

AU/AWC/98-024/1998-04

AIR WAR COLLEGE

AIR UNIVERSITY

"ENTER THE DRAGON"

**A SOUTHEAST-ASIAN PERSPECTIVE OF AN
EMERGING CHINA**

by

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A Research Report Submitted to the Faculty

In Partial Fulfillment of the Graduation Requirements

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Maxwell Air Force Base, Alabama

April 1998

REPORT DOCUMENTATION PAGE

Form Approved OMB No.
0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing this collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. PLEASE DO NOT RETURN YOUR FORM TO THE ABOVE ADDRESS.

1. REPORT DATE (DD-MM-YYYY) 01-04-1998	2. REPORT TYPE Thesis	3. DATES COVERED (FROM - TO) xx-xx-1998 to xx-xx-1998
--	---------------------------------	---

4. TITLE AND SUBTITLE "Enter the Dragon" A Southeast-Asian Perspective of an Emerging China Unclassified	5a. CONTRACT NUMBER
	5b. GRANT NUMBER
	5c. PROGRAM ELEMENT NUMBER

6. AUTHOR(S) Lim, Richard ;	5d. PROJECT NUMBER
	5e. TASK NUMBER
	5f. WORK UNIT NUMBER

7. PERFORMING ORGANIZATION NAME AND ADDRESS Air War College Maxwell AFB, AL36112	8. PERFORMING ORGANIZATION REPORT NUMBER
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9. SPONSORING/MONITORING AGENCY NAME AND ADDRESS ,	10. SPONSOR/MONITOR'S ACRONYM(S)
	11. SPONSOR/MONITOR'S REPORT NUMBER(S)

12. DISTRIBUTION/AVAILABILITY STATEMENT
APUBLIC RELEASE

13. SUPPLEMENTARY NOTES

14. ABSTRACT
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15. SUBJECT TERMS

16. SECURITY CLASSIFICATION OF:	17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19. NAME OF RESPONSIBLE PERSON
a. REPORT Unclassified	Public Release	46	Fenster, Lynn lfenster@dtic.mil

<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:33%;">b. ABSTRACT Unclassified</td> <td style="width:33%;">c. THIS PAGE Unclassified</td> </tr> </table>	b. ABSTRACT Unclassified	c. THIS PAGE Unclassified	19b. TELEPHONE NUMBER International Area Code Area Code Telephone Number 703767-9007 DSN 427-9007
b. ABSTRACT Unclassified	c. THIS PAGE Unclassified		

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Abstract

In spite of impressive economic growth rates, China's political reform lags behind its economic achievements. Consequently, Western strategists often view China as an emerging threat citing events over the Taiwan Straits and the South China Sea as evidence of a potential drive for hegemony. However, China's foreign policies are influenced by the legacy of its past and the humiliation of foreign imperialism has led it to consider issues of sovereignty as non-negotiable and nation rebuilding as top priority.

China also recognizes the geo-strategic importance of Southeast Asia and the sea-lanes plying through the region and seeks to embrace it politically and economically. But the nations of Southeast Asia are evolving its own regional identity to meet the challenges of the 21st Century through ASEAN (Association of Southeast Asian Nations). In addition, the United States has vital interests in the Asia Pacific region and has renewed its commitment to maintain its presence. As China continues to grow and rise to the international stage, ASEAN and the United States will need to continually review their contributions to maintain stability within the region. This notwithstanding, where vital interests are in conflict, hostility may still arise.

Chapter 1

INTRODUCTION

With a population of 1.2 billion and a steady trend of economic growth, China's potential to become a global power continues to be a favorite topic for debate among strategists. If current economic growth rate is sustained, its GDP could surpass that of the United States by 2010. However, China's political reforms lag behind its economic achievements and its lack of transparency in defense modernization and long term objectives generates increasing concerns worldwide. The uncertainties of China's future threaten the stability of East and Southeast Asia and the skirmishes with Vietnam over the Spratly Islands as well as the "missile testing exercise" in the Taiwan Straits are sometimes used to gauge China's assertiveness.

But, do Asians perceive China as a threat? Are the conflicts in the Taiwan Straits and the Spratly Islands perceived as evidence of China becoming a regional territorial hegemon? What prompted China to take those actions and what would trigger it to do so again? Indeed, what does it stand to gain, or lose, from such military actions?

This paper aims to address some of these questions by providing a Southeast Asian perspective of an awakening China. It will focus on the impact on the regional peace and stability of Southeast Asia as China advances ahead with radical reforms and modernization. Specifically, it will discuss the Western perception of China and how the

legacy of modern China has an impact on its foreign policies. It will then examine China's interests in Southeast Asia and how it balances between cooperation and conflict of interests. The role of ASEAN (Association of Southeast Asian Nations) in keeping the balance between a vibrant Southeast Asia and an emerging China is critical, hence ASEAN's resilience to the challenge of China's vast potential will also be discussed in detail. The United States also plays a major role in the security of the region. Therefore, its policy and commitment to maintain the peace and stability in the South China Sea will also be discussed. Ultimately, the resultant of these forces will determine whether future conflict in the South China Sea is imminent or unlikely. Even if such a conflict is considered unlikely, a combination of events could still possibly trigger China to armed conflict. These triggers will be examined and an assessment will be made on the likelihood of such conflict.

Chapter 2

BACKGROUND

WESTERN PERCEPTION OF CHINA

Critics in the United States believe that it should contain China much like it contained the former Soviet Union during the Cold War era.¹ They view a strong and growing China as a direct threat to US interests and support actions to oppose China at every turn. China is feared not only for its huge army, but also for its independent foreign policy, its nuclear arsenal, and its potential to become a powerful yet non-democratic nation. China's apparent lack of political reform is viewed as a dangerous trend and its defense modernization, shrouded in secrecy, is a major concern to Western observers. Consequently, the West is increasingly interested in pressurizing China to adopt a representative form of government. However, China is determined to run its own style of government and insists that the West should not interfere with its internal affairs.

