASEAN countries with regard to the first set of challenges. They have all collectively condemned international pressures on issues of human rights violations

and religious freedoms in their respective countries. They have all voted on the same side in international bodies on these issues and disapproved of the sanctions and punishments imposed by the international community. They all blame the West, particularly Europe and the U.S., for politicising and making strategic use of human rights and freedoms issues.

China has played an active role in mobilising international support in favour of Myanmar and Cambodia when issues of human rights, labour and humanitarian crimes were brought against them in the UN. When sought during General Saw Maung's visit, China offered support and advice to Myanmar on how to handle the scheduled UN debate on Myanmar in 1991.[45] Similarly, in 2001, China supported Myanmar on the issue of forced labour from the International Labour Organisation.

Pressures on Cambodia have been exerted from the West and the UN for the trial of the Khmer Rouge by an international tribunal under UN supervision for genocide and crimes against humanity. The Cambodian government, however, has preferred a trial within Cambodia, which has not been acceptable to the West and the UN. The UN and the West's contention is that the Cambodian judicial system is neither competent, free nor independent of political forces to conduct a fair trial. Prime Minister Hun Sen has refused to accept the idea of an international tribunal for the Khmer Rouge trial as this would not be in the interest of the maintenance of independence, sovereignty, peace and national reconciliation. Politically, any international trial of the Khmer Rouge would be contrary to the spirit of Hun Sen's successful efforts in securing defections of Khmer Rouge cadres and commanders, and integrating them with his own CPP. But, in view of international pressures, he was prepared to compromise to the extent of getting international experts and even judges involved in investigations and the trial. Unfortunately, this has not appeased those asking for a UN-supervised international trial outside Cambodia.[46] After working out an understanding with the U.S., the Cambodian government has adopted a law to try the Khmer Rouge which will involve participation of international judges, but the trial will take place within Cambodia according to Cambodian judicial procedures. This law was adopted by the Cambodian National Assembly on 11 July 2001 and received the King's endorsement in August. UN approval and international endorsement of this law have yet to come. After that, how the trial proceeds and how many of the old Khmer Rouge leaders are brought to book for their crimes remains to be seen.

China has firmly and openly rejected the idea of an international trial of the Khmer Rogue or any interference from 'outside' on this issue. The Chinese Foreign Ministry was quoted as saying that "the treatment and the handling of Khmer Rouge leaders are entirely internal affairs of Cambodia… Cambodia's primary task was to strengthen national reconciliation …conducive to peace and stability of the region."[47] This position has since been reiterated by China many times.[48] The Chinese stance on the Khmer Rouge trial may have been prompted by a number of factors. To begin with, any international trial of the Khmer Rouge will expose the Chinese as well because of their long and extensive support of this genocidal group. As a defence against such exposure, China has already dissociated itself from the 'wrong policies' of the Khmer Rouge leadership.[49] Deng Xiaoping confided to Singapore's Lee Kuan Yew that he found the Khmer Rouge leader Pol Pots's extremist policies intriguing and that China never supported or endorsed such policies, though there is no evidence that China condemned such policies or tried to dissuade the Khmer Rouge from pursuing them.[50]

China is also concerned about the fallout of an international trial on the domestic politics of Cambodia. A large number of Khmer Rouge cadres have surrendered and joined the CPP, the FUNCINPEC or other political groups. Some former Khmer Rouge cadres are also ministers in Hun Sen's government. This has been done under the Reconciliation Policy with assurances that the old cadres and their leaders will not be persecuted or punished. Any trial would violate this understanding and disturb the prevailing political stability and peace, which are so badly required in Cambodia. It may even spark violent conflicts in the kingdom. Furthermore, if, as a result of the trial, Khmer Rouge cadres are humiliated and politically isolated, the influence of pro-Vietnamese elements within the CPP may become more powerful at the cost of the growing goodwill for China. Therefore, the trial of the Khmer Rouge for its past crimes, especially if it is an international trial, does not serve Chinese interests in Cambodia. It also does not serve the interests of either the CPP or Royalist forces that have strong stakes in the present power structure.

The questions of political reforms and liberalisation have been raised in all the new ASEAN countries in different forms and intensities. We have noted earlier that China adjusted its policies to the multi-party system in Cambodia by establishing and nursing links with the CPP and Royalist forces. The Chinese ideological preference would, however, remain with the prevailing political orders in Myanmar, Laos and Vietnam. In Myanmar,

the issue of military order versus parliamentary democracy is in the forefront. There have been reports that when China was quite worried about democratic pressures in view of the Tiananmen incident and democratic changes in the then Soviet Union and Eastern Europe, it supported the Myanmar junta's September 1991 announcement to annul the 1990 election and its refusal to hand power over to the elected representatives.[51] Without Chinese support, Myanmar's military regime would have found it much harder to keep democracy suppressed and cushion Western pressures on that count. Since 1997, its ASEAN membership has also reinforced the military junta's endeavours in keeping their hold on power. In Laos and Vietnam, there are growing instances of political dissent against the prevailing systems and leadership, expressing itself loudly, even in the form of internal violence and explosions.[52] China has reassured the Laotian leadership of its support against such dissent. China has also been supportive of the Vietnamese regime in the context of internal conflict in the central highlands, which Hanoi blames on interference by Western powers.[53]

The new ASEAN countries have sought China's political support for their own interests. For such support, they have approached China whenever they faced internal political challenges or external pressures. On their part, they have been forthcoming in extending support to China whenever China faced similar situations. All these countries extended prompt support to China in its actions in the Tiananmen incident and on the Falun Gong cult, where China faced strong criticism from the West. They have also endorsed the One China policy, thus supporting the transfer of the colonial territories of Hong Kong and Macau to mainland China, while keeping themselves politically away from the issue of Taiwanese independence.

On the question of Tiananmen, Myanmar's Lieutenant-General Khin Nyunt compared it with the 1988 protests against the military takeover of Yangon and said, "We sympathise with the People's Republic of China as disturbances similar to those in Burma last year (recently also) broke out in the People's Republic".[54] Lao Party Chief and Prime Minister Kaysone Phomvihane, soon after the Chinese authorities succeeded in crushing the Tiananmen Square uprising, met the Chinese Ambassador and stressed that all acts of imposing pressure or interfering in China's internal affairs run counter to international tradition.[55] Vietnam was not so categorical as normalisation talks then were still in progress and there were fresh tensions in the Spratlys resulting from the Vietnamese decision to construct an economic, scientific and service complex, and China sending warships to

the islands. Vietnam, however, did not approve of Western criticism of China as this was considered an internal affair of China. A Vietnamese Foreign Ministry spokesman added: "Bloodshed is regrettable. May the situation in China return to normal soon."[56] The new ASEAN countries have also refused to join Western criticism of China's approach to the issue of religious freedom, like the Falun Gong group. In fact, all these countries are also facing Western criticism and pressures on the issue of religious freedom denied by them to their citizens. Laos has, at times, taken into custody many Australians, European and Americans on charges of illegal missionary and religious activities involving Lao nationals. Laos has also co-operated with China in controlling the latter's dissenters.[57]

There is complete support from the new ASEAN countries for the One China policy. This support has been reiterated during high level official visits. This is despite the fact that Taiwan has a strong economic presence in trade and investment in most of these countries. In Vietnam and Cambodia, Taiwan is a leading investor, as we shall see later. But in times of political need, these regimes have distanced themselves from Taiwan to show their commitment to the One China policy of Beijing. During the 1997 struggle for power in Cambodia, for instance, Prime Minister Hun Sen forced Taiwan to close its cultural and economic office in Phnom Penh. He accused the office of having supplied arms and money to his political rivals. Later, when a pro-independence presidential candidate was elected to power in Taiwan, the Prime Minister reiterated his resolve not to have political or official relations with Taiwan. Talking to a Chinese delegation in March 2000, Prime Minister Hun Sen said:

> Only a pure commerce and economic relations are allowed between Cambodia and Taiwan. Any activities beyond it will be banned…But we welcome Taiwanese companies and businessmen to have trade and economic activities in Cambodia which should have no political colour.[58]

This is also the position of Vietnam and Laos. These countries do not see any conflict between having good relations with China and permitting investments from, and trade with, Taiwan since the People's Republic of China also allows trade and investment flows from Taiwan. The underlying assumption in Beijing may be that Taiwan will be a part of the mainland in the long run. Furthermore, if separate trade and investment relations can exist and prosper between these countries and Hong Kong and Macau, how can an exception be taken to similar relations with Taiwan? The new ASEAN

countries have also expressed sympathies and support for China on some of its international concerns like the bombing of the Chinese Embassy in Belgrade and its conflict with the U.S. over the spy plane incident.[59] On the bombing of the Chinese Embassy in Belgrade, the Lao Foreign Ministry said:

> This violent action follows air raids which have been conducted in an irresponsible and inhumane manner against Yugoslavia for over 40 days now.… The Government of the Lao People's Democratic Republic seriously condemns that action as a bold attempt on the sovereignty of the People's Republic of China.[60]

CULTIVATING CONSTITUENCIES

In extending systemic and regime support to its southwestern neighbours, China has paid special attention to building close ties with important political leaders and social support groups, particularly the ethnic Chinese in these countries. Preference in terms of political personalities was clearly evident when China started its normalisation process with Vietnam. Chinese leaders Jiang Zemin and Li Peng held a secret meeting with Vietnamese leaders Nguyen Van Linh, Do Moi and Phan Van Dong in September 1990 to sort out many of the normalisation hurdles. At that meeting one of the Vietnamese leaders, Nguyen Co Thach, who was considered a hardliner on China, was kept out. At the Seventh Party Congress, in June 1991, Nguyen Co Thach and other leaders who were considered anti-China were dropped from the Politburo. The pro-China lobby within the Vietnamese Party had naturally become powerful.[61] The question of relations with China has been an issue of debate and divisions within the Vietnamese Communist Party all along. China has understandably supported and cultivated Vietnamese leaders who look towards China with support and admiration. Even during negotiations on border issues, it was believed that pro-China leaders like Le Kha Phieu made secret visits to China and offered greater concessions in sensitive sectors. This aspect has been cited by many Hanoi observers as one of the important and decisive factors that led to the ouster of Le Kha Phieu in the April 2001 Party Congress. Some of the preferred leaders in Laos, Vietnam and Cambodia have been provided with special medical support and their children have been given places in educational institutions in China.[62]

In the case of Cambodia, China's proximity to King Sihanouk, other members of the royal family and the Khmer Rouge has been mentioned earlier. China claims to have built a special luxurious villa for the Cambodian King in Beijing. King Sihanouk has heavily depended upon China for his political and medical support, and has himself remained an ardent supporter of close relations between Cambodia and China. As a mark of personal warmth, even the wives of the Chinese leaders have been sending gifts to the Cambodian Queen.[63] Within the CPP, China has succeeded in befriending strong party leaders like Hun Sen and Party President and President of the Cambodian Senate Chea Sim. In Myanmar, Secretary-1 of the SPDC Lieutenant-General Khin Nyunt is considered to be in China's good books. In Laos, divisions within the LPRP on the China question existed as early as 1978–79 when the Third Indochina War broke out.[64] A strong pro-China group is believed to have emerged within the party over the last ten years, with the Chinese support, though during the recently held party congress in 2001, this group could not secure top political positions in the party.[65] In the new ASEAN countries, China has gradually emerged as an important factor in domestic political calculations. Not only has China cultivated its preferred leadership in these countries but political leaders in these countries have also sought China's support to augment their respective positions in the domestic power structure. This in turn has facilitated China's efforts to cultivate closer contacts with specific leaders and advance its wider economic and strategic interests.

The ethnic Chinese community constitutes an important social and political group in the new ASEAN countries. In its overall approach to these countries, China has taken into account the influence and position of this minority group. Authentic estimates of the size of the Chinese ethnic community in these countries is not available as regular census has not taken place in some of them.[66] It is also difficult to identify the various groups of Chinese coming from the mainland, Taiwan or other countries in Southeast Asia and elsewhere. Authentic accounts of naturalised Chinese and those who still retain their foreign nationality are also difficult to obtain. A rough idea of this size may, however, be had from Table 2.1.

Table 2.1 – The Chinese Ethnic Community in the New ASEAN Countries
Source: Adapted from Ooi Giok Ling's "Governance in Plural Societies and Security-Management of Inter-Ethnic Relations in Southeast Asia" in Non-traditional Security Issues in Southeast Asia*, edited by Andrew T. H. Tan and J. D. Kenneth Boutin. Singapore: Select Publishing, for Institute of Defence and Strategic Studies, 2001, p. 303.*

Country	Cambodia	Laos	Myanmar	Vietnam
Population 76,236,259	11,339,562	5,260,842	47,305,319	
Ethnic Chinese %	1%	1% (with Vietnamese)	3%	3%

The fate of the Chinese community in Vietnam was an important issue in the normalisation talks held from 1989 to 1991. Vietnam's post-1975 economic policies severely affected the Chinese community due to its dominant position in the economy. Following the Sino-Vietnamese conflict of 1978–79, some 200,000 Chinese were forced to go to China as refugees.[67] Many others left as boat people to various other destinations in Southeast Asia and the West. Vietnamese policy towards the economic role of the Chinese community was first revised after the Sixth Party Congress (1986), in the face of the realisation that this community could play a constructive role.[68] In normalisation discussions, China wanted Vietnam to take back the Vietnamese-Chinese refugees who were forced out in 1978–79.[69] This issue still remains to be fully settled between the two countries as Vietnam suspects the loyalty of these Vietnamese-Chinese who have been living in China for more than twenty years.[70] However, with the growth of border trade and economic co-operation between Vietnam and China, the economic clout of the ethnic Chinese has started building up again.[71]

This is also the situation in China's other southwestern neighbours. The growth of a Chinese ethnic presence is most visible in Myanmar, particularly in its northern areas. In border provinces, the influence and presence of the Yunnan Chinese have grown significantly due to their investments and drug-related economic activities.[72] In central Mandalay, an estimated 30% or more of the population has come to be constituted by ethnic Chinese. In terms of communications, cultural structure, consumer items and currency transactions, the northern border areas are more closely integrated with Yunnan than with Yangon.[73] On the methods of migration adopted by the

ethnic Chinese into Myanmar's northern areas still under the control of ethnic warlords, a perceptive observer writes:

> Typically, Chinese migrants bribe their way across the border into these Special Areas where they can buy Burmese identity cards from the families of deceased Burmese citizens. These can later be used to purchase property in urban areas. In other cases, whole new villages are springing up inside Burma as Chinese migrants take over cleared hill country and begin growing rice.[74]

Myanmar authorities are generally helpless in this regard as they have no control over the Special Areas stabilised under "arms for peace" agreements with ethnic insurgents. Even senior SPDC generals cannot have their own armed security protection while travelling into these areas. There is no reliable estimate of ethnic Chinese influx into Myanmar in recent years since there has been no census in the country.

The Chinese ethnic community in Cambodia is equally visible and growing. They comprise Cambodians of Chinese descent, recent migrations linked to the growing Chinese control of the Cambodian economy, and illegal migrants, some of which are using Cambodia as a transit station for obtaining illegal passport and travel documents for their onward journey to other countries. According to one estimate, "as many as one million Chinese have passed through Cambodia since the early nineties". Chinese Embassy officials have described these figures as "highly exaggerated".[75] Recounting the factors behind the growth of the Chinese community in Cambodia, a well known Cambodian social scientist says:

> The ethnic Chinese community has grown with the continuous influx of Chinese nationals through legal or illegal immigration. After securing Cambodian citizenship, some of these migrants use Cambodia as a staging post for settlement in another country. Furthermore, Cambodia has been a host to an increasing number of Chinese investors from mainland China and from Taiwan. They have formed their respective chambers of commerce or associations. They have recruited local Chinese as partners or as agents, thereby reinforcing the dominant economic position of the ethnic Chinese in Cambodia.[76]

Support for influx of Chinese into Cambodia has traditionally come from the government which has strong representation from Cambodians of Chinese descent in various institutions like the Parliament, the Executive Wing of the

Government and political parties. Recently, while talking to a Chinese Deputy Minister for Foreign Trade and Economy, Cambodian Prime Minister Hun Sen said:

> I want investment from mainland China but I also want to send a message to ethnic Chinese living around the world… especially those living in countries where they are discriminated against, to come to Cambodia and bring capital and technology… Some countries practice discriminatory policies towards ethnic Chinese, but living in Cambodia is safe. There is no discrimination and no massacre of ethnic Chinese."[77]

As a result of official patronage and financial clout, Chinese Cambodians have been able to tighten their hold on the economy of the country. Ninety percent of foreign investment in Cambodia comes from companies owned by Chinese in Southeast Asia and China.[78] This control has also linked them to the growing corruption in Cambodian society. Some satirical cartoons attacking growing corruption in the society depict Chinese businessmen squeezing money from poor Cambodians to bribe government officials.[79] In Cambodia, Chinese schools and the learning of the Chinese language have spread faster than anywhere else in the region. Many Cambodians are also learning Chinese to secure better jobs in Chinese business establishments. According to one estimate, about 10% of students in Chinese language schools are local Khmers.[80] There are Chinese language newspapers and professional business and cultural organisations, sometimes competing with each other on the basis of their external roots of origin (like the mainland and Taiwanese Chinese, or Chinese migrating from other Southeast Asian countries), loyalties, local stakes, and financial sources of support. The intra-Chinese rivalry at times also turn bloody, as has been evident in the instances of kidnappings, killings and explosions in business establishments.

The size of the Chinese community is also growing in Laos. In the northern provinces like Oudomsy and Luang Namtha, the hotel and the entertainment (including sex) industries manned and owned by Chinese are growing along with Chinese business establishments. The size of the Chinese population living in the capital Vientiane has also registered significant increases in recent years. According to a senior official of the Chinese Association in Vientiane:

> The number of Chinese living in Laos, mostly in Vientiane municipality has increased significantly, with a concurrent rise in shops and businesses along both sides of the road. Chinese business is presently expanding very quickly.… Vientiane municipality is home to about 5–6,000 Chinese, up from 2,000 in 1975, and that does not include businessmen who come only for investment. This figure comprises Chinese people who have kept their own nationality, and many of them are occupied in businesses, especially factories and trades.[81]

This obviously is the result of the Lao government's economic policies. But there are signs of concern at the high decision making levels about faster growth of the ethnic Chinese community and their influx from Yunnan. Attempts are being made to evolve methods to control this influx without offending the Chinese government in any way.[82]

On the face of it, the government of the People's Republic of China cannot be blamed for the growth of ethnic Chinese communities in the new ASEAN countries. In effect, this growth is the result of China's growing economic engagement with these countries. The Central Government in Beijing and the local administration in border provinces no doubt encourage and acquiesce in this growth for various possible advantages. China's openly stated policy is to encourage the Chinese community abroad. Migrant Chinese are going to the new ASEAN countries in particular as a result of economic burdens in the mainland, either due to a lack of adequate development or due to dislocation arising from economic reforms and modernisation.[83] There is also pressure on land in China, particularly in the Yunnan province which borders the new ASEAN countries. Yunnan supports 104 persons per square km as against 21 in Laos. The Chinese coming into Myanmar, Cambodia and Laos have found it much easier to acquire land for agricultural, residential and business purposes than in Yunnan. These countries, in accepting Chinese migrants, are helping to absorb some of China's internal economic pressures. Many Chinese business establishments in these countries also provide convenient channels for the exploitation of natural resources of these countries by China, through illegal trade in timber, precious stones, minerals and agricultural commodities.

Politically, the growing ethnic Chinese community in the new ASEAN countries constitute a symbol of the growing economic dependence of these countries on China. It is a hard reality that Myanmar has less control over its northern border areas, as compared to the Chinese influence there. The organised sections of the Chinese community also rise in support of the

PRC on some critical foreign policy issues. Demonstrations staged by local Chinese in Myanmar, Laos and Cambodia against the U.S. Embassy after the bombing of the Chinese Embassy in Belgrade may be recalled here. A Cambodian analyst, reflecting on such demonstrations, said "…they raised Chinese red flag. Considering the numbers of rallyists and action, (sic) some Cambodians wondered whether they belong to Cambodia or China."[84] In Myanmar, a number of ethnic Chinese organisations joined hands to raise their voices in support of Beijing's bid for the 2008 Olympic Games.[85] The ethnic Chinese community also comes out openly in strength to welcome top Chinese leaders when they visit these countries. Through the grant of gifts and donations for cultural activities, grant of contracts and other economic support like loans for business purposes, China has subtly favoured influential members of the Chinese community in these countries.

The foregoing discussion clearly underlines the priority accorded by China to building political understanding and social support for this understanding in its approach to developing relations with its southwestern neighbours. This is part of China's overall policy of Good Neighbourliness, evolved since the 1980s. In this approach of extending regime support and creating social constituencies, the character of the political system prevailing in the respective countries was not a decisive factor in China's calculations. However, systems in Laos and Vietnam, and to some extent Cambodia, dominated by communist parties, facilitated greater and smoother interactions institutionally at the political level. In Myanmar, such interactions were confined mostly to the state level. The growth of the Chinese community and its growing economic and political clout is a considerable asset to China's policy in this region and it is not possible for China to change its approach of cultivating ethnic Chinese.

