

CHAPTER 4

The Rise of China and Regional Responses: A Philippine Perspective

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Introduction

This chapter looks at the rise of China from a Philippine perspective, focusing not only on bilateral relations between the two countries but on regional issues as well. The paper argues that while the rise of China as a responsible stakeholder should be encouraged, it is also critically important that such a role include a commitment to the promotion of human security and good governance. The impending global economic crisis may well provide a good opportunity for China to demonstrate its soft power capabilities as it attempts to help stabilize the international economic order. At the same time, however, there is a need to improve on its trade and business practices, especially in the aftermath of recent food safety concerns and allegations of corruption in its foreign assistance programs in the region.

What follows is an overview of Philippine-China relations. Thereafter, a discussion of the regional implications of China's rise is presented, including implications for the Philippines.

Philippines-China Relations: An Overview

Relations between the Philippines and China have improved dramatically over the last decade due to enhanced economic and trade relations, as well as greater political and security cooperation. This may also be attributed to various changes in the internal and external environments of both countries, including the push for greater ASEAN-China cooperation and efforts in the region to build an East Asian Community.

In economic and trade relations, China is currently the third largest trading partner of the Philippines after the United States and Japan, respectively. In 2006, China accounted for 8.3% of the Philippines' world trade, valued at 8.3 billion US dollars, with an over 900 million US dollar trade surplus in favor of the latter (See Table 1 below). In 2005, bilateral trade was valued at 17.56 billion US dollars, which

represented a growth rate of 31.74% over the 13.3 billion US dollars value in 2004. Since 2000, bilateral trade volume grew at an average annual rate of 41.77%, with the Philippines gradually selling more to China than it buys from China. During the visit of Chinese President Hu Jintao to Manila in April 2005, the two countries agreed to target a trade value of 30 billion US dollars by 2010.¹

Apart from trade, other areas of economic cooperation between the Philippines and China are also growing. In January 2007, Premier Wen Jiabao signed a 3.8 billion US dollar agricultural project that aims to develop about a million hectares of land in the Philippines to grow rice, corn and sorghum that could be exported to China. Other agreements include financing for construction of a train line running north of Manila, and rehabilitation of an existing line to the south. To fund the North Rail rehabilitation project, the two countries agreed on a 500 million US dollar loan from the Export-Import Bank of China.²

Table 1: Major Trading Partners of the Philippines (2006)

Country	Total value	Percent share	Export value	Percent share	Import value	Percent share	Favorable + unfavorable (-)
Total	99,183.80	100.0	47,410.12	100.0	51,773.68	100.0	(4,363.57)
Total top 10	78,355.04	79.0	40,594.49	85.6	37,760.54	72.9	2,833.95
USA	17,126.49	17.3	8,689.53	18.3	8,436.96	16.3	252.57
Japan	15,188.06	15.3	7,917.82	16.7	7,270.24	14.0	647.59
China	8,275.01	8.3	4,627.66	9.8	3,647.35	7.0	980.31
Singapore	7,883.72	7.9	3,505.01	7.4	4,378.72	8.5	(873.71)
Taiwan	6,155.30	6.2	2,010.28	4.2	4,145.02	8.0	(2,134.74)
Hong Kong	5,801.60	5.8	3,706.01	7.8	2,095.60	4.0	1,610.41
Netherlands	5,178.66	5.2	4,769.20	10.1	409.47	0.8	4,359.73
Malaysia	4,723.57	4.8	2,621.44	5.5	2,102.13	4.1	519.31
Korea	4,622.40	4.7	1,422.83	3.0	3,199.57	6.2	(1,776.74)
Thailand	3,400.21	3.4	1,324.72	2.8	2,075.49	4.0	(750.76)
Others	20,828.76	21.0	6,815.62	14.4	14,013.14	27.1	(7,197.52)

Source: Philippine National Statistics Office 2006, from <http://www.census.gov.ph/data/sectordata/sr0728404.htm>.

¹ Embassy of the Philippines, Beijing, "Philippines-China Economic Relations," <http://www.philembassy-china.org/econ/index.html> (accessed November 1, 2007).

² Douglas Bakshian, "Chinese Premier Ends Philippine Visit, After Signing Billions of Dollars in Projects," Voice of America News Com, January 16, 2007, <http://www.voanews.com/tibetan/archive/2007-01/2007-01-16-voa2.cfm> (accessed November 1, 2007).

Political and security cooperation between the Philippines and China has also been improving significantly over the years. High-level exchange visits have taken place between the two countries since the visit of President Hu to the Philippines in 2005. This includes senior officials from defense and military establishments, as well as legislators from the Philippine Congress. No less than President Gloria Macapagal Arroyo made visits to China since 2004 almost annually.