Furthermore, the human rights issue in China has always been featured prominently as a key area of contention and the Tiananmen Square incident has often been scowled upon by the West and has led to calls for boycotts and sanctions against China. However, China argues that the human rights issue is subjective and cultural differences between the East and West generate different interpretations and perceptions. Asian leaders do not condone violations of human rights, but are careful to caution that

Western values differ from those of the East and hence the style of governing will also greatly differ. Singapore's Senior Minister, Lee Kuan Yew believes that the preconditions for China to adopt a representative government are not yet in place. He further believes that the stability of a nation is not necessarily dependent on the level of democracy and or whether human rights are upheld, but rather, the soundness of regulatory and legal systems within the country.²

Regardless, the Western community is still generally apprehensive of China and feels the need to hedge against the fiery dragon, that otherwise could create havoc to world peace. Still, this fear is not entirely misplaced. The unorthodox methodology of "governing by revolution"³ during the Mao Zedong era exacerbated the Western perplexity over Chinese thinking.

LEGACY OF MODERN CHINA

To better understand the rationale behind Chinese foreign policy, it is necessary to examine the legacy of its past. As events will show, the central aspect of recent Chinese history is the struggle against foreign invasions and exploitations. Over a period of 110 years, from 1839 to 1949, China was internally weakened from ineffective government and corruption, and consequently suffered the humiliation of foreign imperialism.⁴ The country was ravaged by the crippling addiction of opium brought upon by a British trade deficit and the repercussions of the unsuccessful opium wars were such that the imperialist influence was able to penetrate even deeper into China. By the end of the 19th century, China was almost divided up into colonies by the various imperialist powers. This was averted only because the major powers realized that such a division would only increase the prospect of war among themselves.⁵ Nevertheless, China subsequently lost

extensive territories to these foreign powers including Russia, Britain and Japan. It is the myth of this national humiliation of the once great empire of China that continues to mold the political culture of the country to this day. Humiliation led the younger generation Chinese to embrace Marxism-Leninism in the early 1900s, and xenophobia and anti-imperialism led the country towards a strong drive for nationalism.⁶

By October 1949, with the founding of the People's Republic of China, Mao Zedong was hailed as having "stood up" the nation against the imperialists. But, he subsequently ruined the country extensively and set it back decades with his disastrous revolutionary campaigns. The "Great Leap Forward" caused widespread famine and starvation and resulted in socioeconomic ruin including the death of tens of millions of people.⁷ The "Cultural Revolution" created so much "*luan*" (chaos) within a short period of time that it weakened the fiber of the nation and left its people disoriented, and its leaders unable to rise above the masses to take the lead and move the nation forward.⁸ Nevertheless, he is well remembered for reuniting China under sovereign rule and regaining national dignity. Chairman Deng Xiaoping's rise to power in the late 1970s was timely as his vision of China included refocusing the nation on economic growth and structural reforms which put it back on the road to recovery. Deng's "Four Modernizations" was instrumental in enabling the reshaping of the nation. However, he also missed the opportunity to truly release China from the bounds of communism as he demonstrated intolerance to challenges to the Party leadership.

The legacy of modern China left behind several characteristics that are apparent in its present day foreign policies. The humiliation of invasions and exploitations by foreign powers in the last two centuries created a nation that is suspicious of foreign

powers and hence, cautious of partnerships and agreements with them. This distrust also made China inward looking and technologically isolated as it adopted a policy of self-reliance. Understandably, this distrust in turn generated animosity, fear, and suspicion from the West. By isolating itself from the rest of the world, China began to experience a technology gap. It soon realized its technological inferiority and has since embarked on drastic reforms to bridge the gap by reopening its doors.⁹ Nevertheless, sovereignty and territorial integrity remain as non-negotiable issues in Chinese politics. Also, the need for China to regain respect from the international community ranks high in Chinese political agenda. Hence, its quest to become an international player is one of the foremost considerations in the minds of the current Chinese leadership.¹⁰ The leadership is also acutely aware that the means to become a great nation is by adhering closely to the "Four Modernizations" as the central guiding principle for nation building with top priorities as economic growth and internal stability. Consequently, China borrows from the key tenets of capitalism with the push for privatization and open market economy. It also articulates the policy of adhering to the Five Principles of Peaceful Coexistence, including noninterference with the internal affairs of other nations and acceptance of political differences.¹¹

Notes

¹ Department of Defense, Press release at the National Defense University, Secretary of Defense William Perry, 13 Feb 1996.

² SM Lee Kuan Yew, *The Straits Times*, Singapore, 22 February 1998.

³ Kenneth Lieberthal, *Governing China, From Revolution through Reform*, (New York: W.W. Norton & Company, 1995) 119 - 121.

⁴ John W Garver, *Foreign Relations of the People's Republic of China*, (New Jersey: Prentice-Hall, A Simon & Schuster Co., 1993) 4.

⁵ *Ibid*, 5.

Notes

⁶ Ibid, 8.

⁷ Lieberthal, 102 - 108.

⁸ Ibid, 111 - 115.

⁹ Garver, 197 - 203, 211 - 217.

¹⁰ William T. Pendley, "China as International Actor," in *Strategies for U.S. Relations with China*, ed. Kim R. Holmes & James J. Przystup, (ISBN: The Heritage Foundation, 1997) 19 - 20.

¹¹ Robert A. Scalapino, "China's Role in Southeast Asia - Looking toward the Twenty-first Century," in *China and Southeast Asia Into the Twenty-first Century*, ed. Richard L. Grant (Washington, D.C.: Center for Strategic and International Studies, 1993), 60.

Chapter 3

CHINA'S INTERESTS

NATIONAL INTERESTS

Nation Building. While maintaining domestic political stability remains the highest priority for the current Chinese leadership, it also recognizes the imperative of continued economic growth in order to maintain internal stability and national support.¹ It is this preoccupation with economic growth that serves as the key restraint and hence, contributes as a stabilizing factor to the security of East and Southeast Asia.

Deng Xiaoping articulated the emphasis for economic progress to the Chinese cadres in a speech as early as January 1980.² He proclaimed the three major tasks for China as opposing hegemonies, safeguarding world peace, reunification of the motherland, and economic reconstruction. Reconstruction was responsible for China's impressive double-digit economic growth in the 1980s and the earlier half of the 1990s. In addition, Deng's "Four Modernizations" of agriculture, industry, science and technology, and national defense serves as key pillars for nation building and provide focus for radical reforms. In fact many would credit Deng with successfully building a Chinese-style socialism with emphasis on economic growth and redistribution of wealth. His legacy endures and to this day many Chinese scholars subscribe to the notion of modernization and that attaining wealth is glorious.

