

China's Emerging Influence in East Asia

by

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Yuli Ismartono: I'd like to thank the Sasakawa Peace Foundation USA and the Asia Society for inviting us here and for the opportunity to hear our views about relations with China. My topic will deal with ASEAN-China relations, on how they changed from confrontation to cooperation.

There was a time not too long ago when Indonesians were banned from traveling to China. Anyone daring to make the day trip from Hong Kong to Guangzhou in the mainland would risk being interrogated by the authorities when they came back to Jakarta. As recently as 2000, anything Chinese was banned in Indonesia: Chinese characters, Chinese names, Chinese medicine. This has all changed. As part of the reforms that have swept the country since the collapse of President Suharto's New Order regime, all things Chinese are now accepted, from Chinese banks to Chinese motorcycles and other consumer goods. Indonesians even have dragon dances now in celebration of the Chinese New Year. In Jakarta, the first hospital to offer Chinese traditional medicine and treatment was opened recently. Even the 600th year anniversary of the voyage of Chinese Admiral Zheng was commemorated with great fanfare in Semarang, in the province of Central Java, one of the port cities that he visited.

Former President Abdurrahman Wahid, Indonesia's second post-Suharto president, reinforced the legal status of Chinese identity and culture by issuing

the appropriate presidential decrees. The fact that Indonesia's worst anti-Chinese riots broke out during the 1998 disturbances that led to Suharto's resignation, however, is a sober reminder that whatever progress is achieved in relations with China, the ethnic Chinese factor in Indonesian society perhaps more so than in any other country in Southeast Asia remains an unknown variable.

ASEAN's Changing Attitude Toward China

A similar change of attitude towards China has also been taking place in the last fifteen years in other parts of Southeast Asia. In the early days following the establishment of ASEAN (the Association of Southeast Asian Nations) in 1967, relations between China and ASEAN were characterized by confrontation and mutual distrust—a consequence of the Cold War. This was particularly the case in Indonesia where the army, led by General Suharto, had just taken over power from President Sukarno in 1965 and decimated the Beijing-supported Communist Party of Indonesia. Diplomatic relations between Jakarta and Beijing were frozen. It wasn't until 1991 that they were finally restored. During the 1970s, ASEAN declared the region to be a zone of peace, freedom and neutrality. It concluded a Treaty of Amity and Cooperation at the same time as the People's Republic of China was given back its seat in the United Nations. That paved the way for the resumption of diplomatic relations between China

and Malaysia, Thailand and the Philippines.

In the following years Beijing dropped its support for the Communist parties in Southeast Asia and worked successfully with ASEAN to find a political solution to Vietnam's occupation of Cambodia. By 1991, China had established or resumed diplomatic relations with all ASEAN countries, thus laying the groundwork for unprecedented dialogue and cooperation. Since then, China's relations with ASEAN have been broad ranging and multi-faceted. China was a founding participant of the ASEAN Regional Forum, which meets regularly to discuss security issues. In 1996 it became one of ASEAN's dialogue partners, and in 2003 China acceded to ASEAN's Treaty of Amity and Cooperation in Southeast Asia, to usher in what was proclaimed a new strategic partnership.

Trade between ASEAN and China has grown rapidly, reaching the \$100 billion mark in 2004. That makes China the fourth largest trading partner of ASEAN after the United States, Japan and the European Union. Two way investments have also been growing, reaching a total of \$36 billion by the end of 2004. That was the same year ASEAN and China concluded a trade agreement and a second accord to create a dispute settlement mechanism. Both parties are now negotiating agreements on services and investments.

The continued development of the region will require a steady supply of natural resources. China is the second largest consumer as well as the second largest producer of energy in the world. Energy consumption in ASEAN is also

expected to increase as the region becomes more industrialized. This will require ASEAN and China to coordinate efforts to integrate alternative and renewable sources of energy. ASEAN and China are also working together on nontraditional security issues such as drug trafficking, people trafficking, money laundering and other transnational crimes. They are collaborating as well on tackling communicable diseases such as Bird Flu and SARS.

Having said all this, however, there are still outstanding issues between China and ASEAN, perhaps the most important being the dispute over the Spratly Islands in the South China Sea. This will continue to be a sensitive issue, even though great strides have been made in reducing tensions in the disputed area. In Indonesia particularly, as Chinese investment increases, there is concern over the widening gap between Chinese companies and local industries, and the friction between Chinese workers, who are brought in from the mainland to work on infrastructure projects, and Indonesian laborers. Also, China, unlike European and U.S. investors, seems less sensitive to issues such as environmental impact or corporate social responsibility, which could trigger further dissension.

There's also a gap to be bridged by ASEAN and China in trying to understand each other's strategic intentions. Greater interaction, consultation and coordination are necessary in implementing initiatives, plans and strategies. Currently, much of the cooperation tends to focus on information exchange, experience sharing and training. ASEAN and China need to move to the next stage by implementing measures to strengthen

their partnership, to identify specific areas of cooperation and to set priorities.

Promising Future for ASEAN-China Relations

The growth of ASEAN-China relations in the past fifteen years has laid a solid foundation for a promising future. Because they share similar development goals, China and ASEAN can look forward to putting more substance into their partnership. However, confronted with both opportunities and challenges, they also need to ensure that what they do together is in tune with changing times. The strategic partnership should be deepened on all fronts, with a focus on economic, political, social and cultural cooperation. Building on the ASEAN-China Free Trade Agreement, the two sides should exert efforts to facilitate the free flow of goods and services, capital and labor to enhance the linkages between their economies. Security cooperation needs to be enhanced to continue to promote harmonious relations among neighboring countries.

One positive role that China could play is on the issue of Myanmar, whose authoritarian government is out of sync with the rest of the ASEAN members. China appears to be one of the very few countries Myanmar's military rulers listen to. If China is willing to influence change in Myanmar, the Southeast Asian region could be well on its way to becoming a true zone of peace and stability.

Ricky Carandang: Yuli gave you a broad view of China-ASEAN relations. I'll talk a little bit about that, reinforcing some of her points, but I will focus on the Philippines as a case study of how China's approach towards Southeast

Asia has changed somewhat over the years. Twenty years ago, when China began to assert itself on the world stage as the superpower in waiting, it took a good long look at its backyard, which was Southeast Asia. It wasn't completely comfortable with the regional configuration of alliances that it saw. The Philippines, Singapore, Thailand, and even Indonesia were largely allied with the U.S. and a little too close to the West for China's comfort. China sees Southeast Asia as important because it's a source of raw materials, it's a source of trade routes and it's a growing market for goods and services. Hence the economic importance of Southeast Asia.

When China looked at Southeast Asia and it saw that the situation was not something it was completely comfortable with, it made a conscious effort to bring Southeast Asia closer to its sphere of influence. The initial way that this was done probably backfired in the sense that, as it asserted itself, a lot of Asian countries viewed it as saber-rattling and became scared. In recent years, China has changed its strategy a little bit. I don't think that the strategic goals of China towards Southeast Asia have changed. What I think has changed is its approach. Look at the recent overtures toward ASEAN. For example, China has embraced the idea of a Free Trade Agreement with ASEAN far more enthusiastically than Japan or some of the other potential trading partners. Indeed, for Southeast Asians who grew up during the Cold War, China presents a new kind of superpower diplomacy: more subtle, more pragmatic, and less ideological than the Soviets were in their time or the Americans are today.