Notes

1. China was encouraged to support the Hmong tribesmen in fear of the Soviet military presence in Laos and Vietnam during this conflict. The Hmong tribesmen in northern Laos and Vietnam could tie up thousands of hostile troops on China's southwestern frontier. Martin Stuart-Fox, Buddhist Kingdom, Marxist State: The Making of Modern Laos (Bangkok: White Lotus, 1996), p. 164
2. Maung Aung Myoe, "Burmese Communist Party", Ph.D. Dissertation, "Chapter VII: The China Factor in Myanmar Counterinsurgency", p. 236
3. ibid., pp. 238–240
4. Far Eastern Economic Review, 23 April 1992, p. 9
5. Interviews in Yangon, May 2001
6. This was hinted to Myanmar President U San Yu when he visited China in October 1984. See Maung Aung Myoe's Ph.D. dissertation, op. cit., n. 2, p. 236.
7. Interviews in Yangon. Under "arms for peace" arrangements, the ethnic rebels were given freedom to keep their arms and pursue whatever economic pursuit they wanted, including the drug trade. The military government, in return, promised not to fight them or even keep the armed forces in those regions, so long as ethnic warlords accepted the overall authority of the government, even nominally. The final solution of the status of these regional and political place of their representatives was left unsettled until the evolution of a mutually acceptable constitutional arrangement.
8. "Burma Foreign Relations" in Asia Yearbook 1990 (Hong Kong: Far Eastern Economic Review, 1990), p. 96
9. a. For Soviet pressures on Laos in this respect, see Veng Pobez, "Sino-Lao Relations in World Politics Since 1954: The Theory and Practice of Peaceful Co-existence", Ph.D. Dissertation, University of Denver, January 1996, p. 286
   b. For Soviet pressures on Vietnam, which was the key state in the Indochina grouping, see Muthiah Alagappa, "Soviet Policy in Southeast Asia: Towards Constructive Engagement" in Pacific Affairs Vol. 63 No. 3, Fall 1990
10. Straits Times, 16 June 1978
11. Martin Stuart-Fox, Buddhist Kingdom, Marxist State: The Making of Modern Laos (Bangkok: White Lotus, 1996), p. 148
12. a. "Chapter V – External Relations of the Lao People's Democratic Republic" (draft) in Emergence of the Laos State, an upcoming book by Foreign Minister Phongsavan Boupah.

b. Other accounts underline very tense relations between Laos and China during this period involving the massing of troops on the borders and even skirmishes and exchange of fire between the two sides. See Veng Pobez, op. cit., n. 9a
c. Straits Times, 11 January 1979

13. Martin Stuart-Fox, op. cit., n. 11, p. 206
14. Veng Pobex, op. cit., n. 9a, p. 283–284, n. 53
15. Boupah, op. cit., n. 12a
16. Veng Pobez, op. cit., n. 9a, p. 284–286
17. Far Eastern Economic Review, 31 December 1988
18. Impressions and information gathered during the author's two-year (1997–1999) diplomatic assignment in Vientiane
19. According to one source, 13 groups of such refugees, constituting 2,738 out of an estimated total of 4,200 refugees residing in southern China, had returned to Laos by the end of 1994. Survey of World Broadcasts (SWB), BBC, FE/2140, B/7, 31 October 1994
20. http://www.stratefor.com/Asia/commentary/0006210234.htm
21. Cheran Siang Wei, "Vietnam's Foreign Policy Towards China: Adjustment in the Post-Cold War Era", B.Soc. Hons. Dissertation, National University of Singapore, Singapore, 1995/96
22. Chang Pao-Min, "Vietnam and China: New Opportunities and New Challenges" in Contemporary Southeast Asia Vol. 19 No. 2, September 1997, p. 140
23. Carlyle A. Thayer, "Vietnam: Coping With China" in Southeast Asian Affairs 1994 (Singapore: Institute of Southeast Asian Studies, 1994), p. 354
24. ibid.
25. a. Recently, some analysts have claimed that the Khmer Rouge leader, Pol Pot, was a Cambodian nationalist who was forced by the Chinese as early as in 1972 to enter into a secret agreement to oppose Vietnam in return for massive Chinese support. The Chinese wanted to wean him away from Soviet influence. Georgio Fabretti, in Phnom Penh Post, Issue 7/19, 4–17 September 1998.
b. Phelim Kyne, "The Chinese-KR Connection" in Phnom Penh Post, Issue No. 9/8, 14–27 April 2000
c. A Letter to the Editor entitled "Red (faced) China" in Phnom Penh Post, Issue No. 9/12, 9–22 June 2000
26. For a recent account of Cambodian political developments from the perspective of international conflict resolution, see Pierre P. Lizee, Peace, Power and Resistance in Cambodia: Global Governance and the Failure of International Conflict Resolution (London: Macmillan Press Ltd; New York: St. Martin's Press, Inc., 2000)

27. China was somewhat forced into holding this conference because its Cambodian ally, Prince Norodom Sihanouk, wanted to shift the venue of this conference from Phnom Penh to Beijing. Far Eastern Economic Review, 19 November 1992
28. Far Eastern Economic Review, 19 November 1992
29. a. Tony Kevin, "Cambodia and Southeast Asia" in The CICP Distinguished Lecture Series Report, Issue No. 19 (Phnom Penh: Cambodian Institute for Peace and Co-operation, August 1999), p. 5.
    b. A policy analyst was also quoted in Asia Yearbook 1997 (Hong Kong: Far Eastern Economic Review, 1997), saying that "The Chinese want to keep all their options open. They want to be a player in the region, and to do that, they can't afford to be too friendly to one side, especially in Cambodia where things can change quite quickly." p. 102
30. a. Asia Yearbook 1991 (Hong Kong: Far Eastern Economic Review, 1991), p. 93
    b. Straits Times, 14 July 1992
31. Sorpong Peou, "The Foreign Policy of Weak States: Cambodia's Domestic Crises and Dependent Status in World Politics" in Cambodian Journal of International Affairs, Volume II No. 1, 1997, p. 30
32. Straits Times, 19 January 1994
33. Survey of World Broadcasts, FE/2706 B/2, 17 August 1994
34. This was announced over Bayon Radio on 2 January 1999. "1999 in Review" in Phnom Penh Post, Issue 8/26, 24 December 1999
35. Bui Thanh Son, "50 Years of Sino-Vietnamese Relations" in International Studies (Hanoi), No. 6, June 2000, p. 30. He was quoting a First Secretary of the People's Republic of China's Embassy in Vietnam.
36. Interviews in Yangon
37. Straits Times, 19 January 1994
38. Xinhua News Agency, 16 and 19 October, as quoted in Ang Cheng Guan, "Vietnam-China Relations Since the End of the Cold War" in IDSS Working Paper, Singapore, November 1998, p. 23
39. A Chinese liaison participated in the FUNCINPEC Party's Congress in April 2001. The Mirror (Phnom Penh), 22–28 April 2001
40. Asia Yearbook 1997 (Hong Kong: Far Eastern Economic Review, 1997), p. 102
41. The possibility of U.S. intervention in Cambodia has been hinted at by Tony Kevin who was Australia's Ambassador in Phnom Penh at that time. Tony Kevin, op. cit., n. 28

42. a. In a Lao official message on China's National Day in October 1994, Chinese reforms were hailed claiming that they are beneficial to Asia and the Third World. Survey of World Broadcasts, FE/2118 G/3, 5 October 1994.
    b. Dr. Saysomphone Phomvihane, Minister and Head of Prime Minister's Office, in a series of three articles to hail the Chinese economic reforms as a model for Laos under the series title "Achievements in Economic Reforms of China in Comparison with Economic Renovation in Lao PDR" in Vientiane Times, 13–15, 16–19, 20–22 June 2000.
    c. Vietnamese Prime Minister Vo Van Kiet, while receiving a delegation from Beijing, congratulated the Chinese people for their great achievements in reform and open door process. Survey of World Broadcasts, FE/2124 B/5, 12 October 1994. There have been several other statements of this type.
43. Lt. Col. Hla Min, Political Situation of Myanmar and Its Role in the Region (Yangon: Office of Strategic Studies, Ministry of Defence, January 1999), p. 23
44. a. A recently published study on the subject, David W. Roberts, Political Transition in Cambodia 1991–99: Power, Elitism and Democracy (Richmond: Curzon Press, 2001).
    b. Mehta, Harish C. and Mehta, Julie B., Hun Sen: Strongman of Cambodia (Singapore: Graham Brash, 1999)
45. Far Eastern Economic Review, 3 October 1991
46. For a balanced brief on the Khmer Rouge trial question, see David Roberts, "Judging Cambodia" in Jane's Intelligence Review, June 1999, pp. 47–51.
47. Information Bulletin, No. 6 (Phnom Penh: Ministry of Foreign Affairs and International Co-operation, 9 March 1999), pp. 16–17
48. a. The Nation (Bangkok), 26 June 1999
    b. Cambodia Daily, 26 June 1999 and 14 November 2000
    c. Bangkok Post, 3 January 1999
49. China's Foreign Ministry spokesman Mr. Zhu Bangzoa made a statement to this effect in Phnom Penh during President Jiang Zemin's visit in November 2000. Cambodia Daily, 14 November 2000, p. 1
50. For Deng Xiaoping's views to Lee Kuan Yew, see Lee Kuan Yew, From Third World to First: The Singapore Story 1965–2000 (Singapore: The Straits Times Press and Times Media, 2000), chapter on China
51. Far Eastern Economic Review, 3 October 1991
52. Reports by Anthony Davis in January 2000 and by Bertil Lintner in April 2000 in Jane's Intelligence Review

53. Interviews in Vientiane and Hanoi during May 2001
54. Asia Yearbook 1990 (Hong Kong: Far Eastern Economic Review, 1990), p. 96
55. ibid., p. 163. This position was reiterated during Kaysone Phomvihane's visit to Beijing in October where he had extensive discussions with Chinese President Yang Shang Kun and other top leaders on a wide range of economic and political issues.
56. ibid., p. 244–5
57. For example, in 1992, under alleged Chinese pressure, Lao authorities repatriated a Chinese national to China, prohibiting him from seeking asylum in the UNHCR office in Vientiane. His wife was, however, allowed to leave for Denmark. Far Eastern Economic Review, 6 August 1992, Vol. 155 No. 7, p. 7
58. Cambodia Daily, 27 March 2000
59. Interviews
60. KPL News Agency, Vientiane, 11 May 1999
61. a. Far Eastern Economic Review, 22 August 1991 and 21 November 1991
    b. Charan Siang Wei, op. cit., n. 21
    c. Carlyle Thayer, op. cit., n. 23, p. 353–54
62. Interviews
63. Cambodia Daily, 21 June 2000
64. Martin Stuart Fox, op. cit., n. 1
65. Interviews
66. For instance, the figures available in this respect in the Encyclopaedia of the Chinese Overseas (op. cit., n. 71) are very old.
67. Lee Kuan Yew mentions that the figure of this exodus given by Vietnamese Prime Minister Pham Van Dong was 160,000. The Vietnamese explanation for pushing the Chinese out was their suspect loyalties during its conflict with China. Lee Kuan Yew, op. cit., n. 50, p. 664
68. a. "Cautious Re-emergence by Ethnic Chinese – Market Test" in Far Eastern Economic Review, 1 August 1991
    b. Tran Khanh, The Ethnic Chinese and Economic Development in Vietnam (Singapore: Institute of Southeast Asian Studies, 1993)
69. Far Eastern Economic Review, 21 November 1991
70. Discussions in the Centre of Chinese Studies, Hanoi, May 2001
71. a. Chapter on "Vietnam" in The Encyclopedia of the Chinese Overseas, ed. Lynn Pan (Singapore: Chinese Heritage Centre, Landmark Books, 1998), pp. 228–233

b. Tran Khanh, "Ethnic Chinese in Vietnam and Their Identity" in Ethnic Chinese as Southeast Asians, ed. Leo Suryadinata (Singapore: Institute of Southeast Asian Studies, 1997), pp. 267–295

72. Far Eastern Economic Review, 28 March 1991 and 8 August 1991

73. Interviews in Yangon, May 2001

74. a. Anthony Davis, "Burma Casts Wary Eye on China" in Jane's Intelligence Review, June 1999, p. 41
b. Lynn Pan, op. cit., n. 71, p. 143

75. This was according to Police General Skadavy M. Ly Roun in a statement to the Phnom Penh Post, Issue 8/18, 3–16 September 1999. The illegal Chinese, according to this report, paid about US$1,500 to middlemen (snakeheads) to enter Cambodia from China. They then obtained Cambodian passports to go to the U.S., Finland or Germany. They had also killed and kidnapped local Chinese. Some of them stayed in Cambodia permanently.

76. Lao Mong Hay, "Cambodia: A Struggle for Survival and Ethnic Issues" in Panorama, pp. 61–77

77. "Weekly Review" in Cambodia Daily, 2–6 April 2001, p. 7

78. Lynn Pan, op. cit., n. 71, p. 149

79. Such cartoons have been issued by the Centre for Social Development with the financial support of the U.S. Aid.

80. Lynn Pan, op. cit., n. 71, p. 150

81. Vientiane Times, 28–30 November 2000

82. Interviews in Vientiane

83. a. Some of the Chinese migrants who have come to Cambodia and set up their own businesses complained that, due to the Chinese government's neglect of inefficient industries, traditional workers are getting unemployed. See "Beyond Guts Soup: Into the Heart of Chinatown" in Phnom Penh Post, Issue No. 8/10, 14–27 May 1999
b. Phnom Penh Post, Issue No. 8/22, 29 October 1991 and 11 November 1999

84. Lao Mong Hay, op. cit., n. 76

85. China Daily, 28 June 2001. Some of the organisations joining hands were identified as Myanmar Chinese Chamber of Commerce and Industry, Overseas Chinese Charity Association, Myanmar-Fujian Chinese Association, Yunnan Natives' Association, Guangdong Natives' Association, and Overseas Chinese Women's Association. The initiative was taken by the Myanmar-Chinese Sports Federation.

3
Strategic Engagement

SECURITY AND ECONOMIC OVERLAP

The new ASEAN countries constitute the land part of China's southern flank. They border China's sensitive Yunnan and Guangxi provinces and link China with strategic waterways in the South China Sea and the Indian Ocean. China has direct access to the South China Sea but not to the Indian Ocean except through Myanmar. In the South China Sea, Vietnam also occupies an important strategic location in relation to the islands there, the ownership of which is presently disputed between China and most of the ASEAN countries, including Vietnam.

China's relationship with the ASEAN countries in the framework of Good Neighbourliness incorporates its concerns of securing its southwestern flank. This flank has remained a cause of concern for China for a long time. The U.S., through its Central Intelligence Agency (CIA), has armed and encouraged Myanmar's ethnic forces and former Kuomintang (KMT) troops, who remained in Myanmar along the border with China as a part of its overall containment strategy even after the 1949 victory of the communists on the mainland. As noted earlier, Chinese support for communist-led forces like the Burma Communist Party (BCP) was partly aimed at countering this containment. During the Vietnam War, Hmong tribesmen in the northern areas of Laos and Vietnam were encouraged and supported in the same manner by the U.S. China made a common cause with these tribal forces and almost joined hands with them, particularly after the breakout of Third Indochina War in 1979. The Chinese were also uneasy with the Soviet influence and military presence in Vietnam and Laos during the Third Indochina War. There were strong fears in China that these border areas could be used by powerful interests to encourage political and ideological subversion of China and create internal instability. This reflects the territorial

focus of concern for preserving the communist system. Reflecting this internal threat, a Chinese scholar argued:

> China feels vulnerable strategically in its northern and western hinterland. Even if China's modernisation proceeds smoothly… other powers or its competitors might well place constraints on China. With these external and internal constraints and vulnerabilities, China might find it against its interests to adopt an aggressive stance which might succeed in pushing other powers into forming a coalition of containment. For example, a massive military advancement southward would likely to push the states to the side of other powers. The scenario of ASEAN linking with Japan and/or India, backed by the West to form a containing chain along China's southern flank is the last thing China wants.[1]

Accordingly, the possibility of this southern flank being activated against China's interests in future by any adversarial power has always figured in China's security considerations in an important way. There is a more positive dimension to the settlement of the border from China's point of view. The hostile borders need massive military deployment and therefore tie up military manpower and resources. If the borders are settled and stable, with peace prevailing there, the same resources can be used on other fronts. Large chunks of Chinese forces are committed to its borders with Russia, India and Vietnam. Settlement of border issues with Russia, therefore, was a strategic gain for China. Similarly, the stability of borders on its southwestern front could release additional military resources and manpower to be used elsewhere, possibly on the South China Sea front or the Taiwan Straits where there are potential hot spots. Stable borders could also release and generate, through trade, investments and production, economic resources to be reallocated to military modernisation or other developmental programmes.

In understanding China's efforts to deal with its security concerns in relation to the new ASEAN countries, two aspects of the Chinese overall approach to defence and security issues need to be kept in mind, namely, the juxtaposition of economic development with security and the concept of frontier defence.

Since the pursuance of its Open Door Policy and economic reforms, China has tried to integrate its defence more closely with the overall objective of economic development. Underlining this aspect, the first White Paper on "China's National Defence" said that the second most important aspect of China's defence policy was:

> …subordinating national defence work to, and placing it in the service of the nation's overall economic construction… This is China's long-term basic policy for its work in defence. The modernisation of the national defence of a country requires the support of its economic and technological forces; and the modernisation level of national defence can only be improved gradually along with the increase of the country's economic strength. The Chinese government insists that economic construction be taken as the centre, that defence work be subordinate to and in the service of the nation's overall economic construction and that the armed forces actively participate in and support the nation's economic construction. While concentrating its efforts on economic construction, the state also endeavours to improve its national defence work and to promote a co-ordinated development of the two.[2]

Within this framework, some Chinese leaders, like Vice President Hu Jintao, have also claimed that in order to meet the security challenge in 21st century, China must evolve a new security concept which lays emphasis on:

> …the principles of equality, dialogue, trust and co-operation and a new security order should be established to ensure genuine mutual respect, mutual co-operation, consensus through consultation, and peaceful settlement of disputes rather than bullying, confrontation and imposition of one's will upon others. Only in this way the countries can co-exist in amity and secure their development.[3]

A closer look at China's relationship with its new ASEAN neighbours would suggest that in its strategic engagement with them, China has pursued a three-pronged approach to secure and advance its security and economic interests. One of these three prongs is to ensure the stability of its common borders. For this, China has not only settled its boundary issue with all these neighbours (except Cambodia, which does not share a common territorial or sea border with China) but also joined hands with them in combating the drug menace. Next, China has developed defence co-operation with these countries, providing them with weapons, military training and other equipment. Thirdly, China has tried to create strategic depth for itself by pursuing the objective of obtaining access to and through these countries. For such access, the importance of developed and dependable facilities of transport and communication hardly needs any emphasis. We shall discuss below these three aspects of China's policy towards the new ASEAN countries in some detail.

SETTLEMENT OF BORDER DISPUTES

Borders constitute an important part of national defence of any country and China is no exception. Explaining its approach to frontier defence, the Second Defence White Paper issued by China in 2000 said:

> The Chinese government pursues a policy of good neighbourliness and friendship. It defends and administers its land borders and territorial seas, safeguards the country's territorial sovereignty and maritime rights and interests, and secures both its land and sea borders, strictly in accordance with treaties and agreements it has signed with its neighbouring countries, and the United Nations maritime conventions. China advocates settling pending and unresolved border and maritime demarcation issues through negotiations, attaches importance to the setting up of a mutual confidence-building mechanism in border regions, and opposes the use of force or provocative acts.[4]

Accordingly, there have been two aspects of China's frontier defence, namely, to "settle the unresolved border issues" and put in place a "mutual confidence-building mechanism". China has no common border with Cambodia. While the 2,000-km long border with Myanmar had been established long before the initiation of the post-Mao Good Neighbourliness Policy, it still had to be stabilised, particularly in view of its long history of armed political rebellions along this border as well as its rugged and crime-infested terrain. The issue of border settlement with Laos and Vietnam was taken up along with the process of normalisation of political relations.

The situation along the Laos-China border started to become less tense after 1985, though there had been tensions and skirmishes earlier owing to the Third Indochina War. There was a large number of Vietnamese troops, estimated at 50,000, present on the Laos side of the border and infiltration of armed Hmong rebels from the Chinese side. With the beginning of the normalisation process in 1986, matters of settling border issues and withdrawing Vietnamese troops from the Laos border had to be taken up. Agreement on these matters was reached during the visit of Lao leader Kaysone Phomvihane to Beijing in October 1989. Talks on the settlement of border issues were held in Vientiane in August 1990 when Chinese Deputy Foreign Minister Qi Huaiyan visited Laos. The two sides agreed to follow the 1895 Convention signed between France and China and to conduct joint aerial surveys. After two more rounds of talks that covered about 505 border demarcating posts along 460 km of border, the Vice Foreign Ministers of China and Lao PDR approved the final draft of the border treaty

in September 1991.[5] The treaty was formally signed by Lao Prime Minister Khamtay Siphandone and Chinese Prime Minister Li Peng when the former visited Beijing in October 1991. Prime Minister Li Peng described the treaty as a model for the region.[6] This was perhaps a hint thrown at Vietnam with which China had a more difficult border issue. Even after the signing and demarcation of its border with Laos, China had to re-survey the border to ensure that the markers were in place and there was no encroachment, intended or otherwise, from either side.[7]

Border issues with Vietnam

The settlement of boundary issues between China and Vietnam proved to be a much more complicated exercise. This was due to a long history of conflict between the two countries on border issues. The nature of the boundary between them was also complex as it included both land and maritime sectors. There was 2,636 km of land border between the two countries and both had strongly contested claims and counter claims over the Paracel and Spartly groups of islands as well as the Gulf of Tonkin. China had not accepted the 1887 Franco-Qin Convention which laid down the basis of Sino-Vietnamese boundaries. Attempts were made by Vietnam and China to settle their maritime boundary in the Gulf of Tonkin (or Bac Bo Gulf, as it is called by the Vietnamese) between 1973 and 1978 without any success. Instead of resolving the problem, China occupied the Paracel Islands in 1974.[8] By 1978, when the Third Indochina War broke out, the number of border violations claimed by the two sides had reached thousands.[9]

The two countries agreed in November 1991, along with the normalisation of their relations, to initiate the process of resolving their common land and sea boundaries. They also signed a provisional and basic agreement that expected them to address the border issue through peaceful negotiations. Both sides committed themselves to maintain the status quo on boundaries and not set up any manmade structures on the border except by mutual acceptance.[10] This led to a tortuous process of negotiations stretching nine years and culminating eventually in the signing of a land border treaty in December 1999 and a maritime boundary treaty for the Gulf of Tonkin region in December 2000. The difficult nature of negotiations was evident from the fact that, in total, there were nine rounds of meetings at high political levels, three rounds of non-official meetings, 18 rounds of talks between 'mixed working groups', nine non-official meetings of legal and technical experts and ten rounds of meetings of groups of experts on making nautical charts.[11]

Obviously, negotiations proceeded very slowly. By 1996, there was no real progress except for an agreement on principles to guide the question of boundary settlement, concluded in October 1993. Under these guiding principles, it was agreed not to use force and, if any problem arose, the affected side should consult with the other without getting provoked. It was also agreed under these principles that any disagreement or tension on border issues should not be allowed to adversely affect the progress in other areas of bilateral relations between the two countries. Notwithstanding this agreement, considerable tension was generated by developments in the South China Sea region that involved other ASEAN countries as well. Both sides violated this agreement many times, both in spirit and letter, in order to improve their respective bargaining positions on the ground during the course of these negotiations. Since Vietnam had made a common cause with the ASEAN countries on the issue of the South China Sea dispute and became a member of the organisation in 1995, progress on bilateral boundary issue were slowed down by China.[12] China probably wanted to send a message that it would not succumb to multilateral pressures in pursuing its claims.