Modernization. Along with economic reform, the Deng leadership recognized the need to take China out of the era of technological stagnation. Hence, science and technology (S & T) features as one of the "Four Modernizations." Consequently, the Chinese leadership began to emphasize on ambitious S&T programs including information technology and space development. In fact, China has found its niche in space as it focuses on space launch capability and continues to secure a major slice of the international space launch market.³

National defense is also a key feature in China's grand strategy of modernization. Deng advocated that a militarily strong China would provide for more reliable peace and stability.⁴ This argument stems from the premise that a powerful and developed China would be able to play a bigger role in a multi-polar world. China normalized her bilateral relationship with the former Soviet Union in the late eighties. This realignment with Russia has furthered her ability to achieve greater military capabilities especially in the form of hardware acquisition. Indeed, China has embarked on impressive military re-equipment programs and is zealous about becoming a sophisticated air power and a credible regional Navy that is able to project its forces beyond its immediate coastal areas.

Sovereignty. Another Chinese national vital interest is national sovereignty and security. In Chinese politics, sovereignty is an issue that is not negotiable and "there is no room for maneuver."⁵ The "missile testing" event in March 1996 near the Taiwan coast attests to China's resolve in protecting what it considers as sovereign. Similarly, China's claim to the disputed Spratly Island group is an important issue of sovereignty.

The fact that it is geographically displaced from main land China does not make it any less significant.

INTERESTS IN SOUTHEAST ASIA

Economic Gains.

Notwithstanding the current economic crisis in East and Southeast Asia, which is arguably a temporary aberration, the prospects of an Asia Pacific Century remains good.⁶ In addition, ASEAN nations are resolved to rebound from the economic crisis and are striving for tighter economic integration and political and security co-operation so that the region will continue to remain stable and peaceful for the years ahead.⁷

As China moves towards modernization and market economy, it is acutely aware of the huge source of potential for economic interaction in the south.⁸ Southeast Asia has a combined population of 430 million and many of the rising economies within the region have been achieving impressive hyper-growth over the past three decades. The dynamism of this region has much to offer China in sustaining its own economic growth. This can be achieved through building a system of trade and economic interdependence between the countries. Apart from being a crucial source for trade in services and commodities, ASEAN has a technology-based market with experienced commerce and banking systems that is equally important in contributing towards China's nation building. Thus, it would be in China's interest to immerse itself deeply within the region and maintain a harmonious trading partnership with ASEAN.⁹

Political Affiliation

ASEAN is also closely tied to the West both in terms of economic investments and political links. Apart from producing essential commodities that the West needs, such as sugar, rubber, tin, vegetable oil, and petroleum, these nations support noncommunist ideology with representative governments. As such, they have developed strong political links with the West.¹⁰ By associating with ASEAN, China is able to tap into this linkage and share the benefits of the close association with the West. It would serve as the gateway to the international stage from which China could expand from a regional power to a major international power. In addition, establishing a good and cordial interface with ASEAN would showcase China as a responsible regional power that the international community would approve of.

Balance of Power

Being adjacent to the region, it would seem natural for China to attempt to predominate over Southeast Asia as a regional power, both politically and economically. The prospect for it to occupy such a position has become even more tangible with the end of the Cold War. The Clinton administration is cognizant of the fact that a power vacuum would attract not only China, but also other regional powers such as Japan and India. Hence, while the US downsizes in the post-Cold War era, it advocates a policy of engagement and enlargement in place of the permanent overseas basing strategy. While the reduction of US presence is still felt, the engagement and forward presence policy strategy has thus far managed to discourage regional powers from hegemonic ambitions.

Conversely, China fears the same and contends that if it does not assert itself, some other nations will, including an "imperialistic" USA. China has long opposed US

presence in East Asia and argues that Asians can resolve their own problems.¹¹ Clearly, the net effect of an emerging China against a diminished US presence is a balance of power that will undoubtedly experience a shift away from the point of equilibrium towards China. It would be prudent for the US to closely track China's foreign policies and development and make necessary adjustments to maintain the equilibrium.

Overseas Chinese

There is a significant number of ethnic Chinese throughout Southeast Asia, although apart from Singapore and Malaysia, they constitute only a small percentage of the total population. Yet, these overseas Chinese are economically dominant in ASEAN countries with many becoming successful entrepreneurs holding top executive positions in the commerce and banking sectors as well as key political positions. Consequently, they are a significant influence in the social, economic, and political affairs of Southeast Asia.

In the past, first generation immigrants maintain close bonds with relatives back in China and they sent money home to support those in need. This served as a significant source of revenue for China.¹² While such ties have become less evident with the second and third generation overseas Chinese, they were still important to Beijing as the latter viewed them as part of a Greater China. China's previous support for the insurgency of the communist threat in Southeast Asia left a legacy of suspicion and animosity towards the ethnic Chinese minority in the region. Coupled with inter-ethnic tension due to the disparity of the economically powerful ethnic Chinese and the indigenous Malays, this fundamental distrust will remain as an obstacle to cooperation in varying measures.¹³ Moreover, Indonesia alone has about a quarter of the Muslims in the

world and although the ethnic Chinese are currently well integrated within the society, history has shown that the undercurrent racial and or religious tension will always remain a potential source of conflict.

Spratly Islands

Although the Spratly Islands group is no more than a collection of reefs and atolls, some of which appear and disappear with the tide, it is of key significance to China in more ways than one. From a strategic standpoint, ownership of this island group would mean influence over a major sea-lane of communication that is heavily utilized by nations throughout the world. The Spratly Islands has been known to possess natural oil and gas reserves. Apart from being a potential source of wealth that can be tapped, the natural resource would serve to feed the needs of China's increasing demand for energy to fuel her growing economy. Hence, China is keen to venture into joint development with ASEAN nations to exploit these resources. Moreover, the area is also a rich fishing ground and the rights for fishery would also contribute to the wealth of the nation.

