

Changing Southeast Asia

The Role of China, the United States, Japan and ASEAN

Cao Yunhua &
Chen Jianrong

ASIA PAPER
November 2011



Institute for Security &
Development Policy

Changing Southeast Asia: The Role of China, the United States, Japan and ASEAN

Cao Yunhua & Chen Jianrong

Institute for Security and Development Policy
Västra Finnbodavägen 2, 131 30 Stockholm-Nacka, Sweden
www.isdp.eu

Changing Southeast Asia: The Role of China, the United States, Japan and ASEAN is an *Asia Paper* published by the Institute for Security and Development Policy. The *Asia Papers Series* is the Occasional Paper series of the Institute's Asia Program, and addresses topical and timely subjects. The Institute is based in Stockholm, Sweden, and cooperates closely with research centers worldwide. Through its Silk Road Studies Program, the Institute runs a joint Transatlantic Research and Policy Center with the Central Asia-Caucasus Institute of Johns Hopkins University's School of Advanced International Studies. The Institute is firmly established as a leading research and policy center, serving a large and diverse community of analysts, scholars, policy-watchers, business leaders, and journalists. It is at the forefront of research on issues of conflict, security, and development. Through its applied research, publications, research cooperation, public lectures, and seminars, it functions as a focal point for academic, policy, and public discussion.

The opinions and conclusions expressed are those of the authors and do not necessarily reflect the views of the Institute for Security and Development Policy or its sponsors.

© Institute for Security and Development Policy, 2011

ISBN: 978-91-86635-20-6

Printed in Singapore

Distributed in Europe by:

Institute for Security and Development Policy
Västra Finnbodavägen 2, 131 30 Stockholm-Nacka, Sweden
Tel. +46-841056953; Fax. +46-86403370
Email: info@isdpeu

Distributed in North America by:

The Central Asia-Caucasus Institute
Paul H. Nitze School of Advanced International Studies
1619 Massachusetts Ave. NW, Washington, D.C. 20036
Tel. +1-202-663-7723; Fax. +1-202-663-7785
E-mail: caci2@jhuadig.admin.jhu.edu

Editor: Dr. Bert Edström

Assistant Editor: Elliot Brennan

Special thanks to Erica Ohene-Bekoe for her editorial assistance.

Editorial correspondence should be addressed to Dr. Bert Edström at: bedstrom@isdpeu

Contents

Executive Summary5

China: The Rising Regional Power7

The United States: Declining hegemony.....9

Japan: Still the “leading goose”?.....13

ASEAN: Benefiting from the big-power balance strategy18

Is Transfer of Power Taking Place in Southeast Asia?20

The Soft Power Competition in Southeast Asia.....25

Concluding Remarks.....29

About the Authors31

Executive Summary

Southeast Asia's international perspective has been changing sharply in the twenty-first century. A multipolar structure has emerged, in which China, the U.S. and Japan work together with ASEAN to maintain peace, stability and prosperity in this region. Success in this endeavor depends largely on ASEAN's influence and role.

Since the end of the Cold War, China has increased its influence in Southeast Asia. From 1990 to 1997, ASEAN actively improved its relations with China, especially in terms of economy and trade. The financial crisis in 1997 was a major turning point in China–ASEAN relations. China demonstrated its sincerity in helping out its neighbors in crisis. The ASEAN countries could also see that China was making rapid economic progress since the mid-1990s and worked to improve their economic, political, security and cultural relations with China to initiate a new strategic partnership.

While China emerged as a rising power in Southeast Asia, the U.S. did not refrain, but reinforced its presence in this area. Its declaration “We are back” meant to tell the world that the U.S. will pay more attention to Southeast Asia. At the same time, the U.S.–Southeast Asia policy evinces some new aspects. First, not only focusing on the fight against terrorism, but stressing cooperation in economic issues and other areas; second, not only stressing bilateral relations, but also multilateral relations; and third, in addition to strengthening relations with traditional allies, pay more attention to developing ties with emerging countries.

The rapid development of the relations between ASEAN and China has also affected Japan's fall behind China, and it has taken countermeasures using its foundation of enduring economic ties to promote long-term business in Southeast Asia. ASEAN has made great achievements in its relations with these three powers in the region. It believes that China's influence in Southeast Asia is a rising trend, while the U.S. is a “moderate superpower”; therefore, it is necessary to expand the impact and presence of the U.S. and Japan in order to counterbalance China. In this multipolar pattern, the U.S. can still play an important leadership role in Southeast Asia. Neither China nor Japan or ASEAN can be a leader in the region; and the American leadership will be recognized and respected by all sides.

China: The Rising Regional Power

In the twenty-first century, the power equation between the leading states in Southeast Asia has changed. As the most important international organization in the region, the status of ASEAN has risen and its role has become more important. The major powers have also paid more attention to soft power competition. During the last twenty years since the end of the Cold War, China has increased its influence in Southeast Asia in three phases.

Phase 1: Normalization (1990 until the financial crisis of 1997): In this phase, ASEAN actively improved its relations with China, especially in economic and trade areas. Singapore, Malaysia, Thailand, the Philippines and Indonesia increased their investments in China. For instance in Singapore, the Chinese government and businessmen captured great business opportunities from the early 1990s; thus, Singapore has become China's fifth-largest foreign investment destination since the mid-1990s. In terms of politics, in 1990 Indonesia reopened its diplomatic relations with China after more than twenty years; in 1991, Singapore established formal diplomatic relations with China. Although some ASEAN countries are still beset by a Cold War mentality, ASEAN, in general, is constantly expressing its goodwill towards China, and expects China to play a more active role in international and regional affairs in the future.

Phase 2: Full improvement and full cooperation (from the financial crisis of 1997 until 2009): The financial crisis that broke out first in Thailand and then swept through Southeast and East Asia in 1997 was a major turning point in the China–ASEAN relations. China demonstrated its sincerity in helping out its neighbors during the crisis. The ASEAN countries could also see that China was making rapid economic progress after the mid-1990s and worked to improve their economic, political, security and cultural relations with China and initiate a new strategic partnership.

