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## **China and East Asia<sup>1</sup>**

In 2005, the People's Republic of China (PRC) is both strong and weak. It is strong in the sense that investor confidence has not been shattered by energy shortages and other bottlenecks. It is weak in the sense that the central government's attempts to slow down the overheating economy were not entirely successful with a GDP growth of 9.5 per cent in the last quarter of 2004. If there is no improvement in 2005, there is a risk of high inflation and an abrupt bursting of the economic bubble that would destabilise the country's fragile banking system.

High inflation and rampant corruption had been at the origin of the 1989 Tiananmen massacre which, among other things, led to a 15 years house arrest for the Communist Party of China's (CPC) then secretary-general Zhao Ziyang. When Zhao passed away in January 2005, the party leadership under Hu Jintao arranged for a low-level funeral while trying to keep the event out of the news. Whereas hopes for a gradual political opening had been fading since Hu's coming into power in early 2003, social tension increased significantly amidst the backdrop of growing disequilibrium within and among regions. At the same time, the launching of another anti-corruption campaign signalled that the problem was far from being solved.

Due to unhampered economic growth and a lack of energy efficiency, the PRC's net oil imports doubled between 1998 and 2003, and forecasts predict another fourfold increase between 2003 and 2020. With India expecting similar growth, Northeast Asian industrialised countries such as Japan and South Korea have engaged China in an intense competition over energy supplies that caused Sino-Russian tensions in 2003, when Moscow decided to build a pipeline from Lake Baikal to the Sea of Japan instead to the PRC as had been previously agreed. In 2004, Peking awarded gas drilling concessions in disputed areas in the East China Sea, thus contributing to simmering tensions with Japan. Also in 2004, China suspected that American proposals for anti-terrorist patrols in the Straits of Malacca would serve as a means to strangle the PRC's supply lines from the Gulf in the event of a conflict over Taiwan. Whereas resource problems could best be solved through the kind of cooperative solutions that all concerned parties have since suggested, lingering political suspicions have instead turned them into highly contentious issues.

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As far as the risk of a conflict in the Taiwan Strait is concerned, the Pentagon for a couple of years has emphasised a gradual shift in the balance of powers with Peking modernising its navy and airforce and steadily increasing the number of conventionally armed short-range missiles targeting the island. Whereas China for the foreseeable future remains unable to militarily challenge the US, it has been acquiring asymmetric capabilities to inflict significant damage on American war-ships while trying to shorten the prewarning time available to the potential adversary. Analysts believe that by 2012 the PRC will be able to use satellites to guide precision weapons for pinpointed attacks on Taiwan's political and military nodes. It was amidst this backdrop that Washington called on Taipei to accelerate its own military modernisation while, among other things, strengthening the US alliance with Japan and restructuring its South Korean troops for deployment outside the peninsula.

The good news, in this context, would be that the PRC's present preoccupation with Taiwan has slowed down attempts to acquire conventional long-distance power projection capabilities, and Peking's reluctance to significantly contribute to the January 2005 tidal wave relief in Southeast Asia proves as much. The bad news would be that China has continued to modernise its strategic missile force with a view to overcome an American-Japanese regional shield that could be activated in a couple of years.

The Taiwan factor also seems to be responsible for the abrupt termination in May 2004 of a domestic Chinese debate over the country's supposed "peaceful rise" with conservative critics emphasising that force would still have to be used in the event of Taiwan tilting further towards independence or Washington "intervening in the PRC's internal affairs," either in this context or as an outcome of George Bush's post-Iraq drive for global democracy. In November 2004, Peking had to play down remarks made by former Foreign Minister Qian Qichen in a press interview according to which President Bush was trying to rule the world, thus destroying the anti-terrorist coalition and contributing to a sharpening of ethno-religious conflict. If one adds the possibility of a hardened US position on Taiwan, North Korea, as well as democracy and religious freedom in China itself, the "strategic competitor" leitmotif used by the Bush administration until mid-2001 could yet make a comeback. In the meantime, Bush's offer of regular senior-level talks on these and other issues are expected to clarify the respective positions.