More importantly, the Spratly Islands could serve as a foothold for China's engagement in Southeast Asia. Geographically embedded within the heart of the region, China's physical presence would serve to enable it to better immerse itself within Southeast Asia. Currently, China attends ASEAN meetings only as a Dialogue Partner.¹⁴ Theoretically, if China's southern territorial boundaries extend to the Spratly Islands, it qualifies to be a member of ASEAN. From this vantage position, it could exercise a voice in various issues concerning ASEAN ranging from economic co-operation to political veto. Consequently, the Spratly Island group has both economic and strategic value for China.

Notes

¹ Pendley, 25.

² Joseph Y S Cheng, *China, Modernization in the 1980s*, (New York: St Martin's Press, 1990), ix.

³ Nicholas L. Johnson, *Europe and Asia in Space*, (Colorado: Kaman Sciences Corporation, USAF Philips Laboratory, 1993 - 1994) 50 - 53.

⁴ General Zhao Nanqi, "Deng Xiaoping's Theory of Defense Modernization," in *Chinese Views of Future Warfare*, ed. Michael Pillsbury, (Washington DC: National Defense University Press, 1997) 17.

⁵ Col Hong Bin, "Deng Xiaoping's Perspective on National Interest," in *Chinese Views of Future Warfare*, ed. Michael Pillsbury, (Washington DC: National Defense University Press 1997), 33.

⁶ Singapore's Senior Minister, Lee Kuan Yew, *Forbes* magazine, 14 Mar 1998.

⁷ Julius Caesar Parrenas, "The Future of ASEAN," in *The New Asia-Pacific Order*, ed. Chan Heng Chee (Singapore: Institute of Southeast Asian Studies, 1997) 212.

⁸ Scalapino, 53.

⁹ Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China, *ASEAN-China Cooperation towards the 21st Century*, Kuala Lumpur, 16 December 1997.

¹⁰ Reynaldo Ty Y Racaza, "China's Economic Modernization and ASEAN," in *ASEAN and China*, ed. Joyce K. Kallgren, Noordin Sopiee, and Soedjati Djihadono, (Berkeley: Institute of East Asian Studies, 1988), 57.

¹¹ "East Asia's new faultlines," *The Economist*, Mar 14 - 20, 1998, 16.

¹² Garver, 220.

¹³ Tim Huxley, *Insecurity in the ASEAN Region*, (London: Royal United Services Institute for Defence Studies (RUSI), 1993), 35.

¹⁴ Joint Statement of the Meeting of Heads of State/Government of the member States of ASEAN and the President of the People's Republic of China, "ASEAN-China Dialogue," Kuala Lumpur, 16 December 1997, <http://www.aseansec.org.htm>.

Chapter 4

CHINA TODAY

PROSPECTS AND CHALLENGES

Deng's vision of modernization for China has taken on breathtaking proportions and the economic achievements have been most encouraging. Its economic reforms and open-door policy have attracted foreign trade and investment, and the transfer of technology into the country. Market reforms have spurred more than two decades of unprecedented growth. Specifically, over the past 7 years it has exceeded 12% on most years. If China can sustain economic growth of 7 to 8 % for the next few decades, its economy will multiply 4 times every 20 years and could surpass the US economy to become the largest in the world by 2010.¹ As a result of the radical economic transformation, the people are enjoying a higher standard of living with better housing and schools than any other time in modern China history. Poverty has declined from 250 million to 58 million people, and per capita income has risen 550% just over the last decade.²

However, the prediction of continued growth is based on straight-line growth estimates that may not be pragmatic. In reality, China has many serious difficulties and has to overcome many hurdles before arriving at developed nation status. It faces challenges of infrastructure support, low technology labor intensive industries, heavy

external debt, a shaky banking system, falling foreign investment, a looming resource shortfall, and a lack of a legitimate legal system to attract broad scale foreign investment.³ Investments in roads, railways, communication, and power generation capability are also badly needed to pave the way for more industrialization. Corruption, a disease of the social fiber of the nation is still widespread and the disparity between the "haves" and the "have-nots" is still very large. The country is still mostly rural with dismal hygiene standards in the countryside. Even though China enforces drastic measures to limit population growth to 1% per annum, it has to struggle with feeding, educating and providing jobs for the 7 million that enters the labor market annually. Moreover, as the country attempts to be more competitive and moves from state-owned enterprises to privatization, massive lay-offs are expected which will almost certainly lead to social unrest.⁴ A critical question amidst these surmounting challenges is whether a systematic political reform can be effected to facilitate and accommodate economic growth. The current leadership is fearful of rapid and drastic political changes arguing that it would lead to chaos and disintegration. In actuality, the Chinese leaders are unwilling to relinquish their position of authority and justify their hold on to power at the Central Committee with the need to hold the country together. Nevertheless, lately there has been encouraging signs of political reshuffle at the top. The National People's Congress recently approved a government "downsizing", evidently in an attempt to restructure a more efficient political system, leaving economic decision-making to market forces rather than regulators.⁵ On balance, it is conceivable that in the longer term, the political bureaucracy will compromise and move away from an ideological organization

to take on the integrating function instead which will provide for more rapid market expansion and thus enabling the economic miracle to continue.⁶

THE "EMERGING THREAT"

China's defense modernization is a source of concern for Western strategists. To many, Chinese secrecy on defense budget and military acquisition plans signals Beijing's intention to establish a regional hegemony.⁷ However, it can be argued that defense spending trend alone is not at all indicative of whether China will emerge as a threat. The question also has to address the economic, political and strategic constraints facing the PLA (People's Liberation Army) modernization. In addition, the rate at which the system can absorb new and high technology equipment and the associated doctrinal changes required in operating them effectively will determine its military competence to assert itself.