Phase 3: Deepening strategic partnership (after 2010): In 2005 China became ASEAN's fifth-largest trading partner, with trade amounting to US\$113.4 billion. Trade with China accounted for 9.3 percent of ASEAN's external trade. In 2009 China became ASEAN's second-largest trade partner, with the trade volume rising to US\$178.2 billion. Trade with China accounted

for 11.6 percent of ASEAN's external trade, while its share of investment ASEAN's FDI increased from 1.2 percent in 2005 to 3.8 percent in 2009.

The China–ASEAN Free Trade Area (AFTA) was established on January 1, 2010 by which a zero tariff policy was applied to 90 percent of items traded. Partly as a consequence of this initiative, China–ASEAN trade increased to US\$292.78 billion in 2010, giving ASEAN a trade surplus of US\$16.4 billion. China is now ASEAN's largest trading partner and ASEAN is China's fourth-largest trading partner.

The China–ASEAN cooperation is also seen in other fields. In 2010 there were nearly seventy official visits from both sides. The Chinese State Councillor and Defence Minister Liang Guanglie led a delegation attending the enlarged meeting of ASEAN. China and ASEAN have carried out pragmatic cooperation in military training, personnel training, equipment, construction and other fields. The year 2011 is the "China–ASEAN Friendship Exchange Year," and the two sides have worked out more than thirty celebrations during the 12-months focusing on the theme "good partners for mutual benefit." During the China–ASEAN Summit at the end of October 2010, Premier Wen Jiabao forecast that the bilateral trade volume will amount to US\$500 billion by 2015; 15 million personnel will be exchanged from both sides; and China will help ASEAN countries train 15,000 technicians and management personnel. The Chinese Foreign Ministry declared that the mission for the next stage of the China–ASEAN relations is:

to continue maintaining regional peace and stability and promote common prosperity... to support each other and work together to maintain the bilateral and multilateral high-level visits, to implement the second strategic partnership action plan, to build the China–ASEAN free trade area, to promote the connection of infrastructure and transport facilitation, to open and integrate the financial and capital market, to strengthen the cooperation in agriculture, environmental protection, disaster reduction, and health, and to promote social and cultural exchanges.¹

¹ "Interview with Assistant Foreign Minister Hu Zhengyue, Ministry of Foreign Affairs of the People's Republic of China," January 16, 2011, http://www.ce.cn/xwzx/gnsz/szyw/201101/16/20110116_22145169_1.shtml (accessed March 1, 2011)

The United States: Declining hegemony

When U.S. Secretary of State Hillary Rodham Clinton attended the 16th ASEAN Regional Forum (ARF) in July 2009, the theme of her speech was: "We are back." The policy of successive U.S. administrations in Southeast Asia after the Cold War has been to maintain continuity, in view of the importance of the region for the global strategy of the United States; the U.S. never left Southeast Asia. After the Cold War, especially after the events of September 11, 2001, the U.S. presence and influence in Southeast Asia has risen, but in the latter part of the George W. Bush administration, Iraq and Afghanistan obviously distracted the attention of U.S. policymakers. Secretary of State Condoleezza Rice in the Bush administration was absent twice from the ARF; President Bush did not attend the U.S.–ASEAN Summit celebration of the 30th anniversary of U.S.–ASEAN Dialogue Partnership in 2007; and he refused to sign the "Treaty of Amity and Cooperation" and responded negatively to ASEAN-led regional cooperation.

The declaration "We are back" is meant to tell the world that the U.S. will pay more attention to Southeast Asia. In February 2009, after Clinton made a speech on the eve of her visit to Asia, she was asked about her view of the significance of having her first trip as Secretary of State to Asia and not somewhere else. She replied:

I believe it demonstrates clearly that our new Administration wants to focus a lot of time and energy in working with Asian partners and all the nations in the Pacific region because we know that so much of our future depends upon our relationships there. And we equally know that our capacity to solve a lot of the global challenges that we're confronting depends upon decisions that are made there. So it was an easy choice for me to make. Obviously, we are focused on the many problems that exist today that we're confronting.²

² Hillary Rodham Clinton, "U.S.-Asia Relations: Indispensable to Our Future," Remarks at the Asia Society, New York, February 13, 2009, U.S. Department of State, February 13, 2009, <http://www.state.gov/secretary/rm/2009a/02/117333.htm> (accessed March 15, 2011)

As Secretary of State, Clinton has visited Asia six times in two years. Signifying her administration's strategic focus on Asia, President Barack Obama said in his opening speech at the second U.S.–ASEAN Summit: “As a Pacific nation, the United States has an enormous stake in the people and the future of Asia. [...] As President, I've, therefore, made it clear that the United States intends to play a leadership role in Asia.”³ Obama told the ASEAN leaders:

Our trade with ASEAN countries is growing. In fact, America's exports to ASEAN countries are growing twice as fast as they are to other regions, so Southeast Asia will be important to reaching my goal of doubling American exports.⁴

In 2009, due to the global economic downturn, U.S. exports to ASEAN totaled US\$53.8 billion, but the quantum increased in the first half of 2010 by 40 percent. In 2010 U.S. exports to ASEAN were expected to reach US\$68 billion, equivalent to support 450,000 American jobs.

In political and security cooperation, the U.S. actively strengthened summit diplomacy with ASEAN. The two sides agreed to strengthen bilateral cooperation on “anti-terrorism, human trafficking, preventing weapons proliferation and other areas of cooperation.”⁵ In October 2010, U.S. Secretary of Defense Robert Gates expressed concern over the “China threat” in the South China Sea, as well as other issues for strengthening security cooperation with the ASEAN countries, particularly maintaining its troops in Asia. Joint military exercise is another important tool for the U.S. to strengthen its security cooperation with ASEAN.⁶

Compared to his predecessor, President Barack Obama's Southeast Asia Policy evinces new aspects. First, the Bush policy focused on the fight

³ Barack H Obama, “Remarks at a United States–Association of Southeast Asian Nations Leaders Meeting in New York City,” faqs.org, *Daily Compilation of Presidential Documents*, September 24, 2010, <http://periodicals.faqs.org/201009/2161469111.html#ixzz1YOQYq1CD> (accessed September 19, 2011)

⁴ Ibid.