China's Initiatives to Improve Relations with the Philippines

In the Philippines, the approach is working. China's main interest in the Philippines now is in its mineral reserves. The Philippines have the fifth or sixth largest proven reserves of gold and also have a lot of copper and other precious metals. China has indicated a strong interest in developing copper and gold to feed its growing demand for precious metals. Aside from offering to invest in the newly liberalized mining sector, it's also launched a diplomatic and economic initiative aimed at improving ties with the country. I'll cite you some examples, which will clearly illustrate the change in approach that China has taken.

Yuli brought up the Spratly Islands. If you look at China's positioning toward the Spratlys in the 1990s it was quite aggressive. It was building facilities there and was attempting to intimidate some of the other claimants of the Spratlys, particularly the Philippines. I was saying earlier that this seemed to have backfired because the Philippines were brought closer to the embrace of the United States. In 1999, the Philippines signed a Visiting Forces Agreement with the United States, partly out of fear that China would begin to assert its claims of the Spratlys more aggressively. Clearly it felt that the more aggressive stance was not working. So China shifted gears and began what I like to call a "charm offensive."

Recently the Philippines and China signed an agreement to jointly explore the Spratlys. That was actually quite significant. It didn't really make the headlines in Manila, but it was quite

significant in the sense that it was ironic because it was the Philippines that proposed in the 1990s that none of the Spratly claimants rock the boat. And it is the Philippines that is considered the most pro-American of all the ASEAN countries, and yet here was the Philippine government breaking ranks with its longstanding allies and signing a joint exploration deal with China, ruffling the feathers of the Malaysians, and to some extent the Indonesians, and even the Vietnamese, who had been China's traditional close ally in ASEAN. When those actions are viewed from the perspective of China's strategic goals it becomes much more apparent that the Spratly deal was a diplomatic coup for China. Now it's the other way around: the Philippines and China are enthusiastically talking about what they are going to do with the Spratlys. Not that all the details have been ironed out, but certainly it's a very different posture from what they had ten years ago. That is very illustrative of the shift in their approach.

Here's another example. A few years ago China agreed to essentially fund a \$500 million upgrade of the Northern portion of the Philippine railway system that would speed up the transport of goods and people to and from Manila to provinces in central Luzon, including provinces where the former U.S. military bases Clark and Subic are located. The deal was closed without a public bidding and without Philippine congressional oversight. Later on, allegations of corruption and kickbacks were made against officials close to the Arroyo administration, but they vigorously and successfully defended the deal. Assuming that the U.S or Japan would be interested in a project like that, if that

deal were ever done with those two governments, there would probably have been an insistence on going through formal channels, and maintaining transparency, public bidding, legality, and all the other cumbersome requirements of good governance. With China it was done with little more than a handshake, and now China has pledged some \$500 million more in investments, if that railway project is actually completed.

Another example, the week after July 8th, when ten respective members of President Arroyo's Cabinet quit and called for her to resign after a tape surfaced in which she was caught instructing an election official to ensure her victory in the 2004 election, China was the first if not the only foreign government that claimed its continued support for the Arroyo government. In contrast, on February 24th, when the Arroyo administration uncovered that what it said was an attempt to overthrow it through a coup, Philippine officials were trying desperately to win a public statement of support from the U.S. embassy. That statement never came. Perhaps the Chinese government did not view the Arroyo government through the lens of its pull out of Iraq. Or perhaps the Chinese government does not allow itself to be burdened by questions of the legitimacy of the current Philippine government.

At the end of the day there are probably two reasons why China's overtures toward the Philippines have succeeded so far. First is that, for the Arroyo administration, China's assistance does not look like assistance. It looks more like a commercial investment. Politically, it's always better for an investor to come in than for aid to be given to a country.

China is much less ideological in its approach and there are much fewer conditions when it comes in as compared to the United States. Investors don't have the conditions normally associated with U.S. investment: no bidding requirements, no transparency, no adherence to formal procedures. For a government as politically pragmatic and un-ideological as the Arroyo government, China is, simply put, easier to deal with. China will deal with whoever is in power. It is less demanding, less concerned about what the public thinks and less worried about doing things under the table than the governments of the United States and Japan are, at least openly.

Southeast Asia More Important to China than to the U.S.

Second and most importantly, I think this is really the bottom line for China vis-à-vis the United States. However closely ASEAN countries embrace the West and its ideals, because of geography, culture and history, Southeast Asia will probably always be more important to China than it will ever be to the United States and Japan. After all, Southeast Asia, roughly translated, is the backyard of China. Much like the United States always finds its cultural moorings with Western Europe, there is a cultural and historical tie between China and Southeast Asia that goes back just as long. Therefore, China does have certain built-in advantages; the relationship with China and ASEAN has progressed over the last twenty years because of that.

Bambang Harymurti: I will focus my talk on the fact that the day after tomorrow all of us in the world will be watching a summit meeting between U.S.

President George W. Bush and Chinese President Hu Jintao. The former is the leader of the sole superpower in the world and the latter is the president of China, the fastest growing economy in the world and also the most populous country on earth. A new world order is surely in the making. The question is, what will that order be and will we have to go through some sort of disorder to achieve it?

This popularly known China question is also alive and well in Southeast Asia, where prosperity has increased since the Second World War and is still continuing to grow—a situation that would not have happened without the security and political stability that also would not have existed without the support of U.S. foreign policy.

Undoubtedly, U.S. foreign policy is currently under pressure to adapt to the new challenge posed by the fast racing economic power of China, which has clearly also enhanced its political influence and military might. This new dynamic, due to its geographic proximity to China, will greatly affect the Southeast Asian region. Indonesia, the largest country in the region, is both apprehensive and excited about the increasing influence of China in the world. However, for an Indonesian journalist like me, apprehension is the dominant feeling. On the one hand I am happy that more than a billion people of China are improving their prosperity with the advent of time. On the other hand I am worried that the leaders of undemocratic China will be tempted to use their newfound power to the detriment of the health of democracy in my country and also in the region.

Southeast Asian Democracies Are Under Stress

I am also worried that a well meaning but wrong U.S. foreign policy on China in the future might actually trigger China to behave in this direction. I am worried that U.S. policy makers might not have taken into account the importance of keeping the democratization process in Southeast Asia on the right track. Recent political problems in Thailand and the Philippines—the two oldest democracies in Southeast Asia—only highlight this potential problem. Except in Indonesia, democracies seem to be in distress in the region. If you want to know more about this, read the *AsiaViews* article “Democracies in Distress,” which has caused a bit of commotion.

This is an alarming situation. If you believe in the doctrine that no two democracies ever wage a war between each other, then supporting a pro-democracy movement all over the world is the best strategy in achieving stable and sustainable world peace. This is also the reason upon which Indonesian peace is founded. ASEAN is not an organization of democracies, but it is safe to say that with the exception of Burma, all of its members are becoming increasingly open societies. The speed might vary greatly but the direction is similar. China is actually moving in the same direction, albeit at a very slow rate.