The pace of negotiations improved somewhat after high level political discussions between Vietnamese Party Secretary Do Muoi and his Chinese counterpart Jiang Zemin in Beijing in July 1997.[13] The two leaders set a deadline of "before the end of 2000" to conclude a "treaty on land border and another on the maritime delineation in Bac Bo (Tonkin) Gulf". In this meeting, it was agreed that the dispute over the Paracel and Spratly Islands would be left to a multilateral forum. In resolving the Tonkin Gulf dispute, the UN Convention on the Law of Sea (UNCLOS) of 1982 was agreed upon as the basis.[14] One of the factors that might have prompted China to expedite the resolution of border issues with Vietnam after 1996 was the missile crisis in the Taiwan Straits that year. That crisis brought China to the brink of a major conflict with the U.S. and if there was any repetition of such a crisis in future, settled borders with Vietnam would be an asset to China, both politically as well as militarily. That resulted in a stronger political will to understand each other when the Chinese and Vietnamese leaders attempted to resolve their border dispute in July 1997. The death of Chinese leader Deng Xiaoping in February 1997 may have had a positive impact on the process of border negotiations. Deng Xiaoping was perceived in Vietnam as an obstacle to Sino-Vietnamese relations, since the punitive war on Vietnam in 1979 had been ordered by him and he had also directed Chinese military operations that resulted in the taking over of the Paracel Islands in 1974.[15] All these finally led to the resolution of the boundary issue as evident in

a joint statement issued by President Jiang Zemin and Vietnamese Party General Secretary Le Kha Phieu in Beijing on 28 December 1999, just two days before the signing of the land border treaty:

> The two sides agree to place the primary issues foremost, show sympathy and compromise with each other, conduct fair, rational and friendly consultations, and taking into account international law and reality, try to satisfactorily settle the outstanding territorial and border issues between the two countries through peaceful negotiations. The two sides express their determination to accelerate the process of negotiations and raise their working efficiency for concluding the treaty on land border in 1999; to complete settlement of the maritime delineation of Bac Bo Gulf in 2000; and join efforts in making their common borderline one of peace, friendship and stability.[16]

There were several hurdles in the process of negotiations. Initially China was reluctant to accept the validity of the Franco-Qin Convention of 1887. Then they had strong initial reservations on the multi-lateralisation—through ASEAN—of the South China Sea dispute. In the South China Sea as well as in the Tonkin Gulf, negotiations were vitiated by the parallel efforts of both Vietnam and China to harness the economic potential in the form of oil, gas and mineral reserves of these two regions. Throughout 1992 to 1997, China showed a strong propensity to use force and take unilateral actions in support of its claims. Vietnam did so too but less frequently. This caused considerable acrimony in border negotiations and delayed their conclusion. China sought to have economic activity go uninterrupted, even in the disputed areas in these regions, by proposing to Vietnam, as well as other ASEAN countries, the idea of joint development. Vietnam expressed strong reservations over the Chinese attempt to enforce the principle of joint development of the areas in dispute, pending final settlement or agreement on the question of sovereignty. Vietnam's Vice Foreign Minister Vu Khoan, reacting to this issue in August 1994, asked:

> The problem is which sea area we are going to develop jointly…China's intention in proposing the joint development of the Spartly Islands is an attempt to justify its presence in Vietnam's territorial waters under the name of joint development. Would you accept an invitation to dinner from a person who was trying to steal a 100 U.S. dollar bill from your pocket?[17]

China and Vietnam, with a history of mutual suspicions and conflict of interests, also took time to sort out various technical difficulties, including the separation of issues falling within bilateral and multilateral domains. It

is difficult to say which side conceded more in the bargain. China finally agreed to accept the 1982 UNLOS after 1997, which facilitated the conclusion to the treaty of the Tonkin Gulf maritime boundary. This was done more in response to international pressures, particularly collective ASEAN demands, than for the expressed feelings of friendship with Vietnam. On the subject of its maritime boundaries, China's 1992 national laws were in conflict with the 1982 UNLOS. Its boundary negotiations with Vietnam had become a test case for ASEAN as a whole to see if China was committed to a peaceful and negotiated resolution of territorial disputes.

The perception in Vietnam was that its policymakers showed greater accommodation in boundary negotiations with China. On the land border, there were about 64 points of dispute. Of these, the mountainous region in the Lang Son area was most difficult to negotiate because this was militarily significant. Most Chinese incursions had taken place in this region and the Chinese punitive war in 1979 was also launched from there. China wanted concessions on strategic points and in turn was willing to accommodate Vietnam in other areas. After much effort, the two sides resolved the difficulty with Vietnam accommodating China on a small stretch of two square km.[18] On the Kunming-Hanoi railway track, China had extended its rail system by about 400 metres into Vietnamese territory across the Friendship Bridge in 1979, just before the Chinese intervention into Vietnam. The Chinese track still remained intact and the question of Vietnamese sovereignty on this stretch of territory had been left somewhat ambiguous, to be taken up during the actual demarcation of the boundary on the ground. This could, according to some Vietnamese observers, take at least five years, if the exercise proceeds smoothly and without new problems being raised. The actual demarcation of the boundary cannot be accomplished until the whole area is cleared of landmines, laid between 1978 and 1979. Minesweeping operations were started by China in the Yunnan sector of its border with Vietnam in 1992 to promote economic activity. By 1998, the cost of that operation had reached some US$9.4 million and the job has yet to be completed.[19]

In the Tonkin Gulf, Vietnam had claimed 60% of maritime boundary, as its coastline in the gulf is about 763 km, compared to China's 695 km. However, it settled for 56%.[20] China also got a larger area for fishing rights.[21] As noted earlier, there was a general perception that outgoing Party General Secretary Le Kha Phieu accepted undue compromises during one of his secret visits to Beijing and discussions with the Chinese leaders. There was also an impression in the Vietnamese strategic community that it was

prudent on the part of Vietnam to finalise boundary treaties even at the cost of accommodating some unjustified Chinese claims in order to avoid any future possibility of China forcibly occupying Vietnamese claimed areas.[22] During negotiations, China had frequently resorted to threats of show and use of force to assert its claims and soften the perceived Vietnamese uncompromising position.[23]

Stabilising the Borders

After demarcating a border, ensuring its stability and peace is a continuing challenge. China's borders with its southern neighbours have been particularly turbulent as a result of insurgencies, drug trafficking, economic crimes related to unauthorised trade and money laundering, and social crimes like illegal migration, trafficking of women and gambling. China has faced the problem of some of its political and cultural (religious freedom groups) dissenters crossing into Laos, Vietnam and Myanmar to seek support, including arms, through foreign intelligence agencies or private underworld channels.[24] Similar underworld support, with the connivance or inefficiency of local law enforcement agencies in China along the border, is also being garnered by rebels, dissenters and anti-social forces in neighbouring countries. The Hmong trouble during early 2000 mentioned in the previous chapter may be recalled here. There were also reports of the United Wa State Army, a Myanmar northeastern minority group, being active on the Myanmar-Thai border and getting surface-to-air missiles (SAM) from China either through Chinese authorities or from the arms black market in Yunnan.[25] With the view of stabilising its borders and properly regulating economic and social activities along it,

> …China has signed treaties, agreements and understandings respectively with the DPRK, Mongolia, Russia, Myanmar, Vietnam and Laos, on border control measures, setting up confidence-building measures, preventing dangerous military activities and promoting border co-operation, jointly maintaining frontier order within a bilateral or multilateral legal framework and preserving peace and stability on the borders. In the course of its vigorous development of various kinds of co-operative relations with its neighbouring countries, China has opened more than 200 ports along its land and sea frontiers.[26]

In the management of borders, China's military authorities and local administrative and political functionaries in the Yunnan and Guangxi provinces have worked in co-operation with their counterparts across the border, within the overall political understanding of the central authorities on the two sides.

As for control of insurgencies, particularly in Myanmar, we have noted in the previous chapter that China has withdrawn its support of the BCP and has helped the Myanmar government, not only in fighting ethnic separatist forces but also in working out "arms for peace" deals with some of them. It has also been noted in the previous chapter that there has been a gradual understanding between China and Laos in controlling the rebellious activities of Hmong tribal forces along the border. Of the other undesirable activities, the most serious challenge has come from the production and trafficking of drugs for which the Golden Triangle and its adjacent region (which includes all the new ASEAN countries as well as China's Yunnan province) constitute the main source and theatre. Drugs originating from this region as well as from Afghanistan, while being a global problem, have increasingly assumed a serious dimension for China's own social stability. The number of drug addicts in China has registered significant growth since 1990, reaching a figure of 860,000 known addicts in 2000.[27] The drug mafia operating in the region has increasingly come to be dominated by Yunnan Chinese and drug production as well as trafficking centres have spread into Yunnan.[28]

China's international co-operation in drug control, which started with the joining of hands with Myanmar in 1992 under the UN Drug Control Programme (UNDCP), has expanded to include all the new ASEAN countries and Thailand by 1999.[29] Under such co-operation, China and the new ASEAN countries have not only worked together in areas of anti-drug information exchange and law enforcement (resulting in the arrest of a few key drug tycoons operating in the area[30]), but also in promoting alternative development. China has provided technological and agricultural support and helped in developing tourism in the northern parts of Myanmar and Laos.[31] This has been done in collaboration with the UNDCP and international support coming in has indirectly benefited China in its own border areas as well as in reinforcing its benevolent image in its neighbouring countries.

The seriousness reflected in China's co-operation with its neighbouring countries in the area of anti-drug law enforcement is woefully missing in controlling the wealth generated through drug trafficking. Such wealth has been used in payments made by its neighbouring countries for their military and economic imports from China and investments made by Yunnan-based Chinese in private ventures in neighbouring countries in the entertainment and tourism sectors.

MILITARY CO-OPERATION

While resolving border disputes and taking steps to stabilise its borders, China also moved to establish military-to-military contacts with its neighbours. Such co-operation involved supplies of weapons and support for training and other activities. The establishment and enlargement of military co-operation between China and Myanmar were considerably facilitated soon after the military regime came to power in Yangon. With the Indochina countries, this area of co-operation has been built gradually, at varying speeds and enthusiasm due to the specific conditions in each of these countries.

Laos

The idea of building defence co-operation between Laos and China was revived soon after initiating the process of normalisation. It may be recalled here that there were about 10,000 Chinese defence personnel and construction workers in northern Laos, mostly along its border with China, working on projects related to the construction and upgrading of roads when the Third Indochina War broke out. Following normalisation, Laotian Prime Minister Khamtay Siphandon made a request for military assistance when he visited Beijing to sign the boundary treaty in October 1991. He sent his defence minister immediately after that to discuss the details of Lao requirements. The package which Laos put forward for the Chinese to consider included spare parts, maintenance of weapons systems, training support, and sale of ammunition.[32] The twin objectives that drove Laos to make this request were to distance the Chinese from Hmong rebels and to create a margin of manoeuvrability in their relations with Vietnam. The need for spare parts and maintenance had become acute in view of Russia's inability to continue supporting Indochina countries.

China took some time in responding to Lao PDR's request. Besides political and policy considerations in view of the special relations existing between Vietnam and Laos (under the treaty of 1977), China preferred to provide military support on a commercial basis but Laos wanted it as aid. However, China soon set its reservations aside as relations with Laos started to improve. By 1994, China had emerged as the main supplier of military hardware to Laos. In July 1994 General Li Jiulong, Area Chief of Chengdu Military Command, visited Laos to put in place a military co-operation agreement between the two countries.[33] In October the same year Laotian Director-General of the Political Department in the Ministry of Defence, Lt. Gen. Siphon Phalikhan, met General Zhang Zhen, Vice Chairman of the Central Military Commission, and General Chi Haotian, State Councillor and Minister of National Defence of China, when he visited Beijing. The Chinese hosts described the strengthening of friendly ties between the two countries as being beneficial to both sides and expressed a desire for the relationship between the two armed forces that had become "stronger in the recent years" to be "deepened" further.[34]

Laos tried to diversify its defence contacts to other countries and explored the possibilities of obtaining new equipment and servicing (and modernisation) support from India and Russia. This, however, did not work due partly to the resource crunch in Laos and partly to pressures from China. An Mig-21 servicing agreement signed between India and Laos in 1997 could not be executed and some of the equipment, like helicopters, supplied by Russia in 1998 were found to be unsatisfactory by the Laotian Air Force.[35] From 1998 to 1999, China provided computers and scientific equipment for the Lao National Military Academy where Chinese instructors were also teaching language and military tactics. In 2000, extensive discussions took place between the Defence Ministries of China and Laos to raise the level of co-operation between them. Some of these discussions took place in Kunming, the capital of Yunnan province.[36] The long reports published on Lao security forces in the official media to mark 25 years of victory of the Laotian revolution highlighted the co-operation extended by China in defence sector.[37] The Joint Declaration on Bilateral Co-operation, signed at the conclusion of Chinese President Jiang Zemin's visit to Laos in November 2000 as a framework agreement for building long-term co-operation between the two countries, placed considerable emphasis on defence. On expanding such co-operation, a joint statement issued on 12 November read:

> Friendly interaction and co-operation between the defence organisations and armies of the two countries shall be further strengthened; exchange of high level visits maintained; exchange of technical and professional personnel expanded and security co-operation promoted.[38]

In pursuit of this declaration, Chinese Defence Minister General Chi Haotian visited Laos in February 2001 where he signed an agreement with his Lao counterpart to increase the relations of solidarity, friendship and co-operation between the armed forces of the two countries. This, it was added, "is in keeping with the fundamental interests of the two peoples and is conducive to peace, stability and development in the region."[39] Details of the areas of co-operation have not been disclosed but it is believed that besides training support, China will also provide equipment, weapons and ammunition to Laos. For payments and other arrangements, business organisations associated with the Lao Ministry of National Defence have been targeted to be involved.[40] It may be useful to keep in mind that the services of such business companies that operate as front organisations of the Ministry of Defence are used partly to cover the barter nature of payments involved and partly to facilitate payments of kickbacks to senior military and political officers. It is expected that these arrangements will give a boost to the military co-operation between the two countries.

It may not be out of place here to recall that during the Hmong uprising in early 2000, Laos secured Vietnamese assistance to deal with the problem. By offering to strengthen Lao defence, China was trying to assure Laos that it had no sympathy for the Hmong and was also trying to ensure that Vietnam's influence in Laos is not reinforced in the defence sector. It remains to be seen how fast and how far China will move in this respect in the years to come and how Laos will respond. This will suggest the extent to which China will compete with Vietnam in Laos.

Cambodia

China's strong political and material support, including supply of massive arms, to the Khmer Rouge has already been noted in the previous chapter. We have also noted that until 1994, the newly formed Cambodian coalition government under the peace process had been asking China to stop its support to the Khmer Rouge. As a result of the Khmer Rouge factor, defence ties between Cambodia's post-1993 government and China did not take

off. The Chinese continued to regard the CPP and its leader Hun Sen as being too close to Vietnam. The situation started changing subsequently as China distanced itself from the Khmer Rouge and began to establish military-to-military contacts with Cambodia. General Zhang Wan Nian, Vice Chairman of the Central Military Commission of the PLA, visited Cambodia in April 1996 and met with high ranking Cambodian military officers. The Commander-in-chief of the Cambodia Armed Forces, General Ke Kim Yan, led a delegation of 12 senior Cambodian military officers to China for a six-day visit in October 1999.[41] The Cambodian Defence White Paper released in July 2000, claiming modest co-operation with China, said:

> In the military field, China is also attempting to build closer relations with Cambodia. This includes granted non-refundable assistance for training, shelters, health, engineering and transportation. In the area of human resource training, China has accepted RCAF personnel for training in strategic, tactical, technical and medical fields. The Cambodian Ministry of National Defence will attempt to strengthen its relations, especially in the areas of engineering and specialised training.[42]

The opportunity for advancing defence co-operation was provided during Chinese President Jiang Zemin's visit to Cambodia in November 2000. As in the case of Laos, a comprehensive co-operation agreement between the two countries was concluded during this visit, covering the defence sector as well. President Jiang Zemin had reportedly offered a package of US$1.75 million in defence assistance to Cambodia during this visit.[43] In pursuance of the decisions made during President Jiang Zemin's visit, Chinese Defence Minister General Chi Haotian visited Cambodia in February 2001 where he announced a US$2.5 million aid to Cambodia. The actual allocation of funds would be decided by the two countries later. This amount was more than what was promised during President Jiang Zemin's visit.[44] On the occasion of General Chi's visit, Cambodian Prime Minister Hun Sen requested an additional US$12 million as a soft loan to meet the cost of Cambodia's demobilisation programme. Justifying this demand he said that Western countries, who already supply about half of the national budget, were holding back their promised funds.[45]

China has not made any definite promise in this respect so far, as there is a credibility gap in Cambodia's declared military demobilisation programme. Since there is no proposal for modernisation and strengthening of its armed forces in the near future, and the major threat to Cambodian security is identified only in respect to internal stability, its defence co-operation with

China or any other country will remain modest. It may, however, be noted here that during both President Jiang Zemin's and General Chi Haotian's visits, the Chinese leaders emphasised support for Cambodia's sovereignty and independence. These terms are indirect reminders of Cambodia's recent past under Vietnam's military occupation. A conscious and calculated use of these terms by Chinese leaders was a subtle indication that they would encourage Cambodia to come out of Vietnam's influence, particularly in the field of defence.

Vietnam

Military-to-military contacts between Vietnam and China were established following the normalisation of their political relations in November 1991. Since then, a series of delegations at various levels, from Defence Ministers (December 1992, May 1993, June 1998, February 2001), to Chiefs of Army staff (April 1994, April 1995, July/August 1996) and senior ranking as well as provincial military officers, have exchanged visits.[46] Most of these visits were connected to boundary negotiations between the two countries. Military establishments on both sides played an active role in these negotiations, not only owing to the strategic significance of disputed areas on their common border but also because during the negotiations, show of force, military movements and consequent tensions had come into play as if they were a part of negotiating strategies, particularly on the Chinese side. During visits exchanged by high ranking military leaders, the possibility of discussions on areas of mutual co-operation and interests other than boundary disputes also existed. There were reports that from 1992 to 1993 some arms and equipment were given by China to Vietnam.[47] However, the prospects of building bilateral co-operation in this area were not great due to tensions between the two countries along their sea and land borders. Vietnam approached other countries to meet its defence needs as its traditional supporter Russia was no longer in a position to do so. Besides financial constraints, China would have taken an exception to continued military support to Vietnam from Russia.

The possibilities of defence co-operation between China and Vietnam have opened up following the signing of the land and the Gulf of Tonkin boundary treaties between them. In view of this border settlement, bilateral relations between the two countries have been raised to a higher level as a result of a meeting between Vietnamese Party General Secretary Le Kha Phieu and Chinese President Jiang Zemin in December 1999. The two leaders laid down the guidelines to build Sino-Vietnamese relations on the

basis of long-term, stable, future-oriented, good-neighbourly and all-round co-operation. During the visit of Vietnamese President Tran Duc Luong to China in December 2000, a joint statement was issued by the two countries for all-round co-operation between them in the 21st century. Defence co-operation is included in this all-round co-operation as was evident during Chinese Defence Minister General Chi Hoatian's visit to Vietnam in February 2001. He reaffirmed that China would actively implement the consensus on the development of relations between the two countries and two armies reached by the leaders of the two countries in the military field (italics added) and strive to turn the common border of the two countries into a peaceful, stable and friendly borderline.[48] The extent to which this desire and promise will turn into reality will be seen in the years to come. If and when China's military co-operation with Vietnam grows, it will decisively influence the dynamics of engagement between China and ASEAN as well. At the time of Vietnam's membership of ASEAN, China had apprehensions that it would be an important step in the emergence of a containment alliance against its interests in the region.

Myanmar

Among the new ASEAN countries, China's defence co-operation with Myanmar has been most extensive and varied. This co-operation started soon after the military regime came into power in 1988 and the decision of the Chinese authorities in 1989 to fold up their links with the Burmese Communist Party (BCP) guerrillas in northern and eastern Myanmar. China's defence supplies to Myanmar started following decisions taken during the visit of Myanmar's Army Commander-in-chief General Than Shwe in October 1989. He was in China for 12 days, during which he visited various Chinese defence installations and inspected jet fighters, missile plants and naval facilities.[49] Decisions made during this visit were reviewed and reinforced when SLORC Chairman General Saw Maung visited Beijing in August 1991. While official figures for the arms deal was US$184 million, the unofficial total package was considered to be worth nearly US$1.5 billion.[50] Agreements concerning the supply of Chinese weapons and defence assistance were continuously updated and renewed during numerous official visits between the two countries. Some of the important visits in this regard were made by Myanmar Defence Minister Lt. Gen. Tin Oo in November 1994, SLORC Vice Chairman General Maung Aye in October 1996, Myanmar Air Chief Maj. Gen. Kyaw Than in June 1998, and Vice Chairman of SPDC General Maung Aye in June 2000.[51]

Arms and other military equipment supplied by China covered all the wings of the Myanmar defence forces but most of them were for the army and the air force. This was because of the basic requirement of the Myanmar military regime in controlling ethnic insurgencies and democratic forces within the country. It is difficult to find the exact numbers and types of systems supplied due to the secret nature of the transactions and the control over information in the public domain generally and in defence areas in particular in both China and Myanmar. Bertil Lintner of the Far Eastern Economic Review has covered this aspect regularly and in considerable detail. Some of the important Chinese weapons supplied to Myanmar have been listed in Military Balance as follows.

In addition to these major weapons systems, supplies from China also included assault rifles, grenade launchers, mortars, recoilless guns, radar and communications equipment, night vision devices, military parachutes, anti-tank and anti-aircraft guns, Hainan class patrol boats and smaller gun boats, helicopters, and air-to-surface missiles. An important part of China's military package for Myanmar has been naval communications and surveillance equipment supplied for upgrading naval posts on the Indian Ocean front. China has a deep interest in developing these naval posts to keep itself informed about naval movements in the Indian Ocean and through the Straits of Malacca.

The weapons were not supplied by China as grants but as purchases. In fact, Myanmar was not even offered 'friendship prices', which China offers to fellow communist countries, as has been done by the former Soviet Union. But to show its friendship, China gave soft and unspecified loans to Myanmar, and accepted barter arrangements for payments as well as for the servicing of loans. The arrangements of payment through commodities that included rice, timber and precious stones were built into the agreements for the supply of weapons.[52] China was not the only country with which Myanmar has barter arrangements to pay for arms purchases. Yugoslavia was another country with which Myanmar had such arrangements in 1990.[53] There were also reports of the military junta using drug money for payment of arms and other imports but there is no reliable evidence to support this.[54] In interviews, officials in Yangon, while accepting that the drug money generated along the border plays a role in the Myanmar economy, stoutly deny charges that the military regime is involved in drug money. They assert that the "army is very clean".