## **Northeast Asia**

Whereas the Northeast Asian region would be highly complementary in economic terms (China significantly contributed to Japan's recovery from 2003 onwards and became its most important trading partner in 2004; the PRC has been the most important export market for Taiwan and South Korea since 2002 and 2003, respectively), this fort he time being has neither resulted in subregional free trade arrangements or confidence building. Even Seoul which due to the ongoing division of the Korean peninsula has made special efforts to woo Peking, engaged in a heated diplomatic exchange in 2004 after China had claimed an ancient Korean kingdom straddling the North Korean-Manchurian border as its own. It was only in March 2005 that a dormant Korean-Japanese conflict over a group of barren islands in the Sea of Japan threatened to undermine coordination among Seoul, Tokyo, and Washington on the North Korean nuclear issue that had already been impacted upon by rising anti-Americanism in the Republic of Korea.

### *The Korean Peninsula*

The PRC ist the last remaining ally of the Democratic People's Republic of (North-) Korea (DPRK) and, together with Pyongyang and Washington, signatory to the 1953 armistice agreements for the Korean Peninsula. To the leadership of the Chinese People's Liberation Army (PLA), North Korea remains 'a shield for our strategy in Northeast Asia.' Today, China supplies the DPRK with about 80 per cent of its energy requirements and about one third of its food imports.

Whereas the PRC had contributed to the initial stages of Pyongyang's nuclear weapons programme during the 1960s, it has called for a nuclear weapons-free peninsula since the early 1990s, and in this context has repeatedly and discretely applied pressure on its ally. At the same time, Peking since the outbreak of the North Korean nuclear crisis in 1993 has refused to consider the imposition of sanctions by the UN Security Council.

As a substitute, the PRC tried to influence the DPRK behind the scenes, thus possibly contributing to the signing in 1994 by Pyongyang and Washington of a framework agreement that obliged North Korea to dismantle its plutonium infrastructure. This agreement became obsolete in late 2002/early 2003, when the DPRK first privately admitted to the existence of another, uranium-based programme (an admission that has since been denied) and shortly afterwards tried to resist US pressure by withdrawing from the Non-Proliferation Treaty (NPT). Left with few remaining options below the threshold of a military intervention, the Bush administration thereupon initiated a multilateralisation of the negotiation process.

At this point, the leadership of the Chinese state and party was in the midst of a major power transfer and initially remained reticent to let itself be drawn into the conflict between the unpredictable ally and the unbeloved superpower. If it eventually decided in favour of a mediation attempt, however, then because it had come to view the risks of war and proliferation as well as the risk of self-isolation as being significantly greater. In January 2003, outgoing PRC President Jiang Zemin, in a telephone conversation with Bush, for the first time stated that China did not "support" North Korea's withdrawal from the NPT. In February, Peking accepted a demand made by the International Atomic Energy Agency (IAEA) to take the new nuclear problem to the Security Council for deliberations while carrying more than fifty messages between Washington and Pyongyang. Behind the scenes, the DPRK was warned not to "play with fire," and a cross-border oil pipeline was closed for three days for "technical reasons." In April, Peking not only hosted three party-talks with North Korea and the US but actively participated, although Pyongyang had initially insisted on bilateral negotiations with Washington. Following the occupation of Baghdad by coalition troops, the DPRK declared its readiness to broaden the framework to include South Korea, Russia, and Japan (with Peking and Seoul accepting a Japanese participation only once Washington had consented to a Russian role.)

It has since then been China's main preoccupation to keep the six party-talks going, if necessary through additional pledges of assistance made to the North Korean side. The PRC has also said it would under certain conditions co-guarantee a negotiated solution. Anti-terrorism apart, it was such initiatives that in September 2003 caused US Secretary of State Colin Powell to characterise Sino-American relations as having reached their best stage since 1972.