Conceptually, China has to first identify the threats it faces. With the demise of the Soviet Union, it no longer faces the threat of a major power from the North. While the Taiwan Straits will always remain a contentious issue with the US, China has no major discord with the US, apart from the possibility of being pulled into the fray as a result of a conflict in the Korean Peninsula. Hence, the Chinese leaders picked up on Deng's guidance that the changing times have brought about a new trend of peace and development. Thus, the PLA reduced its military forces by 1 million servicemen.⁸ In addition, they realized the need to re-equip the military to prepare it for the modern war, one that is localized and of limited duration. Learning from the Gulf war, Chinese military strategists are convinced that the means to prosecute a localized war with limited objectives is through "Active Defense." This calls for a shift from the use of standard

weapons to a concentration of high-tech weapons in decisive strikes.⁹ The Chinese defense strategy is focused on two areas, namely to counter super power policies with nuclear weapons, and to upgrade conventional weaponry for regional conflicts.¹⁰ China is intent on building a credible defense capability that would ensure the nation does not suffer from the humiliation of foreign occupation ever again. Concurrently, it is also determined to develop sufficient capabilities to manage and control the country in the event of civil war and social disorder. China has also gone on record to declare that it will resort to force should Taiwan declare independence. Hence, China's defense development will definitely make provisions to take on the Taiwanese force. To realize its role as a regional power, China's military upgrade is also focussed on force projection to enable sustained operations over extended ranges to include the Spratly Islands.

At the strategic level, China is an independent producer of nuclear weapons and has the capability to inflict mass destruction on any would be aggressor. However, while it has the world's third largest arsenal of nuclear weapons after the US and Russia, its stockpile and capability is a far cry from that of either.¹¹ Thus, it is not about to take on any of the major powers militarily. China also signed the Non Proliferation Treaty in 1992 and agreed to prohibit the first use of nuclear weapons.¹² The defense budget and re-equipment plans are state secrets, but it is clear that the PLA leaders are limited by budget constraints and have therefore pursued a policy of selective modernization of conventional weapons. These are concentrated around critical military capabilities with primary emphasis on force projection.

Naval capability development includes anti-submarine warfare, ship-borne air defense, sustained naval operations and amphibious warfare capabilities. Major

enhancements include Kilo class submarines from Russia. Furthermore, there are indications of China's intention to develop aircraft carrier capability in the 2010 period to support its sustained force projection objective. In 1985, China bought the Australian Navy's former aircraft carrier Melbourne as scrap but took it apart apparently for reverse engineering instead.¹³ Future plans include using Hong Kong's strategic location and deep harbor facilities to accommodate its naval fleet. This would facilitate better access to the Sea of Japan and the South China Sea. Air Force upgrades are focused on developing strategic airlift, aerial refueling, ground attack capabilities, and air superiority fighters. Of significance are the acquisition of SU-27 long-range fighters and IL-78 air refueling tankers from Russia.¹⁴ Ground capability modernization includes improving mobility, logistical support, air defense, and command and control capabilities. Key emphases are rapid reaction force and amphibious capability.

In spite of the acquisition of more advanced military assets, China still has to contend with making significant doctrinal changes before it can become a credible force. Much of its operational art and tactical doctrine was learned from the former Soviet Union,¹⁵ and its acquisition of more Russian equipment would only prolong the period it takes to catch up with proven Western doctrine.

Essentially, in the near term, China does not pose a major threat to the nations of Southeast Asia as its forces are not yet capable of sustaining any major conflict in the South China Sea. Its forces even lag behind those of its Southeast Asian neighbors in qualitative terms and training. However, if economic growth and sociopolitical stability is sustained, China's defense budget would increase and its armed forces could progress

from a limited regional power to a much more capable force with the ability for sustained operations over extended ranges.

Notes

¹ Juwono Sudarsono, "China as an Economic Power: A Regional View," in *The New Asia-Pacific Order*, ed. Chan Heng Chee, (Singapore: Institute of Southeast Asian Studies, 1997), 93 - 103.

² White House, *China and the National Interest*, President Clinton, Oct 1997.

³ Seth Faison, "Analysis: Beijing on the Brink? Signs of Danger in China's Economy," *The New York Times*, 27 November 1997.

⁴ Erik Eckholm, "On the Road to Capitalism, China Hits a Nasty Curve: Joblessness," *The New York Times*, 20 January, 1998.

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¹⁴ *Ibid*, 27.

¹⁵ *Ibid*, 28.

Chapter 5

ASEAN'S RESILIENCE

ASEAN's collective resolve to promote stability within Southeast Asia was instrumental in deterring external aggression and promoting the current relative peace and stability. Nevertheless, ASEAN views China as an economic competitor more than an ideological or military threat.¹ Yet, China's sheer size and potential has a great impact on Southeast Asia and ASEAN must prepare to meet the challenges with renewed fervor. This chapter will examine ASEAN's resilience to an emerging China.

ASEAN'S INCEPTION

ASEAN was established on 8 Aug 1967 in Bangkok, Thailand with the signing of the Bangkok Declaration by 5 member nations namely, Indonesia, Malaysia, Philippines, Singapore and Thailand. Two other nations have since been admitted, Brunei in Jan 1984 and Vietnam in Jul 1995. The key objective of ASEAN then, was to promote economic, social, and cultural development so as to achieve regional peace and political stability in the face of communist insurgency. However, it was initially more effective as a tool for diplomacy and political dialogue among member nations. Nevertheless, ASEAN slowly evolved to become recognized as the single collective voice on Southeast Asian affairs on wide ranging issues from politics and security to economics and the environment, both within and outside the ASEAN framework. The security issues facing the nations at the

time of inauguration included domestic insurgencies, bilateral disputes among member nations, and the potential Communist threat from Vietnam. Hence, the initial security objectives of ASEAN were based on achieving national and regional resilience, promoting external relations, and self-determination on issues concerning Southeast Asia.

NATIONAL AND REGIONAL RESILIENCE

The first ASEAN security objective was based on the concept of achieving national resilience. At the height of the communist threat in Indochina and Southeast Asia, social and economic developments as key tenets of capitalism were thought to be effective weapons.² It was further thought that through achieving resilience at the national level it would also contribute towards regional resilience against both internal and external threats. Subsequently, the demise of the communist threat heralded the effectiveness of regional cooperation and reinforced the need for collective resilience and cooperation. Hence, the Treaty of Amity and Cooperation, which was based on the principles of good neighborliness, was signed in 1976 to serve as a code of conduct for relations and as a tool for the peaceful settlement of disputes.³ Indeed, this approach has proven successful as it provided the opportunity for dialogue and consequently minimized the effects of various territorial disputes between member nations. The most important impact of these dialogue was confidence-building and creating transparency among member nations and has remained as an essential tool in averting misunderstandings and conflicts till today.