I am told that I am an eternal optimist. Although it might sound like a quixotic dream now, I really do believe that the world has to help China become a democratic society. It is a worthy goal. It is not an impossible mission. The question is, how? As long as the central authority of China keeps its policy of

neijin waisong, or “controlled inside, relaxed outside,” there is an opening to help the construction of democratic infrastructure and the strengthening of civil society in China. The fact that currently almost all village heads in China are democratically elected, although their election process is still far from perfect, is an encouraging sign. As long as the central government authority is confident that the opening up process of society is still under control, it will let the process run its course.

Gradual Opening of Chinese Society

Frequent visitors to China will attest to the gradual opening of Chinese society. There are now more non-Marxist books in most bookstores in Shanghai than Marxist ones. Even George Orwell’s “Animal Farm” was allowed to be staged in a theatre in China, which was impossible to see as recently as four years ago. Newspapers are beginning to expose corruption, although once in a while editors who are considered too liberal are sent to jail. As one Chinese journalist told me, “As long as it is not political in nature, anything goes in China.”

These are positive signs. Unfortunately, however, a democratic journey is not a simple or straight path. It is full of pits and falls. Failed democracies are realities, not fictions. The problem is that the world cannot afford the cost of a failed China. It is just simply too big. Chinese leaders seem to understand this problem. Seen from the Southeast Asian vision, lately China has been behaving much better than its official position. Its constitution, for instance, claims part of the South China Sea currently considered by Indonesia as its legitimate territory. However, despite this official

position, so far there has been no effort to enforce it by military or even diplomatic measures. Similar situations also seem to be happening in the territorial dispute between China and the Philippines in the same sea. China so far has showed more interest in pursuing mutual economic benefits from this problematic area than considering it as a military challenge.

Having talked about all these encouraging trends, it is also fair to explore the darker side of China. Retired Admiral Hideaki Kaneda’s warning about the possible similarity of the current China question to the Bismarck question about 125 years ago is also worth exploring. Beijing is now boasting about China’s “peaceful rise,” but so did Bismarck about Germany 125 years ago. This summer, China will stage a major military exercise with Russia on a grand scale, which will be followed by a three country joint military exercise on the same scale by China, India and Russia at the end of this year. These activities raise questions about China’s military intentions in the near future.

I’m not a military expert so I will leave this matter at this junction. Indonesia has no capability to do anything about China’s military intentions. My worry is more about the soft power of China’s growing influence in Southeast Asia. Almost all democracies in the region are in distress and, therefore, many people are beginning to lose faith in democratic systems and are looking for other alternatives. The Singapore model used to be derided as only being fit for a city-state. But if China and the democratic system do work well, at least economically, the ideological battle in newly democratic countries like Indonesia will

be more in favor of undemocratic forces. In Indonesia, the fascists and the Islamists may get a second wind.

Asian Democracies Should Help China become Democratic

To counter this trend I propose that democratic countries, especially in Asia, build alliances to assist China in becoming the largest democracy in the world. If at least Japan, India, Indonesia, South Korea, Thailand and the Philippines band together, this will be a credible partner for China, as the combined population of this group is greater than China. The GDP of Japan alone is still three times larger than China, and this group will boast the largest Hindu, Muslim, Buddhist and Shinto democracies in the world, therefore minimizing the association of liberal democracy only with Western values. Apart from that, there is no reason for China to be afraid of this group, as they do not pose a military threat. Asia should leave the task of carrying a big stick to Washington, D.C, as the U.S. is the only country with credible capability to do the job.

This would not be the only function of the U.S., however. Japan, India, Indonesia, South Korea, Thailand and the Philippines will not naturally move to build this alliance. This is a very diverse group of countries in terms of their economic power, religion, ethnicity, etc. Only the U.S. has the capacity to cajole and facilitate the formation of this alliance. The cost of building this alliance will be almost nothing to the U.S., especially when compared to the cost of maintaining its Seventh Fleet. It is in the interest of nations in this group that China will not implode in a big crisis,

which will eventually happen if the growing tension of the gap between China's rapid economic liberation and its slow political liberation is left only to its natural course. Increasing the positive engagement of civil society in China with the alliance will weave a network of people-to-people relationships, decrease distrust among people of the region and enhance a sense of controlled openness to the central authority of China.

I believe China can evolve into the largest democracy in the world only if its current leaders are confident that this can be done in a gradual and safe way. The alliance can assist China in building this environment, and I would urge you to support this idea. Thank you very much.

Charles Kupchan: Before the panelists answer questions from the audience, I'd like to put one issue on the table that hasn't received much attention in the opening remarks and ask them to make some brief responses. That is on the question of what type of hedging strategy Southeast Asia is likely to pursue as Chinese ambition, both political and economic, grows.

Chinese power is going to be growing in the years ahead. What is not known and what Southeast Asia doesn't know is the ends to which that power will be used. Does it have malign or more benign intent? It would seem, given that uncertainty, that the states of Southeast Asia are going to hedge and are going to look for help to two countries in particular: one is the United States and the other is India. I would like to hear a bit on both of those countries in two different respects. One is, on the American question, how much is America's en-

agement in the Middle East, the war on Iraq, the confrontations with Islam and the potential conflict with Iran, spilling over into Southeast Asia, particularly the countries with large Muslim populations like Indonesia and Malaysia? Is this going to affect the calculus, the degree to which the region can balance with the United States in hedging against China? The other issue is India. India seems to be on the rise. India seems to be extending its influence into Southeast Asia. Is that being felt? Does it appear that India is attempting to balance Chinese power by increasing its presence in Southeast Asia, and is that something that is desirable and welcome from a Southeast Asian perspective?

India's Vital Importance to Southeast Asia Democracies

Harymurti: India is very important for the democracies in Southeast Asia now. During the formation of the East Asia Summit, Indonesia insisted that India should be included in the East Asia group. Including India is the only way for Southeast Asia to hedge or win, because India is the only country in the world that population-wise has the counterweight to China. The second is because of the Singapore model syndrome, India is also now doing quite well economically. So it is in the ideological fight. It is also good to take into account that India has been a democracy for a long time and can send a positive economic message. India also has become very vital in the sense of hedging against the U.S.

There is a strong feeling in Indonesia that the U.S. is like a friend; you don't want to go to a dangerous place because the U.S. might leave you there. But the

U.S. is also the big country that you cannot do without. The problem is, the U.S. is too big for you to have any influence. So India is clearly a very important hedge, not for Southeast Asia as a whole but for countries in Southeast Asia that are threatened by China, namely Indonesia, Vietnam and Singapore. The only reason why Singapore, which used to try to be very close to China, suddenly switched positions is because suddenly Singapore felt apprehensive when China said, "Who are you? You are not important to us." So now it switched sides and said, "Oh, since I'm not welcome by China, it's better to have the second fiddle."

Ismartono: The continued U.S.-led war in Iraq and the potential conflict with Iran are what keep anti-American sentiment alive in Indonesia. Also, the Palestinian problem causes anti-American feelings. The war is perceived to be a war against Islam, not against terrorism, as it was first proclaimed after the attack on Iraq. I don't think this will push countries like Indonesia closer towards China because there is an inherent mistrust of China. More and more countries in Asia feel China is a big threat. China's economic attentions to Indonesia are certainly welcome but there's always going to be distance and a certain fear and suspicion in their relations.

Carandang: I don't think that the Philippine government is hedging itself against a growing China; in fact it's trying to take advantage of it, it views it as an opportunity. China is coming in and investing potentially billions of dollars in the Philippines; the Philippines is trying to exploit China to some extent. The Philippines are not that worried

about China's military ambitions in the region. It views this very narrowly from the point of view that China presents a lot of opportunities for investments, for trade.