At the same time, China criticised US and Japanese attempts to introduce topics such as the development and export of missiles, human rights, or the kidnapping of Japanese citizens to the DPRK in the 1970s and 1980s to the agenda. In November 2003, the PRC came close to adopting a North Korean proposal by suggesting that Pyongyang should receive security guarantees even prior to having removed its nuclear infrastructure (the proposal was turned down by Washington, Seoul, and Tokyo.) As a matter of principle, China has treated US allegations regarding the uranium programme with scepticism.

On 7 December 2003, China's Prime Minister Wen Jiabao in a speech to the UN General Assembly said that the DPRK's security interests should be taken into consideration. He added that North Korea, "for the time being" was not interested in having nuclear weapons while renewing calls for a nuclear-weapons free Korean Peninsula.

Whereas Bush's February 2005 State of the Union Address only referred to efforts made in co-operation with Washington's partners to make Pyongyang abandon its "nuclear ambitions", Secretary of State-designate Condoleezza Rice during mid-January Senate hearings had designated the DPRK as an "outpost of tyranny" together with Cuba, Iran, Zimbabwe, Burma, and Belarus.

When North Korea on February 10, 2005, declared its withdrawal from the six-party-talks while admitting to the possession of nuclear weapons, Peking found itself under increasing pressure not only from Washington and Tokyo, but also from Seoul, to exert its influence. The PRC thus relaunched its bilateral diplomacy and both privately and publicly appealed to Pyongyang to return to the negotiating table while not making any visible attempts to raise the ante on North Korea. Instead, China once again called on the US to be more patient and flexible and tried out incentives such as the promise of a state visit to the DPRK by President Hu Jintao. Pyongyang responded with new preconditions and vague promises of its own (according to diplomatic sources in Peking, the Hu-visit has since been postponed indefinitely because North Korea failed to give a clear date for a return to six-party talks.)

Since 1993, the PRC's foremost interest in North Korea has consisted in avoiding a collapse of the regime through "implosion" or American military pressure. This has not excluded concerns regarding a – mostly horizontal – nuclear proliferation, with 11 September 2001 and the Bush administration's preemptive strike doctrine further complicating the picture. However, because of intelligence of its own or Pyongyang assurances, Peking has played down this risk while generally supporting a North-South détente that tends to come at Washington's expense.

After the DPRK had once again raised the stakes in late 2002, China had little choice but to adopt a more proactive stance. On the one hand, the PRC leadership could not predict what the Bush administration was going to do after the fall of Baghdad. On the other hand, Taipei had tried to benefit from the apparently swift allied victory in Iraq for a further testing of its international margin of manoeuvre, and Peking attempts to condition cooperation on North Korea on US concessions over Taiwan had come to nothing. Lastly, a new North Korean self-isolation would have necessitated ever increasing amounts of Chinese assistance, thus damaging the South Korean economy and driving Seoul back into Washington's embrace.

If one adds unresolved territorial issues between the PRC and the DPRK, the presence of a 2 million-strong Korean minority in Northeast China, as well as a steady increase in the cross-border flow of North Korean refugees, Peking's recent diplomatic activism appears much more defensive than meets the eye. To the extent that China views the nuclear problem as the potentially cause of a new Korean war, it has been almost as inflexible as the US or Japan and less flexible than South

Korea and Russia who have attributed less significance to the residual atomic risk. At the same time, China has not felt confident enough to make use of the six-party framework as a nascent alternative to Washington's Northeast Asian alliance network, a move that would suppose a downgrading of relations with North Korea, if not the acceptance of a Korean reunification on Seoul's conditions. Early in 2005, rather than increasing its pressure on Pyongyang, Peking sided with South Korea in its freshly ignited dispute about a group of uninhabited islands in the Sea of Japan and started coordinating responses with Seoul to the issuing of a revisionist history textbook in Japan.