SECURITY COOPERATION

Another security objective of ASEAN is the formation of a collective voice against extra-regional powers interfering in the affairs of the region.⁴ Hence, the formation of Zone for Peace, Freedom and Neutrality (ZOPFAN), the essence of which was to create a nuclear weapons-free zone in Southeast Asia as it was deemed essential for regional peace and stability. However, ASEAN has since evolved to become a more complete entity as it adopts increased economic cooperation whilst deepening political and security ties. This was a result of the recognition for successful political cooperation to be matched by economic cooperation in order to meet the challenges of the international economic environment.⁵

ASEAN also undertook the obligation to be the primary driving force for the ASEAN Regional Forum (ARF). This forum is attended by most of the major powers in the Asia-Pacific rim including ASEAN member states, Australia, Canada, Japan, New Zealand, Republic of Korea, United States, China and also the European Union and Russia. It is aimed at achieving peace, stability, and prosperity in the Asia-Pacific region through a three-stage approach that includes "the promotion of confidence-building, the development of preventive diplomacy mechanisms, and the development of conflict-resolution mechanisms."⁶

ECONOMIC COOPERATION

In 1992, ASEAN formed the ASEAN Free Trade Area (AFTA) partly in response to the European Common Market (EC) and the North American Free Trade Area (NAFTA). AFTA is aimed at greater economic integration including reducing tariffs among ASEAN nations, and liberalizing key services industries such as banking,

telecommunications, and tourism. Among other issues such as ASEAN enlargement, intensification of general cooperation, and deepening of external relations, the Fifth ASEAN Summit, held in Bangkok in December 1995 specifically called for greater economic cooperation.⁷ External cooperatives have also been formed to promote better linkages with regional powers. Apart from AFTA, other key economic co-operations include the Asia-Pacific Economic Cooperation (APEC), the Asia-Europe Meeting (ASEM), and the East Asia Economic Caucus (EAEC). These co-operations contribute to enhance the economic dynamism of the region and provide the necessary resilience against China's growing economy.

MILITARY ARRANGEMENTS

Despite external pressures and the sensitive nature of the South China Sea as a flash point for armed conflict, ASEAN has resisted the temptation to establish a formal military alliance. Logically, such an alliance would attract undesirable counter forces including providing China the impetus for excessive military upgrade. Instead, ASEAN nations have individually developed a web of bilateral and multilateral arrangements with countries within as well as outside the ASEAN framework. One of the more enduring arrangements is the Five Power Defense Arrangement (FPDA) involving Malaysia, Singapore, Australia, New Zealand, and the United Kingdom. Other arrangements include Memorandum of Understandings (MOU) with US forces in the Asia Pacific region for joint exercises and planning. These have evolved in scope and depth resulting in major combined exercises like Cobra Gold in Thailand, PitchBlack and Tandem Thrust in Australia, and Merlion in the South China Sea. This network of military arrangements,

especially with the US, contributes as a key deterrent against would be external aggression.

While there are no formal military organizational structures within ASEAN, the combined military training and exercises provide for better understanding and interoperability among ASEAN nations and their regional partners. As such, should the need arise, ASEAN has the potential to respond collectively in the form of a coalition. Most ASEAN nations have independently upgraded their military capabilities in parallel with their economic growth. Advanced hardware such as F16, F18 and Mig29 fighter aircraft, submarines, and MRLS are examples of state-of-the-art equipment that were recently acquired.⁸ While the Chinese inventory has far more assets than those of ASEAN put together, the latter has qualitatively superior hardware and training than the former. However, this may not remain the case in the out years as China continues to modernize its national defense capability.

MANAGEMENT OF SPRATLY DISPUTES

On issues concerning the Spratly Islands, ASEAN internally initiated a series of workshops on "Managing Potential Conflicts in the South China Sea." These non-governmental gatherings, attended by government and military officials in their private capacities, are convened to explore ways to incite co-operations among the nations bordering the South China Sea.⁹ The South China Sea Informal Working Group was the initiative of Ambassador Hasjim Djalal of Indonesia. In part, this initiative has been able to maintain relative peace over the Spratly Islands. Even though it has not been able to arrive at any significant form of settlement, it provided the opportunity for informal and open discussions and is considered one of the more realistic efforts in averting armed

conflicts. The project also spawned Technical Working Groups that deal with co-operation with marine scientific research, resource assessment and means of development, marine environment protection, legal matters, and navigational safety. Ideas for co-operations are tossed up from these informal meetings, refined and referred back to the annual plenary meetings for adoption. Indeed, these have enhanced the prospects for joint development for the drilling of gas resources under the seabed.

ASEAN EXPANSION

Another objective of ASEAN was to promote external relations through the extension of its framework to include the whole of Southeast Asia.¹⁰ The founding fathers of ASEAN had opened the door to all southeast Asian nations as it was deemed necessary to engage the nations in Indochina and whatever development that would emerge after the war in the sixties and seventies. The aim was to secure the countries of Indochina as part of the Southeast Asian community rather than becoming Chinese proxies for the spread of communist ideology. ASEAN's proven approach of dialogue has succeeded in reducing tensions and created an environment conducive for stability and progress. It is this track record that has provided the impetus for renewed drive towards ASEAN expansion. The acceptance of Vietnam as a member nation is a step closer towards realizing the goals of the founding fathers. However, China has gone on record to voice its opposition to the widening of ASEAN to include Vietnam. This is a clear indication of China's apprehension and perception that the expanded regional grouping is intended as a counterweight to its own increasing capabilities.

Notwithstanding China's objection, ASEAN is determined to include the remaining Cambodia, Laos, and Myanmar into the association although they have yet to

meet the required criteria for admittance, nor have they the economic base to support the numerous ASEAN conferences. Nevertheless, it would only be a matter of time before ASEAN membership reaches the targeted ten nations which will reinforce its contribution as the cornerstone of stability in Southeast Asia.¹¹

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² Huxley, 4.

³ Ibid, 11.

⁴ Ibid, 16.