I don't want to speak for my government. I certainly don't think I should speak for the Thai government, but the Thai government under Prime Minister Thaksin viewed China in roughly the same way. It wasn't all that worried about China coming in and upsetting the balance of power in the region because it felt that China presented many economic opportunities, and that probably outweighed a lot of these potential military regional conflicts that could occur, or this balancing of powers.

Q&A

Questioner: A few weeks ago an Asian Development Bank official made a very well publicized speech in Japan which warned all of the ASEAN Plus Three countries that they were ill prepared for what he described as the imminent collapse of the dollar as a result of the huge imbalances and the popping of the bubble. Now this is the ADB and it's Japan but what he called for was a "closer integration of the monitoring of your currencies," to basically break from the floating exchange rate regime and have some sort of agreement in order to counter the potential collapse of the dollar. This was a person from Japan making the proposal, but obviously this speaks a huge amount to the role of China in such an agreement. I'm wondering how you see that and how your governments might.

Carandang: I don't think that view was widely accepted in the Philippines, that

the dollar is on the verge of collapse. It's business as usual as far as monetary and financial policy is concerned. Certainly there's some concern about the weakness of the dollar hurting exports of the Philippines, but no one in the Philippine government picked up on those statements and, therefore, there hasn't been a reaction from Manila.

Harymurti: I think the Indonesian government probably didn't even notice this statement. But as a member of civil society, I sometimes feel critical of Japan's passive reactions. Because now that the Chinese are very aggressive in civil society, they are trying to portray their way as the best way as a counter balance to the Western way. I thought that Japan would be a counterweight to this kind of difficulty in the region. But so far it seems that Japan is very much tied up to a checkbook mentality, and that's cost it a lot.

When I visited Japan, Japanese people were very disappointed because they could not get support to become a permanent member of the United Nations Security Council, while China actually got a lot from the African countries, even though in terms of grants and loans given to those countries, Japan's offerings clearly surpassed the Chinese. But apart from giving money, the Japanese government has been very passive. As a person worried about the undemocratic nature of China, I also feel that Japan should be more aggressive in reacting to this kind of behavior.

I'm also very irritated that China always plays a game to make South Korea and Japan fight each other by referring to the Prime Minister of Japan's visits to the Yasukuni Shrine. Then Japan and South

Korea—two successful democracies in the region—fight each other. On what higher moral ground can China talk about what happened fifty or sixty years ago? It's troublesome.

Questioner: If my recollection is correct, maybe the last gunboat diplomacy by China was Mischief Reef in February of 1995, so I guess it's been more than a decade. Under Jiang Zemin and Li Peng, nonmilitary efforts were started in order to take diplomatic and economic initiatives further. I'm wondering if now, under Hu Jintao and Wen Xiabao, if that campaign has changed its nature and thrust. Or is it simply continuity from the previous regime? Is China changing its direction and so forth?

Carandang: China's been much more visible as an investor in the Philippines since the new government came in. There's also been a diplomatic initiative and people are talking much more about China than they were before. But in the Philippines and, again, to some extent in Thailand, China's presence is not being defined in political terms. It's almost purely being defined in economic terms: We're getting this much in loans, how much are they investing? And the Chinese seem to be actually consciously setting aside any political or ideological issues. To some extent that represents a refinement over China's predecessors.

An interesting point here, the Philippine government is also playing the China card, as it were, with the United States. I don't think it's hedging against China, it's using China to hedge against the United States to some extent when it's not getting what it wants from it. There's a tendency to try to play the China card and I think that's an example of how

successful the Chinese government has been.

Kupchan: Could you give an example of how the Philippine government may have tilted toward China in a hedging strategy against the U.S.?

Carandang: It's not so much how it has tilted. It's more that China has shown itself willing to take steps that might be helpful to the Arroyo government that the United States government might not. I was talking earlier in my remarks about how the Chinese embassy official was very willing to step into the fray during the Philippines' ongoing political crisis and allow government officials to claim, "China continues to support the Arroyo government and does not question its legitimacy," when it was very clear in Manila that the U.S. embassy was having problems backing up the Arroyo administration all the way because of the questions of legitimacy. In fact, when the Cabinet secretaries resigned last year, I interviewed a U.S. embassy official, and he described the Cabinet members who resigned as patriots. So China's approaching it very differently in that sense and the Philippines are playing the China card against the United States that way. The sentiment is, "If you guys aren't going to come out and say something nice about us then maybe we'll go to the Chinese and they'll do it."

Ismartono: Ever since diplomatic relations between Indonesia and China were restored, there has been a change in their attitude. They have been a lot friendlier, they reach out more. In fact, in Aceh, they were one of the first countries to come and offer help. There's no question, though, that Indonesia is a big market for

China and the market is literally flooded with Chinese goods.

In Indonesia, unlike other countries, there's always the sensitive issue of the linkage between ethnic Chinese Indonesians. In fact, in 1998 when the Chinese in Indonesia looked like they were going to be targets again of anger, the tycoons left the country. Many of them—in fact going back to Suharto—had already been investing their money in China. So while the Chinese are trying, there's still this feeling of mistrust from the Indonesian side.

Questioner: The Spratlys have been mentioned several times, as well as the potential for China and the Philippines to cooperate there, and you mentioned that had raised some eyebrows in the region. As these views toward China change, what's the potential for further cooperation? Where do you see the Spratly issue going?

Dispute over Spratly Islands

Carandang: I'm not sure at this point if anybody's really willing to take it much further. The fact that they signed an agreement to jointly explore the islands was significant. The government of Malaysia quietly expressed some dismay because, as I said earlier, it was the Philippines in the 90s that said to all the claimants, "Let's not rock the boat by moving in a direction that could upset the others," and yet the Philippine government was the one to actually sign the agreement. If the Philippines move it a little bit further there will be more vocal complaints from countries like Malaysia. I think they're content to just leave it where it is for now.

With oil at seventy dollars a barrel, if those geological studies come out and show that there's a lot of potential then they might start discussing it more seriously, but I'm getting the sense that they've decided to cross that bridge when they get there. The studies would actually have to point to the possibility of significant reserves of oil there before it's taken to the next level.

Ismartono: Cooperation with ASEAN and China will always go through official channels. On security issues they always turn to the ASEAN Regional Forum (ARF) and then there's always the ASEAN-China Free Trade Agreement, which is coming up.

Questioner: It seems that people take for granted that the Chinese economy can continue at its current pace. Yet this is by no means certain. There are problems between rural and urban areas in China and other economic problems, including a regime whose legitimacy is increasingly under question. Have any of you considered what the consequences will be of a kind of depression or collapse of the Chinese economy?

Inherent Problems in China's Economy

Harymurti: Actually I believe so much that the Chinese economy is going to collapse in the future that the question isn't if but how and when, and whether it's going to be in a big bang or a lot of small crises. Most people hope that there will be a long, gradual number of small crises instead of one big bang. If it happens in one big bang I can't even imagine how terrible it will be. It is better to invest in India than in China. India has already gone through the

liberalization of its political system and economic system, so it is more stable. It has little crises every once in a while, but they are always small. China rarely has any crises but it's going to explode unless its current situation changes.