Consultations between the Armed Forces of the Philippines (AFP) and the People's Liberation Army (PLA) have been conducted to discuss common security concerns, including transnational crime. Since 2001, a number of memoranda of understanding (MOA) on defense cooperation and transnational crime have been signed between the two countries. Apart from dialogue with the AFP, China is apparently attempting to become a leading supplier of arms to the Philippine Army, which has depended on the United States for its procurements. Beijing has reportedly offered to sell at a discount rate eight Harbin Z-9 utility helicopters to Manila. A licensed copy of Eurocopter's AS365N Dauphin, the Z-9 has been manufactured since 1980 by a Chinese company, a subsidiary of Beijing's state-owned AVIC II, can transport 10 armed soldiers and reputedly can be configured for so-called electronic warfare.³

The expansion of defense and security cooperation between the Philippines and China may be attributed to a number of factors, namely: 1) the desire of the Arroyo administration to become less militarily dependent on the United States, especially in the aftermath of strained relations between Manila and Washington in August 2004 following the withdrawal of the Philippine humanitarian contingent from Iraq; 2) China's attempts to take advantage of this opportunity by exploring an expansion of defense ties with the Philippine military even as it also pushed for joint scientific exploration of the South China Sea with the Philippines and Vietnam; and 3) the general improvement in ASEAN-China relations in the context of ASEAN Plus Three and the East Asia Community building projects.

Other areas of cooperation between the Philippines and China include: 1) energy and maritime survey; 2) judicial affairs (e.g. police and extradition treaty); 3) agriculture; 4) consular affairs; 5) air services; and 6) infrastructure development. (See Appendix

³ Noel T. Tarazona, "US, China Vie for Philippine Military Influence," *Asia Times Online*, September 20, 2007, http://www.atimes.com/atimes/Southeast_Asia/H20Ae01.html (accessed November 1, 2007).

at the end of the paper.) A significant number of these agreements were signed since 2001 during the term of President Macapagal Arroyo.

The Rise of China: Implications for Southeast Asia and the Philippines⁴

China's rise has been portrayed in various ways. On one hand, there are those who would like to paint a negative image of China's development as a major power, focusing mainly on its potential in endangering American influence in the region. This zero-sum, realist perspective underscores the "emerging" rivalry between China and the United States. On the other hand, there are those who believe that China should be engaged more positively by highlighting the need to encourage it to become a responsible stakeholder. This section of the paper discusses these two opposing perspectives in the context of Southeast Asia. The discussion will also look into the implications of China's rise for the Philippines.

Endangering American Influence in Southeast Asia?

American security analysts have viewed China's growing influence in Southeast Asia in different ways. One view characterizes it as a zero-sum game where US influence is purportedly being undermined and sees China's emergence as primarily motivated by its attempt at subordinating other states at the regional and global levels. As Dillon and Tkacik argue:

"In the range of issues where US and Chinese interests are opposite...China has been very adept at choosing only those issues where it is confident it can force its Southeast Asian neighbors to side with China and against the United States. *When there is no downside to choosing Beijing in a given policy area and potentially severe consequences to choosing Washington, Southeast Asian countries will understandably go with Beijing.* Washington must consider ways to counter that trend. Otherwise, *Southeast Asia will fall into the habit of siding with China* – even when there is no benefit in doing so.

⁴ The main part of this section of the paper is taken from the author's paper on "China's Development: Implications for Asia Pacific Security" presented in the 19th Asia Pacific Roundtable, May 29-June 1, 2006, Kuala Lumpur, Malaysia.

“The US is passively relinquishing its influence in Southeast Asia to China through its apparent lack of interest in Asian economic, security, and political issues. Recovering from wasted years in which we ignored the warning signs of regional Chinese political clout will require a shift in US policy toward mending tenuous alliances that have been unattended or, in some cases, have grown cold. It is not too late to regain the trust and confidence of Asia and reaffirm our commitment to the security and economic development of the region. But that trust must be earned through a thorough, consistent, and determined foreign policy (italics added).”⁵

From the foregoing, it is clear that: 1) China is portrayed as a greedy power that aims for regional if not world dominance; 2) the legitimacy of major powers' presence (including the US) in the region is better based on fear; and 3) Southeast Asian states' relations with China and the US are “either-or” propositions. This zero-sum view of China's growing influence in the region is certainly flawed because it fails to recognize the priority given by Chinese leaders to domestic concerns (e.g., economic and social development) as well as the internal and external constraints faced by the PRC in pursuing economic modernization. It also fails to consider the fact that China and ASEAN have mutual interests for a stable and peaceful regional environment that would enable them to concentrate on their respective economic development priorities. In fact, with the deepening financial crisis in the United States, which has spilled over into Europe and has already started affecting the economies of East Asia, the ASEAN countries and China even have an even greater reason to pay more attention to their respective domestic economic problems. China is in a good position – together with Japan and South Korea as part of the ASEAN Plus Three framework – to take the lead in helping countries in the region contain the impact of an impending global economic crisis.