⁵ Janadas Devan, *Southeast Asia - Challenges of the 21st century*, (Singapore: Institute of Southeast Asian Studies, 1994), 15.

⁶ Progress Report, "The ASEAN Regional Forum: A Concept Paper," in Chairman Statement of the 2nd ASEAN Regional Forum, Brunei Darulsalam, 1 August 1995. <http://www.aseansec.org/asc/r9596/asc95v1.htm>,

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Chapter 6

US POLICY AND COMMITMENT

The US has significant investments within the Asia Pacific region and recognizes that remaining engaged in this area is "not a charitable exercise, [but] promoting its own self interests."¹ US trade with this region accounts for over 35% of its world trade. ASEAN is an important sub-region and ranks as the fourth largest trading partner of the US. Economists believe that trade between ASEAN and the US will expand and ASEAN could become the second largest trading partner with the US by 2010.² Consequently, the US has profound interests in this region. With the current economic crisis in Asia, the US is aware that the reassurance provided by its presence is even more important and has pledged to remain deeply engaged and committed in the Asia Pacific region.³ US strategic objectives in the East Asia-Pacific region include fostering political stability, maintaining access to regional markets, ensuring freedom of navigation, and preventing the rise of hostile hegemon.⁴

Although China has achieved tremendous growth rates and embarked on significant modernization programs since the 1980s, where these will take it largely depends on the leadership and the success of political reforms. The US 1997 QDR provided for an insurance policy of preparing for the uncertain future and hedging against the possibility of unanticipated threats. US strategy of engagement recognizes China as

an emerging power that is poised to either contribute to, or detract from the dynamism and cooperation of the Asia-Pacific region. As such the US remains committed to maintaining a force level of 100,000 troops in East Asia. The recent Jiang-Clinton summit in Oct '97 is a clear indication of the interest for high level discussions and interaction. However, this move towards constructive partnership does not make China and the US best of friends. On the contrary, China views the US engagement strategy with suspicion as it deems the US perception of China as an emerging threat as being unfair. Chinese scholars are convinced that the engagement strategy is aimed at promoting democracy in China, and encouraging China to abide by Western standard of human rights and individual freedom. Moreover, it suspects the US of preparing for the "containment" of China through a revitalized US-Japan alliance.⁵ It is important that the US is mindful of Chinese security perception and takes steps to reassure China of its honest intention for peace and stability in East Asia. Similarly, US policies in East Asia should be carefully articulated to preclude inadvertently pushing China's defense strategy into high gear. Perhaps it is in recognition of China's needs for time to evolve its own brand of representative government that President Clinton is unwilling to let any single issue hold the entire relationship with China captive.⁶

Notes

¹ Derwin Pereira, "American military presence in Asia serves US interests," (quoting Sec Def William Cohen), *The Straits Times - Singapore*, 15 Jan 1998.

² Patrick M. Cronin, "ASEAN and Regional Security", *International Security Studies*, No. 85, October 1996.

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⁴ Hans Binnendijk, "US Strategic Objectives in East Asia," *The Strategic Forum, Institute of National Strategic Studies*. No. 68, March 1996.

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⁵ Bonnie Glaser, "Strategic Ferment in China: Managing China's Security Environment in a Unipolar World," *Henry L. Stimson Center Asian Security Series*, 11 March, 1997.

⁶ The White House, Press conference by President Clinton and President Jiang Zemin, 29 October 1997.

Chapter 7

CONSIDERATIONS FOR POTENTIAL CONFLICT

TRIGGERS

The ASEAN Challenge

While ASEAN is an important trading partner that could assist China in rebuilding and help put it back on the road to recovery, it poses as much a challenge. ASEAN has already included Vietnam and has intentions to expand further to subsume Laos, Cambodia, and Myanmar under its umbrella. Invariably, China views ASEAN as being designed to act as its counterbalance on both economic and political fronts. The consequential bipolarity creates inherent suspicion and constitutes a persistent source of tension that could lead to conflict.

Shift of Military Balance between China and ASEAN

Currently, several ASEAN nations possess relatively credible military hardware. ASEAN's proven solidarity has the potential to put up a credible collective defense against any Chinese aggression and thus provides the necessary deterrence. However, the defense spending of these individual countries cannot match that of China especially if its GDP continues to increase dramatically. Chinese defense modernization is expected to achieve much greater capabilities in the longer-term future, and there will come a time

when the military might of China surpasses that of ASEAN's collective military capability. As a result, ASEAN's deterrence will no longer be as formidable, which could provide the catalyst for aggression.

US Downsizing as a Destabilizing Factor

In the post Cold War era, US decision to downsize its forces worldwide was a source of concern for many regional areas including Southeast Asia. Coincidentally, the eruption of Mount Pinatubo in the early 1990s in the Philippines accelerated the closure of Subic Naval Base and Clark Air Base, two of the most strategic forward US bases in the Far East. ASEAN regards US military presence in this region as a necessary stabilizing influence¹ and was thus, quick to offer alternate military basing facilities to the US. Although a small nation with limited real estate, Singapore was the first to signal its welcome to the US forces by offering modest basing facilities² and increasing military interactions. In Jan 1998, Singapore provided yet another major boost to US security presence in the region when it announced that it will provide American aircraft carriers and other warships access to its new Changi Naval Base, ready in 2000.³ Many other ASEAN nations have also welcomed the US forces by entering into bilateral and multilateral military arrangements with the US and allowing for short-term deployments of US assets.

As long as US commitment to remain engaged in Southeast Asia continues, the risk of instability in the region will remain remote. However, the US has advocated that ASEAN takes on a more active role in policing the security of the region. While ASEAN has been successful as a platform for diplomacy and dialogue thus far, it is not the ideal platform for tackling major security issues, let alone embarking on military undertakings

to contain a regional power. The primary concern is that China would view an ASEAN military pact as a direct challenge to its interests and sovereignty. Moreover, should a peaceful reunification of the Koreas take place, it would be conceivably more difficult for military leaders to justify to Congress for US forces to remain deployed in the peninsula. Additionally, in the light of the uncertain future of the Okinawa bases, the US might find itself without another major foothold from which to exercise its forward presence. As such, US presence in the region is not guaranteed. Ultimately, should the US reduce its presence in the region, it will invariably open up the doors for China to take on a more prominent role. While China might not necessarily be hegemonic, its increased influence could possibly induce resistance from some countries in Southeast Asia thus leading to conflict and instability.