Since it is known that China's economy will collapse, it's the world's responsibility to make sure that China has a soft landing and that it makes this change deliberately instead of being caught off guard.

I'm worried, for instance, that if for some reason the economy stagnates a little bit and there is a split in the leadership in China about what to do, in order to gain support from the masses one faction says, "Let's wage a war. Let's take over Taiwan." How will the world react? This is something probable and likely; the world has to be prepared for it. The way to be prepared for it is not by increasing the power of the Seventh Fleet, but actually by increasing confidence in the Chinese leadership and in the Chinese people that they can open up their political system without having a similar experience to Russia. They can do much better than that.

Many Chinese feel very confident that they can control this. But that's also probably because they are growing at 9%. Let's see if they have the same confidence if the economy is growing only at 5%, or even 2%. I hope China will make a very soft landing for the benefit of all.

Carandang: I don't get the sense that anybody has really thought about it. I know it doesn't make sense but everyone seems to be making the implicit assumption that China will continue to

grow at 7-8-9-10% annually. Philippine businessmen are rushing to invest in China and nobody's giving this any serious thought. A lot of people are going to get caught with their pants down if there's a hard landing. I agree with you, there hasn't been enough thought given to it.

Questioner: I am the Indonesian ambassador and firstly, I really have to say how pleased I am to see my two civil society fellows speaking in front of this prestigious audience. Secondly, I have to disassociate myself with my hat, that I'm really not wearing it as an Indonesian ambassador. Rather, I am speaking as an Indonesian staying here in Washington who suddenly finds himself in front of this very prestigious audience.

What I would like to offer the audience is what I see concerning the role of China and what is going to happen in the future or the near future in terms of China growing, and what role will be played in all the fabrics of the international community so that it is built in such a way that gives benefit to every country in the region.

First, what I have seen so far during my stay here. United States-China relations are extremely important. A strategic partnership between the two has already been established. Now, what is the role of a sizeable country like Indonesia, for instance? I realize that the more the United States are willing to engage Southeast Asian countries, the better it is for the harmonious and architectural equilibrium in the region.

I will give an example on the East Asia Summit. I would also like to make a small correction. It was Indonesia that

persistently tried to include Australia and New Zealand, but it was Singapore that wanted to have India on the East Asia Summit. This reflects the importance of how to work together, how sizeable countries, big powers and medium powers in the region, work together with a big power like the United States to create equilibrium in Southeast Asia. A continuous dialogue and continuous engagement in terms of political talk is necessary for Southeast Asia and Asia in general. Otherwise, if China explodes, there is no valve open for Asia to talk about the situation.

Intensive engagement and presence in terms of political dialogue by countries beyond the region, especially the United States, will be very important in establishing a new architecture and equilibrium in the conduct of relations between countries in the region. Of course, too, if there is an element of resentment between countries like Indonesia and China, this has to be seen in the context of how a big country like the United States can engage a sizeable country like Indonesia to establish harmonious relations with China.

Ismartono: I'm so relieved because ten years ago, if I were speaking and an ambassador were replying to me, he'd report me back to the authorities. I'm so glad it's not like that nowadays.

Harymurti: Thank you, Mr. Ambassador, for the correction. My old sources told me that in the case of India, Singapore and Indonesia came up with the same idea. This actually strengthens my point that Indonesia has really felt threatened by the possibility of a hegemonic China.

This clearly shows how Indonesia feels that the U.S. is this famous cowboy Shane and Indonesia is the little boy calling "Shane, Shane," but Shane is leaving for the Middle East. Since this little boy will not be able to call Shane, he calls the second fiddle, and Australia is very proud to say they are the Deputy Sheriff of the United States. That's actually the complexity of the so-called East Asia Summit. ASEAN is saying, "Where are Australia and New Zealand located? Oh, they are East of Asia. I think that's ok."

Questioner: I'm from the Philippine embassy. Obviously this is from the government point of view, and not from the media point of view. I'd like to say that from the Philippines' point of view there is no such thing as a China card.

The Philippines' relations with China have deep historical roots. Its national hero is in fact of Chinese descent. It has been trading with China for more than a thousand years, even before the United States were even formed. What led to the diminution of its relations was the Cold War, when the Philippines were divided between the democratic and the communist camps, but in 1975 it started normalizing relations with China. Even so, it still maintained relations with Taipei. It has an office there for economic, social and cultural relations. So if the Philippines' relations with China are growing warmer it should not be perceived as something extraordinary or special; it's something very normal. Besides, it wants to maintain positive relations with China because the latter is a giant which has awakened and it is also the Philippines' neighbor.

Having said that, it does not pit the United States and China against each other because they are of two different leagues. The United States are the Philippines' ally, and China is not.

Carandang: The government has done a good job of maximizing its relations with both. To the extent that the media views that as playing the China card or playing the United States card, whatever it is, the government has deftly been able to extract advantages from both the United States and China. Obviously there's an official view and there's an unofficial view.

Questioner: I want to address my question to Bambang. What you have said, in laying out the idea of some sort of a grouping of India, Indonesia, Korea, Japan and so on, I wonder if you recognize that the thrust of your comment is directly related to the central issue that Americans are facing today. There is a wide and deep disagreement among people of good will as to whether it is wise to place democracy at the highest point or whether one should reduce the significance of such ideological views in order to be a so-called "realist." The point of my question is to underline and ask you whether you recognize that what you're proposing is central to a debate that is going on in the United States as well.

Role of Democracy in Foreign Policy

Harymurti: I'm glad to hear that because I think this is the irony of democracy. When countries have been democratic for so long sometimes they feel nostalgic for undemocratic times. But since Indonesia a new democracy, I can tell you I have no nostalgia at all

about being undemocratic. My feeling is this: let's say the U.S. reacted to China's growing militarily by strengthening its military. Usually military to military responses lead to negative results. But imagine now if instead Indonesia engaged, not through the state, but through people to people.

For instance in Indonesia, there is an American oil company called Maxux that was bought by the China National Offshore Oil Corporation (CNOOC). After it was bought by CNOOC, even though there was no change in management and it still did the same activities, Indonesia began to have problems with pollution which it did not have when it was still an American company. There can be two kinds of reactions. One is, "Chinese investors are bad for pollution so let's just say no to them." The other is for an environmental group in Indonesia to connect with its partner Chinese environmental group and for both of them to say, "This is a problem." This would be beneficial for both countries because China wouldn't feel it is being attacked because it is China, but that the business is being attacked because it is bad in terms of pollution.

Now that China is very confident economically it presents a big opening for engagement, not only on a country to country basis, but also people to people too. This is very important. I believe Joseph Nye thought the problem with the U.S. today is that it uses too much of its hard power and it hardly at all uses its soft power. The U.S. should use soft power more and more to engage the world and use hard power only as the last resort. It is also important to remember that new democracies do not have any nostalgia at all for how they lived

under undemocratic regimes. They might be poorer but they are freer and happier.

Carandang: Can this foreigner give you his two cents about the debate going on in the United States right now? I am a believer that democratic government is ultimately the best form of government. Where the U.S. foreign policy may have erred is not in promoting democracy but sometimes in the way that it has been seen to have done it. Democracy doesn't have to look exactly the way it looks in America with a Senate and a House and a President. It can look different. Sometimes American policy makers tend to define democracy in rather narrow terms: whether you have a Senate, whether you have a Supreme Court, etc. Maybe that's been the problem. It might be better if democracy were viewed in a broader sense, basically as government governing with consent, and with the realization that it doesn't have to look exactly like the United States or Britain to be a democracy.