The zero-sum perspective also fails to give due credit to the relative autonomy of Southeast Asian states in dealing with China both individually (through bilateral engagement) and as a collective entity (through ASEAN) depending on the nuances of specific issue areas. Indeed, ASEAN states may have been “charmed” by China's more sophisticated diplomacy towards the region, but they certainly have not been

⁵ Dana Dillon and John J. Tkacik Jr., “China's Quest for Asia,” *Policy Review*, no. 134 (December 2005 & January 2006), <http://www.policyreview.org/134/dillon.html> (accessed October 27, 2008).

hypnotized. ASEAN members remain mindful of how they engage China in all dimensions of their complex relations. Variations in the economic and political systems of Southeast Asian states, not to mention their differences in culture and history, also affect their conduct of foreign policy towards China and the United States. More importantly, this view fails to acknowledge the premium that ASEAN states give to stable Sino-American relations based on mutual respect and recognition of their legitimate interests in the region. Indeed, one of the important strategies of ASEAN since its creation is to deny any major power from dominating the region, and this is carried out through the process of dialogue and cooperation.

Furthermore, China's rise seen from a zero-sum perspective could also lead to counterproductive foreign policy prescriptions. As Vaughn and Morrison have pointed out:

“A zero-sum perspective holds the potential to create strategic rivalry as any gain for China, in either economic, diplomatic, or strategic terms, would be viewed as diminishing America’s regional posture. Such a perspective could lead to policies by the United States that China would view as seeking to contain its rise which could lead to more assertive Chinese policies.”⁶

Thus, viewing the rise of China as necessarily undermining American posture in the region would not be helpful in promoting a stable and peaceful environment in East Asia. If anything, this perspective fails to capture the more nuanced, complex and increasingly interdependent relations between the PRC and the United States, even as both powers also have more shared interests in the region.

On the other hand, China's increasing influence in Southeast Asia seen from a positive “expanding sum” perspective presupposes that there is potential for constructive engagement with China that would persuade it to behave in a non-aggressive manner in the region and beyond. Specifically, this view identifies areas of mutual interest for China and the United States in the region such as dealing with transnational security issues (e.g., organized crime, drug smuggling, and counter-terrorism), promoting the

⁶ Bruce Vaughn and Wayne Morrison, *China-Southeast Asia Relations: Trends, Issues, and Implications for the United States*, CRS Report for Congress, April 4, 2006, p. 34.

internal stability of ASEAN states, regional peace, and energy security.⁷

China as a Responsible Stakeholder on the International Stage

Former US Deputy Secretary of State Robert B. Zoellick's statement in New York in 2005 captures a more sober and pragmatic approach towards an emerging China:

“...I have suggested that the US response should be able to foster constructive action by transforming our thirty-year policy of integration: We now need to encourage China to become a responsible stakeholder in the international system. China would be more than just a member – it would work with us to sustain the international system that has enabled its success.”

“Cooperation as stakeholders will not mean the absence of differences – we will have disputes that we need to manage. But the management can take place within a larger framework where parties recognize a shared interest in sustaining political, economic, and security systems that provide common benefits.”⁸

Indeed, the United States and other countries in the region could engage China in a constructive way because it could play a positive role in different issue areas. For one, Beijing plays an important and critical role in the Six-Party Talks in dealing with the North Korean nuclear problem. Secondly, China is also an economic stabilizer that could help cushion the impact of an impending global economic recession that began in the United States following the sub-prime mortgage crisis. This is true not only for the developing countries in the East Asian region but also for the United States given that China is a source of financial credit for the American economy. Specifically, a significant amount of China's huge foreign exchange reserves (1.90 trillion US dollars as of end of September 2008)⁹ is invested in US treasury bonds. China therefore in a way contributed to the 700 billion US dollar bailout package passed by the US Congress to help stabilize the American economy. The contention

⁷ Ibid.

⁸ Robert B. Zoellick, “Whither China: From Membership to Responsibility?” remarks to the National Committee on US-China Relations, New York, September 21, 2005, p. 4, <http://www.state.gov/s/d/rem/53682.htm> (accessed May 4, 2006).