The quality of weapons supplied by China is not the best that the Myanmar Armed Forces would prefer to have.[55] But the sale deals have continued because of price and availability. There have been many cases of Armoured Personnel Carriers (APC's) breaking down on the rugged terrain of Myanmar's mountainous region in the north and the east. Chengdu F-7 Fighters have also crashed on many occasions.[56] There have been reports that the Chinese were upgrading the F-7M and also further developing the J-7FS at an enhanced cost of US$7–8 million to be marketed first into countries like Myanmar and Sri Lanka.[57]

Besides the supply of arms, China has also offered training to Myanmar soldiers and officers. With the introduction of Chinese weapons systems into the Myanmar Armed Forces, such training has become essential. This started in 1990 with the arrival of the first instalment of Chinese weapons to Myanmar. Subsequently, under a five-point agreement of co-operation signed in 1996, 300 Myanmar air force and naval officers were to be trained in signal and intelligence duties as well as in the handling of fighters, naval communications and other equipment.[58] Myanmar officers regularly went to China's staff colleges and military academies, including the National Defence University, for training and refresher courses. There have also

Table 3.1 – Chinese Arms to Myanmar

Weapon	Type	Units	Ordered/Delivered	Remarks
Fighter deliveries	F-7	4	1996/1998	Following of 36, 1996–1998
Ground Attack		21	1996/1998	
Trainer	K-8	4 4	1996/1998 1998/2000	
Frigate	Mod. *Jianghu*	2	1994/1998	1 delivered; 1 being built
APC	Type-85	150	1991/1996	
MBT	Type-69	50	1993/1996	

Notes: APC – Armoured personnel carrier; MBT – Main battle tank
Source: Military Balance *(London: International Institute of Strategic Studies, 1998–99 and 2000–2001)*

been instances of Chinese technicians and military officers being posted to Myanmar for training and for installing, operating and maintaining radar and surveillance equipment, particularly in the coastal areas and on islands. China and Myanmar also share intelligence and defence-related information, not only on the border areas for controlling drug related and other crimes but on the activities on Myanmar's sea front in the Bay of Bengal.[59]

On the whole, therefore, we find that the nature and extent of military co-operation between Myanmar and China is much closer than with the rest of the Indochina region. The reason probably lies in the military nature of the regime and, more than that, in Myanmar's strategic location, both in relation to Yunnan province and in the Indian Ocean. It may also be of interest to note that China has encouraged Myanmar to have defence supply relations with other countries like Pakistan. In the production of the K-8 (jet trainer) in China, Pakistan has a 25% share. Pakistan has an obvious interest in cultivating military ties with Myanmar because of the latter's location close to India's vulnerable northeast.[60] Since October 1999, the similarity in the nature of two regimes, both run by the military, has further reinforced their bilateral relations.

ACCESS AND STRATEGIC DEPTH

The question of access is closely linked to both economic development and defence mobility. As an aspect of economic development, the importance of improving infrastructure in the forms of roads, rail network, waterways, airports, sea ports and communications network hardly needs any emphasis. This has now emerged as a major area of attention in the ASEAN region, as elsewhere, and funding for infrastructure projects are easy to come by, both through multilateral and international agencies and under bilateral arrangements. The Greater Mekong Sub-regional Co-operation Programme, where China and ASEAN members join hands, has infrastructural development very high on its agenda. China has also initiated a massive infrastructure project in the form of reviving and upgrading the old Silk Route to improve internal mobility between the central and the western provinces and also to link China with its West Asian neighbours and eventually Europe. Accordingly, in drawing attention to China's support and co-operation in improving infrastructural linkages with its immediate southwestern neighbours, it would be misleading to see that primarily as part of a defence oriented activity. Economic advantages of infrastructural

linkages are immense and obvious. However, while keeping the economic dimension of infra-structural development in focus, it would also be a mistake to ignore or undermine its relevance as a part of security structure. In China's foreign policy, development of road and communication links with its neighbours during the 1950s and 1960s was an important security-building activity and this aspect has not lost its significance even in the wake of revolutionary changes in military communications technologies or the growing salience of economic dimension in this respect.

China has paid considerable attention to establishing and upgrading infrastructural linkages with its southwestern neighbours. With regard to road links, the presence of Chinese technicians and army personnel in Laos during the 1970s has been mentioned earlier. They were laying down and improving roads that linked Laos's northern provinces with China's Yunnan province, as most of the then existing network of roads in these provinces had an east-west orientation, providing for greater movement between Vietnam and Laos. After normalisation of relations, roadwork in these Laotian provinces has again been activated and now there exists a road link between the Chinese border and Vientiane via Luang Prabang. Chinese plans to link up with Thailand, including a rail link passing through Laos, are also being actively pursued. Legislators from Yunnan have been lobbying in the National People's Congress to improve the patches of poor road network within their province and build a 200-km section of highway to link Kunming with Bangkok through Laos.[61]

With Vietnam, China has a network of road and rail connections. The roads and railway track between Nanning (in Guangxi province) and Hanoi provide the most convenient form of transport and travel link between the two countries. The Chinese side of the Nanning-Hanoi Road has been upgraded to a six-lane tollway.[62] The Kunming-Hanoi rail connection was reopened in 1996 after much dispute on 300 metres of this track which the Chinese had pushed into Vietnamese-claimed territory around the beginning of the Third Indochina War. In the reopening of this rail track for international traffic, while China had economic pressure from the Guangxi province, the Vietnamese were concerned about their sovereignty claims and the flow of unauthorised trade.[63] The region through which the Kunming-Hanoi rail line passes has traditionally been a strategically sensitive area between the two countries. A new, China-made bridge linking Hekou City in Yunnan and the Lao Cai province of Vietnam has recently been opened

to traffic to improve transport between the two sides.

Myanmar's most well-established and strategically significant road connection with China has been the Burma Road connecting Ruili, the Chinese border town in Yunnan province, to Yangon through Mandalay. This road had played a very important role during the Second World War. It has been upgraded with the expansion and fortification of bridges and culverts. China has strengthened bridges and constructed ports on the Mekong River within Yunnan to facilitate the southward movement of goods and people. As a result, traffic on the old Burma Road has significantly grown in volume.[64] The two sides have agreed to strengthen their road connections by building new roads. In September 1994, during the visit of a Myanmar delegation headed by SLORC Secretary-1, General Khin Nyut, the two sides agreed to speed up the building of the Daluo (in Yunnan)-Jiangdong (in Myanmar) Highway.[65] Other roads linking Myanmar's northeast with Yunnan are also being developed and upgraded. A circular road connecting the Nanlam area with Myanmar and going round the Golden Triangle through Chiang Mai in Thailand has also been planned to facilitate movement of goods and people between Yunnan, Myanmar, Thailand and Laos.

In addition to road and rail connections, China has also shown considerable interest in improving waterways for transportation through two major river systems that link its southwestern neighbours, namely the Mekong and the Ayeyarwaddy (also spelt as Irrawaddy). The former, which is called the Lancang in the Chinese territory, travels through Myanmar, Thailand, Laos, Cambodia and Vietnam. It can be an important waterway through Myanmar and Laos if it is deepened at some places to ensure year-round navigation. Small cargo boats ply from the Chinese port city of Simao to Luang Prabang in Laos during rainy months when the water level in the river is at its highest. China has been asking Laos and Myanmar to deepen the river at necessary places for a long time.[66] The flow of water in the Mekong River has been seriously affected by the construction of dams on the Chinese side, to which all the lower riparian countries, particularly Laos, Cambodia and Vietnam have objected[67] (see Map B). However, China has gradually succeeded in persuading its neighbours to open the river for international commercial navigation. In April 2000 China, Myanmar, Laos and Thailand signed an agreement on commercial navigation in the Mekong. This agreement came into force in 2001.[68] China has also promised to invest 42 million yuan (the equivalent of US$5.06 million) to help Myanmar and Laos dredge a navigation section on the Mekong River.[69]

The Ayeyarwaddy is a major river originating in northern Myanmar and terminating in the Indian Ocean. A transport corridor in this river can provide China with an excellent access to the Indian Ocean. For this, China is willing to provide support to Myanmar for the construction of a modern port at Bhamo, a northern town on the river, and for link roads between Bhamo (in Myanmar) and Ruili (in Yunnan) as well as from Minba (Magway Division) to the Rakhaine Coast in Myanmar. China is also prepared to assure that it will only make commercial, and not defence nor security, use of this corridor to allay any apprehension in Myanmar. However, the feeling in Myanmar and in the region is that once China gets the access, it would be very difficult for Myanmar to control Chinese activities and the growing Chinese influence in Myanmar. Comprehensive use of the proposed corridor will give China a tremendous advantage in projecting its power in the Indian Ocean as well as in the South China Sea. Furthermore, China will get a strategic advantage even if it is limited to only commercial use as it can divert its commercial cargo, particularly oil from West Asia, through this corridor. In the event of a conflict in the South China Sea, this channel will give China strategic depth and greater military manoeuvrability, both for defensive as well as offensive purposes.[70] Defensively, in the event of a blockade in the South China Sea, as was possibly threatened during the Taiwan Strait missile crisis in 1996, China can get its oil and other vital cargoes uninterrupted through the Ayeyarwaddy corridor. Offensively, the safety of its vital trade link through this corridor gives greater mobility to Chinese forces in any South China Sea conflict.

The commercial viability of the Ayeyarwaddy corridor has been studied by private consultants like the Chiyoda group of companies of Japan. Chinese engineers also carried out successful navigability tests on the river in 1997.[71] Myanmar is facing mutually conflicting pressures from China and the international community on this proposal. So far, Myanmar has been delaying a decision on technical grounds, but in the face of isolation from western nations and growing Chinese influence and pressure, how long it can delay in making a decision remains to be seen.[72] It may be noted in this respect that as early as 1994, Myanmar agreed to Yunnan using its road links for access to the sea through Myanmar.[73]

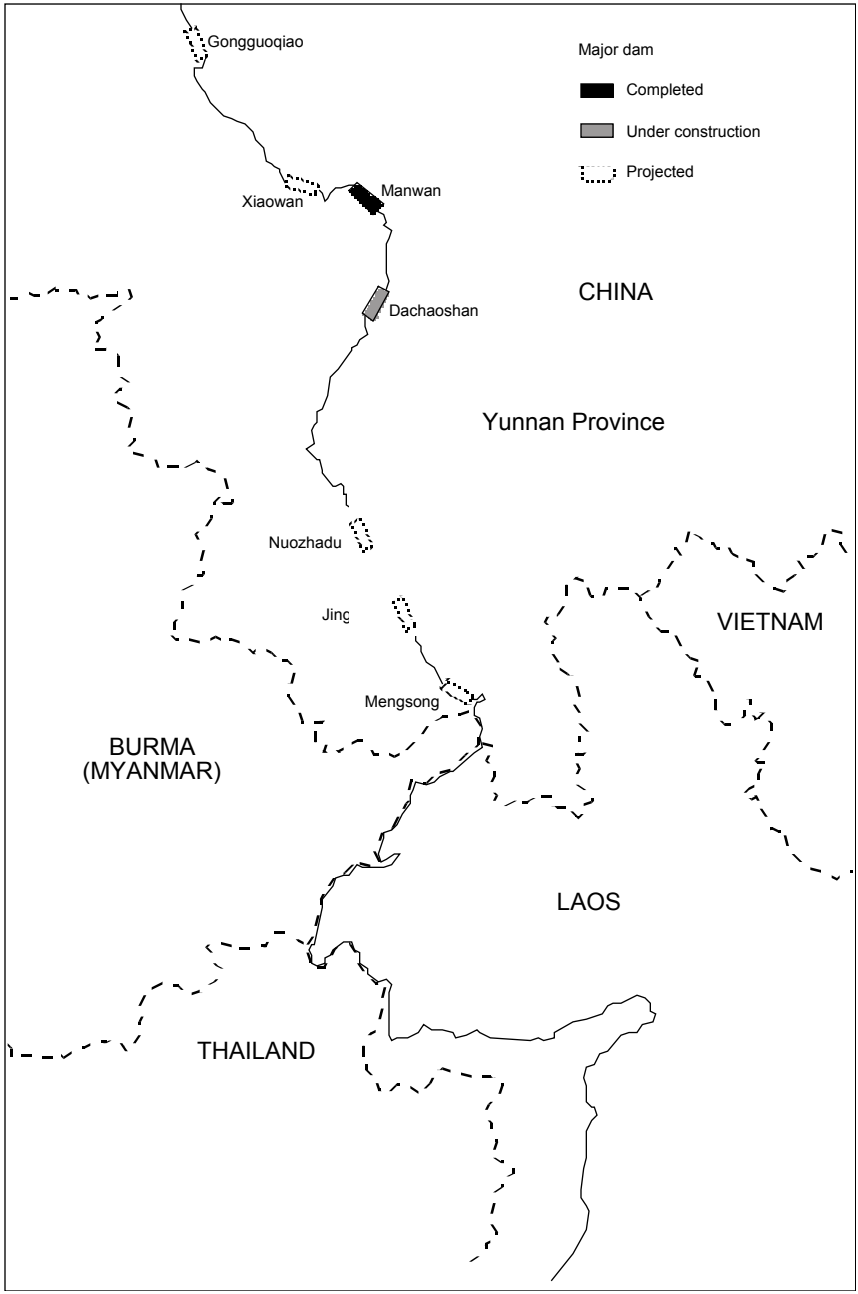
The question of the Ayeyarwaddy River corridor should also be seen in the context of China's increasing co-operation with Myanmar for securing access to some of its strategic islands in the Indian Ocean. Since the beginning of the 1990s, with the first consignments of arms, China has been persuading

Myanmar to allow it to have access to three islands, namely, Ramree (south of Sittwe, on the western coast of Myanmar in Bay of Bengal), Coco Island in the Indian Ocean (north of India's Andaman and Nicobar Islands) and Zadetkyi Kyun (St Mathews Island), on the southeastern coast of Taninthayi Division, opposite Thailand's Renong province[74] (see Map C). There are indications that such access has already been obtained by China. In late 1994, Indian coast guards detained three Chinese trawlers with Myanmar flags in Indian territorial waters. There is widespread apprehension that China is monitoring India's missile programme and the movement of ships in the Malacca Strait.[75] China has also provided a naval radar system for Myanmar's Zadetkyi Island, installed by Chinese engineers.[76] The strengthening and expanding of naval listening posts on Myanmar's Indian Ocean front by China, with intelligence linkup and co-ordination in place between the two countries, constitutes a vital building block towards realising Chinese aspirations of projecting power in this region. This is also a critical part of the defence infrastructure for Chinese commercial traffic in the Indian Ocean. The importance of these facilities would become obvious when China develops its naval capabilities further. There are thus increasing signs of enhanced Chinese naval activity and interest in Myanmar's Indian Ocean front.[77]

China has also shown interest in Cambodia's Koh-Kong Island, initially to develop it as an export processing zone. Cambodia has been given satellite systems by China to improve its communication system.[78] Satellite communication facilities of 120-km range have also been provided by China to Laos and communications posts have been set up in the southern Champasak province located at the crossroads between Thailand and Vietnam, passing through Laos.[79] Here again, through intelligence co-ordination, these posts can keep China updated on movements in eastern Thailand and southern Vietnam. There are also indications of Chinese interest in the Cam Ranh Bay naval facility in Vietnam when the Russian contract comes to an end in 2004. Both Cambodia and Vietnam have, however, not shown any inclination to accede to China's request in this respect so far. The possibility of Vietnam converting the Cam Ranh Bay military facility to commercial use, at least partially, cannot be ruled out.

Though not directly related to the new ASEAN countries, it may be kept in perspective that China has also provided assistance to Pakistan to develop its deep sea port in Gwader. China has offered a US$250 million commercial loan for the first phase of a master plan to develop this strategically located port near the Strait of Hormuz in the Persian Gulf. On completion of this

Map B – Dams on the Upper Reaches of the Mekong River



Source: Milton Osborne, The Mekong: Turbulent Past, Uncertain Future *(Sydney: Allen & Unwin, 2000), p. 230*

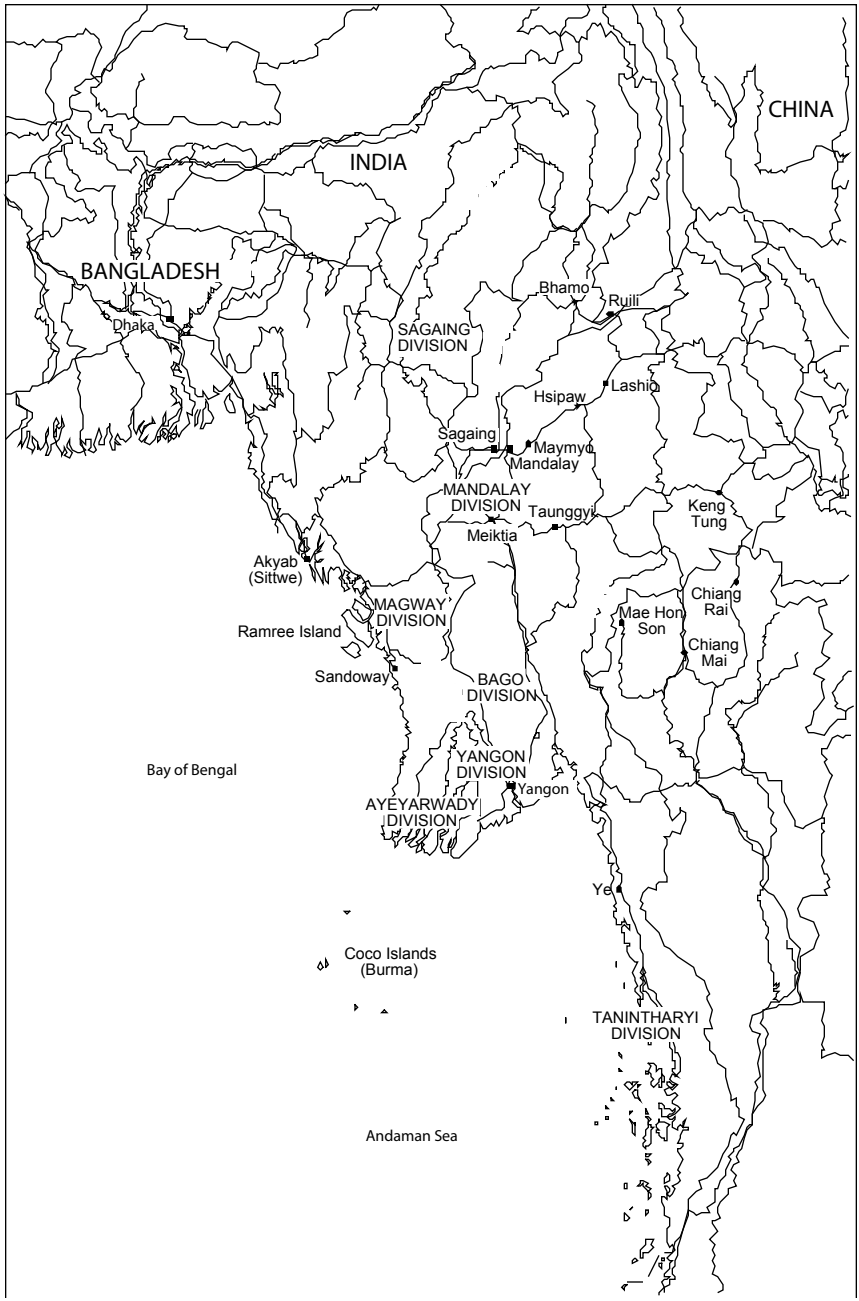
US$1.6 billion project, Gwader can provide the shortest and most viable access to warm waters for China's western region. Thus there is a link from the Persian Gulf to the South China Sea through the Indian Ocean in China's quest for access to the sea.

These Chinese interests are in keeping with the shift in its strategy where naval capabilities and power projection have started to play an increasing role. China has now revised its doctrine of waging modern warfare under high technology conditions on the high seas which may require logistic support from friendly countries like Myanmar in the Indian Ocean. Establishing military bases in foreign countries or forging military alliances in the traditional sense may not be compatible with China's stated policy but a network of naval posts with effective communications and transport connections backed by intelligence sharing arrangements will serve the required purpose. China, in recent years, has started spending the bulk of its defence allocations, about 35%, on its navy, as against 29% each on its army and its air force. China's naval reach at present may not be threatening but the increased spending over the next ten years or so will make China a formidable naval player. Japan, India and ASEAN are becoming concerned about the implications of this development for their individual and regional security by 2015–20, when China is expected to have acquired a blue water navy.