I think people will still come around, it's just that American institutions have evolved because of their unique historical and cultural context. Those contexts just aren't the same in the Philippines and other countries, and therefore Philippine democracy should not look exactly the same as American democracy. When Iraq finally becomes a democracy at least on the surface it's probably not going to look like American democracy. But it will hopefully evolve its own form of democracy. The temptation to define it in very narrow terms is what may be the mistake.

Harymurti: I would also plea here to please not pull out from Iraq too quickly.

That would really be dangerous for Indonesia. It would really give second, third and fourth winds to the Islamists in Indonesia. Because my experience is that when the U.S. invaded Afghanistan and it was shown that the Taliban did not fight to the finish but in fact betrayed each other, it certainly took a lot of air out of the Islamists in Indonesia. But if the U.S. leaves Iraq too quickly with its tail between its legs, it will really provide the first, second, third, fourth and fifth winds to the Islamists in Indonesia.

Questioner: I'm from the Philippine embassy. I have a brief comment and a question to add to the explanation of why the Philippines are behaving as such with respect to China. This is actually naturally driven by the fact that there is a large percentage of active Chinese present in the Philippines, which for a long time has been engaged in trade. So it is not government driven from the get go; it is more of a natural process driven by the people involved in trade via Taiwan. By the way, Taiwan has a large investment in the Southern part of China. The government simply was driven by the business community.

Having said that, let me go to my question. I think a point has been made that economics or trade are somehow relegated to regional disputes left on the backburner. To a large extent that may be correct. But do you agree also that these economics may be a double edged sword, in the sense that as, for example, China and the other states grow and there is a crunch in terms of the demand for energy, then there is competition for resources which would have the potential of bringing all these disputes—essentially territorial in nature—and the

drive to find resources in those disputed areas as one potential flashpoint in the future? If you do agree with that assumption, how do you think this should be addressed?

Carandang: I agree with you. Competition for scarce economic resources could ultimately lead to that, but that scenario could go in a number of different directions. As a flashpoint for military conflict, that's just one out of a number of directions that it could go in. Certainly it might cause some tension but I think that it's something that can be seen moving forward and that the governments involved are wise enough to see it and find some way to manage it before it actually turns into that worse case scenario.

Let me give you an example. You're talking about dependence on oil. The Philippines' energy policy, as I'm sure you're aware, has been wisely geared towards developing indigenous sources of energy, geothermal, etc. That's not something you can actually sell or take away, so I think to some extent we're already seeing that happening in the governments involved. But it's not going to lead to anything more than that.

Questioner: I was wondering what you thought about an idea from a recent article about how the combination of democracy and globalization actually heighten conflict within countries, specifically your countries: the Philippines, Indonesia, and the Chinese minority in them—in this case the minority gains economic and political power. What effect does that have on relations with China in the future?

Economic Power of Chinese Minority in Indonesia

Harymurti: I think that's actually the beauty of democracies. Right now the Chinese in Indonesia are less than 4% of the population, but an Australian survey shows that even if land as capital is taken out, the economic control of the ethnic Chinese is 74%. Imagine it: less than 4% controls 74%. But here is the beauty of democracies. That happened because a small group of Chinese control or have a relationship with a small group of powerful indigenous Indonesians, so that they have this concentration of wealth. In a democracy, however, there are not just one or two people who can pay some money and get a monopoly and authority. It's not like that any more, there are just too many players. I believe that the disbursement of wealth will improve with time.

I don't think it's stable that less than 4% of the population controls 74% of the wealth of Indonesia. I know it's not easy and it's messy, but at the end of the day, even if it's not exactly the American way, Indonesian people would like to live in a normal country. I define normal countries very simply: in normal countries, including the United States, people don't have to be that smart but if they work very hard they will be ok. In countries like Indonesia, however, it's not yet like that. It's not yet normal. There are millions of people who work so hard and diligently and are trapped in poverty for a long time. There are also people not working too much, and they are very wealthy. This is not good for the economy. I want Indonesia to become a normal country, where anyone who really works hard will be ok. Only

in democratic societies can there be this normalcy.

Questioner: Mr. Harymurti, the alliance that you described of India and the West, Japan and South Korea and East Asia and a number of ASEAN countries in between—that alliance is cobbled together, as you described, by the U.S. It sounds an awful lot like a U.S. containment policy of China. It's hard to imagine that happening without a vigorous, diplomatic counter effect by the Chinese. Is that in fact what you're recommending in the containment policy of China?

Harymurti: It's more an engagement policy. But maybe it is some sort of containment policy. Still, a lot of soft power can be seen instead of hard power. It only works if the Chinese don't feel threatened by this so-called containment. It's more like creating a buffer so that they can have a soft landing instead of a hard landing. It takes sacrifice, too. I'm sure that even if it has a soft landing Indonesia will remain poorer than China. But it is better than other countries growing poorer.

Again, this is where I am irritated by Japanese passivity in this kind of activity. Every time Prime Minister Koizumi visits Yasukuni, the Chinese say something, the Koreans get angry and then the Japanese react. Only Americans can say to the Japanese and the Koreans: "Stop this stupid fighting and work together to help China have a soft landing."

Questioner: I think China needs to understand the concept of democracy more broadly. By looking at the case of the Middle East one can say that

countries want to make the world safe for democracy. But democracy should also be made safe for the world. Just think of the Palestinian and then the Iraqi elections, and the chaos that followed. I think the debate on democracy should be more well rounded. My question is for Bambang. Do you think the hedging strategy can work and do you think it is in the best interest of Southeast Asian countries?

Harymurti: If I thought it would not work I would never say it. To me it is such a golden goal. Imagine if China became a democracy. It would be the largest democracy in the world. And imagine how much money nations would save, because I believe that no democracies ever wage war against each other. I'm sure that if Pakistan became a democracy like India, they would not have any more wars. If Taiwan and China both became democracies the Taiwan Strait would become stable because both societies would find a way to have a peaceful solution. In a way I am glad that Hong Kong reverted back to China because I hope it's not that Hong Kong becomes China-ized, but that China becomes Hong Kong-ized. I think it's happening and that it's to the benefit of everyone.

Questioner: I would not like to argue with you about the goal of democracy. I am confident and believe that China will be moving towards democracy. What I am wanting to point out is that democracy is a process. It isn't simply that elections equal democracy. What I want to say is that nations must be patient and wait for this process. A hedging strategy only generates suspicion and mistrust between countries. Asian countries should engage each

other and keep dialogue open between country to country, government to government and people to people.

Kupchan: Allow me to just add a thought before you respond. Given your own country's experience with democratization and your faith that as the spread of democracy continues it will have beneficial geopolitical effects, what would your recommendations be on how the United States and your own countries should deal with China on the question of democratization? Should the U.S. be saying, "Unless you do X, Y or Z, you will not get into such and such an organization"? Should there be a standard conditionality that is based upon certain progress along the path to democracy? Or would you basically say China is China, let it move at its own pace and in the meantime cooperate, engage and leave them alone?