Internal Instability

China's success as a nation hinges on its economic success. While it has been achieving very impressive double-digit growth rates over the past decade or so, there are signs that the Chinese economy is facing some challenges ahead. If it experiences an economic downturn and faces pressure from within, it is likely that the Party leadership will turn its PLA forces inward to quell social unrest and maintain control of the masses. Nevertheless, it is also possible for the leadership to adopt a more assertive foreign policy in a bid to divert attention away from the internal turmoil. With the controversy over the territorial dispute and the resources that could be exploited from this area, the Spratly Islands would be a convenient place to embark on such a venture. Alternatively, nationalism could run along ethnic lines considering the fundamental cultural differences between China and the predominant Malay society within Southeast Asia.. The recent

economic crisis within Indonesia resulted in growing internal violence. Many of these were targeted at the minority Chinese storekeepers whom the rioters accuse of exploiting the masses with rising prices of essential commodities. If there is a need to divert attention from China's own internal turmoil, a modernized China might move to assist its "overseas Chinese population" militarily.

Territorial Grab

The current status quo over the Spratly Islands is probably the best solution for now, and China is advocating peaceful resolution and seeking joint ventures to develop the resources. However, some claimants remain suspicious of China's long term objectives and are keen to ensure they do not get nudged out of their "rightful share of the pie." In the past, Vietnam and the Philippines have been fairly active in taking military actions to signal their resolve to protect their claims. But most nations are currently preoccupied with economic achievements and thus the status quo over the Spratly Islands is maintained. But the status quo balances on a thin thread. Should any of the claimants miscalculate and decide to forcefully grab parts or the whole of the disputed area, China will definitely not sit back and watch the Spratly Island disappear from its grasps. On issues of sovereignty, China does not negotiate and has demonstrated its resolve to resort to force many times in the past.

IN PERSPECTIVE

In the final analysis, it is clear that China will become increasingly engaged in Southeast Asia and will use it as a stepping stone to the international stage. While armed conflicts in Southeast Asia would run counter to this key objective, it is still conceivable

that China could still resort to force if the combination of events and a trigger action are in place.

While ASEAN expansion is vehemently opposed by China, the ASEAN leadership is determined to include the remaining Southeast Asian nations as members, but yet, is sensitive to China's uneasiness. ASEAN leadership therefore, strives to allay China's fear of the ASEAN challenge through dialogue sessions like the ASEAN Summit where China attends as observer status and the ARF where China is a key member. Thirty-five percent of US world trade is with the Asia Pacific region. Consequently US commitment to this region is unlikely to decline. But US policy of engagement through forward presence is designed to suit the current security environment. Should China become more militarily active in the future, the US is likely to adjust its policy to adequately counterbalance the Chinese military prominence. Moreover, ASEAN would most likely continue to welcome US forces in-theater to maintain the balance of power. China's prospects for continued economic growth is still questionable and China in turmoil would certainly affect the stability of Southeast Asia. However, it can be argued that with internal instability, China would turn inwards and focus its PLA forces towards controlling civil unrest rather than lashing outwards at its neighboring countries. China is also unlikely to get involved in regional ethnic and religious disputes given its preoccupation with nation building.

Ultimately, for China to engage in full scale armed conflict in the south China Sea, it has first to acquire a credible military machine capable of sustained operations over extended ranges from the mainland. This could be achieved in the longer-term if the booming economy continues. The most dangerous scenario that would lead China to

armed conflict in Southeast Asia would be when one of the Spratly Islands claimant nations embark on a desperate move to grab the disputed territories. Such a move would probably trigger China to react militarily as it is intolerant over sovereignty issues. However, China is still likely to keep this to no more than skirmishes as it has too much to lose otherwise. Even with more capable military assets in the future, China will probably limit military actions to low intensity conflicts only as it would otherwise most certainly pull in the rest of ASEAN member states and the US as well.

Notes

¹ Grinter, 139.

² Department of Defense, *News Briefing of the Office of the Assistant Secretary of Defense (Public Affairs)*, 15 January 1998, (Dr Tony Tan, Deputy Prime Minister and Minister for Defense, Singapore).

³ "US aircraft carriers to get access to Changi base," *The Singapore Straits Times*, 16 January, 1998.

Chapter 8

CONCLUSION

In the post-Cold War era, uncertainties and the lack of an apparent threat tend to lead strategists to look for "emerging threats." Certainly, China's vast potential to become a significant player in the global economic and security environment coupled with the controversial events of its recent history qualifies it as a potential threat to world peace. In particular, China's handling of the Taiwan Straits and the Spratly Islands incidents were quickly condemned as evidence of hegemonic intent.

However, a closer examination of China's past, its national interests and policies show that it is intensely focussed on nation building through economic reforms. Its preoccupation with economic growth is a key stabilizing factor. Moreover, China is keenly interested in Southeast Asia as a stepping stone towards achieving international recognition as a great nation. Hence, its relationship with ASEAN would remain cordial.

In addition, China's military machine, even after modernization, is at best defensive and is technologically and doctrinally behind Western capabilities. Currently, it is not yet able to sustain military operations over the South China Sea. Moreover, ASEAN's web of bilateral and multilateral military arrangements and continued US presence contribute as an effective deterrent to any form of military aggression.

Nevertheless, sovereignty is a non-negotiable issue to the Chinese leadership and a territorial grab over the disputed territories by any of the claimant nations will most definitely trigger China to retaliate as was demonstrated in 1988 against Vietnam and 1995 against the Philippines. Yet, China is likely to limit this to low-intensity conflict even as it acquires more capable military assets in the future. It stands to lose too much in a full-scale conflict in the South China Sea as it might well have to take on ASEAN collectively as well as the US. In the final analysis, China is not the evil dragon as feared by the West, but rather, it is a phoenix attempting to consolidate itself and rise back to its previous glory. Consequently, ASEAN and the US should take heed of China's needs and the foreign policies with China should remain as comprehensive engagement and not containment so as to preclude inadvertently pushing it in a negative strategic direction.

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