⁵ “Vietnam Enhances Its Cooperation with ASEAN and US,” *Vietnam Communist Electric*, September 25, 2010.

⁶ “Secretary Gates' Remarks at ASEAN Defense Ministers Meeting, October 2010,” Council on Foreign Relations. October 12, 2010, <http://www.cfr.org/defensehomeland-security/secretary-gates-remarks-asean-defense-ministers-meeting-october-2010/p23126>

against terrorism, and all the rest was geared towards this central focus.

Obama's policy on the other hand is comprehensive. Besides the fight against terrorism and engaging in security cooperation, Obama has also stressed cooperation in economic and other areas. Second, the Bush policy stressed bilateral relations and downplayed the multilateral aspect, which resulted in that President Bush and other U.S. leaders often did not participate in important ASEAN meetings. Obama pursues both multilateral and bilateral policies. He has shown an interest in multilateral organizations and actively participated in various activities to show that "America is back." He and other U.S. leaders visit Southeast Asian countries frequently, to assure their leaders that the U.S. values its relations with them. Third, Bush's policy in Southeast Asia was defensive. It was meant to maintain the status quo. The U.S. was still the most powerful state in this period. Obama's policy on the other hand is aggressive, as a result; the global financial crisis has greatly weakened the United States' strength. The U.S. presence and influence in Southeast Asia is declining. Obama therefore needs to actively demonstrate to the world the United States' regional presence and influence. Fourth, in addition to strengthening relations with traditional allies, Obama has paid more attention to developing ties with emerging countries. His emphasis particularly has been on developing relations with Singapore, Vietnam and Indonesia. Fifth, Obama has adjusted the policy on Burma from sanctions alone to sanctions with engagement. Sixth, Obama has changed the U.S. administration's neutral stance on the South China Sea issue and made clear U.S. support to the Southeast Asian countries in their dispute with China.

The substance of Obama's new aggressive policy in Southeast Asia is similar to his predecessor's, to maintain the U.S. hegemony in the region; only the modalities are different. Emphasizing this change of tactics, Hillary Clinton said before her trip to Asia:

I'd like briefly to discuss the steps that the Obama Administration has taken to strengthen the main tools of American engagement in Asia: our alliances, our emerging partnerships, and our work with regional institutions. And I will describe how we are using these tools to pursue this forward-deployed diplomacy along three key tracks: first, shaping the future Asia-Pacific economy; second, underwriting

regional security; and third, supporting stronger democratic institutions and the spread of universal human values. [...] So we intend to project American leadership in these three areas—economic growth, regional security, and enduring values. These arenas formed the foundation of American leadership in the 20th century, and they are just as relevant in the 21st century. But the way we operate in these arenas has to change—because the world has changed and it will keep changing.⁷

⁷ Hillary Rodham Clinton, “America’s Engagement in the Asia-Pacific”, U.S. Department of State, October 28, 2010, <http://www.state.gov/secretary/rm/2010/10/150141.htm> (accessed March 25, 2011)

Japan: Still the “leading goose”?

It has recently been claimed that “because of its prolonged economic downturn Japan has lost the ‘lead goose’ advantage status in East Asia.”⁸ In our view, Japan still remains a “leading goose” although it is recuperating from illness. The Japanese market and Japanese capital are still the driving engines of Southeast Asia’s economic recovery and growth. Economic cooperation between Japan and Southeast Asia has a long history with deep and extensive roots, and it will not be easy for China to match it. Japan has painstakingly built up its relations with Southeast Asia for half a century, while China has just begun.

In recent years, the rapid development of relations between ASEAN and China has made Japan worry about falling behind China, and it has taken countermeasures, using its foundation of enduring economic ties to promote long-term business in Southeast Asia. In the first ten years of the twenty-first century, Japan’s influence and presence in the region has expanded from economics to politics, and Japan is involved in Southeast Asia’s security and other new areas, sending troops overseas, fighting terrorism, combating piracy and maintaining the safety of sea lanes and other ways.

On November 21, 2007, the 11th Japan–ASEAN Summit was held in Singapore. In a statement issued after the summit the ASEAN President said:

We reiterated the importance of the longstanding friendship between ASEAN and Japan, and reaffirmed the importance of the ASEAN-Japan strategic partnership which has contributed to peace, stability and prosperity in the region and the world. We also noted that 2007 marked the 30th Anniversary of the Fukuda Doctrine, which enshrines Japan’s policy of a “heart-to-heart” relationship with ASEAN on the basis of an equal partnership [...]. The ASEAN Leaders welcomed Japan’s sustained contribution to ASEAN integration in order to realise the ASEAN Community,... the ASEAN Leaders expressed their appreciation for Japan’s support for the ASEAN Charter and the implementation of the Charter. [...] The ASEAN Leaders also expressed their

⁸ Yu Changshen, “Triangle Structure between China, Japan, ASEAN and the Future of East Asian Integration,” *Southeast Asian Studies*, Vol. 5 (2008), p. 66.

appreciation for Japan's continued support to narrow the development gap in ASEAN through the Initiative for ASEAN Integration (IAI), and its continued support for other sub-regional development endeavors, including CLV-Japan cooperation.⁹

Japan's focus in its Southeast Asia policy is on the Mekong Region countries: Myanmar, Vietnam, Laos and Cambodia. In 2007, the prime ministers of Thailand and Laos, the president of Vietnam and other senior leaders of the Mekong Region countries visited Japan. On January 16, 2008 the first meeting of the foreign ministers from the Mekong River Basin countries and Japan was held in Tokyo under the auspices of the Japan–Mekong Region Partnership Programme (PDF) announced in January 2007. During the meeting, Japan announced provision of US\$20 million funding from the Japan–ASEAN Cooperation Fund to subsidize Vietnam, Laos and Cambodia in the border areas development projects, of which US\$1.5 million would be used in the three border areas road development plan. Japan also announced that it would accept 10,000 young people from the Mekong countries to visit Japan in the next five years. Japan has also set up a special organization to hold national youth exchange activities between Japan and Mekong countries.