By adopting a basically defensive position on the North Korean nuclear problem, China has strengthened the Kim Chung-il regime and has enabled it to occasionally and indirectly play South Korea or Russia against itself. At the same time one gets the impression that Peking does not necessarily view the six-party format as the suitable framework to open an "evolutionary" way out for its difficult ally but is playing for time here while reserving itself the option to promote that approach in a new arrangement with South Korea that would come at the expense of Washington and Tokyo. The PRC's basically defensive stance is not only motivated by domestic and intra-Korean considerations, but also by the fact that China – contrasting with the situation in Southeast and Central Asia – finds itself confronted with strong and stronger neighbours and partners in the Northeast Asian subregion. Such partners cannot easily be tied in, at least not on Chinese conditions, and therefore are to be weakened with the help of new coalitions under Peking's leadership. This calculus is not only highly speculative, it also adds to a scenario of transregional confrontation while tolerating a considerable residual risk in North Korea, that according to some analysts would serve to increase China's leverage on the US. A PRC finding itself in a relatively unfavourable position along its DPRK border, vis-à-vis the US, and in all of Northeast Asia, will keep the six-party talks alive without promoting a quick and comprehensive solution to the nuclear problem, a tactics not unlike the Clinton administrations approach that unravelled in 2002.

### *The Taiwan Strait*

Whereas the Taiwanese economy since the early 1990s has become increasingly intertwined with the PRC economy, this (arguably mutual) dependence has not fulfilled Peking expectations that the "renegade province" would sooner or later consent to talks on unification. On the contrary, three democratic presidential elections (1996, 2000, 2004) in Taiwan resulted in victories by pro-independence candidates (Lee Teng-hui in 1996, Chen Shuibian in 2000 and 2004). In parliamen-

tary elections held in 2000, Chen's pro-independence Democratic Progressive Party (DPP) replaced the Kuomintang (KMT) as holder of the greatest number of seats, a result that it was able to defend in 2004.

Whereas this development was the outcome of the consolidation of a distinct Taiwanese identity and an increasing number of voters declared itself in favour of a formally independent Taiwan, the majority stuck to the status quo of no-unification, no declaration of independence, because the PRC had threatened to apply force in such as case and a number of others (Taipei acquiring nuclear weapons, "third party"-meddling, "chaos" breaking out in the island, or Taiwan indefinitely refusing negotiations on unification.) The US in its 1979 Taiwan Relations Act (TRA) had given Taipei a quasi-security guarantee, but all administrations since President Carter had exerted their influence on both Peking and Taipei to avoid an escalation.

The last escalation thus far was in 1996, when Peking tried to influence Taiwan presidential elections through massive military manoeuvres and missile tests in the vicinity of the Taiwan Strait that interrupted civilian air and sea traffic for a couple of days. At that point, the Clinton administration dispatched two carrier groups, and Taiwanese voters did not allow themselves to be impressed. In 1999, President Lee took advantage of his strengthened position to characterise cross-Strait relations as "special state-to-state." Earlier, Lee had tried to broaden the island's international leeway by introducing a so-called "flexible," i.e. informal, diplomacy and by annually applying for Taipei's (re-) admission to the UN.

When Chen Shuibian succeeded Lee Teng-hui in May 2000, he promised not to pursue formal independence, provided, China "does not have the intention to retake Taiwan by military force." Taipei subsequently eased restrictions on companies eager to invest on the Chinese mainland.

At the same time, however, Chen refused to negotiate with Peking on the basis of the so-called "one-China-principle," whereupon the PRC decided to ignore him while cultivating the opposition and Taiwanese business (including a brief attempt to discriminate pro-DPP businesspeople on the Chinese market). The island's business community and general public were to be lured with an offer of direct air traffic, sea transport, and communications (the so-called "three links") that was once again tied to acceptance of the "one-China-principle."

