



“China in Asia” Seminar Series
Summary of Core Group discussion for March 14 seminar

The session opened with an introduction of the Core Group mission and members, as well as the goal of the seminar series – to strike a balance between the economic and security perspectives in our discussions of China’s “rise.” The following questions were raised: Can we get to the heart of China’s behavior by looking only at the economics? To what extent is China a locomotive for regional economic growth or an interdependent actor in the regional economy? How much should we make of China’s economic role in the region?

Senior economists present immediately validated the unique influence China is having on regional economic trends. China is a major growth factor with impressive, steep import figures, particularly from 2001. Regional production patterns, although forming something of a “flying geese” model are fairly new with the introduction of rapid Chinese development. Chinese ratios of trade to GDP have risen at unprecedented levels, unlike the pattern seen during the time Japan served as the vehicle for regional growth.

However some experts raised the specter of the growing Chinese trade imbalance with most of Southeast Asia, the fact that the majority of Southeast Asian firms are actually U.S. subsidiaries based in the region, and the question of parallel commodity production with China potentially squeezing out smaller regional producers in the future. And yet there is still a fair degree of optimism in the region.

A regional business expert however indicated the optimism does not represent a sea change, but merely stands as part of a transition that is still very much occurring. As of yet, China’s impact has not been as bad as had been feared, still few local companies are benefiting from the trade with China – mostly large manufacturers and subsidiaries. There is still a healthy fear of China’s impact 10 years from now and many hope for the return of U.S. firms. In responding to a question regarding the China-ASEAN FTA, the expert said this was serving as a barrier for U.S. firms which fear their ability to continue to compete. However many American firms have established ties in Southeast Asia where it is often easier to do business than in China, and as long as the market remains open to American products they will stay.

The discussion then shifted to China’s embracing of regional institutions and the existence of non-binding norms as facilitating China’s involvement and influence in the region. Has China really adopted these norms or is it merely an instrumental action?

A China expert said he did not see China so much as embracing ASEAN norms as there being a convergence of ASEAN norms with what China sees international and security relations should be. Taking a look at the Shanghai Security Cooperation, there is a number of security norms expressed that are not in ASEAN declarations. Besides non-binding agreements,

norms of mutual benefit and mutual equality as well as cooperative rather than collective security appeal to both China and ASEAN. The U.S. should be sensitive to the Asian security discourse.

The group generally agreed the U.S. needs to do more to engage East Asia because China's approach has thus far been very successful, some experts raised potential areas where China's positive engagement could falter.

An economist noted that the U.S. needs to move forward on trade with the region beyond bilateral agreements. He remarked that China's approach may so far have been successful because contrary to the U.S., Beijing does not formulate the legalistic framework first but deals with it later down the road. A specialist on Asian affairs pointed out the difference in U.S. norms of democracy and even interference in the affairs of other countries which clash with Chinese norms. Others mentioned the perceived single-minded attention the U.S. gives to alliance strengthening and counterterrorism does not engage Southeast Asia enough on the issues that matter to them. Poor public policy, ineffective diplomacy, and apparent disregard for regional institutions were also cited as areas where the U.S. failed to engage the region. The U.S. should be involved in pre-emptive engagement.

Another area in which China has been successful is how it engages with each ASEAN country. An expert in the NGO arena pointed out how aware China is of each country's potential strengths – that Indonesia is the largest Muslim country, Thailand is the oldest treaty ally of the U.S. (and a good relationship with them would be a stick in the eye to the U.S.), Singapore has a large Chinese population but also has a good relationship with the U.S.

However, participants also noted there were several weaknesses in China's strategy. An Asian business expert noted that the 10 ASEAN countries have different relationships with China, and that many are not that comfortable with China and its growing position. He noted that the Philippines is not comfortable with China, Singapore is keeping a watchful eye on certain aspects of the Chinese economy, Vietnam hasn't exactly figured out what to do, and Thailand may be more comfortable than Malaysia, but the two are not entirely swayed by China's rhetoric.

A Japanese participant seconded this point, saying that Japan most certainly had a different view about China on security and trade. On one hand China has become a major trading partner for Japan, but on the other there is intense competition for natural resources.

Other group members brought up the potential for Japan and India to serve as counterweights to China. India is increasing its presence and interest in the region, and some ASEAN countries want India to join the East Asian Summit. However a strategist expressed doubt that Japan and India could come to any kind of agreement, particularly on nuclear capability, and therefore questioned how well they would work as counterweights.

An economist raised the issue of the Korean peninsula as a crucible for China – the potential costs could be very high, and the outcome remains unknown. Taiwan too remains a test for China in determining how successful its “charm offensive” is in the region.

The U.S. alliances in the region were also considered a near-term test for China.

Several participants also observed China was for the most part taking on only the easy issues. It is easy for China to embrace ASEAN norms on certain issues – such as the South China Sea where China’s stance seems to have shifted recently. However on the matter of the Mekong River, China is not so interested in the positions of the other actors and has refused to take part in multilateral colloquies. Beijing’s leaders are perhaps interested only in multilateralism where the cost is not high to China.

Some questions raised over the course of the discussion were –

1. Can we see how the embracing of ASEAN norms might restrict China in the future on some tougher issues?
2. A non-traditional security specialist raised the point that the speaker and the discussant, though they disagreed on China’s long-term plans, agreed on the policy prescriptives for the U.S. So how long until the fork in the road? And what are the short term policy implications for the United States?
3. What are China’s attitudes toward regional alliances? Or do they vary by issue area?