⁹ “China Forex Reserves Exceed 1.9 trillion U.S. Dollars,” Xinhua News Agency, October 14, 2008, Window of China, http://news.xinhuanet.com/english/2008-10/14/content_10193072.htm (accessed October 27, 2008).

that China and the United States are in a “bear hug” relationship is thus valid given that the former needs the latter for its exports and to park its foreign reserves, while the latter needs the former for its imports and borrowings.¹⁰ It is certainly in the interest of China, ASEAN and the rest of the world that the US economy remains healthy and stable.

China may be expected to play a more active role as an economic power in the international arena especially in the face of the ongoing global financial crisis. In the recent Asia Europe Meeting (ASEM) in Beijing, Prime Minister Wen Jiabao called for more regulation in the international financial system and pledged that China will take an active role in the Washington Summit in November 2008. (China apparently supports the initiative of the European Union for a new system of global oversight to regulate international finance.¹¹) The Chinese premier pointed to potentially boosting domestic consumption in China, specifically in the rural areas and less developed western areas of the country.¹² This would ease China’s economic slowdown as a consequence of declines in demand for its exports,¹³ which could then contribute to the overall confidence in the economic stability of the East Asian region. Meanwhile, China along with the other ASEAN Plus Three countries recently renewed its commitment to establishing an 80 billion US dollars emergency fund. The fund would enable countries in the region to cope with the potential liquidity crunch that could spring from the global recession.

Another significant development in China’s rise as a global power is its decision in December 2008 to deploy a naval task force in the Gulf of Aden to ensure maritime safety against piracy in the area, which had increased significantly in the latter part of the year. This was in response to calls made by the UN and other major powers

¹⁰ MR Venkatesh, “How China could Wreck the US Economy,” Rediff News, October 6, 2008, <http://www.rediff.com/money/2008/oct/06bcrisis1.htm> (accessed October 27, 2008).

¹¹ Ian Johnson, “China Backs Europe’s Push for Oversight,” The Wall Street Journal, October 27, 2008, <http://online.wsj.com/article/SB122505550512770021-search.html?KEYWORDS=China&COLLECTION=wsjie/6month> (accessed October 29, 2008).

¹² Pen Shing Hue, “ASEM Calls for New Rules to Guide World Economy,” *The Straits Times*, October 26, 2008, <http://www.asianewsnet.net/news.php?id=2269&sec=1> (accessed October 28, 2008).

¹³ China’s economic growth declined to 9% in the third quarter of 2008, its slowest in five years. See “Global Slowdown Poses Risks to China’s Growth,” The Associated Press, October 26, 2008, *International Herald Tribune*, <http://www.iht.com/articles/ap/2008/10/26/business/AS-China-Economy.php> (accessed October 28, 2008).

to increase joint anti-piracy efforts in the area. While the deployment is aimed at protecting maritime trade, it is nonetheless viewed by many in East Asia as an opportunity for China to pursue greater military cooperation with other trading states that need protection against piracy. As one analyst based in Southeast Asia has pointed out, it is possible that maritime trade protection could be the main driver of Chinese maritime military strategy and naval development.¹⁴

China as an Emerging “Soft Power” in Asia

As a soft power in Asia, China still lags behind the United States in key dimensions. According to the results of a 2008 multinational survey of public opinion conducted by the Chicago Council on Global Affairs, the United States is still highly regarded in Asia across all key areas of soft power attributes (economics, culture, human capital, diplomacy and politics). In fact, the Chinese rate the US very highly on soft power. China, on the other hand, “still has a long way to go” to be fully recognized by the world as “a multifaceted power” and ranks well below the US as a soft power based on opinions of Asians surveyed.¹⁵ Table 2 below shows the “Soft Power Index” of four countries (which includes South Korea) based on the survey.

Table 2: Soft Power Index

Survey countries	U.S. soft power	China soft power	Japan soft power	South Korea soft power
United States	-	47	67	49
China	71	-	62	65
Japan	69	51	-	56
South Korea	72	55	65	-
Indonesia	72	70	72	63
Vietnam	76	74	79	73

Source: “Asia Soft Power Survey 2008,” Chicago Council on Global Affairs, 2008.

Meanwhile, countries in the region view China’s soft power in Asia quite differently. Compared to Japanese and South Koreans, who rated China’s soft power capabilities

¹⁴ Michael Richardson, “China Flexes Naval Muscle,” The Japan Times Online, December 31, 2008, <http://search.japantimes.co.jp/cgi-bin/eo20081231a1.html> (accessed January 17, 2009).