With the 2004 presidential elections approaching and confronted by a now unified opposition, President Chen announced plans for a referendum on election day to ask voters whether the island should increase its defence budget and engage in dialogue with the PRC. Earlier, he had characterised China and Taiwan as "one country on each side of the Taiwan Strait," and the Peking leadership interpreted the referendum initiative as a first step towards a plebiscite on independence. In September 2003, Chen indeed announced preparations for a revision of the Republic of

China's 1947 constitution to be finalised by 2008 (the end of his second term and year of the Peking Olympics) while explaining this with the necessity to make government more efficient. On 3 February 2004, he unveiled a proposal for a "Peace and Stability Framework" across the Taiwan Strait committing the two sides to resolve disputes peacefully, creating a military buffer zone, including the removal of combat personnel, equipment, and deployed missiles, establishing a political relationship based on "mutual respect," posting representatives in each other's capitals, mutually recognising jurisdiction, and not interfering into each other's diplomatic affairs. In March, the referendum missed the necessary quorum, but the president was reelected by a thin majority.

Three days before Chen's 20 May 2004 inauguration speech, the Peking State Council warned him "not to play with fire," yet at the same time offered Taiwan the creation of a mechanism for military confidence building and "international living space" in exchange for embracing the "one-China-principle."

Chen Shuibian had been warned by US officials that attempts to formalise Taiwan's de facto-independence would jeopardise American support. As early as 2002, the Bush administration discretely asked him to refrain from referendums, and when Chen turned down the request, President Bush himself felt compelled to make his concerns public in a rare rebuke of the Taiwanese leader during a December 2003 meeting at the White House with visiting Chinese Premier Wen Jiabao. Following Peking's May 17 warning, however, the administration reaffirmed its commitment to the defence of Taiwan.

When Chen assumed office for the second time on 20 May 2004, he pledged to avoid "issues related to national sovereignty, territory, and the subject of unification/independence" in the framework of the planned constitutional reform. Peking remained suspicious and continued to refuse any direct contact with the Taiwanese president and government.

Amending the constitution requires a three quarters parliamentary majority and consent by the National Assembly, a kind of upper house. Chen ruled out holding a referendum in May 2004, although he alluded to the possibility during the visit of a Mongolian delegation in October. This could have been the reason why US Secretary of State Colin Powell, on the occasion of a visit to Peking that same month, twice said that Taiwan was not an independent sovereign nation. At the same time, Powell urged his PRC counterparts to enter into direct talks with Taipei.

In April 2001, President Bush had dropped his predecessors' "strategic ambiguity" by saying that the US would "do whatever it takes to help Taiwan defend herself." Washington has since taken defence cooperation with the island to unprecedented levels, focusing on doctrine, training and joint operations, modernisation of command, control, communications, computer, intelligence, surveillance, and

reconnaissance systems, air and missile defence, and anti-submarine warfare, and in mid-2003, the Pentagon designated Taiwan a major non-Nato partner. A debate within the Taipei defence establishment on developing less costly offensive capabilities was acquiesced in, if not actually encouraged, by the American side (in this context, Taiwan's then prime minister made headlines in September 2004 by advocating a "balance of terror" between the two sides of the Strait.)

In June 2004, the Taiwanese cabinet approved a US\$ 18.6 billion Special Defence Budget to purchase six Pac-3 anti-missile systems, twelve P3C anti-submarine aircraft, and eight conventional submarines from the US over a 15-year period. When the proposal was turned down by the legislature on cost reasons and subsequently became an important issue in the election campaign, the Pentagon threatened "repercussions."

On the occasion of Taiwan's 10 October 2004 national day, President Chen for the first time called for peace talks on the basis of a 1992 Hong Kong meeting where both sides reportedly had verbally agreed that there is only one China but each side has its own interpretation of it (in Chen's earlier interpretation, both sides had agreed to disagree.) He said he hoped to promote "confidence-building measures through consultation" as well as a "code of conduct" to guarantee permanent cross-strait peace. Peking responded by insisting on recognition of the "one-China-principle" as a precondition for talks.