On April 14, 2008 the Japan–ASEAN Economic Partnership Agreement (AJCEP) was signed. This comprehensive agreement covers a range of merchandise trade, service trade and investment and economic cooperation. The agreement became effective on December 1, 2008.

The year 2009 was celebrated as the "Mekong–Japan Exchange Year," aimed to promote bilateral dialogue in all areas, including economic, cultural, youth exchange programs and travel. The Mekong River–Japan Travel and Culture Festival was held in Vietnam in 2009; simultaneously, the Mekong River Festival was held in Japan. Japan also established the Japan–Mekong Countries' Parliamentary Group to promote cooperation with parliaments of the Mekong countries. Japan also adopted a series of measures to promote the PDF, including providing additional official development assistance (ODA) to promote the region's infrastructure development, human resources development, environmental improvement

⁹ "Chairman's Statement on the 11th ASEAN–Japan Summit, Singapore, 21 November 2007," available on association of southeast asian nations, homepage, <http://www.aseansec.org/21130.htm> (accessed February 26, 2011)

and poverty reduction programmes in the three fiscal years from 2009 to 2012.

On October 29, 2010, the 13th Japan–ASEAN Summit was held in Hanoi. It was agreed upon to improve ASEAN–Japan partnership as well as to promote cooperation in new areas. The meeting also stressed that Japan should support sustainable development of the Southeast Asian countries in the areas of energy efficiency, energy reserves, and so on.

In recent years Japan has focused on strengthening social and cultural exchange and cooperation with ASEAN. The most important has been to promote exchanges between the peoples, especially the youth and intellectuals, to enhance mutual understanding of each other's traditions and values. Since 2007, the Japan–East Asia Student and Youth Exchange Programme (JENESYS) has been promoting various exchange activities. Under the scheme, by the end of September 2010 Japan received 26,993 young people from Southeast Asia to make study tours in Japan, while Japan sent over 5374 young people to make study tours in Southeast Asia.¹⁰

In the new century, the Japan–ASEAN relations have been elevated to a new level, expanding from economic and trade areas. The phenomenon, which may be characterized as “politicized economic relations,” can be seen on four levels: (1) the economic relationship itself embodies political relations, or international economic relations have functions of international politics; (2) economic relations have become the most effective means to achieve political goals; (3) economic power is the most important source to achieve international political power; and (4) economic power determines the methods and approaches to gain political power.

In the last half century of the postwar period, the Japanese presence and influence in Southeast Asia has expanded from the economic realm to areas of politics, security, culture and values. In the early postwar period, Japan used war reparations as an opportunity to re-establish economic and trade links with Southeast Asian countries. In this period, the perspective of economic and market issues was much clearer than political motivation. After the 1970s, the Japanese political motivation to develop its economic development and trade relations with Southeast Asia became obvious. It was articulated in the “Fukuda Doctrine,” which indicated that Japan would

¹⁰ ASEAN Secretariat, “ASEAN–Japan Dialogue Relations”, <http://www.asean.or.jp/en> (accessed Jan. 30, 2011)

use its powerful economy in Southeast Asia to seek to influence the political powers in the region, although it declared at the same time that Japan had no ambition to become a great power.¹¹ Since the late 1980s and early 1990s, Japan started a bold attempt to play a positive political role in Southeast Asia and began military and security cooperation with the countries in the region. For a start, Japan actively involved itself in the peace process in Cambodia. Expressing Japan's intent to play an active role in Southeast Asia's political and military security, Minister Toshiki Kaifu said during his visit to Singapore in April 1991:

For a long time, Japan has taken ASEAN as the core of Japan's entire foreign policy and continues to strengthen cooperation with ASEAN states in all areas, ... at the time of significant changes in the international order, I feel that Japanese are expected to make a greater contribution to the Asia-Pacific region, not only in the economic field but also in politics.... Japan intends to play a more active role in this region.¹²

Japan's quest for political influence in Southeast Asia after the Cold War is based on two realities. First, it already has a strong economic base in the region. After decades of struggling to survive, Japan has deeply penetrated various aspects of the economies of the ASEAN countries through investment, ODA and other means. Economics is the foundation of politics. After the first few years of painstaking efforts, now is the time for Japan to harvest political influence. Second, Japan has undertaken a wide range of cultural, technological and personnel exchanges with the ASEAN countries over the past few decades, especially in the 1980s. A large number of people, who

¹¹ Japan's Prime Minister Takeo Fukuda paid a visit to the ASEAN countries in August 1977. On August 18, he gave a speech titled "Southeast Asian Policy of My Country." Later described as the Fukuda Doctrine, its substance was that (1) Japan does not intend to be military power; (2) it will try to build up trust relationship with Southeast Asian countries; and (3) in order to promote the peace in Southeast Asia, it will develop mutual understanding relations not only with ASEAN countries but with the countries in Peninsular Southeast Asia.

¹² Prime Minister Toshiki Kaifu visited Brunei, Malaysia, Thailand, the Philippines and Singapore in April–May 1991. This quote is from his speech "Japan and ASEAN: Seeking a Mature Partnership for the New Age" in Singapore on May 3, 1991, published as "Japan and ASEAN: Seeking a Mature Partnership for the New Age – Policy Speech by Prime Minister Toshiki Kaifu, Singapore, May 3, 1991," *ASEAN Economic Bulletin*, Vol. 8, No. 1 (July 1991), p. 94.

have been trained as a result of this effort, are familiar with Japanese culture. This young generation, unburdened with the emotional baggage that the preceding generation has expressed as anti-Japanese feelings, may be more willing to accept Japan as a major political player in the region.¹³

¹³ Cao Yunhua, *Regional Cooperation in Southeast Asia* (Guangzhou: Southern China Technology University Press, 1996), p. 239.

ASEAN: Benefiting from the big-power balance strategy

The ASEAN integration process after the Cold War may be divided into two phases:

In the first phase (the 1990s), the stress was on building a stronger foundation in regional cooperation. To this end, ASEAN took three major initiatives: (1) the ASEAN Free Trade Area (AFTA); (2) the ASEAN Regional Forum (ARF); and (3) expanding the ASEAN membership to incorporate all countries in Southeast Asia.