Harymurti: If you want to democratize a society I don't think the government is the best tool with which to do it. In my experience, the best American diplomats are not the ones who stay in the American embassy in Jakarta, but Fulbright professors, for example. Fulbright professors have good people to people connections. They don't just go to cocktail party after cocktail party like the diplomats do. I am from civil society, so I have to defend my turf. That's why I'm glad, for instance, that in Indonesia, after a thirty or forty year absence, the Peace Corps is going to return.

One of the things I noticed as to why the Philippines receive support in the U.S. Congress is because so many of the staffers there are alumni of the Peace Corps in the Philippines. Indonesia has had none of these alumni for the past

fifty years, but with this kind of people to people exchange, understanding could be better.

Indonesia had this experience with Australia. Indonesia has forty-two political asylum seekers and the president was angry because Australia received them. The citizens of Indonesia said, "According to our constitution it is the constitutional right of everyone to ask asylum if you don't feel that you are safe in your country. And the president is supposed to do what the constitution says." So instead of doing that we said to the president, "Instead of trying to get those forty-two people back you can say to the Australian government, if there are forty-two thousand more political asylum seekers, you should support them." That actually got the Australians scared and they said, "Well, we have to be more careful with the next political asylum cases." And that worked better. Both sides got what they wanted, in a peaceful way, without sending a NATO ship or making another threatening gesture.

Effectiveness of People to People Engagement

Ismartono: Indonesia really needs more people to people engagement with China. I think there could be more exchanges of reporters and journalists, and a lot more Chinese should come and visit Indonesia. Indonesia has more things in common than it has differences with China. A lot of its traditional culture comes from China. The Chinese have been coming to Indonesia for a long time. It will do both nations good, in Indonesia particularly, to just erase the suspicion Indonesia has of China being a threat, mainly because

of localized conflicts. I'm in favor of many more people to people exchanges.

Harymurti: If you want an example, there is a person called Sidney Jones, a Fulbright professor who worked on her PhD in Indonesia, and she lived in a *madrass*. It's very interesting because she was the most knowledgeable person about the *madrass* system because she lived there for years. Imagine how much money the CIA has to spend to get this kind of knowledge. All it has to do is pay for four years of a Fulbright professorship which costs, maybe \$200,000. People to people contact is really something that the U.S. government should push for if it actually wants to become a champion of democracy and peace, and not always carry a big stick.

Carandang: I don't think that China aspires to be a Western style democracy. China is evolving its own system and as long as it doesn't threaten its neighbors it's not anybody's concern how this system evolves. I tend to agree with letting China be China. There are certain questions that can be raised every once in a while, like Tibet, but I don't think China should be told, "Well this is what you ought to do. You've got to be democratic." China will evolve its own system and again it may not even be democratic, it might not look like the systems that other democracies are used to, but if it works for China, as long as it doesn't threaten its neighbors, I don't see any problem with it.

Questioner: I just wanted to follow up on the comment about the passivity of Japan in Southeast Asia. I was just talking with a friend of mine, an academic who spent the last two weeks in Japan, and he said that the whole

atmosphere there is changing. There's now recognition that there's inevitable conflict with China. He also said that many of the Japanese academics he was talking to were talking about Southeast Asia as a center for that conflict. It's certainly true that Japan has been tremendously passive for at least a decade. What happens if Japan stops being passive? In other words, Southeast Asians have always wanted to avoid conflict between whatever the major powers might be. Would Southeast Asians as a whole welcome a more aggressive, robust Japanese presence in Southeast Asia? What kind of a reaction might take place?

Harymurti: I also visited Japan and find it very interesting that there is a big debate in Japanese society about whether it should become a normal country or not. And the underlying question is, should it change its constitution or not? To me, as a foreigner ignorant of Japanese history, I say, "Of course, change the constitution." The constitution was made by a U.S.-led army colonel who admitted that he didn't know anything about the constitution. He was just asked by his commander to do this job so he did it. If I were a Japanese person, I would say, "Well, let's make a Japanese constitution. We're not only capable of making Sony walkmen, but also our own constitution."

Potential Strategic Role for Japanese Soft Power

I think my generation doesn't really remember any atrocities. That was a long time ago. I don't like to call it collective sin. I remember the Japanese coming to Indonesia to invest money,

sell Sony goods, and bring with them karaoke and now *manga*. The Japanese don't realize that they have this huge amount of soft power. They don't use it. I think the Japanese can play a big role in engaging China in a much more strategic and geopolitical way. It seems that the Americans did their job too well in making Japan only an economic animal. It's about time that chapter of history closed.

I believe that no society will ever wage war with another democratic society. Therefore, a democratic Japan is not something other countries should feel threatened by. I urge my Japanese friends, "Don't be too hard on yourselves. Be more confident about playing a role in the world. Economics are not everything." I remember in 1984 when Japan was portrayed as the richest country in the world and some people criticized it by saying, "Yes, you are the richest country, but poor people." Japanese people really took that criticism to heart. It's about time the Japanese really enjoyed the fruit of their labors, not only singing karaoke with the bosses but also with other friends like the Indonesians.

Carandang: There would still be a mixed reaction towards a more assertive Japan in Southeast Asia. There would be some eyebrows raised, but I don't think there would be the vehement reaction against it that might have occurred twenty or thirty years ago. I agree to a large extent with what Bambang is saying, just maybe not with the intensity.

Kupchan: Let's collect a few last questions before we return to the panel.

Questioner: Is what is happening politically and economically with China in East Asia affecting how East Asian nations are responding and speaking out or not responding and not speaking out about human rights violations in China?

Questioner: I'm from Burma and I would like to thank the panelists for mentioning Burma. China has been the biggest friend of its military government. Because of the economic situation China has come in and executed what I call the rape of Burma. Isn't it for political and not economic reasons that it comes in?

Questioner: There's a lot of talk about how domestic problems within China could ruin the rosy picture for relations with other countries. I wonder if there's any debate about domestic problems in Southeast Asia vis-à-vis the growing relationship with China. What I mean is that there are all these trade agreements being signed. These benefit the politicians in Manila and Jakarta and Bangkok, but there are losers in this. Yuli, you mentioned the friction between Indonesian laborers and the Chinese workers who China tends to bring in to work on Chinese infrastructure projects. I wonder if there's a debate going on about how this could happen.

Questioner: I wonder if you'd comment on Southeast Asian attitudes on the Taiwan issue. If things went badly, China of course would be seeking support from the countries of Southeast Asia and the U.S. would be trying to talk China out of it and so forth. How would the countries respond?

Questioner: What is the perception of and the attitude in Southeast Asia towards the concept of a "Greater China"?

Ismartono: I'll respond to the Burma question. I think that China's interest in Burma is both political and economic. It is building pipes to get Burmese oil. There's no question about that. But if ASEAN could only engage China regarding Burma, that would help a lot, because that's exactly what the ASEAN Regional Forum is all about. It's for dialogue and to prevent any conflict so that ASEAN can flesh out its problems and its issues. China's very quiet about this. China has a special agenda, and ASEAN always wonders about it.

On the gap between Southeast Asia and China, especially if there were local tensions, how would they spill over? I think that China is very sensitive to this possibility in Indonesia. They have a very low profile. There are Chinese workers in Indonesia but, again, I think they are being told to behave and not create any problems. So far I have not heard of anything that would trigger any problems with the laborers. People are complaining about the deficit and trade with China. People are complaining that there are too many Chinese products. But so far there has not been any negative impact. It's still within relative acceptability.