In December 2004, the so-called "green camp" (consisting of Chen's DPP and the more radically pro-independence Taiwan Solidarity Union) unexpectedly failed to wrench a parliamentary majority from the opposition blue camp (consisting of the KMT under disputed leader Lien Chan and the People First-Party [PFP] under James Soong, a former governor of the defunct province of Taiwan.) At this point, Peking had already drafted a so-called "anti-secession law," and given ongoing factional struggle in China, increasing socioeconomic problems, and a rising nationalism among the PRC's urban and coastal residents, the CPC-leadership felt unable to withdraw or revise it. It was thus that the National People's Congress in March 2005 adopted a law that, while stressing a preference for peaceful unification, ruled that in the case of secession or "possibilities for a peaceful reunification" being "completely exhausted," the PRC would employ "non-peaceful means" to bring the island back into the fold. The Bush-administration criticised the move as "unhelpful" through both public and diplomatic channels and further intensified its military cooperation with the island.

Early 2005 thus witnessed a weakened Taiwanese administration and a mainland leadership that was paddling backwards so as not to further contribute to the very Taiwanese nationalism it had been trying to contain. Amidst this backdrop, Chen Shuibian met PFP-chairman James Soong to once again distance himself from

moves towards de iure-independence and committed himself to negotiations with the PRC on the eventual establishment of the "three links" (as a first step, Taiwan had authorised direct Charter flights in February to bring Taiwanese businesspeople home for Chinese New Year celebrations.) On 26 March, Chen led a mass-demonstration in Taipei against the "anti-secession law" but refrained from addressing the crowd. Two days later, a KMT-delegation paid an official visit to Peking and signed a ten points accord under which the mainland agreed to discuss economic and cultural issues with Taiwan. Chen Shuibian responded with orders for an investigation of the delegation's head for possible high treason and a review of the entire economic relationship. It was only in the context of mainland visits by Lien Chan and James Soong in May that Chen, by renewing his offers for an official dialogue, tried to prevent appearing as a lame duck over China. For the time being, Peking continues to ignore his overtures.

### *Japan*

Among the dyads presented here, China and Japan have come closest to what has been termed a "trading state peace." Their economies have been highly complementary and mutually beneficial with Tokyo, through both FDI and ODA, contributing to China's industrial modernisation and thus to bilateral trade. In 2004, Tokyo became Peking's most important trading partner, and Japan's export growth since the regional crisis has been mostly accounted for by trade with the PRC and Hong Kong. These exports have in turn fuelled a recent economic recovery.

Ironically, the growth of interdependence in absolute terms has also produced tensions. Confronted with energy shortages, the PRC in 2003 intensified gas exploration activities along the disputed Sino-Japanese border in the East China Sea. Earlier, Tokyo had bribed Russia into building an oil pipeline from Lake Baikal to the Sea of Japan rather than to Daqing in China.

At the same time, prospects for a new East Asian regionalism faded amidst the backdrop of a not so subtle China-Japan competition for the leading role. As long as mutual relations remain ambiguous and unresolved conflict elements linger on, the full potential of the economic relationship will not be realised.

If conflict elements have recently come to the fore, then much as in the China-Taiwan case because of the emergence of rivalling nationalisms. Gains made by the opposition Democratic Party of Japan (DPJ) in 2003 lower house elections signalled the possible emergence of a two-party system. Amidst this backdrop, Prime Minister Junichiro Koizumi, by paying annual visits to the controversial Yasukuni Shrine, dispatching warships to the Arabian Sea and soldiers to Iraq while pushing for a

reform of the 1947 "peace constitution" started to play a nationalist card, thus putting the DPJ on the defensive. Shortly after coming into office, the Bush administration had promoted Japan to "cornerstone" of its Pacific strategy and in 2005 managed to include Taiwan among common strategic concerns in its alliance relationship with Tokyo. When in November 2004 a *Han*-class submarine entered Japanese waters in the East China Sea, Japanese analysts were quick to establish a link with the PRC's preparation for conflict in and beyond the Taiwan Strait, and as a follow-up the Tokyo government actually moved fighter planes further south.