In the second phase (the first ten years of the twenty-first century), integration accelerated. One of its aspects was to speed up the pace of establishing an ASEAN Community. In 2007, the ASEAN Charter was issued to further strengthen the unity and integration within ASEAN.

Although ASEAN's regional integration over the years has truly been remarkable, there is still something lacking in its regional cooperation. Decades ago, Lee Kuan Yew, one of the founders of ASEAN, criticized the lack of unity within the ASEAN countries and argued that cooperation with countries outside the region was much easier. This problem still remains. AFTA, for example, was launched eight years ago, but its share of intra-regional trade still hovers around 25 percent. Some member countries are involved in land or sea border problems with each other and even resort to military solutions.

In the conduct of external relations, ASEAN has made great achievements, however. Particularly in strengthening relations with the U.S., it has changed George W. Bush's negligence to the Obama administration's strengthening U.S. presence in the region. ASEAN believes that China's influence in Southeast Asia is rising, while the U.S. is a "moderate superpower," and, for this reason, it is necessary to expand the impact and presence of the U.S. and Japan in order to counterbalance China.¹⁴ The big powers have been scrambling to signal goodwill to ASEAN for fear of falling behind other countries. For example, China established AFTA first. Japan,

¹⁴ Cao Yunhua, "The Deal between the Great Powers: On the Strategic Balance of ASEAN," *Journal of Jinan University*, No. 2 (2003), p. 11.

the U.S. and India would have to follow suit. In addition, as a big country outside the region, China first joined the Treaty of Amity and Cooperation in 2003, followed by Japan in 2004. The U.S. hesitated when Bush was in office; soon after Obama came to power in 2009, America made the decision to accede to the treaty.

In 2010 Vietnam assumed ASEAN's rotating presidency. Under Vietnam's leadership ASEAN's policies of external relations became more active. After Indonesia assumed the ASEAN presidency in 2011, Sang Jaya, the Indonesian representative in ASEAN, said:

Indonesia will lead the preparation of the ASEAN Economic Community and its future direction within seven years. 2011 is a year filled with driving force. Foreign Minister [Raden Mohammad Marty Muliana Natalegawa] and President [Susilo Bambang Yudhoyono] will take advantage of this position to accelerate the establishment of the ASEAN Economic Community and set the direction.¹⁵

Foreign Minister Raden Mohammad Marty Muliana Natalegawa said:

We have only four years left to set up the ASEAN Economic Community. We are to identify some fruits to harvest at the end of this year. There must be some progress and achievements that can be measured in order to prepare for 2015.¹⁶

Indonesia was once the political core of ASEAN and played an important role under President Suharto's leadership. In the last ten years, however, successive leaders of Indonesia have shifted the focus to domestic issues. After he was re-elected in 2010, President Susilo Bambang Yudhoyono demonstrated a strong interest in ASEAN affairs. As the biggest ASEAN member country, Indonesia may be able to reclaim the youth of ASEAN and assume the core leadership of ASEAN. The premise is to accelerate domestic economic development, further stabilize political stability, and truly possess the power and capability to be the leader of ASEAN.

¹⁵ Sang Jaya, "Indonesia: To Have its Role as Presidency for the Base of the ASEAN Economic Unity," *Lianhe zhaobao*, January 19, 2011.

¹⁶ Cao, "The Deal between the Great Powers," p. 16.

Is Transfer of Power Taking Place in Southeast Asia?

As a declining power in the region, the United States' basic strategy to maintain its hegemonic position in East Asia (including Southeast Asia) is to encourage multi-polarization to prevent China's growing influence. An insightful perspective on this phenomenon is provided by Chen Yande and Chen Yao:

[T]he power transfer between China and the U.S. on the global scale has not happened, but in East Asia, especially Southeast Asia, the phenomenon of transfer of power is relatively obvious. The phenomenon is the rise of China's increasing influence in East Asia which is an inevitable result of China's rising. The transfer of power is mainly concentrated in the interaction among the United States, ASEAN and China. The transfer of power mainly takes place in the trilateral trade, economics, politics and mutual understanding between China, America and ASEAN. The transfer of power will have a significant impact on the order of East Asia.... The rise of China and the fading influence of America in East Asia will help return power to the East Asian leaders and usher in a new period of cooperation (although the U.S. still has great influence).¹⁷

Questions remain, however, regarding (1) when the transfer of power in Southeast Asia occurred; (2) where the power has been transferred; and (3) the results of the transfer of power. An attempt to answer these questions would be:

When the transfer of power in Southeast Asia occurred: The transfer of power in Southeast Asia coincided with the end of the Vietnam War in 1975. This was the beginning of the multipolar pattern of the Southeast Asian region. As the U.S. withdrew from Vietnam, the influence of China and the Soviet Union in the region expanded, and Japan used its economic advantages to vigorously strengthen its economic and trade relations with countries in the region, expanding its economic presence and influence in the region.

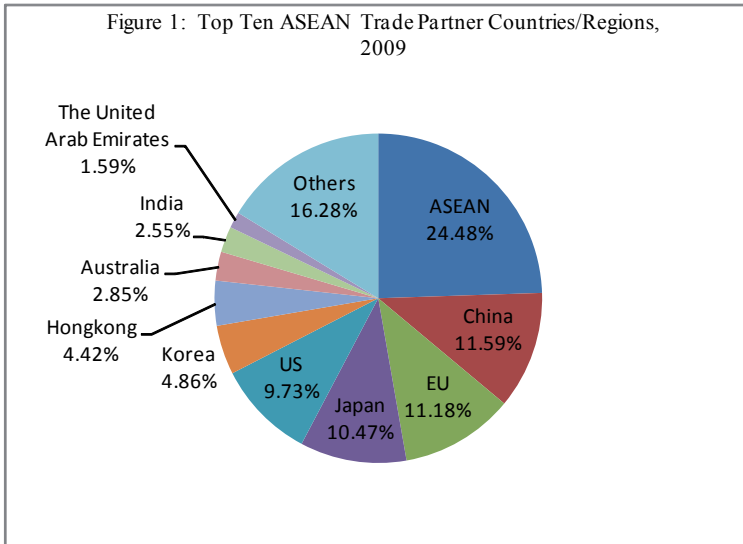
¹⁷ Chen Yande and Chen Yao, "The Interaction of China, US and ASEAN Trilateral Relations," *Contemporary Asia-Pacific*, No. 6 (2009), p. 90.