Notes

1. Sheng Lijun, "China's Foreign Policy Under Status Discrepency, Status Enhancement" in Contemporary Southeast Asia, Vol. 17 No. 2, September 1995, p. 119
2. China's National Defence, Information Office of the State Council of the People's Republic of China, Beijing, July 1998, p. 12
3. This was stated in speech delivered at the Indonesian Council of World Affairs in Jakarta on 24 July 2000. The text of the speech was obtained through diplomatic sources.
4. China's National Defence in 2000, Information Office of the State Council of the People's Republic of China, Beijing, October 2000, pp. 25–26
5. a. Straits Times, 14 September 1991
   b. The Star, 14 September 1991
6. a. Bangkok Post, 26 October 1991
   b. The Nation, 28 October 1991
7. China's National Defence in 2000, op. cit., n. 4, p. 26
8. a. Memorandum of the Ministry of Foreign Affairs of the Socialist Republic of Vietnam Concerning the Chinese Authorities' Provocations and Territorial Encroachments in the Border Region of China, Department of Press and Information, Ministry of Foreign Affairs, Hanoi, March 1979
   b. L. L. D. Nguyen Hong Thao, "The Settlement of Disputes in Bac Bo (Tonkin) Gulf" in Vietnam Law and Legal Forum, January 2001, pp. 15–16
9. Ronald Bruce St. Johns, "The Land Boundaries of Indochina: Cambodia, Laos and Vietnam" as quoted in Brantly Womack, "International Relationships at the Border of China and Vietnam" in Asian Survey, Vol. XL No. 6, November/December 2000, p. 982
10. a. Ramses Amer, "The Challenge of Managing the Border Disputes Between China and Vietnam", EAI Working Paper No. 16, East Asian Institute, National University of Singapore, November 1998, pp. 6, 36
    b. "Sino-Vietnamese Relations: Past, Present and Future", in Vietnamese Foreign Policy in Transition, eds. Carlyle A. Thayer and Ramses Amer (Singapore: Institute of Southeast Asian Studies, 1999), pp. 74–129, on border negotiations
11. Hong Thao, op. cit., n. 8b
12. M. Abuza Zachary, Coping With China: Vietnamese Elite Responses to an Emerging Super Power (Michigan: UMI Dissertation Services, Bell and Howell Company, 1999), pp. 269–286, 130–131, 273

Map C – Myanmar: Ayeyarwaddy River and Indian Ocean Naval Posts



13. Ang Cheng Guan refers to Chinese Premier Zhu Rongji's statement in support of this. Ang Cheng Guan, "Vietnam-China Relations Since the End of the Cold War" in IDSS Working Paper No. 1 (Singapore: Institute of Defence and Strategic Studies, November 1998), p. 16, n. 58
14. Hong Thao, op. cit., n. 8b
15. Ang Cheng Guan, op. cit., n. 13
16. Hong Thao, op. cit., n. 8b
17. He said this in an interview to a Japanese reporter in Hanoi on 20 August 1994. Summary of World Broadcasts, FE/2085 B/1, 27 August 1994
18. Interviews in Hanoi and discussions in the Centre for Chinese Studies, 24 May 2001
19. a. Jane's Defence Weekly, 11 February 1998
    b. Summary of World Broadcasts, FE/2097 G/5, 10 September 1994
20. Discussions in the Institute for International Relations, Ministry of External Affairs and Defence Ministry, Hanoi, 19–26 May 2001. For some details of the maritime delimitation, see Hong Thao, op. cit., n. 8. "In the Agreement, Bac Bo Gulf is semi-enclosed sea, bordered by the coasts of Vietnam and China to the north, by the coasts of Leizhou Peninsula and the Hainan Island to the east, by the coast of Vietnam to the west and limited to the south by the line starting from the farthest seaward extent of the low water line of Point of Oanh Ca, having the geographical co-ordinates of 18°30'19" N and 108°41'17" E, passing by Con Co Island to the point on the Vietnamese coast, having the geographical co-ordinates of 16°57'40" and 107°08'42" E."
21. On fisheries, "Two sides agreed to organise joint fishing area lying under parallel of latitude 20° and have enlargement of 30 miles from line of demarcation. Apart from that, two sides agreed to have spare zone with 3-mile width from line of demarcation of two sides and 10 miles long. Two sides also agreed to negotiate proper use and development of natural resources in the Tonkin Gulf." Dr. Nguyen Hong Tho, "Agreement on Delimiting Sea Border" in Chinese Studies Review, April 2001, Hanoi (unofficial translation)
22. Interviews in Hanoi
23. Pan Shiying, former senior staffer of the Chinese Communist Party's Central Military Commission was quoted as having said that "if Vietnam continues to rebuff China's offer for talks on joint development, China will have no option but to take control of the islands forcibly". Nayan Chanda, Roberto Tiglao and John McBeth, "Territorial Imperative" in Far Eastern Economic Review, 23 February 1995, pp. 14–16

24. There have been occasional reports to this effect. For instance, in early 1999, there were reports that China's Muslim Uighur separatists of Xinjiang province were getting arms smuggled through Vietnam. "Strategic Concerns Threaten Apparently Improving Sino-Vietnamese Relations", found in http://www.stratfor.com?Asia.aiuarchive/b990209.htm, 9 February 1999
25. The Wa State Army is aligned to the Myanmar military regime under an "arms for peace" arrangement. According to Thai military intelligence authorities, Chinese military personnel have been involved in training them as a result of their old links. Jane's Defence Weekly, 28 March 2001, p. 14
26. China's National Defence in 2000, op. cit., n. 4, pp. 26–27
27. a. China's first official White Paper on "Narcotics Control in China", issued by the State Council of the People's Republic of China in June 2000
    b. http://www.china.org.cn/e-white/1/index.htm
    c. A report entitled "Drug Problem Worsens, Upsets Social Stability" in China Daily, 2 February 2001
28. See for instance reports filed on this subject by Bertil Lintner and Mangshih in Far Eastern Economic Review, 28 March 1991, 20 February 1992 and 5 November 1992
29. For details, see "Narcotics Control in China", op. cit., n. 27a, Section VII on "Developing International Co-operation in Drug Control"
30. The People's Daily, 16 February 2001 and 2 June 2001. Such attempts have been reported regularly since the 1990s. In 1994 for instance, both Yunnan and Guangxi provincial authorities joined hands in raiding trans-national drug cartels headed by Vietnamese and Myanmar. Even popular support has been enlisted in combating drug trafficking. Summary of World Broadcasts, FE/2126 G/7, 14 October 1994.
31. ibid.
32. Jane's Defence Weekly, 11 January 1992 and 20 February 1993
33. a. Asia Yearbook 1995 (Hong Kong: Far Eastern Economic Review, 1995), p. 158
    b. Jane's Defence Weekly, 11 June 1994
34. Summary of World Broadcasts, FE/2196, p. 4, 29 October 1994
35. Jane's Defence Weekly, 7 April 1999
36. Chinese Defence Minister Gen. Chi Haotian had discussion with his Laotian counterpart Gen. Choummali Sayasone. Gen. Chi expressed his happiness that relations between the two countries will be taken to a new level. Vientiane Times, 4–7 August 2000

37. In such reports, co-operation between the security forces of Vietnam and China was mentioned. Vientiane Times, 29 September – 2 October 2000, and 3–7 December 2000. From 1997 to 1999, such reports had also mentioned Russia and India for co-operation in the defence sector, but this was not the case in 2000.
38. Jane's Defence Weekly, Vol. 34 No. 22, 29 November 2000
39. a. Vientiane Times, 7 February 2001
    b. The People's Daily, 6 February 2001
40. Interviews in Vientiane
41. Phnom Penh Post, Issue No 8/21, 15–28 October 1999
42. "Defending the Kingdom of Cambodia: 2000, Security and Development", n.d., a copy of the paper was presented to the author by Cambodian Co-Minister of National Defence, H. H. Sisowath Sirirath, in Phnom Penh.
43. Cambodia Daily, 14 February 2001
44. ibid.
45. The Nation (Bangkok), 15 February 2001
46. Some of the important visits have been identified in:
    a. Carlyle A. Thayer, "Force Modernisation: The Case of the Vietnam People's Army" in Contemporary Southeast Asia Vol. 19 No. 1, June 1997, p. 16
    b. Ramses Amer, "Sino-Vietnamese Relations: Past, Present and Future" in Vietnamese Foreign Policy in Transition, eds. Carlyle A. Thayer and Ramses Amer, op. cit., n. 10, pp. 68–129
47. Carlyle A. Thayer, op. cit., n. 46a
48. The People's Daily, 10 February 2001
49. Asia Yearbook 1991 (Hong Kong: Far Eastern Economic Review, 1991), p. 89
50. Far Eastern Economic Review, 3 October 1991. One of the important factors behind such a huge gap between the two figures was due to the fact that Myanmar worked on different exchange rates for private and official transactions that vastly differed from each other. Official rates were much too low, only about 1% that of the private or commercial rates.

51. For some of the details of these visits, see:
    a. Chronology and periodic reports by Carlyle A. Thayer on "China-ASEAN Relations" in "Pacific Forum CSIS"
    b. http://www.csis. org/pacfor/cc
    c. Asia Yearbook for each of the periods concerned
    d. Andrew Selth, "The Myanmar Army Since 1988: Acquisitions and Adjustments" in Contemporary Southeast Asia Vol. 17 No. 3, December 1995, pp. 237–64
    e. Andrew Selth, "Myanmar Air Force Since 1988: Expansion and Modernisation" in Contemporary Southeast Asia Vol. 19 No. 4, March 1998. pp. 388–415
52. a. In interviews with Myanmar businessmen, some of them gave instances of businessmen from Hong Kong being engaged by the Chinese to lift timber and precious stones from Myanmar in lieu of payments for Chinese exports including arms supplies. Interviews also conducted with officers in the Office of Strategic Studies Group.
    b. "Myanmar's Air Power Boosted" in Jane's Defence Weekly, 11 December 1993
    c. "Rice Buys Artillery for Myanmar", a report by Bruce Hawke in Jane's Defence Weekly, 5 August 1998
    d. Asian Aviation, Vol. 11 No. 2, February 1991, pp. 88–89
    e. Bertil Lintner, "Arms for Eyes" in Far Eastern Economic Review, 16 December 1993, p. 26
53. Andrew Selth, "Myanmar Air Force Since 1988", op. cit., n. 51d
54. See for instance, The Nation, 9 April 2001
55. This was admitted to the author by officers in the Office of Strategic Studies Group in an interview.
56. For one such crash report, see Jane's Defence Weekly, 29 November 2000
57. Jane's Defence Weekly, 13 December 2000, p. 14
58. a. Asia Yearbook 1998 (Hong Kong: Far Eastern Economic Review, 1998), p. 89
    b. Burma Alert, Vol. 8 No. 3, March 1997
59. Interviews in Yangon
60. a. William Ashton, "Myanmar's Military Links with Pakistan" in Jane's Intelligence Review, May 2000, pp. 27–29
    b. Jane's Defence Weekly, 24 June 1998. p. 14

61. The People's Daily, 15 March 2001
62. Gu Xiaosong and Brantly Womack, "Border Co-operation Between China and Vietnam in the 1990s" in Asian Survey, Vol. 40 No. 6, pp. 1042–1058
63. Ramses Amer, "Sino-Vietnamese Relations" in Vietnamese Foreign Policy in Transition, eds. Carlyle A. Thayer and Ramses Amer, op. cit., n. 10, pp. 113–114
64. The Economist (London) wrote on 23 January 1993 that China's interest in overland route through Myanmar was to expand its exports to Southeast Asia.
65. Summary of World Broadcasts, FE/2111 G/5, 27 September 1994
66. Milton Osborne, "The Strategic Significance of the Mekong" in Contemporary Southeast Asia, Vol. 22 No. 3, December 2000
67. a. ibid.
    b. Milton Osborne, The Mekong: Turbulent Past, Uncertain Future (St. Leonard's, NSW: Allen & Unwin, 2000), chapter 13
    c. Cambodian objections on the adverse security implications of these Chinese dams have been expressed even in their Defence White Paper, op. cit., n. 66
    d. Paul Gonsalves, "Water Security and the Mekong" in Jane's Intelligence Review, June 2000, pp. 34–35
68. The People's Daily, 21 June 2001
69. The People's Daily, 26 and 29 June 2001
70. Interviews in Yangon
71. a. Interviews in Yangon
    b. "China Opening Route Through Myanmar" found at http://www.stratfor.com/SERVICES/GIU/080897.asp
72. Officers in the Office of Strategic Studies Group told the author that if other countries do not provide support to Myanmar, it may have no alternative but to decide in China's favour on the river corridor project. From interviews in Yangon, April and May, 2001
73. Xinhua News Agency, Beijing, 23 September 1994, as quoted in Summary of World Broadcasts, FE/2111 G/5, 27 September 1994
74. a. Asia Yearbook 1995 (Hong Kong: Far Eastern Economic Review, 1995), p. 95
    b. Desmond Ball, Burma's Military Secrets (Bangkok: White Lotus Press, 1998)
75. a. Jane's Defence Weekly, 20 May 1998, p. 12
    b. Rahul Bedi, "India and China Vie for Regional Supremacy" in Jane's Intelligence Review, September 2000, pp. 37–40
76. Jane's Defence Weekly, 21 February 2001

77. There have been several writings on this aspect. See for example:
    a. Allen L. Clark in Asian Survey, September/October 1999
    b. Larry M. Vortzel, "China Pursues Traditional Great Power Status" in Orbis, Vol. 38 No. 2, Spring 1994
    c. J. Mohan Malik, "Myanmar's Role in Regional Security: Pawn or Pivot?" in Contemporary Southeast Asia, Vol. 19 No. 1, June 1997
    d. Anthony Davis, "China's Shadow" in Asiaweek, 28 May 1999
    e. Carlyle A. Thayer, in Pacific Forum, op. cit., n. 47. According to Thayer, China was helping Myanmar to move its naval bases and construct field maritime surveillance stations along the Taninthayi Division coast.
    f. William Ashton, "Chinese Naval Base: Many Rumours, Few Facts" in Asia-Pacific Defence Reporter, June/July, 1993, p. 23
78. Cambodia Daily, 13 October 2000
79. Asia Yearbook 1996 (Hong Kong: Far Eastern Economic Review, 1996), p. 159

4
Economic Co-operation

ECONOMIC IMPERATIVES

Economic reforms and liberalisation, as noted in an earlier chapter, have been among the strongest imperatives behind China's Good Neighbourliness Policy which evolved during the 1980s and has been pursued vigorously since then. The economic importance of China's southwestern neighbours lay in their proximity to China's western region which had to be brought under the policy of economic regeneration. This is particularly so in the case of Yunnan which had been neglected considerably and had been restive for greater economic attention. Yunnan is also landlocked and ethnically different from the mainland. The Kunming-Hanoi rail line laid by the French early in the twentieth century and the Burma Road, completed a few decades later, had made Yunnan more easily accessible from China's southwestern neighbours than from the mainland. Guangxi province, bordering Vietnam along with Yunnan, has direct access to the sea but, in terms of economic activity, has a natural attraction for the vast Vietnamese market linked through a transportation network of rail and road. Yunnan and Guangxi together have a population of 88 million, making them more densely populated than all of China's southwestern neighbours put together. Chinese policymakers could not avoid the obvious conclusion that these neighbours, through closer economic integration and co-operation, could play a crucial role in boosting the economies of its remote provinces.

Developing trade relations has been the most important aspect of China's economic approach to its new ASEAN neighbours. To enable smoother trade between them, the development of infrastructural linkages has been a prime necessity because economies of scale would not support air or sea borne trade between China and its southwestern neighbours. The economic dimension of China's Good Neighbourliness Policy has emphasised these two aspects of expanding trade, including border trade and the development of

infrastructure. The rich rainforests and agricultural and mineral resources of these neighbouring countries have also lured enterprising Chinese from Yunnan and Guangxi. As these countries account for the largest share of the world's opium cultivation and drug production, money generated from this sector has considerably reinforced economic activity in the border region between them and China. Attention has also been paid to other areas of economic development like aid, investments and financial arrangements, to reinforce trade relations and to meet the demands arising from these neighbours.

In pursuit of its policy of economic co-operation with these neighbours, China has succeeded in setting up institutional arrangements in the form of Joint Commissions, governmental committees and frequent exchanges, both at the central as well as provincial levels. These bodies are placed at critical points in the decision-making structures of the respective countries. For instance, in Laos, the Laos-China Committee on Economic Co-operation is a part of the Prime Minister's office and is headed by a senior political functionary. The task assigned to such committees and commissions is to plan, facilitate and supervise the execution of co-operation programmes, including trade, investment and other related matters. They also intervene to remove hurdles and difficulties being faced by ongoing co-operation projects, including those arising from tensions and conflicts between Chinese managers and supervisors of the projects on the one hand; and local workers, employees and administrative structures related to these projects on the other. These committees and commissions work within the parameters set at the political level and any difficulty that cannot be sorted out at this level is taken to the political level for resolution.[1] Not all the new ASEAN countries have such arrangements in place. The Sino-Vietnamese Economic-Trade Co-operation Commission was established in November 1995. For Cambodia, a joint statement issued after Chinese President Jiang Zemin's visit said that the "two sides agree to set up a joint economic and trade commission at an appropriate time" (para. V of the China-Cambodia Joint Statement). Let us look at the development of trade, investment and aid relations between China and the new ASEAN countries.

TRADE

Hardly any trade flowed between China and its southwestern neighbours during the 1980s, except for small exchanges on the border. Myanmar's border with China was infested with insurgents and too disturbed to

encourage proper economic activity. China's relations with Laos, Cambodia and Vietnam were disrupted by the Third Indochina War. Renewing trade relations was therefore given top priority by China in the course of normalising relations with these countries. Following the visit of SLORC Chairman General Saw Maung to China in December 1988, an agreement was concluded on 5 August 1989 between Myanmar Export-Import Corporation and its Yunnanese counterpart for the normalisation of border trade. Thus Myanmar became the first country among China's southwestern neighbours with which border trade was formally opened. It has already been noted earlier that the Myanmar government offered additional export earning incentives to co-operative merchants and private merchants to import Chinese consumer goods, resulting in a tremendous boost to the bilateral trade.[2]

China's trade relations with Laos were normalised when a Lao commercial delegation headed by Minister Phao Bounnaphon concluded their first trade agreement after the agreement on exchange of ambassadors in December 1988 was formalised. It was expected that under this agreement, the two countries would exchange goods worth US$10 million a year. China was to supply agricultural implements, textiles and consumer goods, and Laos, agricultural products and herbal medicines.[3] Border trade had continued to take place between the two countries but was only formalised after the conclusion of a boundary treaty on border delimitation and demarcation in October 1991.

China's trade relations were also normalised with Vietnam and Cambodia with the conclusion of the process of political normalisation between them in November 1991. But rail transport between China and Vietnam was not opened until 1997 and the boundary agreement between them was not concluded until December 1999. As a result, border trade gave rise to considerable tensions between the two countries, especially heavy smuggling which hurt Vietnam more than China. There were considerable internal pressures from the provinces of Yunnan and Guangxi in China to get trade flows with Vietnam smoothened out and transport links upgraded. These provinces were eager to take advantage of markets in the neighbouring countries. In response to their pressure, Beijing tried to streamline its policies. Accordingly, in 1992 and 1996, special measures were taken under which China designated five border towns, cities and provincial capitals and subjected them to preferential policies similar to those extended to the coastal areas. Under these measures, provincial and local authorities were given greater freedom to adopt policies beneficial to the promotion of border

trade.[4]

A comparative idea of China's trade with the new ASEAN countries compiled by the IMF is shown in Table 4.1. These are internationally computed figures and may not reveal the real quantum of trade flowing between the two sides. Authentic figures are not conveniently available in the case of these countries and official methods of computing such figures vary from country to country owing to variations in exchange rates, and the barter nature of a sizeable part of the trade in some cases. This becomes very clear when the computation is viewed in comparison with official trade figures of Laos, Myanmar and Vietnam with China, shown in Tables 4.2, 4.3 and 4.4 respectively.

The total trade turnover has naturally been larger in the cases of Vietnam and Myanmar, compared to Laos and Cambodia, due to the sizes of their respective economies and markets. As Table 4.1 shows, China's trade with all these countries has risen steadily, except between 1997 and 1999, when there was a decline in the value of trade with Laos and Myanmar. This could be due partly to the general economic decline in the region during these years as a result of the regional financial crisis and partly to the membership of ASEAN of these countries in 1997. Membership in ASEAN has given greater options to the new members to diversify their economic relations. In the cases of Vietnam and Cambodia, a steady growth in trade with China is clearly evident.

The regional economic crisis of 1997–99 created a serious exchange rate problem for poorer countries like Laos. China took several measures to project its image of a concerned and benevolent neighbour to the ASEAN region as a whole. It kept its currency stable so as not to aggravate the crisis. It also pledged in 1998 to earmark a US$750 billion fund for infrastructural and other developmental projects in the region over the next three years. ASEAN countries were invited to participate in these mega projects.[5] To help the poorer ASEAN countries, which included all its southwestern neighbours, China agreed to create special payment arrangements to bypass the U.S. dollar. The Lao currency, the kip, was accepted as a mode of payment in trade transactions. Vietnam also did the same to help Laos. In addition, financial support to boost exports was also provided to Laos and Myanmar. Through these measures, bilateral trade could be insulated from wild currency fluctuations without putting any additional pressure on the meagre foreign currency reserves of Laos. China also signed other agreements like the avoidance of double taxation to encourage trade and

Table 4.1 – China's Trade with the New ASEAN Countries, 1992 to 1998
(in US$'000,000)

Year	Type	Cambodia	Laos	Myanmar	Vietnam
1992	Exports	13	28	259	106
	Imports	—	4	131	73
	Balance	13	24	128	33
1993	Exports	20	37	325	277
	Imports	1	4	165	123
	Balance	19	33	160	154
1994	Exports	35	36	369	342
	Imports	1	4	143	191
	Balance	34	32	226	151
1995	Exports	52	48	618	722
	Imports	6	6	150	332
	Balance	46	42	468	390
1996	Exports	63	24	521	842
	Imports	7	7	137	308
	Balance	56	17	384	534
1997	Exports	76	23	570	1,079
	Imports	45	6	73	357
	Balance	31	17	497	722
1998	Exports	114	18	533	1,024
	Imports	48	8	62	217
	Balance	66	10	471	807

Source: Direction of Trade Statistics Yearbook 1999. *International Monetary Fund, p. 162*

economic co-operation with the new ASEAN countries.

The growth rate of Sino-Vietnamese trade has been higher than the growth of the foreign trade of these two countries individually.[6] This may also be equally true with other countries. However, it is felt in these countries and China that the potential of their mutual trade expansion has not been harnessed fully. In relation to Sino-Vietnamese trade, Vietnam accounts for only 0.4% of the total Chinese foreign trade while China does not account for more than 7% of Vietnam's total foreign trade.[7] In the case of Laos, Chinese Ambassador Mr. Liu Zheng Xiu told a press conference in Vientiane on the occasion of the 40th anniversary of diplomatic relations between the two

countries:

> Economic co-operation is at the heart of Lao-Chinese relations. There is so much potential to expand co-operation in this field. Our experiences in this area have been marked by great successes and a sense of performance surrounding the future of Lao-Chinese trade. As always, we hold to principles such as equality and the mutual character of the profit-making process.[8]

China is the source of 27% of Lao imports from Asia (excluding ASEAN) but only 4.3% of exports to Asia from Laos go to China.

The balance of trade has been in China's favour invariably. The only minor exception to this, according to Lao figures, was in 1992 and 1993 when Laos had a surplus trade with China (Table 4.2). Vietnam registered a positive balance in its trade with China only in 1958, 1959, 1976 and 1977, before the Third Indochina War. The adverse balance in trade for the new ASEAN countries is a consequence of their narrow-based and weak economies as compared to that of China. This is reflected in the composition of trade flows on the two sides. Chinese exports to these countries show a great diversity that includes consumer products of a wide variety, industrial equipment, construction materials, electrical and electronic goods, light and heavy transport vehicles. What China gets from these countries is confined to primary products such as agricultural produce, handicrafts, timber and minerals. Vietnam is diversifying its exports to China a little by adding industrial materials and consumer goods, but the basic structure of goods supplied remains the same (Table 4.4).