Japan's defence establishment has viewed China's military modernisation as a cause for concern since the early 1990s, yet bilateral relations had only turned problematic from 1996 onwards, when the Clinton administration started strengthening the alliance with Tokyo while coming close to conflict with Peking in the Taiwan Strait. When Japan in 1998, following the test of a North Korean long-range missile over its territory, committed itself to develop a satellite-guided missile defence system together with the US, China raised the suspicion that a future regional missile shield would cover Taiwan as well. In December 2004, Tokyo mentioned both China and North Korea as security concerns in a national defence programme outline.

In September 1998, then Chinese head of state and party Jiang Zemin had postponed a visit to Tokyo as Japan had refused to adopt President Clinton's so-called "three nos" (on Taiwan independence, "two Chinas," and Taiwan's representation in most international organisations.) When the visit took place in November, Jiang warned his hosts not to "falsify" Tokyo's wartime record. There was an inconclusive controversy about Jiang's request for a written Japanese apology for wartime crimes. At the same time, public opinion in Japan held an increasingly critical view of the neighbour. Jiang's successor has met Koizumi on a few occasions, but thus far neither leader has visited the other country.

A PRC that itself had been toying with nationalism since the mid-1990s viewed these developments as proof of a revived Japanese nationalism. Public opinion in China's urban areas has always been quick to respond to official Japan-bashing, and it was thus that during the August 2004 Asian Games Peking soccer finals the Japanese team was booed and Japanese fans had to be escorted from the stadium by riot police. In March 2005, a Chinese grassroots campaign to keep Japan out of the UN Security Council gathered about 22 million signatures. The campaign was tacitly supported by the PRC government that allowed state controlled media to prominently cover it. Also in March, authorities tolerated urban grassroot protests against the publishing of a revisionist Japanese textbook that involved attacks against Tokyo's diplomatic representations and shops as well as calls for the boycott of Japanese products. It was only on the eve of a meeting between Hu and Koizumi

on the fringes of the April 2005 Asian-African summit in Indonesia that Peking started distancing itself from the demonstrators while vaguely signalling a renewed interest in dialogue. At the summit, Koizumi offered the most public apology in a decade over Japan's wartime aggression. Hu Jintao subsequently demanded that Japan back up its words with action, thus making new Yasukuni controversies likely in the future.

If Peking has used the historical argument at its own discretion, playing it down during the 1970s when Japan was to be drawn into an anti-Soviet coalition of during the early 1990s when Japan-US trade disputes were on the rise, then because it is not the root cause of the present state of tension. Rather than historical symbolism, it is Tokyo's assumption of a higher military profile within the alliance and, more specifically, the Taiwan context that have tempted China to use its so far biggest stick. At the same time, the East China Sea issue in its security and territorial dimensions overlaps with the Taiwan issue thus complicating any cooperative approach.

The impression would thus be one of conflicting political imperatives increasingly clashing with economic reason. On the one hand, and especially in Japan, this development has been driven by public opinion. At the same time, however, governments on both sides have increasingly tried to make use of grassroots demands to promote their respective political agendas. Supposed that PRC mediation will not solve the North Korean nuclear issue anytime soon and thus lay the foundations for an autonomous Northeast Asian regionalism, this development could yet turn into a slippery slope.

## **Southeast Asia**

China views Southeast Asia as its historical glacis and has since the end of the Cambodian civil war in 1991 expanded its influence on the Southeast Asian mainland by cultivating economic and military relations with Burma, Thailand, Vietnam, Laos, and Cambodia. Whereas in the case of Vietnam this rapprochement has not solved outstanding territorial issues in the South China Sea, Hanoi has realised that neither its relationship with Washington nor its membership in the Association of Southeast Asian Nations (Asean) for the time being offer sufficient protection against the big neighbour. It was thus that Vietnam in March 2005 joined the Philippines in agreeing on a tripartite study of the oil potential in the disputed Spratly archipelago. China has been offering such cooperation since 1990. If it has not materialised, then mainly because all respective PRC proposals has referred to maritime areas under third party-control.