After the Cold War, as the forces of the former Soviet Union withdrew in Southeast Asia, China and Japan filled the void. As the region's most effective organization, ASEAN started growing and expanding, and became an important force.

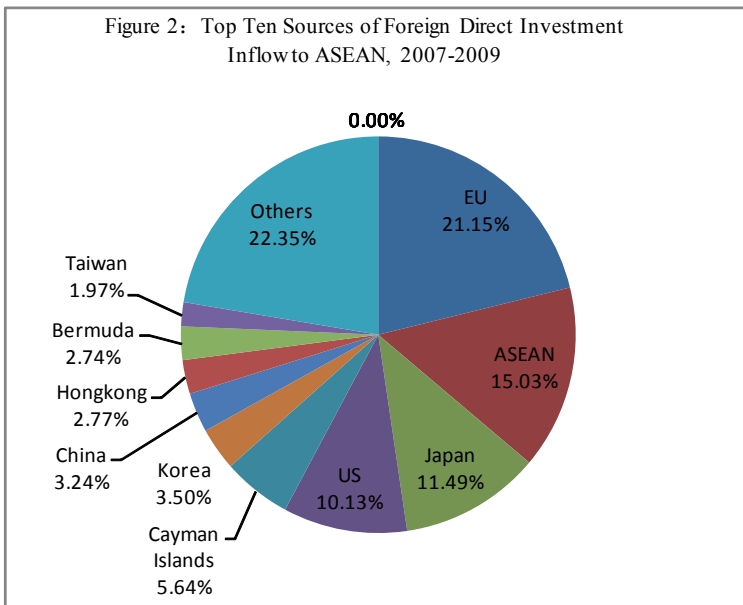
Where the transfer of power has occurred: The transfer of power has occurred among China, the U.S., ASEAN and Japan. These four actors have an impact on and interact with each other, compete and cooperate with each other. They play important roles in safeguarding the regional peace, stability and development.

Results of the transfer of power: In the multi-polar pattern, the U.S. can still play an important leadership role in Southeast Asia. Neither China, nor Japan or ASEAN can be a leader in the region; and American leadership will be recognized and respected by all sides.

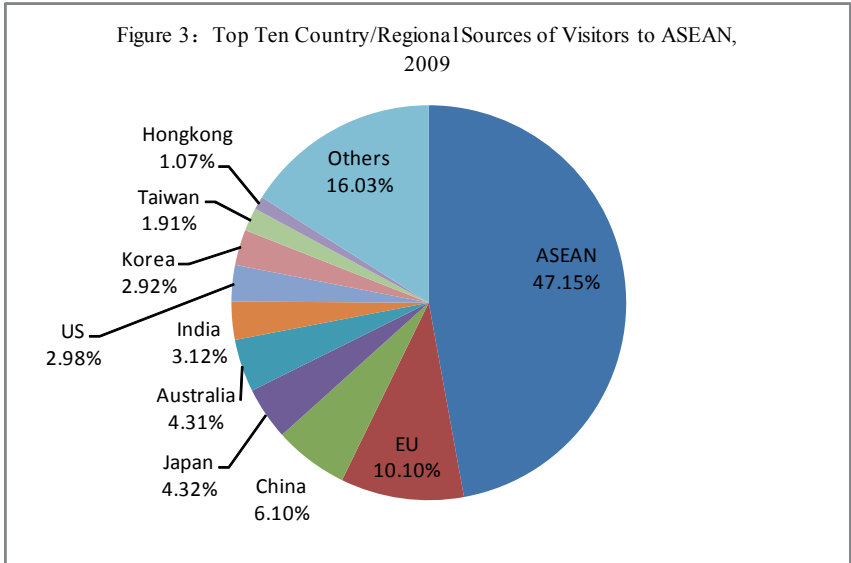
In terms of trade and investment, the U.S., China, Japan and ASEAN have a major share in the region (Fig. 1). ASEAN's own trade accounts for one quarter, while the trade with the U.S., Japan and China represents more than a third (including Hong Kong, China). The investment from the U.S., Japan and China (including China Taiwan and Hong Kong) and intra-ASEAN investment accounted for almost half of the foreign direct investment (Fig. 2). The U.S., Japan and China (including China Taiwan and Hong Kong) are the source countries of tourists to Southeast Asia (Fig. 3). Economy, trade and investment constitute only one aspect of power relations, but that is also the most important one.



Source: Top Ten ASEAN Trade Partner Countries/Regions, 2009 by ASEAN Secretariat, <http://www.aseansec.org/stat/Table20.pdf> (accessed March 2, 2011)



Source: Top Ten Sources of Foreign Direct Investment Inflow to ASEAN, 2007-2009 by ASEAN Secretariat, <http://www.aseansec.org/stat/Table27.pdf> (accessed March 1, 2011)



Source: Top Ten Country/Regional Sources of Visitors to ASEAN, 2009 by ASEAN Secretariat, <http://www.aseansec.org/stat/Table30.pdf> (accessed March 1, 2011)

In the transfer of power in Southeast Asia, Japan is the biggest beneficiary. From the mid-1970s, Japan filled the void left by Europe and the U.S. in Southeast Asia. Japan had made a great contribution in the twenty years after the Cold War in terms of the peace, stability and development of Southeast Asia. Peace and stability of Southeast Asia cannot be achieved without Japan. Japan is an indispensable power in this region.