Opening up their trade with China has been seen as boon by the new ASEAN countries. It has provided consumer goods to some of their remote border areas in the north at lower prices and facilitated the selling of agricultural produce of these areas to China through border trade. This has also enabled the agro-industries in Yunnan to procure raw materials from across the border, like sugar cane from Laos for its sugar factories. The opening of border and land-based trade has thus mitigated, to a considerable extent, the difficult problem of access to markets faced by the underdeveloped regions of these countries. A political implication of growing trade with China for countries like Laos, Myanmar and Cambodia has been that they have been able to reduce their much disliked dependence upon and influence of Thailand in the economic sector. This is certainly true with regard to border trade for which reliable data is not easily available,

Table 4.2 – Bilateral Trade Between Lao PDR and China, 1991 to 1999
(in US$)

Year	Imports	Exports	Balance
1991	8,404,377	6,912,268	–1,492,109
1992	7,182,028	13,246,138	+6,064,110
1993	1,853,803	25,532,192	+23,678,389
1994	20,190,506	8,117,220	–12,073,287
1995	21,502,890	8,766,598	–12,736,292
1996	23,158,612	776,676	–22,381,936
1997	4,921,264	283,126	–4,638,138
1998	4,830,000	3,700,000	–1,130,000
1999	4,783,724	117,737	–4,665,987

Source: Ministry of Commerce and Industry, Lao PDR, 2000

Table 4.3 – Myanmar's Trade with China, 1995 to 2001
(in million kyats; includes border trade)

Year	Imports	Exports	Balance
1995–96	1,433.82	195.14	–1,238.68
1996–97	1,116.29	336.14	–780.15
1997–98	1,524.42	836.98	–687.44
1998–99	1,744.34	570.62	–1,173.72
1999–2000 (p.e.)*	1,568.17	846.99	–721.18
Apr 2000 – Dec 2001	1,175.55	637.41	–538.14

**provisional estimates*
Source: Selected Monthly Economic Indicators *Nov–Dec 2000 (Yangon: Central Statistical Organisation, Ministry of National Planning and Economic Development, Government of the Union of Myanmar), Table 4, p. 6 and Table 6, p. 13*

Table 4.4 – China's Trade with Vietnam, 2000

Imports from Vietnam

	Item / Commodity	Units (in tons)	Value (in US$)
1.	Coffee	4,446.0	3,060,975.00
2.	Rubber	110,648.0	66,392,472.00
3.	Tea	294.0	315,760.00
4.	Crude oil	3,210,757.0	749,021,476.00
5.	Rice	1,781.0	499,336.00
6.	Footwear	—	3,238,969.00
7.	Seafood	—	222,972,032.00
8.	Textiles	—	2,619,780.00
9.	Fine arts products	—	4,410,347.00
10.	Cashew nuts	11,165.0	53,292,041.00
11.	Pepper	3,175.0	11,564,530.00
12.	Fresh and dried fruits	—	120,351,373.00
13.	Pea nuts	6,816.0	3,513,663.00
14.	Computer components	—	3,493,373.00
15.	Cinnamon	13.0	21,424.00
16.	Pit coal	441,602.0	7,865,149.00
17.	Tin	230.0	1,222,450.00
			Total: US$1,534,039,185.00

Exports to Vietnam

	Item / Commodity	Units	Value (in US$)
1.	Pharmaceuticals	—	4,284,967.00
2.	Construction glass	—	2,407,429.00
3.	Electronics and computer parts	—	20,274,867.00
4.	Machinery	—	166,484,661.00
5.	Textile and leather products	—	41,842,044.00
6.	Medicinal herbs/chemicals	—	11,284,567.00
7.	Assembled cars	205	2,741,315.00
8.	Fertiliser	713,175.0 tons	104,619,606.00
9.	Iron and steel	367,882.0 tons	75,061,777.00
10.	Petroleum	544,830.0 tons	131,551,663.00
11.	Motorbikes, CKD, IKD	1,232,123	419,017,655.0
			Total: US$1,423,169,267.00

Source: Supplied by Centre of Chinese Studies, Hanoi

and a considerable part of this trade goes unaccounted along the border. Explaining China's dominance in the border trade with Myanmar, an official of Myanmar government wrote:

> The recorded border trade figure shows that China, Thailand, India, and Bangladesh are trading partners: China accounts for almost 55% in total border export and import. Thailand's share being roughly one third and 41.5 percent respectively, in total border export and import. India accounts for over 3 percent for exports and supplies 5 percent towards Myanmar's border imports…[9]

All these countries witnessed a sudden growth in the Thai economic influence following a decision in the early 1980s to liberalise their respective economies and open themselves to the outside world.[10] With the initial growth in trade with China, there was an impact on Thai economic presence in these countries but in the long run, a comparatively better quality of Thai products and their easy access to these countries kept economic dependence on Thailand still considerable. At the end of the 1990s, Thailand continued to be the dominant trading partner of Laos, Cambodia and Myanmar, though its total share in the overall trade with these countries has declined.[11] Moreover, if proposed new transport links by road and rail are established in the future to connect the ASEAN regional markets, particularly Thailand, Malaysia and Singapore, with China, the Thai economic presence in these countries may get a boost. There is, however, no doubt that, with the emergence of China as a rising trading partner, the economic bargaining power of these countries has been enhanced.

In Vietnam, Chinese goods have competed with quality consumer goods manufactured locally through investments of third country multinationals such as those from Japan. In recent years, the import of Chinese motorbikes has been a cause of concern as it has affected the sale of locally assembled Honda and Suzuki motorbikes. Justifying the massive import of Chinese motorbikes, Deputy Minister of Industry Nguyen Xuan Chuan said that "unhindered importation of Chinese-made kits (of motorbikes) is the right policy. I consider it is an extreme view to say that we should prohibit these imports." He justified these imports as a measure for providing "extremely cheap items" to the rural people as they cannot afford anything more expensive. In addition, such imports will put pressure on manufacturers like Honda and Suzuki to reduce the prices of their products and become more competitive.[12] In Laos, China has also tried to contain the dominance of Indian-produced water pumps by offering as a gift, cheaper water pumps

of Chinese make. While Lao consumers still prefer the Indian pumps on the basis of their performance, the Chinese may take a share of market in this sector if they persist in their aggressive trading strategy. China has become conscious of the poor quality of its products and is trying to improve in this respect.

The strength of China as a trading partner of the new ASEAN countries can be seen most impressively in their border areas in the north. The easy availability of consumer goods, access to Chinese markets for their products (as the domestic market is not well-integrated) and the infusion of Chinese investments have been fast changing the economic life of these border areas. Commenting on the changing rural scene in the northern highlands of Laos, Grant Evans writes:

> Until government policy changed particularly since 1988, new mouths to feed had to be absorbed by the village economy. Now, however, there are possibilities of branching out into trading. Over 1991–93, with improved relations between China and Laos and Vietnam, one saw a stream of Vietnamese traders from Son-la on bicycles, motorbikes, or on the local bus (truck) that pass by the village, carrying Chinese and some Vietnamese manufactured goods. Some villagers have begun to take advantage of these opportunities. It has already led to a large number of manufactured goods in the village. For example, in 1988, there were only one or two radios in the village. Now there are many, and this increased the villagers' exposure to the outside world.[13]

Inhabitants in the border region of Phongsali in Laos, particularly those who grow sugar cane for export to sugar industries located across the border in China's Yunnan province, have experienced a rise in their incomes. In the long run, this kind of dependent relationship may prove harmful. For example, a drop in the sale of Chinese sugar in 2000 reduced the demand of Phongsali sugar cane and hit the income of cane growers there.[14] The prosperity of farmers who have benefited from trade arising from the energised economic activity in the border provinces is visible in the form of illegally imported foreign cars from China.[15] Another province, Odomxay, has witnessed a notable growth in hotels and entertainment businesses owned by the Chinese as a result of the growing border trade between the two countries.[16] The situation in the Vietnam and Myanmar border areas is similar, except that they are more dynamic and developed compared to Laos.

Much economic advantage has accrued to the Chinese side of the border. Border towns that constitute nodal points of trade across the border have registered tremendous growth. Such growth has not been uniform in all the border towns on the Chinese side. The level of prosperity in these towns depend on the nature of their transport linkages with the mainland.[17] Pingxiang city on the Sino-Vietnamese border in China's Guangxi province registered a phenomenal growth, reaching a GDP of 300 million yuan in 1993, following normalisation of bilateral trade relations.[18] The economic development of Ruili on the Sino-Myanmar border in Yunnan province of China grew rapidly as trade picked up between the two countries. When the Myanmar government tried to regulate this trade in 1997, causing a decline in the value and volume of trade, Ruili's economic fortunes also plummeted. Keeping in view the prospects of increased trade with Laos and Myanmar, China has developed Simao in Yunnan as a major port.

There is, however, also some negative fallout for the new ASEAN countries from their growing border trade with China. This is reflected in many areas. Firstly, the flood of Chinese consumer goods has adversely affected local manufacturing in the border provinces of Laos, Vietnam and Myanmar. Vietnam's small manufacturing industries in the border provinces have suffered heavily in this respect. Then there is the serious problem of smuggling and illegal migration. We have noted earlier that many Chinese from Yunnan have illegally acquired Myanmar and Laotian nationalities, and bought land and property in the northern areas of these countries. There is a growing awareness of this problem and the affected countries have occasionally initiated measures to control the inflow of Chinese. As noted earlier, this is being done cautiously to avoid any displeasure on the part of the Chinese government.

Smuggling is also a serious problem on both sides of the Sino-Vietnamese border and measures were initiated in Vietnam, Myanmar and China during 1996–97 to curb this illegal trade. Such measures included the streamlining of trade procedures and the revision of duty structures in Vietnam and Myanmar but their efficiency have not been sustained.[19] Laos is now planning to move in this respect, too. Trafficking in drugs and women also take place along the long Chinese border with these countries. According to one estimate, about 10,000 Vietnamese women were lured to migrate to China illegally during the 1990s to meet a shortage of brides.[20] The most adverse impact of increased economic activity along the border is in the area of deforestation. China has reportedly been encouraging illegal

logging and smuggling of timber from the rich forests of Myanmar, Laos and Vietnam. The Washington Post, quoting a Director of the China office of the World Wildlife Foundation (WWF), said: "You have a situation where an environmentally beneficial policy in China created incentives to destroy forests in other parts of the world."[21] But all these negative implications are not specific to the border region between China and new ASEAN countries. Similar problems exist on other borders of these countries, with Thailand or with each other as well. The identification of these negative implications, however, is not done here to undermine the importance of increased economic activity. The advantages of trade far outweigh these negative consequences and therefore, this is an area which will witness sustained co-operation between the two sides.

INVESTMENTS

Investments constitute another major area of China's economic co-operation with the new ASEAN countries. A comparative idea of the quantum and composition of Chinese investments in these countries can be gleaned from Table 4.5. Accordingly, China's largest investments have gone to Cambodia, and the least to Laos, by the end of 1999. For the same number of approved projects, Vietnam lags behind Myanmar by US$1 million. However, if the sizes of the population of these economies are also taken into account to study the density of investments, Cambodia and Laos figure prominently as the preferred destinations of Chinese investments. In 1999, investments to Cambodia alone far outweighed (more than double) the rest of the neighbours put together. Vietnam, though the largest among these new ASEAN members, has received very poor attention in terms of Chinese investments. It is not clear if private investments have also been included in this data, and what percentage of approved projects are turned into actual investments.

Detailed data on the aspects of Chinese investments by country are presented in Tables 4.6, 4.7, 4.8 and 4.9. China is best placed in Laos as an investor, occupying fifth position with a total investment capital of US$74.485 million.[22] Though in gross terms, Chinese investments in Vietnam are recorded at US$185.77 million as at 11 April 2001, it ranks only 23rd among Vietnam's foreign investors.[23] Since 1990, China has invested US$60.901 million in 12 projects in Myanmar as at March 2001 but it is low in ranking, occupying 7th or 8th from the bottom in a list of 23 investors.[24]

In Cambodia, China ranks among the top ten investors and, in per capita terms, this investment is higher than China's investments in Vietnam.

It is clear from these tables that Chinese investments peaked in these countries around the mid-1990s, except for some variations. For instance, in the case of Laos, the highest investment figure of US$10.5 million was reached in 1993 (Table 4.6). In Myanmar, the highest Chinese investment was recorded in 1996–97, at US$23.11 million. Subsequently, investment figures came down. Here again, the regional economic crisis and the entry of these countries into ASEAN as new members might have resulted in the

Table 4.5 – China's Approved Overseas Investments, 1999

Country	Up to 1999		1999	
	No. of enterprises	Chinese investment (in US$'000)	No. of enterprises	Chinese investment (in US$'000)
Vietnam	12	11664	2	6621
Lao PDR	8	4471	1	2000
Cambodia	40	67496	13	32774
Myanmar	13	12606	1	6630

Source: Almanac of China's Foreign Economic Relations and Trade *(Beijing: China's Foreign Economic Relations and Trade Publishing House), 2000, p. 844*

slowing down of Chinese investments. There are indications that Chinese investments have started picking up again since 1999. For instance, in Laos, 1999 recorded a Chinese investment of US$24.44 million, an all-time high. In Myanmar, Chinese investments touched an all-time high of US$28.98 million from April to December 2000. The emergence of China as a major investor in the last few years is also due to the fact that there has been a comparative decline in the investments from other donors and China has stepped up its co-operative ventures in these countries. Enthusiasm of the new ASEAN members in mobilising greater investments from within ASEAN has been on the decline, though serious attempts are being made by countries like Singapore to bridge the developmental divide and bring about greater economic integration within the regional grouping. Western investors have kept away from Myanmar and Cambodia on account of

political considerations—democracy and human rights in Myanmar, and the trial of the Khmer Rouge in Cambodia. In Laos and Vietnam, the political atmosphere has also adversely influenced western donors and investors.

The sectors where Chinese investments were placed in the new ASEAN countries vary from country to country but agriculture, services and manufacturing have been some of the commonly preferred sectors. The sectored distribution of China's investment in Laos is shown in Table 4.10. More than half of the total number of projects, as well as the capital invested, are in the industry and handicrafts, and services sectors. One well-received Chinese project in Laos is the cement factory in Vang Viang, the success of which led to another agreement in 1999 to double its capacity. This will help

Table 4.6 – China's Investments in Lao PDR, 1991 to 2000 (in US$)

Year Investment	1991 849,271	1992 2,841,307	1993 10,521,900	1994 8,120,500
Year Investment	1995 8,772,930	1996 3,150,000	1997 3,533,396	1998 6,991,727
Year Investment	1999 24,443,671	2000 5,260,691	Total 74,485,393	

Source: Foreign Investments Management Committee, Lao PDR, 2001

Table 4.7 – China's Investments in Myanmar, 1995 to 2001

Year	No. of enterprises	Investment (in US$'000,000)
1995–96	1	0.150
1996–97	3	23.110
1997–98	1	0.500
1998–99	2	2.662
1999–2000	—	—
Apr 2000 – Dec 2001	1	28.980
Total	**8**	**55.402**

Note: Before 1995–96, there were four projects with a total investment of US$4.582 million. Therefore, total investment between 1990 and 2001 amounted to US$60.00 million.
Source: Selected Monthly Economic Indicators *Nov–Dec 2000 (Yangon: Central Statistical Organisation, Ministry of National Planning and Economic Development, Government of the Union of Myanmar), Table 24, p. 50*

Table 4.8 – Sector-wise Distribution of China's Investments in Cambodia, Jan 1997 to Dec 1998

Sector	No. of projects
Agri-plantation	4
Garments and embroidery	36 and 2
Mechanical (motor cycle assembly)	1
Packaging	3
Paper and pulp	2
Oxygen	1
River dredging	1
Hydropower	1
Footwear	1
Plywood	1
Total	**53**

Note: There is some discrepancy in the data as presented in the table. The source indicates total number of projects as 72 but the figures do not tally.
Source: "Investment Approval" in Cambodia Business and Investment Handbook *(Phnom Penh: Ministry of Commerce, Royal Government of Cambodia, 2000), pp. 131–137*

Table 4.9 – China's Investments in Vietnam, Jan 1991 to Dec 2000 (in US$'000)

Sectors investment	Units	Total capital	Legal capital	Vietnam's share	China
Light industry	34	35,910	22,114	4,157	18,118
Heavy industry	20	34,836	23,527	4,432	18,095
Food processing	11	18,585	9,990	3,760	6,230
Construction	8	15,233	8,598	3,153	5,445
Agro-forestry	8	14,919	11,026	3,519	7,512
Culture, health & education	3	8,377	3,418	1,099	2.319
Real estate	1	5,000	1,500	450	1,050
Hotel & tourism	5	2,290	2,158	1,026	1,132
Other services	2	662	662	170	492
Transport & telecommunications	1	500	500	100	400
Fisheries	1	400	300	180	120
Total	**104**	**136,713**	**83,793**	**22,045**	**61,748**

Note: Statistics are based on the original grant of licenses and includes all projects at provinces and industrial zones.
Source: Department of Foreign Investments, Hanoi, 18 April 2001

Laos in reducing its cement imports from Thailand. In view of that success, Laos is now interested in exploring further possibilities of attracting foreign investment to this sector to set up similar cement plants in the south. China has also shown interest in the extraction (of mineral resources) industry and small hydropower projects, and Chinese investments are important in the areas of agri-business, construction and trading.

In Cambodia, a large chunk of Chinese investments have gone into garment manufacturing, agri-business and hydro-power. In agri-business, Chinese companies have taken large tracks of land on lease to plant rice and cash crops like cashew nuts. This may suggest some preference for acquisition of land among the Chinese investors. There were reports of the late Chinese leader Deng Xiaoping's son-in-law, Wu Jianchang, pursuing a proposal with the Cambodian government of investing US$1 billion in real estate. He had wanted to build a city which could provide housing to some 200,000 ethnic Chinese. The proposal received approval from eight different government agencies but finally the project did not come through. The government backed out from signing the project at the last moment. Similarly, Chinese business firms (which function as parts of state enterprises) had also shown interest in Kho-kong Island on the southern sea front of Cambodia to be developed as an export promotion zone but that too was not encouraged by the government. There have been indications of Chinese interest in land-based projects in Laos and Myanmar as well. In garment manufacturing, Chinese investors are among those who have been lured to take advantage of Cambodia's quotas for garment exports to Europe and America.

The areas of Chinese investments in Myanmar include agriculture and fisheries, manufacturing, real estate and infrastructure, which includes roads, bridges, rail transport and hydropower projects.[25] Such projects have strong potential for generating trade. For instance, rail transport projects led Myanmar to buy US$20 million worth of tracks, coaches, engines and other related supplies in between 1991 and 1992. In 1994, Myanmar decided to buy 5,000 tons of steel from China to be used for the construction of a bridge across the Ayeyarwaddy River in its central region.[26] Involvement in infrastructure projects also brought in Chinese engineers to work in Myanmar. Chinese engineers were also involved in upgrading the runway at Mandalay International Airport.[27] Like elsewhere in the region, Chinese investments were placed in agriculture and forest-based industries like sugar, wood processing, and paper and pulp production.[28]

Table 4.10 – Sector-wise Distribution of Chinese Investments in Lao PDR, Dec 1988 to May 2001

Sectors	No. of projects	Investment value (in US$)
Industry & handicrafts	25	69,341,883
Services	21	12,967,917
Trading	12	5,073,338
Agri-business	9	10,636,245
Textiles & garments	6	4,514,000
Hotel & tourism	5	3,885,714
Construction	4	6,028,900
Mining & oil exploration	2	3,357,000
Telecommunication	1	300,000
Wood processing	1	2,130,000
Consultancy	1	150,000
Total	**87**	**118,384,997***

**Includes the Lao component*
Source: Foreign Investment Management Committee, Lao PDR, 2001

In Vietnam, Chinese investments have been attracted to service industries, agriculture and consumer goods. Initially, China invested money to renovate and upgrade old industries that were set up by China during the 1960s, like the Ha Bac fertiliser plant, the Thai Nguyen metallurgical complex and some textile factories.[29] These industrial establishments had become dysfunctional due to the withdrawal of Chinese support and neglect in the wake of Sino-Vietnamese hostilities of the 1980s. In reviving them, China was also indirectly making a political point that it is an old well-wisher of Vietnam. Vietnamese observers are of the opinion that Chinese investments have been confined to very low technology areas like light industry, where they are mainly concentrated on motorbikes and crude oil, without which even the trade between the two countries will be very low. Otherwise investments have gone mainly to projects like hotels and restaurants. Some have complained that China has preferred Cambodia and Laos to Vietnam in directing its investments, both in quality and quantum (perhaps in per capita terms).[30]

In state-to-state level co-operation, the main emphasis is on governmental investments but China, in keeping with the spirit of an open economy, has encouraged private joint ventures and private enterprises with 100% equity. A number of Chinese from Yunnan has informally set up small business establishments in Myanmar's adjoining Kokang area, known for its drug trade, and in Laos' Udomxay, Luang Namtha and Phongsali provinces. In private joint ventures and fully-owned enterprises, a number of ethnic Chinese from within the region, including a fair number of Taiwanese, have also been investing in these countries. In some cases, special encouragement has been provided by the host governments. The Cambodian Prime Minister's call for Chinese nationals to come from all over the world to invest in his country may be recalled here. Encouraging ethnic Chinese from areas other than the mainland gives a certain sense of balance and security to the host governments who are concerned about the dominance of China in their economies in the long run. We have noted earlier that China has not taken much exception to investments from Taiwan and the Taiwanese Chinese in the hope that eventually all of them will show loyalty to the mainland when Taiwan is integrated. It is taken on par with investments and trade from Hong Kong and Macau. Moreover, there are also substantial investments in mainland China from Taiwanese Chinese.

AID

Aid is an instrument of foreign policy to support the donor's political and economic objectives in the recipient country. China has made good use of this policy instrument. Of the new ASEAN countries, most Chinese aid has been directed to Laos, Cambodia and Myanmar. Vietnam has also been given some Chinese aid but its level has been modest so far. Most Chinese aid has been given in the form of grants and interest-free loans. There have also been unassigned grants. The quantum of this type of grant to Laos by 2001 was nearly US$100 million, as claimed by the Chinese Ambassador in Vientiane on the eve of the 40th anniversary of diplomatic relations between the two countries.[31] In the case of Cambodia, according to figures available from 1992 to 1998, total ODA (Official Development Assistance) by the end of 1998 was US$46.692 million. The details are shown in Table 4.11.

A lot more assistance has been provided to Cambodia in the past two years which does not figure in this table. In April 1999, Cambodia received an interest-free Chinese loan of US$220 million.

Most Chinese assistance to the new ASEAN countries has been aimed at supporting infrastructure and economic development projects. There has also been support in the form of export subsidies and fiscal cushion to tide over serious budgetary problems. Accordingly, allocations of Chinese ODA on some occasions have not been made, leaving the flexibility of such decisions to the recipient government. Such unspecified allocations were most welcomed by the poorer new ASEAN countries between 1997 and 1999, when they needed such assistance most. China has also used its aid programme to highlight the visibility of its presence in these countries. For instance, China spent about US$7.2 million to build a massive cultural complex in Vientiane. Subsequently, on the occasion of President Jiang Zemin's visit to Vientiane in November 2000, assistance was promised for a hospital in Luang Prabang. Similarly, in Cambodia, China has undertaken the renovation of the Senate Building, including its library and a conference hall.[32] A number of schools and classrooms have also been constructed under Chinese aid programmes in Cambodia. In Vietnam, China has committed a huge amount (US$52.9 million) to build the main stadium for the 2003 Southeast Asian Games. The stadium is expected to be ready by 30 September 2003.[33] Such projects have been goodwill spinners for China in these countries as they have made an impact on the perceptions of ordinary citizens that China is a helpful neighbour.

Table 4.11 – Chinese Official Development Assistance to Cambodia, 1992 to 1998

Year	Value (in US$'000)
1992	912
1993	871
1994	7,089
1995	3,129
1996	10,850
1997	9,496
1998 (provisional)	14,345
Total	**46,692**
Total (all donors)	**1,720,609**

Source: "International Assistance" in Cambodia Business and Investment Handbook *(Phnom Penh: Ministry of Commerce, Royal Government of Cambodia, 2000), Table 5.4, p. 46*

A number of scholarships have also been offered to these countries to encourage students and officials to undergo training in China. The areas covered under such training programmes include modern agricultural control, applied technology, solar energy, technology of planting hybrid rice and long-range weather forecasting equipment. China has also provided disaster relief to these countries. Chinese assistance has gone into developing the tourism potential of these countries as well and firm assurances have been offered by China to send more Chinese tourists there. As an increasing number of Chinese tourists go to Myanmar, Laos and Cambodia, travel, currency and other related regulations are being put in place through bilateral efforts. China has also provided grant aid for the renovation of famous tourist sites like the Angkor Wat in Cambodia.[34]

There has, however, been some dissatisfaction in the aid recipient countries about the quality of Chinese-aided projects. China now claims to have introduced ISO9000 standards of international quality control and quality guarantee systems in engineering projects. The system of supervision and inspection is also being streamlined and efficiently executed.[35] However, these projects are based on low sophistication and labour intensive technologies, and their management often generates tension at the administrative levels in these countries. Due to these problems, Chinese projects have not been able to make as lasting an impact on the economies of these countries as expected.