On the Taiwan case, Indonesia's attitude towards Taiwan has been the same. It's a Chinese problem and it doesn't want to interfere. Indonesians see Taiwan as wealthy, as progressive and even better than China. At least it is beginning to be democratic. I was there about three weeks ago and I was very impressed with what it has achieved in the last decade. The Taiwanese were so poor fifty years ago and now look at them. Indonesians have been working in Taiwan. I'm impressed with what the

majority of the Taiwanese want vis-à-vis China, which is just the status quo. They don't want to be a part of China, they just want to leave it as it is and hope that perhaps one day when there's a borderless world they won't have to deal with this sovereignty problem.

Carandang: There was the first question about whether or not Southeast Asian countries would be less inclined to speak out against human rights violations in China because they now have better relations. ASEAN countries have traditionally been hesitant to speak out about domestic affairs of any country, actually, and now that China is engaging Southeast Asia much more aggressively I think you're right, there's probably going to be less of a willingness on the part of governments to call China's attention to certain things. But the people of the Philippines will always be concerned about human rights in China and civil society in the Philippines will always raise those concerns, if not the government.

Yuli answered the question about whether or not there's a political agenda behind China's economic initiatives. They have not manifested one but everyone seems to assume that there will be one and that there is one.

Do domestic issues affect the perception of China? The unpopularity of the current Philippine government is not rubbing off on China. China is perceived as just trying to go about its business, and the fact that it is dealing with an unpopular government has not tarnished China's standing, at least among the Philippine public anyway. I don't see anyone getting mad at China because it is dealing with the Arroyo government.

About Southeast Asian attitudes towards Taiwan, if something like that happened the Philippines should try to avoid getting involved in any of that. First of all, it has no say in it, it has no role in it, and anything it says would be held against it by one side or another. The Philippines should wisely avoid saying anything on that issue.

Harymurti: On the Taiwan issue, the Indonesian government will probably wait to see what the U.S. reaction is, whether it is a serious enough reaction or not. If the U.S. government isn't serious, why should Indonesia be? But if the U.S. government is really serious then the Indonesian government will probably think along those lines as well. The reality is that there is nothing much Indonesia can do, except provide moral support at the UN and so on.

Still, neither Taiwan nor the U.S. can be underestimated. I quote one Indian general who said, "The only way you can fight with the U.S. now is either by becoming a terrorist or by launching a nuclear attack." Anything that can be considered a target will be destroyed by the American military in a few seconds, live on CNN. This is also the advantage of having a democratic system as opposed to an undemocratic system in terms of human rights issues. When the Singapore government says something critical of China, China says, "You can lose your benefits. Finished." When it happens in Indonesia, however, the government might be cautious but the parliamentarians might speak up. The human rights groups in Indonesia will also speak up. Then when the Chinese ambassador complains to the foreign minister of Indonesia, saying, "Why has there been this reaction? We are sup-

posed to be friends," the Indonesian official can say, "I'm sorry, I don't control the parliamentarians, I don't control civil society groups and I don't control the media. You have to talk directly to them." So it can be gotten away with. I hope Singapore is learning this advantage of being a democratic society.

On Burma, this has really created a very big problem in ASEAN. I think ASEAN will have to cross that line when it comes to it, when for the first time it has to expel a member. In my magazine and newspaper this idea is supported very strongly, because there is a line that I don't think should be crossed. When it is crossed, ASEAN will have to react accordingly.

Also, about democratic problems, I will give you some anecdotal evidence. There was a very big strike in Surabaya in one electronics company. Businessmen complained about the chaos when thousands of laborers went on strike for two days. And then the company said, "If it's not more than six days we won't consider you fired but there will be an offer of a compromise." Then, after two days, it was a win-win situation. The laborers went to work again, and I can tell you that these people will work much better than people who have no rights.

I'm very happy about the benefits of having a democratic society. I have just heard news that the largest retirement fund of the U.S. is going to consider Indonesia as part of its emerging countries investment strategy. It doesn't want to invest in China. So that is the value of being a good guy. About business, I will never personally buy Nike shoes because

I have been reporting on the labor conditions in that company and I am appalled. I forbid my family from buying these shoes too. But I think this awareness is getting better and better.

Here is a story and I hope I will not be sued after this, but when I did this report I found out, to my horror, that Nike and Reebok factories pay laborers minimum wage, which is about 40% of what

laborers who work at Bata shoe factories make. And the prices of Bata shoes in shops are actually only a quarter of Nike and Reebok shoes. So it's a good family decision: no Reebok and no Nike shoes on moral grounds. Buy cheaper shoes like Bata. This is good for Indonesia's budget and good for its feelings. Thank you.

[End]

About the Panelists

Main Speakers

Ricky Carandang is Anchor-Reporter for the ABS-CBN News Channel, Philippines, a position he has held since 2000. He reports on national affairs, and business and economic issues of the Philippines. Mr. Carandang also writes about Philippine affairs on his blog, rickycarandang.com. He has been a field reporter for ANC and for the free TV news program, TV Patrol. His investigative reporting has resulted in a number of exclusive stories. Previously he was Business Editor for *Newsbreak Magazine*, Philippines, where he was in charge of its business coverage. Mr. Carandang received an A.B. in Management Economics from the Ateneo de Manila University, Philippines.

Bambang Harymurti is Editor-in-Chief, *Tempo Weekly News Magazine*, and Corporate Editor of the Tempo Group. He is also Group Editor-in-Chief of *AsiaViews*, a weekly online publication and monthly magazine featuring news and commentaries on Southeast Asia. His previous positions include Editor-in-Chief, *Tempo Daily*, Deputy Chief Editor, *Tempo Weekly News Magazine*, Executive Editor, *Media Indonesia Daily*, and U.S. Bureau Chief, *Tempo Weekly Newsmagazine*. In addition to being a Fulbright Fellow, he has been a Fellow at the Johns Hopkins University's School of Advanced International Studies, Harvard University, and the East-West Center. He has received numerous awards, including the Excellence in Journalism award from the *Indonesian Observer Daily* in 1997. Mr. Harymurti received a B.Sc. from the Institut Teknologi Bandung, Indonesia, and an M.P.A. from Harvard University. He has published "Indonesia, Challenges of Change," *Journal of Democracy* (October 1999).

Yuli Ismartono is Executive Editor, *Tempo Weekly News Magazine*, and is in charge of *Aceh Today*, *Tempo Magazine's* weekly supplement on the ongoing peace process in Aceh. She is also Editor-in-Chief of the online version of *AsiaViews* and Managing Editor of its magazine edition. Previously she was a Columnist and Reporter at *The Indonesia Observer*, General Manager of Public Affairs, PT. Surya Citri Televisi (SCTV), and Foreign News Editor and Bangkok Bureau Chief, *Tempo Weekly News Magazine*. She has also been a Fellow at the Eisenhower Foundation. Ms. Ismartono received a B.A. in Political Science from the University of Delhi, India, and participated in a graduate program in journalism at Syracuse University. She has published "Challenges to Investigative Reporting in Post-Suharto Indonesia" in *Critical Issues in Asian Journalism* (2005).

Moderator

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