First, as the world's second-largest economy, Japan helped ASEAN to recover from the 1997 financial crisis and to attain economic recovery.¹⁸ Although China was willing to help, its capacity to do so was limited. Of course, Japan's action was not out of selflessness; because it had close ties with ASEAN, ASEAN's failure might cause direct harm to Japan. To help ASEAN maintain development, prosperity and stability caters for Japan's

¹⁸ Although China's GDP is now bigger than that of Japan, Japan's economy is still far better than that of China in term of economic quality and level.

long-term strategic interests. Second, after the economic crisis, the dependence of ASEAN countries on Japan for capital, technology and market has increased. Third, although economic relations between China and ASEAN have improved considerably in recent years, the economic relations between Japan and the ASEAN countries are both deeper and wider than between ASEAN and China. As China and Japan compete to expand their economic ties with ASEAN countries and strengthen their presence and influence in the region, ASEAN will be the largest beneficiary of this competition. Finally, Japan will be more and more important in the political and security affairs of Southeast Asia. During the Cold War, ASEAN vacillated about whether Japan should play an important role in the political and security domain. After the Cold War, ASEAN has gradually accepted the view that it should strengthen political and security cooperation with Japan.

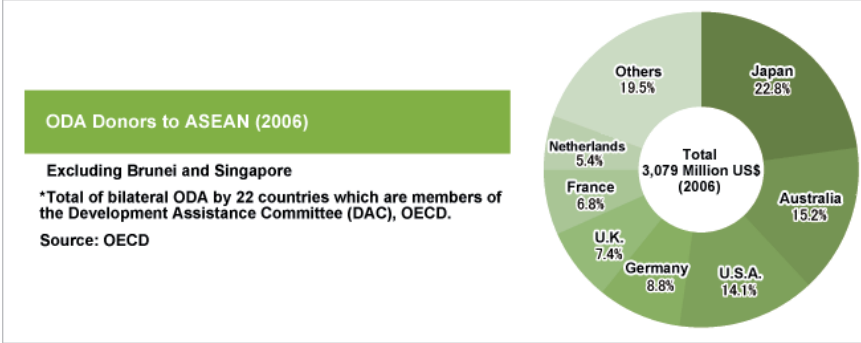
There are two tendencies of the ASEAN–Japan relations that are worth noting. First, the economic relations will be further strengthened – China’s growing economic influence in Southeast Asia has posed a great challenge to Japan’s traditional influence in this region, but China is still not capable of destabilizing Japan’s economic leadership in Southeast Asia. As the two biggest economies in Asia, China and Japan should cooperate more, reduce suspicion and competition, and facilitate the establishment of a new political and economic order jointly. Second, as the suspicion and worry of the ASEAN countries about Japan in terms of military and security dwindles, it is foreseeable that Japan will expand its presence in the internal affairs of the ASEAN countries; such as political, military and security affairs through bilateral or multilateral dialogues. In addition, Japan’s role as guarantor of safety in this region is also encouraged by the U.S.

The Soft Power Competition in Southeast Asia

Measuring the extent of a country's soft power in a region is difficult. Development assistance may be a useful indicator of this phenomenon. Fig. 4 shows the ODA of OECD member countries to ASEAN in 2006. Japan is the largest aid donor (22.8 percent), followed by Australia (15.2 percent) and the U.S. (14.1 percent).¹⁹ Some scholars believe that assistance is the best method to expand soft power. From this point of view, Japan's soft power is the strongest in ASEAN. From the mid-1970s, Japan has implemented the Fukuda Doctrine to strengthen cultural exchanges and cooperation with ASEAN, with particular emphasis on exchange of young people. Through decades of Japanese efforts, the people of Southeast Asia have a positive impression of the Japanese people.

ODA is just one aspect of soft power, however. Overall, the United States' soft power still ranks first in ASEAN. The U.S. has disseminated its culture and values over a long period, with particular emphasis on cultivating the politicians of ASEAN. Many ASEAN leaders have studied in the U.S., which tends to create a soft corner for the U.S. in their value system. Also, a large number of cultural products, including Hollywood movies and U.S. TV series are imported into ASEAN countries, which have a great impact on the daily lives and the values of the ASEAN people. Imports and transnational corporations from the United States bring U.S enterprise, culture and food culture to Southeast Asia. McDonald's, Pizza Hut, Coca-Cola, etc., do have their place in creating consciousness about the U.S. among the peoples of the ASEAN countries.

Fig. 4: ODA Donors to ASEAN (2006)



¹⁹ China is not a member of OECD and has its own foreign aid system.

China's soft power in Southeast Asia, both current and prospective, is comparatively less than that of the U.S. From the development point of view, however, China might be able to catch up. Generally speaking, the relationships between countries begins with trade and investment, then expand to cultural exchanges and cooperation, and at last involve exchanges between the people, which leads to deeper ideological and cultural contacts and exchanges. The China-ASEAN relations are following this track. From the 1990s, the economic and trade relations between China and ASEAN have continued to develop. In the twenty-first century, China's bilateral relationship with ASEAN has grown tremendously. However, soft power has not received much attention until recently.

Political leaders have recently been talking about further strengthening cultural exchange. In October 2010, China's Prime Minister Wen Jiabao said at the 13th meeting of the China-ASEAN leaders that China should strengthen all types of assistance, such as technical assistance and preference loans to ASEAN. This perspective included:

- Providing US\$15 billion credit to ASEAN, including US\$6700 million preferential credit, focusing on infrastructure build-ings, such as roads, railways, waterways, energy pipelines, information and communication, power grids, etc.
- Continuing to provide assistance to ASEAN's less developed countries and supporting ASEAN in narrowing the internal development gap, in order to achieve the Millennium Development Goals.
- Closely coordinating with the parties concerned to strive for an early adoption of the ten-year strategic framework the Greater Mekong Sub-region Economic Cooperation to: (a) promote cooperation and exchanges in the utilization of water resources in the Mekong River and in environmental protection; (b) implement the "The Framework of the China-ASEAN on the East Fast Growing Area"; and (c) finish the feasibility study of PBG economic cooperation.
- Helping the ASEAN countries to train 15,000 technicians and management personnel in the next five years.
- Strengthening cooperation in high-end talents training. Both ASEAN and China need to conscientiously implement the

“double hundred thousand plan” by bringing the number of the exchange students to 100,000 in 2020.