In 2002, Peking and Asean had signed a declaration of conduct for the South China Sea that committed all parties to the principle of peaceful conflict solution while avoiding a definition of the agreement's geographical scope (Vietnam had initially insisted on including the Paracel islands occupied by the PRC in 1970, and the Philippines had unsuccessfully lobbied for a prohibition of the construction of new structures on islands and reefs.) If no major clashes have occurred since, then because of China's courting of Asean as a new "strategic partner" in the kind of multipolar setting the PRC hopes will emerge in the future. The most spectacular initiative in this context has been a December 2004 China-Asean free trade agreement to be fully implemented by 2010. Whereas this development reflects Southeast Asia's recognition of the increasing importance of its China trade, both sides remain competitors on world markets, with the PRC apparently set to gain the upper hand.

This basic asymmetry is also reflected in the Asean-China security relationship. In 2003, Peking was the second non-Asean member after Papua New Guinea to accede to the Association's 1976 Treaty on Amity and Cooperation, a move that prompted India, Japan, Russia, and South Korea to follow suit. The Treaty, much as the 2002 South China Sea declaration, commits signatories to the principle of peaceful conflict solution. Also in 2003, the PRC proposed to launch a new trans-Pacific security dialogue that risked rivalling the Asean Regional Forum (ARF). In 2004, Asean – having overcome reservations held by a few member states – agreed to a Sino-Malaysian plan for the annual holding of so-called East Asia Summits (EAS) together with South Korea and Japan, a format that should eventually replace the so-called Asean+3 dialogue launched in 1997.

Whereas these developments signal a Chinese intention to take over the leading role in Southeast Asian, if not East Asian, politics, most regional economies still depend on the US as their major export market and on Japan as major investor. Furthermore and with the exception of Burma, Asean states have either openly or discretely signalled their interest in a continued US military presence in the region, with Singapore, and to a lesser extent the Philippines, calling for an even greater American role. Since 11 September 2001, the Bush administration in the framework of its antiterrorist campaign has staged a kind of military comeback in a part of the world that since the end of the Vietnam War had been judged to be important only as far as transit and market access were concerned.

However, this new engagement has fuelled resentment among Muslim communities in Indonesia, the Southern Philippines, and to some extent in Malaysia, a development that the PRC in turn has been trying to exploit for the promotion of its supposedly "softer" political agenda. When Peking and Manila in 2004 signed agreements on security and defence cooperation, this could be viewed as a reflex of an nascent new balance of powers, and China's Southeast Asian diplomacy has since

then been more of a concern in Washington. However, the PRC's advances are not yet a threat to US alliances and security partnerships. Furthermore, China has occasionally contributed to regional doubts regarding its own peaceful intentions when, for example, punishing Singapore in September 2004 for a visit to Taiwan by its prime minister-designate.

Whereas Japanese proposals for alternative cooperation frameworks, given Tokyo's economic troubles and historical record, have not been met with an overwhelming response among Asean countries, regionalist projects such as the ones promoted by China for the time being also remain rather futuristic, given the great diversity of East Asia in terms of political systems, a traditional emphasis on mutual non-interference, new nationalisms, and the entrenched elite view of the US as a benign balancer. Some have argued that given increased great power rivalries in Southeast Asia and the renewed challenge posed by non-traditional risks such as terrorism, Asean has no choice but to accelerate its own intramural integration, and plans have been drafted to turn the Association into a quasi-EU by 2020. For such plans to materialise, however, and for the region to survive as an international player in its own right, all member states would have to improve the perspectives for a deep integration through, first of all, democratisation.