While the economic content of Chinese assistance programmes cannot be undermined, the political objectives are also not absent from them. Referring to an aid package of US$220 million to Cambodia promised in April 1999, the Economic and Commercial Counsellor of the Chinese Embassy in Phnom Penh, Chai Zhizhou, said that the dams expected to be constructed under this programme (in Kampong Thom and Svay Rieng) "were originally supposed to have been built by the Asian Development Bank (ADB) and Vietnam, but they did nothing". Chai also claimed that China's ODA programme in Cambodia was "one of the largest" in "more than 100 of its diplomatic allies from Africa to Romania", and that it was an interest-free loan with "no time limit" for loan repayments. Criticising Western donors for seeking guarantees on human rights and democracy, Chai asserted that China's assistance had no strings attached and it was a reflection of China's commitment to assist "Cambodians unite their society and develop their democracy."[36]

CONCLUSION

On the whole, China's economic co-operation through trade, investments and aid, to the new ASEAN countries has served to advance its economic and strategic interests in this sensitive neighbourhood admirably. China's western region, including Yunnan, is still left with considerable economic potential to be harnessed. As more and more investments pour into this region, its impact on the economies of the new ASEAN countries will also grow, resulting in their greater economic integration with China. This co-operation has helped these countries to protect their respective political systems and activate economic development. But in no way has this co-operation provided the answer to all their needs and aspirations. These countries and their leaders still look for diversified sources of trade, investments and assistance so that they may have more options and greater independence in exercising them. The individual perceptions of prosperity and well-being at the elite levels are also linked to the diversity of economically better-off benefactors.

We have not been able to attempt any comparative analysis of China's place in these countries with their other trading partners, investors and donors. Japan, international agencies like the IMF and the Asian Development Bank, as well as some ASEAN countries like Thailand, Singapore and Malaysia, have contributed more to the development of the economies of these countries. But China, even with comparatively modest contributions, has so packaged its economic role in these countries as to harness maximum political and strategic advantages. Furthermore, China is better placed than many other countries in expanding border trade. Trade-related economic benefits reaching common consumers as well as entrenched economic interests in these countries have reinforced China's growing economic image.

Notes

1. Interviews in Vientiane, Hanoi, Phnom Penh and Yangon
2. Under these incentives, co-operative merchants were allowed 25% and private merchants were allowed 40% of their export earnings to import Chinese consumer goods at the black market exchange rates. As a result of this, while official figures put Sino-Myanmar trade in 1990 at US$184 million, unofficial estimates were as high as US$1.5 billion. Asia Yearbook 1990 (Hong Kong: Far Eastern Economic Review, 1990), p. 96 and Far Eastern Economic Review, 3 October 1991
3. Asia Yearbook 1990 (Hong Kong: Far Eastern Economic Review, 1990), p. 163
4. Gu Xiaosong and Brantly Womack, "Border Co-operation Between China And Vietnam in the 1990s" in Asian Survey, Vol. 40 No. 6, pp. 1046–47
5. Kavi Chongkittavorn, "China Wins Over ASEAN Partners" in The Nation (Bangkok), 24 April 1998
6. Bui Thanh Son, "50 Years of Sino-Vietnamese Relations" in International Studies (Hanoi), No. 6, June 2000, p. 31
7. A paper presented by Lin Zhonghan on "Some Assessments on the Development of the Sino-Vietnamese Economic and Trade Co-operation", Hanoi, 18–20 January 1999, as quoted in Bui Thanh Son, op. cit., n. 6, p. 32
8. Vientiane Times, 24–26 April 2001
9. U Tin Htut Oo, "Myanmar and the Globalised Economy: Agricultural Sector" in Myanmar in the 21st Century, Proceedings of the International Conference, Sasakawa Southeast Asia Co-operation Fund, Japan, n.d., p. 38
10. a. See for instance, "Bhat Imperialism: Thai Investors Pour into Cambodia" in Far Eastern Economic Review, 25 June 1992.
    b. For China's role as a counterweight to Thailand, see Far Eastern Economic Review, 6 August 1992.
11. If one compares official statistics of the last three or four years, both in value and volume of the exports and imports put together, Thailand is far ahead of China in Laos, Vietnam and Cambodia while they are neck-and-neck competitors in Myanmar. For Myanmar, see Selected Monthly Economic Indicators, published by Central Statistical Organisation, Myanmar.
12. Vietnam Investment Review (Hanoi / Ho Chi Minh City), 5–11 February 2001

13. Grant Evans, "Ethnic Change in the Northern Highlands of Laos" in Laos: Culture and Society, ed. Grant Evans (Bangkok: Silkworm Books, 1999), p. 134
14. Vientiane Times, 3–6 March 2000
15. Vientiane Times, 30 May – 1 June 2000
16. Interviews in Vientiane
17. Xiaosong and Womack, op. cit., n. 4, pp. 1053–1056, brings out this point very clearly in the case of China-Vietnam trade.
18. Survey of World Broadcasts, FEW/0347 WG/9, 24 August 1994
19. Interviews in Yangon and Hanoi
20. Xiaosong and Womack, op. cit., n. 4, p. 1057
21. a. The Nation (Bangkok), 9 April 2001
    b. Far Eastern Economic Review, 8 August 1991
22. This total does not tally with the total mentioned in the officially supplied documents, which is US$74.705 million. Elsewhere, Lao documents mentioned China's total investments in Laos at US$75.115 million. At times, Lao figures also include the Lao component in Chinese investment projects.
23. "Investment Update" in Vietnam Investment Review (Hanoi / Ho Chi Minh City), 11–18 April 2001
24. On the basis of officially provided data in Yangon
25. Survey of World Broadcasts, FE/2111 G/5, 27 September 1994
26. a. Far Eastern Economic Review, 9 January 1992
    b. Survey of World Broadcasts, FE/2113 G/2, 29 September 1994
27. Asia Yearbook 1996 (Hong Kong: Far Eastern Economic Review, 1996), p. 97
28. a. Burma Alert, February, May, June and July 1997 issues
    b. The People's Daily, 17 July, 1 September and 7 October, 2000
29. Bui Thanh Son, op. cit., n. 6, p. 32
30. Interviews in Hanoi, including discussions in the Centre of Chinese Studies, May 2001.
31. Vientiane Times, 24–26 April 2001
32. Information Bulletin, Ministry of Foreign Affairs, Cambodia, 13 February 1999, 20 December 1999, 12 June 2000 and 26 June 2000
33. Straits Times (Singapore), 15 August 2001
34. A 10-million yuan grant was offered for this purpose in October 1999. Information Bulletin, Ministry of Foreign Affairs, Vol. 15, 31 October 1999, p. 12

35. Li Guoquing, Director General of Department of Aid to Foreign Countries, Ministry of Foreign Trade and Economic Co-operation, "China's Aid to Foreign Countries in 1999" in Almanac of China's Foreign Economic Relations and Trade 2000 (Beijing: China's Foreign Economic Relations and Trade Publishing House, 2000), pp. 63–64
36. Phnom Penh Post, 30 April – 13 May 1999

5
Appraisal

CHINA'S NEIGHBOURHOOD

For the past ten years and more, since the beginning of the 1990s, China has systematically and vigorously pursued what it describes as a Policy of Good Neighbourliness. This policy has been a product of China's rising economic and strategic aspirations. It has evolved in response to rapid changes taking place within and around China. In the thrust of its economic growth and openness that also required a balanced development of all its regions, particularly the much neglected western provinces, and also as an imperative of the unprecedented changes in its international environment generated by the end of the Cold War, China had to pay sustained and serious attention to its neighbours. It had to craft a policy towards its neighbours that not only created constructive space for the burgeoning economic aspirations of its provinces like Yunnan and Guangxi but also to absorb the pressures and spill-over of dictated transformations in the restless, ethnically distinct and far flung provinces of Tibet and Xinjiang.

While planning to meet the economic needs of its hitherto neglected provinces, China also could not ignore its wider strategic interests in a changing environment. China's neighbourhood has been transforming itself in many unexpected ways. New states have come into existence on its Central Asian flank as a result of the disintegration of the former Soviet Union. These states had a strong propensity to stir the whole region through resurgence of the forces of Islamic assertion and separatism that have already started impinging on Xinjiang. There had been moves on the part of the Soviet Union, even before its disintegration, to reformulate its ties with China; the emergence of a shrunken and weakened non-communist Russia only reinforced these moves. On China's southern seaboard, security issues have acquired a new and sharper focus in the context of territorial

claims on islands in the South China Sea emerging as sources of potential conflicts. ASEAN has expanded itself to include countries like Vietnam—China's difficult neighbour—and has been assuming an explicit regional security role through the establishment of the ASEAN Regional Forum (ARF). Thus, economic initiatives to meet internal pressures of growth and development had to be matched with strategic responses to deal with the changing neighbourhood and the wider international arena.

In the vast span of its immediate neighbourhood—comprising fourteen countries from Vietnam at one end, India and Pakistan in between and Russia at the other end—China's Good Neighbourliness Policy has devoted considerable attention over the past decade or so to the turbulent Central Asian region. The security situation in this region has been critical. The spread of Islamic fundamentalism in the region, in the close vicinity of its Muslim dominated Xinjiang province, through the vehicles of terrorism and separatism, has posed a formidable challenge to China's concern for internal stability and external security. China's deepening involvement in the Shanghai Six (Shaghai Co-operation Organisation or SCO) to meet the security challenges of the Central Asia region is driven by such concerns.

But Central Asia has not, and cannot, absorb China's attention at the cost of the other end of the neighbourhood span, comprising former Indochina states and Myanmar. These countries have a critical role to play in realising the economic aspirations of nearly 100 million Chinese living in Yunnan and Guangxi who have been clamouring for markets and mobility across the southern frontiers to catch up with their compatriots prospering in the coastal regions. Myanmar and the Indochina states have traditionally had a special place in China's strategic vision and this significance has been enhanced by their newly acquired membership in ASEAN. The end of the Cold War and the consequent diminishing of Russia's strategic stake in the Indochina region has presented opportunities for China to reassert its influence in this sub-region. This fitted well into China's overall endeavour to work towards realising its vision of a great regional power. There was now a chance for China to recapture the strategic space vacated by the former Soviet Union in Indochina and tame Vietnam through a web of co-operative links. No other country in China's place would miss this chance. The emergence of an authoritarian and internationally isolated Myanmar furthered China's desire to cultivate a new ally in its search for direct access to the Indian Ocean. Through mutual solidarity with these neighbours, China strengthened the defence of its controlled political order against strong ideological pressures

of democracy, freedom and human rights, unleashed by the end of the Cold War. China could not afford to run the risk of being internally stirred and transformed, like the former Soviet Union, in the name of natural evolution towards democracy.

SUSTAINED POLICY; ASSURING OUTCOME

China's past ten years of sustained and careful engagement with Myanmar, Laos, Vietnam and Cambodia has won it a comfortable position in these neighbouring countries. Politically, China has succeeded in assuring these countries that it is a friend and supporter that can be relied upon, even in the face of opposition and isolation from powerful Western countries. Towards this end, China has changed its policy of support and encouragement for dissenters and insurgent groups in these countries and helped the ruling regimes there to diffuse internal challenges to their respective authorities and stabilise their political situations. China has done so by lending support to their political regimes and cultivating their leadership through meticulous and, at times, personal care. The political constituencies of goodwill for China in these countries have been nurtured through social support from the ethnic Chinese community whose grip over the economy everywhere has been growing stronger.

The political relationship between China and new ASEAN countries, however, has not been free from concerns and anxieties. With the gradual economic growth and exposure to the outside world, internal opposition within these countries seems to be on the rise. In the past couple of years, there have been instances of popular assertion of religious freedoms and political rights in Laos and Vietnam. This has even been done through the employment of violent means to draw international attention and support. There is no doubt that external interests are helping some of the dissenting groups in one way or the other. But their message of greater freedom is spreading around in the face of failures on the part of the ruling regimes in these countries to deliver adequate and expected developmental results. In Myanmar, there appears to be no direct challenge to the military regime but the credibility of the regime is far from established. In the areas dominated by ethnic warlords, Yangon's writ does not run effectively and in the rest of the country, the popularity of the leader of the democratic movement, Aung San Suu Kyi, is formidable. International pressure and economic failures have forced the military rulers to open a dialogue with her but there have been no signs of seriousness in carrying this dialogue forward yet.

China's regime-based policies may not be able to help much if and when dissent and protest movements in this sensitive neighbourhood gain momentum. In a way, China's own internal rumblings, be they in the form of religious cults (the Falun Gong) or demands for democracy and human rights, do strengthen the forces of opposition within its neighbouring countries. In turn, ideologically incompatible political developments in these neighbouring countries can also make China more vulnerable internally. Borders between China and these countries have traditionally been turbulent and at places porous. Dissenters and disaffected Chinese leave through these borders to pour their woes to the world outside. Democratic political order in any of these countries provide not only inspiration and support to such disaffected Chinese but may also be turned into a springboard for ideological subversion in China. It was not so long ago in history when Kuomintang (KMT) forces in Myanmar and Thailand were fighting against China and the Soviet presence in Indochina constituted a source of serious security concern to Beijing.

Then there is the factor of the Chinese ethnic community with which the Chinese Good Neighbourliness Policy is closely identified. Their rising numbers, growing economic clout and not insignificant political influence, at least in countries like Cambodia, are gradually making the nationals of these countries uneasy. In Cambodia, growing resentment about the unrestrained flow of illegal Chinese and its attendant undesirable activities, including gang wars resulting from rivalries among expanding business groups, is expressed in the media. In central Myanmar, particularly Mandalay, the steadily growing numbers and economic clout of ethnic Chinese loom large in the eyes of ordinary citizens of Myanmar. Uneasiness over the ethnic Chinese community in these countries is currently contained and there are only weak indications of this feeling acquiring dimensions of a conflict in the near future. But discordant voices are being raised and ethnic disturbances targeting ethnic Chinese in some of the other ASEAN countries, as witnessed in Indonesia and Malaysia, may add strength to these voices. There are indications that the decision-making institutions in these countries are becoming more sensitised to the presence of the ethnic Chinese community in their respective countries. Some of them are even contemplating moves to curb the expansion and consolidation of this community in such a manner that neither their economies nor their bilateral relations with China are adversely affected.

Strategically, China has stabilised its borders with the new ASEAN countries by settling boundaries issues and setting up institutional arrangements to curb crime and undesirable activities in border areas. However, this entire border is drug infested. Huge amounts of money generated by the drug trade have no authentic account. The stakes developed in this wealth are widespread across the borders. There have been reports that sections of the political and administrative establishments in Yunnan and Myanmar have stakes in the drug business but no evidence can be produced to substantiate such allegations. The powerful drug cartels also stimulate and encourage other social crimes such as gun-running, trafficking in women, smuggling and unauthorised logging along the border. Is it because the local provincial law and order machinery in Yunnan and Guangxi are not strong enough to bring to book the leaders of these crime cartels or is there a lack of political will and capability on the part of the central authorities in Beijing to strengthen the provincial administration? Perhaps there may even be a vested interest in ignoring unauthorised logging and smuggling into China as that helps it to meet its timber needs without denuding its own forests.

The process of settling border issues has been most difficult between China and Vietnam. The issue has only been partially settled so far as the Chinese occupation of the Paracels Islands, which are claimed by Vietnam, remains and the issue of sovereign claims over the Spratly archipelago is linked with claims of other ASEAN countries. The question of border settlement between the two countries has been a complex one with substantial future economic stakes involved. On both the Chinese and the Vietnamese sides, diverse provincial interest and traditional claims had to be settled before arriving at a final settlement. The process of negotiations on the boundary issue between the two neighbours has indicated clearly that China will pursue its territorial and maritime stakes doggedly, even through use of force if necessary. However, the settlement of land borders and the Tonkin Gulf boundary relieves Vietnam's worries that these borders will be encroached by China in future, like the 1974 occupation of the Paracels.

It is in China's interest that settled and stable borders with its new ASEAN neighbours be preserved. They give China two distinct advantages that far outweigh those of its neighbours. Firstly, China's Western provinces of Yunnan and Gaungxi can continue to grow economically, attracting foreign investments and expanding trade across the border. The more the economies of these Chinese provinces grow, the more they will integrate the economies

of Myanmar, Laos, Vietnam and Cambodia. If the envisaged transport and communication links through these countries are strengthened, the larger markets of ASEAN will be accessible to them. Secondly, with the settlement of these borders, particularly with Vietnam and the establishment of peace and stability in the ethnic regions of Myanmar, China has been able to reduce military deployment on its southwestern front. This will help China to advance its programme of military modernisation and—through necessary redeployment of forces—augment its military capabilities in the areas where they are needed most, like the Taiwan Strait and the South China Sea dispute zones.

China has also succeeded in establishing military links with all the new ASEAN countries. This has been done through grants of equipment, training of officers and technical cadre, and the sale and/or supply of weapons. The quantum of weapons supplied to these countries is fairly moderate, partly because the requirements of these countries are not very high. Their capacity to pay for these weapons is very low and the technological quality of Chinese weapons is not considered very advanced either. In some cases, the armed forces in these countries have not been quite satisfied with the Chinese equipment received in recent years. Vietnam may even have some psychological reservations in either asking for or receiving Chinese arms as its armed forces will take time to change their perception of China from being a traditional adversary with which all outstanding problems have not yet been settled. But there is a slow change in this mood in the Vietnamese Armed Forces, particularly following the signing of two boundary agreements. It remains to be seen if and how vigorously China will move to forge closer professional and security ties with the Vietnamese Armed Forces. Any significant development of military co-operation between China and Vietnam will have a qualitative impact on the ASEAN grouping and the balance of forces in the South China Sea.

Among all the four new ASEAN countries, most of the Chinese weapons have so far gone to Myanmar. This is mainly so because the military regime in Yangon has had the greatest need of weapons to fight ethnic insurgencies and suppress democratic forces. The military regime also has the capacity to pay for these arms, if not all by cash, in kind through commodities like rice, timber and precious stones. Myanmar has a very strong additional attraction for China as a possible route for access to the Indian Ocean. In this respect, China's proposal to develop Myanmar's Ayeyarwaddy (also called Irawaddy) River still awaits final clearance, though approval in principle

has been obtained. There is also co-operation between the two countries in improving port and naval facilities on Myanmar's Indian Ocean front. Naval communications and monitoring equipment have been supplied and installed by China in this respect. In the Coco Islands, the listening post is supposed to be the biggest. Frequented by Chinese technicians, these posts, particularly the one on the Coco Islands, can monitor India's missile programme and other strategic movements in the Indian Ocean. The one on Zadetkyi (St Matthews) Island can keep an eye on commercial and strategic traffic passing through the Strait of Malacca.

This development should be viewed in the context of China's emerging emphasis on its naval build-up. China spends 35% or more of its defence budget on its navy. Its capabilities for blue water operations are still modest but they are growing. What is being done in Myanmar may be part of the building blocks of acquiring effective capabilities in future. Transit to the Indian Ocean through the Ayeyarwaddy River may also serve the additional strategic purpose of diverting China's energy or other important imports and exports in the event of any conflict in the South China Sea. This may give China greater strategic depth and mobility in the theatre of conflict. That such access has considerable economic advantages to China in terms of boosting its external trade and cutting transportation cost are obvious long-term economic motivating factors behind the Ayeyarwaddy Corridor Project.

RESPONSIVE NEIGHBOURS

A very important factor in the success of China's Good Neighbourliness Policy towards the new ASEAN countries is that the policy has met with responsive neighbours. All the new ASEAN countries have been conditioned by the three 'A's in their responses towards China's initiatives:

- the sense of advantages,
- awe of a vastly powerful, growing and assertive neighbour, and
- the lack of viable alternatives.

In co-operating with China, advantages have accrued to these countries both in the economic as well as political fields. In economic relations, trade normalisation began in response to pressures from the border provinces on both sides. Border trade has assumed growing importance in the overall bilateral trade between China and each of these countries. Chinese investments and aid have also flown into these countries, making China a

significant economic partner of them. While the quantum of trade, aid and investment may not be significant from the point of view of a huge and fast growing Chinese economy, it is of critical importance to the smaller economies of the new ASEAN countries. China has emerged as an important investor and trading partner in Cambodia, Laos and Myanmar. More than the quantum, it is also the quality of Chinese assistance, of 'friendship prices', of unassigned grants and interest-free loans, of currency arrangements to bypass the U.S. dollar, that has generated political goodwill in the recipient countries. China has carefully packaged its economic engagement with these countries to secure a political advantage over other powers. Prosperity arising from economic co-operation, of trade and investments, at the social as well as leadership levels in these countries, has nurtured political goodwill for China.

An unavoidable consequence of growing economic co-operation with China has been the adverse balance of payments, growing debts and increasing dependence of these countries on China. But this is a price that these countries seem willing to pay as their co-operation with China gives them an assurance of pursuing economic liberalisation without losing political control. All of them have carefully studied the essence of the Chinese model of development and are following its advantageous lessons in their own respective strategies of domestic economic and political management. Their systems and that of China's have a mutually reinforcing relationship in this respect. Thus in co-operating with China, they have a sense of systemic (political) and ideological security. There is also a cosy feeling of China giving them bargaining power and protection vis-à-vis their larger and traditionally troublesome neighbours like Thailand. In Laos and Cambodia, the availability of the Chinese co-operative umbrella has also generated a margin of manoeuvrability for them in dealing with Vietnam. Laos and Cambodia had preferred a distant great power so as not to be trampled upon unduly by their immediate regional neighbours. It had been provided by the former Soviet Union since the 1960s. But with that umbrella gone, China is a welcome substitute though it is not distant. China has subtly exploited the inherent contradictions and sensibilities amongst its new ASEAN neighbours to consolidate its strategic space in the region. Through sustained bilateral co-operation with smaller countries like Laos and Cambodia, China has also been able to reduce the influence of Vietnam in what formerly constituted the Indochina region. There is an acute realisation in Hanoi of its gradually weakening position in this region but there is little that Vietnam can do except through traditional communist party-to-party linkages. Vietnam's

economic capacity to meet the growing needs of its traditional allies has dwindled significantly. Occasionally, it supplies military support, such as to Laos in early 2000 to fight the Hmong uprising in its northern region. But this is not adequate. The Indochina Forum that provided for periodic and active consultations and co-ordination among the three Indochina countries on issues of mutual interests has broken down since 1990. It met only once again in 1999, after the stabilisation of the Cambodian situation, but with membership in ASEAN of all these countries and China's increasingly active role, the Indochinese solidarity remains more a nostalgic reminder of the past and a charming sentiment to nurse rather than a viable organised policy option for the future.