- Offering 10,000 government scholarships to the ASEAN countries and inviting 10,000 young teachers, scholars and students from ASEAN to visit China.
- Both sides taking positive measures to simplify immigration procedures, improve traffic conditions and service quality to realize the personnel exchanges between the two sides to meet the 2015 goal of 15 million.
- Increasing assistance to ASEAN in terms of agricultural cooperation and increasing the efforts in implementing “The plan of enhancing the China–ASEAN comprehensive grain production capacity,” which includes: (a) helping the ASEAN countries to build twenty cross-border animal epidemic prevention and control stations and epidemic early warning information system; (b) exchanging and sharing of information; (c) establishing of joint prevention and control mechanism; (d) improving prevention and control capabilities; (e) building twenty agricultural experimental stations; (f) making one million hectares of demonstration land; (g) advocating the methods to rear fine animals; (h) promoting and improving crop yields and production capacity; (i) training 1000 agriculture personnel in China for ASEAN countries; (j) improving the technological level of ASEAN countries; (k) sending 300 agricultural experts and technicians to provide guidance in ASEAN; and (l) building three new agricultural technology demonstration centers for training, technology demonstrations, field demonstrations, and epitomizing the radiating role of those centers in promoting agricultural science and technology of ASEAN.²⁰

China has made great efforts in recent years to strengthen cultural exchanges and cooperation with ASEAN and actively foster a positive image and promote the goodwill of the Chinese people. However, as the old Chinese saying goes: “It takes ten years for a small tree to grow into a big one and a hundred years for a man to grow a talent.” Cultivating soft power cannot be

²⁰ Wen Jiabao, “Speech at the 13th China–ASEAN Summit,” October 30, 2010, http://news.xinhuanet.com/world/2010-10/30/c_12718147.htm (accessed March 22, 2011)

achieved overnight; there must be long-term plans and programs. In accordance with the current development trend of China's soft power in Southeast Asia, it will take ten to twenty years to catch up with the U.S. and Japan.

Concluding Remarks

In Southeast Asia, China, the U.S. and Japan have become the main competitors. Is it possible for the three countries become partners? Yes, it is entirely possible, and necessary. China, the U.S. and Japan have a major presence in Southeast Asia with great benefits for themselves. Therefore, maintaining regional peace, stability and prosperity is their common goal, for which they need to cooperate. The 10+1, 10+3, 10+6 and 10+8 (yet to come) cooperation arrangements will help the major countries in terms of promoting cooperation and preventing over-competition and zero-sum game.

From the ASEAN perspective, it is beneficial to make the U.S. active in the region to counterbalance China. Faced with China's rapid rise, the mood in the Southeast Asian countries is ambivalent. On the one hand, China's strong economic growth provides them an opportunity to achieve economic recovery and prosperity. On the other hand, with its growing economic strength, China is accelerating defense modernization, which in turn causes suspicion and apprehension among the Southeast Asian countries. An Hua, a researcher at the Indonesia Institute of Science and Political Research Centre, has commented: "The majority of ASEAN countries, including Indonesia, do not want to see China dominate the region. ASEAN would like to see a multi-polar regional structure, which is a dynamic balance among the major powers."²¹

With its growing economic strength, especially after the 2008 global financial crisis, China's economic status has risen rapidly. This has put tremendous pressure on the ASEAN countries. More contradictions about both land and sea territories have emerged between China and some ASEAN countries. The latter hope to promote regional economic development through cooperation with China but, at the same time, they are extremely worried that China might dominate Asia in the future, which may pose a security threat to ASEAN. Another concern is that ASEAN may become increasingly marginalized with China's rise. In October 2009, Lee Kuan Yew called on the U.S. to counterbalance China: "In the end, whatever the

²¹ Zhou Yongjing, "The Big Power Game in the Honeymoon between ASEAN and the United States," *Nanfangdushi Daily*, September 28, 2010.

challenges, US core interest requires that it remains the superior power on the Pacific. To give up this position would diminish America's role throughout the world."²² Lee's point of view is a direct reflection of the ambivalence of Southeast Asian countries:

The consensus in ASEAN is that the US remains irreplaceable in East Asia. But it can no longer be alone and manage the new complexities to maintain stability. Hence, the search for some new architecture, such as the concept of a community in East Asia. [...] To remain at the centre of East Asia's economic and political evolution, ASEAN must integrate more closely and with urgency. Otherwise, it will be marginalized.²³

To have quickly agreed upon the ASEAN Charter is a good start. Now the task is to implement it. ASEAN lacks strategic weight. Therefore, all ASEAN countries welcome Secretary Clinton's decision to reopen relations with the region. China is neither ready nor willing to assume the same responsibilities in dealing with the international system. The U.S. remains the world's largest economy and the largest market.

What position will Japan hold in a future Southeast Asia? Given the combination of its hard and soft power, its presence and influence in Southeast Asia should be on par with the U.S. and China. Nevertheless, because of Japan's domestic political constraints, coupled with factors such as U.S.–Japan alliance, it is difficult for Japan to exert influence independently in Southeast Asia, at least for the time being. Perhaps Japan will be able to exert influence independently when it can decide independently about its foreign affairs policies.

²² Prime Minister's Office, Singapore, "Speech by Minister Mentor Lee Kuan Yew at the US–ASEAN Business Council's 25th Anniversary Gala Dinner in Washington, DC, 27 October 2009," http://www.pmo.gov.sg/content/pmosite/mediacentre/speechesinterviews/ministermentor/2009/October/speech_by_ministermentorleekuanyawattheus-aseanbusinesscouncils2.html (accessed October 10, 2011)

²³ Ibid.

About the Authors

Cao Yunhua is the Professor and Dean of the School of International Studies, Jinan University, Guangzhou, China. His research interest includes economics and politics in Southeast Asia, regional international relations and ethnic Chinese studies. He has been a Visiting Professor at the Institute of Southeast Asia Studies, Singapore, the Institute of Asia Studies at the Chulalongkorn University, Thailand, and the Development Center for Philippine–China Resources, Philippine, and has published eight books and more than one hundred academic papers in China and other countries.

Chen Jianrong is an Associate Researcher at the Institute of Southeast Asian Studies, Jinan University, Guangzhou, China, and a Ph.D. Candidate at its School of International Studies. His research interest is the China–ASEAN relations.