In its political approach to the new ASEAN countries, China has also not ignored the ideological differential by giving greater political importance to the Indochina states and by giving priority to security and military matters in relation to Myanmar. In recent years, top Chinese political leaders have visited Vietnam, Laos and Cambodia but not Myanmar. The Myanmar resentment in this respect is being assuaged by the proposed visit of President Jiang Zemin. The substance of defence co-operation is more with Myanmar than any of the Indochina countries at present, though the prospects of such co-operation growing in the years to come look promising.

It would be a mistake to assume that there are no tensions in the new ASEAN countries in their relationship with China. They are worried about the growing influence of China which may impinge adversely upon their freedom of action in some areas. We have already mentioned the growing presence of the ethnic Chinese in these countries. Proximity to China has also brought in pulls and pressures from other countries. Accordingly, there are attempts to evolve a stable balance by encouraging other countries like Japan and other members in ASEAN to play an increasing role but this has not been a smooth diplomatic exercise. For instance, in the case of Myanmar, deep concerns over the Ayeyarwaddy River Corridor Project have been expressed by the international community, including countries that have been co-operating with Myanmar, like Japan, India and ASEAN members, due to the strategic significance of this project. In response to these concerns, Myanmar has slowed down the process of technical clearance and final approval of the project. How long the project will be kept on hold remains to be seen because China is continuously keeping up the pressure for its clearance and implementation. There is also a section in the Myanmar establishment that favour the project strongly in view of the sizeable economic advantages for Myanmar itself.

ASEAN AND THE INTERNATIONAL COMMUNITY

A significant contributing factor to China's success in expanding its political influence and economic and strategic advantages in the new ASEAN countries has been the approach of the rest of the world towards these countries. The economic sanctions, constant criticism and political pressures of the Western powers on these countries on the issues of human rights, religious freedoms and democracy have driven them closer to China. Myanmar has been a typical case in this respect but Laos, Cambodia and Vietnam are equally aggrieved at the unhelpful and at times counter-productive policies aimed at them by the Western powers. Western criticism of Cambodian strongman Hun Sen holding him responsible for the July 1997 coup and violence has been countered by the former Australian Ambassador in Phnom Penh.

Countries like Japan have continued to engage the new ASEAN countries economically, but they are also on the side of the Western consensus on political and ideological issues. The offer of economic incentives by Japan to the Myanmar military regime to open dialogue and pursue a political settlement with democratic leader Aung San Suu Kyi is a typical example of this duality. There has been some success in establishing dialogue through such efforts and some of Aung San Suu Kyi's associates have also been released. But the process of political resolution and restoration of democracy in Myanmar does not look promising. The new ASEAN countries would welcome the prospect to enlarge their respective bargaining positions and diplomatic room to manoeuvre in relation to China if there is economic support for them from the rest of the world without political conditions attached. Perhaps these regimes are not yet ready to embark on the kind of political transformation expected by the West. If the West is not willing to adjust its approach with this reality, it would probably not be able to keep these countries away from China nor promote the cause of democracy and human rights within these countries in the long run. The contradiction in the Western strategy of continuing a constructive engagement with China while ostracising the smaller and weaker new ASEAN countries is obvious and evident to the latter.

Such ambiguity is also reflected in ASEAN's position. It has been admitted that ASEAN membership was extended to the new ASEAN countries to keep them away from falling into the Chinese sphere of influence. Vietnam's admission into ASEAN at a time when tensions on

the Spratlys dispute were rising initially caused concern to China. But in course of time, China has made headway in pushing its line on the South China Sea dispute and there are indications that Vietnam's overall attitude towards China has been softened, particularly after the conclusion of the land and Tonkin Gulf border treaties. China's relations with other new ASEAN countries have also become closer in the economic and strategic areas. Some ASEAN members have also provided weapons and military linkages to Myanmar but this has not reduced Chinese dominance in Myanmar's defence sector. If ASEAN countries are themselves seeking to reach out to China and vice-versa for greater economic co-operation within the framework of constructive engagement, then how can they justify opposing similar Chinese engagement with the new ASEAN countries? In fact, the establishment of transport linkages between ASEAN and China passing through the new ASEAN countries has, at times been resisted by the latter out of fear that trade and economic co-operation resulting from such linkages will swamp them and yield undesirable social and political influences for them. The slow progress on the rail and road connection between Thailand and China through Laos may be mentioned as an example in this respect. Laos has, however, allowed road linkages between Thailand and Vietnam to pass through its southern provinces of Champasak and Savannakhet.

In pursuing its policy towards ASEAN, China is not unaware of the fact that in addition to the well-recognised developmental gap, there also exists a serious political and strategic divide between the original ASEAN members and the new ones, and the two divides have been reinforcing each other gradually. The new ASEAN members expected considerable economic support from the old members when they joined the organisation. That this problem has not been seriously addressed was recognised by everyone at the Hanoi summit of the regional organisation in 1999. There are certainly attempts on the part of some of the more dynamic ASEAN countries like Singapore to move fast to bridge the developmental gap among its members but progress has not yet been satisfactory. This is partly due to the regional economic crisis that enveloped the region at a time when its membership was being expanded and partly because economic priorities in ASEAN differ from one member to the other. The regional economic crisis, on the other hand, gave China an opportunity to project itself as a sincere friend of the region and China made best use of that opportunity, not only by not devaluing its currency but also by initiating proposals that could benefit everyone in the region. China has, of course, also extended generous economic support to

the new ASEAN countries to meet their immediate and urgent needs during the economic crisis.

Ideologically and strategically, the new ASEAN countries are closer to China than to the West or some of the older ASEAN members. This has been reflected in some controversial Sino-U.S. issues as well as on questions of democracy, human rights, religious and information freedoms, environmental protection and labour standards. Furthermore, proposals by some of the older ASEAN members, like the flexible engagement proposed by Thailand and the Philippines, have not found favour with the new ASEAN countries. The idea of an ASEAN Troika formed to deal with intra-regional political crises has been endorsed by all in ASEAN but its practical dimensions have been seriously constrained due to apprehensions strongly entertained by the new ASEAN members regarding undesirable external intervention into internal affairs. The new ASEAN members have also opposed intervention in situations like East Timor as they did not want it to become a precedent for intra-regional conflict management. That would open the prospects of direct interference into the internal affairs of member countries.

China has deftly exploited intra-ASEAN divides and differences not only at the regional but also at the sub-regional levels, among the Indochina states, in pursuing its interest in the new ASEAN countries. These divisions have helped China to blunt any attempt to isolate it in the region. With the help of goodwill and support earned from specific ASEAN countries on specific issues, China has been able to advance its interests and objectives in ASEAN, particularly in ASEAN+3 and the ARF fora. There are indications of China succeeding in enlarging its issue-based consensus with these countries to enhance its comfort level in its intra-ASEAN interactions as well as in other multilateral bodies, particularly the UN. China has succeeded in giving an institutional form to regular and frequent consultations with the new ASEAN countries, particularly on issues of regional and global importance affecting the two sides on bilateral basis. The idea of such consultations has been incorporated into documents of broad bilateral understanding signed between the leaders of China and these countries in the last few years. All new ASEAN countries have gone along with the Chinese position on most issues except the sensitive political and ideological ones but there exists mutual understanding and support in those. Through individual country approach, China has also been able to blunt the continuing utility of the traditional Indochina Forum where Vietnam could lead Laos and Cambodia on major

issues of concern to all of them. In a 1999 meeting of the Indochina troika held in Vientiane, the most hesitant participant was Vietnam. It may be interesting to note here that on the question of the South China Sea territorial disputes, Laos and Cambodia have maintained a position of neutrality on the Sino-Vietnamese component of the dispute and preferred to go along with the broader ASEAN consensus on this question in general.

THE FUTURE

China's relations with the new ASEAN countries provide an interesting example of a great power reasserting influence in its sensitive neighbourhood comprising smaller countries. This has all the characteristics of a centre-periphery relationship, with the difference that the centre has managed to project a benign, non-exploitative image and therefore, the level of discomfort for the periphery is still tolerable. Thus far, China has generally succeeded in not hurting the sensitivities of its smaller neighbours, save in the case of Vietnam on some occasions. But this has also been possible because China, a great power in the making in its own perception, is not free from challenges and threats itself, and the process of building its economic and military capabilities fully is not yet complete. Commenting on Chinese aspirations for a leadership role, Deng Xiaoping told an internal committee of the central government in December 1990:

> Some developing countries would like China to become the leader of the Third World. But we absolutely cannot do that, this is one of our basic state policies. We cannot afford to do it and besides, we aren't strong enough. There is nothing to be gained by playing that role; we would only lose most of our initiatives. China will always side with the Third World countries, but we shall never seek hegemony over them or serve as their leader.[italics added]

The conditional nature of this statement is clear from the portion emphasised. The new ASEAN countries are in a more special category to China than the Third World as a whole. Therefore, if and when China feels that it can "afford", that it has become "strong enough" to assert itself, and that it finds something "to be gained" without losing "most of our initiatives", what will its behaviour be like towards its smaller neighbours?

It may also be recalled that in 1978 and later, Deng Xiaoping had confided to Singapore's Lee Kuan Yew that China would complete its Four Modernisations in 22 to 25 years. That period is nearly over and no careful observer of the Asia-Pacific situation can fail to see the unfolding indications of China's assertion in the region. Even if one assumes that the time span for China's rise as a great power, in the real sense of the term envisaged by Deng Xiaoping, has been delayed by a decade or so, the relevance of the question raised above about China's future behaviour remains. With particular reference to the new ASEAN countries, much would also depend upon the attitudes and actions of the West and ASEAN. How far can they let China go unhindered in entrenching itself in these countries? We will know in the coming decade or two.

ANNEX 1
EXCHANGE OF VISITS BETWEEN CHINA AND THE NEW ASEAN COUNTRIES

Myanmar

Year	Month	From China	From Myanmar	Rank
1988	Oct	—	Lt. Gen. Than Shwe	Vice Commander-in-chief
	Dec	—	Gen. Saw Maung	Chairman, SLORC
1989	Dec	—	Maj. Gen. Tin Oo	SLORC Secretary-2
1991	Jan	Luo Gan	—	Secretary-General of State
	May	—	U Ohn Gyaw	Vice Foreign Minister
	Aug	Lt. Gen. Ho Kyi Zon	—	Vice Commander-in-chief, PLA
1993	Feb	Qian Qichen	—	Vice Prime Minister and Foreign Minister
1994	Jul	Gen. Li Jiulong	—	Chief, Chengdu Military Area
	Sep	—	Lt. Gen. Khin Nyunt	SLORC Secretary-1
	Nov	—	Lt. Gen. Tin Oo	SLORC Secyretary-2
	Dec	Li Peng	—	Prime Minister
1995	Jun	—	U Nyunt Swe	Deputy Foreign Minister
	Jul	Chi Haotian	—	Defence Minister
1996	Jan	—	Gen. Than Shwe	Chairman, SLORC
	Apr	Gen. Jiang W.	—	Vice Chairman, Central Military Command
	Oct	—	Gen. Maung Aye	Vice Chairman, SLORC
1997	Mar	Luo Gan	—	Secy. Gen. State Council
	Sep	—	Lt. Gen. Tin Ngwe	Commander-in-chief, Air Force
	Oct	Wu Banquo	—	Vice Premier
1998	Feb	Tang Jia Xuan	—	Deputy Foreign Minister
1999	Dec	—	Win Aung	Foreign Minister
2000	Jun	—	Gen. Maung Aye	Vice Chairman, SPDC
	Jul	Hu Jintao	Vice President	
2001	Jan	Jia Chun Way	—	Minister, Public Security

Lao PDR

Year	Month	From China	From Laos	Rank	Remarks
1986	Dec	Liu Shuquing	—	Vice Foreign Minister	
1987	Nov	—	K. Boupah	Vice Foreign Minister	
1989	Oct	—	Kayson Phomvihan	Prime Minister	
1990	Apr Aug Dec	— Qi Huaiyang Li Peng	 — —	Gen. Sisawat Keobouphan Vice Foreign Minister Prime Minister	Army Chief
1991	Apr Oct	— —	Phun Sipasoet Khamtay Siphandon Choummaly Sayasone	Foreign Minister Prime Minister Defence Minister	 Border treaty signed
1992	Apr	—	Kayson Phomvihan	President	First visit by President
1994	Jul	Gen. Li Jiulong	—	Chief, Chengdu Military Area	
1995	Jun	—	Nouhal Phoumsavanh Khamtay Siphandon	President Prime Minister	
1997	Jul	—	Bounyang Vorachit	Dy. Prime Minister	
1998	Aug	—	Choummaly Sayasone	Defence Minister	
1999	Jan	—	Sisawat Keobounpanh	Prime Minister	
2000	May Jul Aug Nov	Huang Ju — — Jiang Zemin	— Khamtay Siphandon Choummaly Sayasone Somsavat Legsavat —	CPC Politburo member President Dy. Prime Minister & Defence Minister Dy. Prime Minister & Foreign Minister President	
2001	Feb	Chi Haotian	—	Defence Minister	

Vietnam

Year	Month	From China	From Vietnam	Rank	Remarks
1990	Sep	—	Ngugen Van Linh Do Muoi Pham Van Dong	Party Chief Party Chief Former Prime Minister	Unannounced
1991	Jul Nov	— —	Gen. Le Duc Anh Do Muoi Vo Van Kiet	Politburo member, 2nd rank Party Gen. Secretary Prime Minister	Unannounced
1992	Feb Nov–Dec late Dec	Quan Qijen Li Peng —	— — Pham Van Tra	Foreign Minister Prime Minister Defence Minister	First visit by Chinese senior leader
1993	Nov	—	Le Duc Anh	President	
1994	Nov	Jiang Zemin	—	President	
1995	Nov	—	Do Muoi	Party Gen. Secretary	
1996	Jun	Li Peng	—	Prime Minister	
1997	Jul Oct 1998 Oct	— Wu Bangguo —	Do Muoi — Phan Van Khai	Party Gen. Secretary Dy. Prime Minister (Economic Affairs) Prime Minister	US$170 million loan
1999	Feb Dec	— Zhu Rongji	Le Kha Phieu —	Party Gen. Secretary Prime Minister	Land border settled
2000	Sep Dec	— —	Phan Van Khai Tran Duc Luong	Prime Minister President	Border treaty signed
2001	Feb	Chi Haotian	—	Defence Minister	

Cambodia

Year	Month	From China	From Cambodia	Rank
1992	Feb Jul	Qian Qichen —	— Chea Sim	Foreign Minister National Assembly Chairman
1994	Jan	—	Prince Ranariddh and Hun Sen	First and Second Prime Ministers
1996	May	—	Hun Sen	Second Prime Minister
1999	Feb Jul	— —	Hun Sen Hor Namhong	Prime Minister Foreign Minister
2000	Nov	Jiang Zemin	—	President
2001	Feb Mar	Chi Haotian —	— Chea Sim	Defence Minister Senate President

Source: Newspapers and other published sources
Note: Only politically important visits have been included. Visits related to economic and cultural co-operation, and those made by the lower levels of leadership have not been included. The possibility of error still exists.

Annex 2

List of Persons Interviewed During Field Work in Myanmar, Laos, Cambodia and Vietnam

April–May, 2001

Myanmar

1. **Khin Maung Thwin**
   AFP Correspondent
2. **Aung Hla Tun**
   Reuters Resident Correspondent
3. **Aye Aye Win**
   AP Correspondent
4. **Col. Kyaw Thein**
   Office of Strategic Studies, Department of International Affairs, Ministry of Defence
5. **Lt. Col. Hla Min**
   Office of Strategic Studies, Department of International Affairs, Ministry of Defence
6. **Shigeru Tsuhori**
   Ambassador of Japan
7. **Akira Matsunaga**
   Second Secretary, Embassy of Japan
8. **San Tun Aung**
   Editor, Myanmar Times
9. **Bernard Pe-Win**
   Businessman and Forum Secretary
10. **Former Minister of Education and current Chief of Service Commission**
11. **Daw Thidar Tin**
    Academic, University of Yangon
12. **Ambassador Shyam Saran of India**
13. **Ambassador Simon De Cruz of Singapore**
14. **Karl Wycoff**
    Deputy Chief of Mission, U.S. Embassy
15. **Myanmar Chinese Chamber of Commerce**

Cambodia

1. **Ok Serei Sopheak**
   Co-ordinator, Centre for Peace and Development
2. **Sry Thamarong**
   Foreign Policy Adviser to Prime Minister
3. **Youk Ngoy**
   Dean, Faculty of Law and Economics
4. **Chea Vannath**
   President, Centre for Social Development

5. **Norodom Sirivudh**
   Supreme Privy Counselor to the King
   Chairman, Cambodian Institute for Co-operation and Peace
6. **Sisowath Sirirath**
   Co-Minister of Defence
7. **David Bloss**
   Associate Editor, Cambodia Daily
8. **Norbert Klein,**
   Editor, The Mirror
9. **Ambassadors of India, Japan and Singapore**
10. **Dr. Lao Mong Hay**
    Executive Director, Khmer Institute of Democracy

Laos

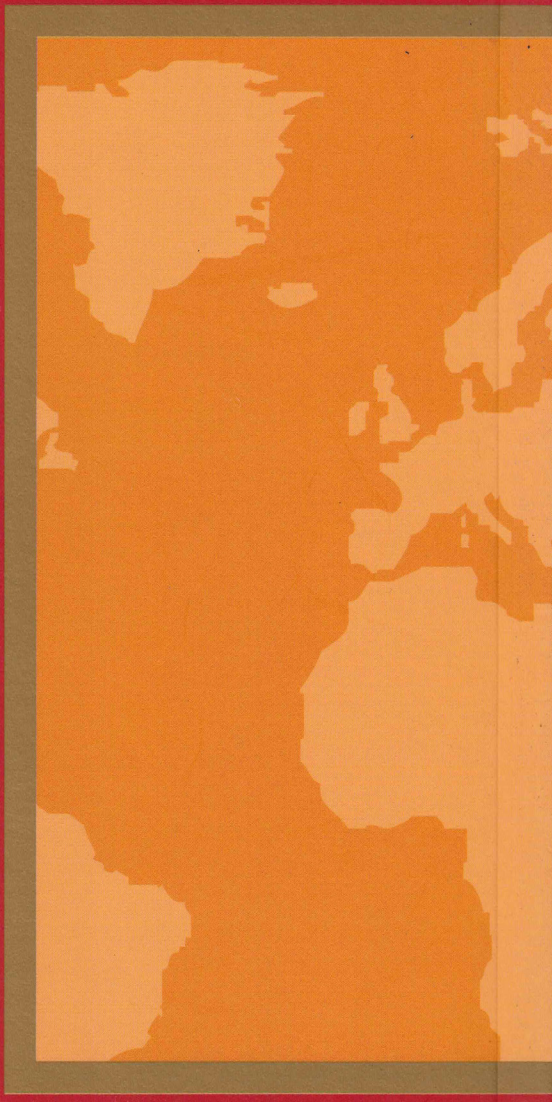
1. **Liu Zhengxiu**
   Ambassador of PRC
2. **Dr Hans U. Luther**
   Senior Economic Adviser, National School of Administration and Management
3. **Santanu Lahiri**
   Consultant, World Bank
4. **Ambassador of Russia**
5. **Dr. Sergei Lizogub**
   Head Consular Section, Embassy of Russia
6. **Kanna Baran**
   Consultant, Lao Red Cross
7. **Dr. Halvor Johan Kolshus**
   Representative, UN Drug Control Programme
8. **U Sein Win Aung**
   Ambassador of Myanmar
9. **Yoshinori Miyamoto**
   Ambassador of Japan
10. **Jonathan Thwaites**
    Ambassador of Australia
11. **Lynda Worthaisong**
    First Secretary, Australian Embassy
12. **Dr. Robert Cooper**
    Head, British Trade Office
13. **Ambassadors of India, Singapore and the Philippines**
14. **Sisoulath Thongloun**
    Deputy Prime Minister
15. **Soubhanh Srithirath**
    Minister to the President

16. **Phongsawath Boupha**
    Deputy Minister of Foreign Affairs
17. **Dr. Bounmy**
    Secretary, Laos-China Co-operation Committee, Prime Minister's Office

Vietnam

1. **Do Tien Sam**
   Acting Director, Centre of Chinese Studies
2. **Nguyen Hoang An**
   Deputy Director-General, ASEAN Department, Ministry of Foreign Affairs
3. **Pham Huu Chi**
   Deputy Director-General, ASEAN Department, Ministry of Foreign Affairs
4. **Tran Van Do**
   Research Fellow, Institute of Chinese Studies
5. **Nikolai D. Ubushiev**
   Minister Counsellor, Embassy of Russian Federation
6. **Catherine Mckinley**
   Bureau Chief, Dow Jones
7. **Dr. Vu Duong Huan**
   Director-General, Institute for International Relations, Ministry of Foreign Affairs
8. **Ha Hong Hai**
   Deputy Director & Editor-in-chief, International Studies Review
9. **Owen Bennett-Jones**
   BBC Hanoi Correspondent
10. **Maj. Gen. Vu Tan**
    Director, Foreign Relations Department, Ministry of National Defence
11. **Sr. Col. Le The My**
    Head, International Studies Department, Institute for Military Strategy, Ministry of Defence
12. **Sr. Col. Nguyen Kim Lan**
    Senior Researcher, International Studies Department, Institute for Military Strategy, Ministry of Defence
13. **Dr. Pham Duc Thanh**
    Director, Institute for Southeast Asian Studies
14. **Ambassadors of India, Singapore, Japan and the U.S.**

This is an exploratory study of China's evolving strategic engagement with its south-western neighbours: Myanmar, Laos, Cambodia and Vietnam. The significance of these neighbours to China has been enhanced since the mid 1990s when these countries became members of ASEAN and China started paying greater attention to its hitherto neglected western provinces. Nuances of China's approach in wooing these neighbours through careful moves to build economic and military co-operation and cultivate political constituencies have been critically examined. Wider implications of China's growing strategic space within these countries for the ASEAN region are also discussed. The study has been supported by maps, useful tables and personal interviews.



About the author

S. D. Muni is a professor at the Centre of South, Central and Southeast Asian Studies at Jawaharlal Nehru University, where he had held the prestigious Appadorai Chair of International Politics and Area Studies in the School of International Studies. He also served as India's Ambassador to the Lao Peoples' Democratic Republic from 1997 to 1999. He has held Visiting Professorial and Fellowship assignments in important universities and academic institutions in the United States, the United Kingdom, Sweden, Norway, Japan, Australia and Singapore. His publications include 15 books and monographs, and numerous research papers and popular articles in journals and magazines. He was nominated to India's first National Security Council Advisory Board and was also elected to the Executive Committee of the Institute for Defence Studies and Analyses, New Delhi, for a two-year term.

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