¹⁵ Chicago Council on Global Affairs, “Asia Soft Power Survey 2008 – Soft Power in Asia: Results of a 2008 Multinational Survey of Public Opinion,” p. 2, http://www.thechicagocouncil.org/dynamic_page.php?id=75 (accessed January 17, 2009).

lower, people in Indonesia and Vietnam apparently regard these highly. Table 3 below shows the rating by respondents in Asian countries and the United States of China's soft power attributes across five dimensions.

Table 3: Ratings of China's Soft Power

Survey countries	Economic	Human capital	Cultural	Diplomatic	Political
United States	0.52	0.55	0.56	0.40	0.34
Japan	0.57	0.58	0.57	0.44	0.41
South Korea	0.57	0.64	0.54	0.51	0.48
Indonesia	0.73	0.74	0.62	0.69	0.71
Vietnam	0.70	0.80	0.77	0.67	-

Source: "Asia Soft Power Survey 2008," Chicago Council on Global Affairs, 2008.

Among the other significant findings of the survey related to China's rise were the following: 1) the recognition that China's rise as a power is inevitable is not the same as liking it as far as some countries in the region are concerned; 2) China's rise is far from complete compared to the United States; 3) although economic integration is making progress in the region, there are still concerns over future conflicts, especially those involving China and Japan; 4) strong majorities in some countries are worried that China could become a military threat; and 5) a majority of respondents in the countries surveyed see the continuing presence of the United States as a stabilizing force in the region.¹⁶

China as a Responsible Stakeholder in Human Security Issues

In Southeast Asia, China's role as a responsible power and fair player can only be judged based on its actions (or inactions) on pertinent issues that affect ASEAN states and peoples. On the issue of Myanmar, for example, Beijing could begin to explore playing an active role in breaking the stalemate between the ruling military junta and democratic political forces in that country. Given that the West's policy of diplomatic isolation against the military junta and ASEAN's constructive engagement towards Myanmar have both failed, there is a need for innovative approaches in dealing with the issue in order to bring an end to human suffering in that country. The junta's violent crackdown in September 2007 against unarmed monks and the humanitarian crisis that was aggravated by the junta's initial refusal to accept

¹⁶ Ibid.

international assistance following the devastation brought by cyclone Nargis in May 2008 highlighted once more the Myanmar problem not just for ASEAN but also for the international community. To its credit, China did not oppose the UN Security Council resolution condemning the junta's violent crackdown even as it also called on Myanmar's military leaders to exercise restraint. It even helped facilitate the visit to Myanmar of UN special envoy Ibrahim Gambari to the country following the junta's crackdown in September 2007.¹⁷

Myanmar has become a thorn in the side of ASEAN. With inadequate provisions under the ASEAN Charter to discipline an erring member, the Myanmar issue will continue to undermine ASEAN's credibility as an important player in the region. Alternative approaches in dealing with the problem may require partnerships with other stakeholders such as China and India. Thus, the opportunity for China (and to some extent India too) to exercise moral suasion towards the ruling military junta is there to take advantage of. Although this idea may be a challenging one, China's help in breaking the stalemate on this issue will certainly contribute to further enhancing its positive image in the region. It will also change the perception that China's policy towards Myanmar is guided only by economic and strategic expediency that caters only to its narrow national interest. It must be noted that a precedent has already been set during the Cambodian conflict when China abandoned its support of the Khmer Rouge, which paved the way for a diplomatic solution to the problem. Prior to that, ASEAN's diplomatic initiatives on the Cambodian issue were rendered ineffective without the support of China and other major powers. Thus, it is crucial for ASEAN and China to work together in an effort to find a political solution to the Myanmar problem.

Environmental concerns also have an impact on ASEAN's relations with China. Specifically, the construction of dams upstream on the Mekong River by China is an important issue for ASEAN. The PRC cannot simply continue to ignore the legitimate environmental and economic concerns of downstream countries related to its dam construction project. To demonstrate that it is a responsible stakeholder and a fair player, China must begin to participate in the Mekong River Committee

¹⁷ Jason Quian and Anne Wu, "China's Myanmar Policy Under Scrutiny," *The Korea Times* online, February 17, 2008, http://www.koreatimes.co.kr/www/news/opinon/2008/02/137_19046.html (accessed 28 October 2008).

(MRC), which currently is limited only to four continental Southeast Asian countries (Thailand, Cambodia, Laos and Vietnam). China's decision not to be involved in the MRC apparently stems from its reluctance to give the downstream states a say in its ongoing dam projects upstream. Although China is a member of the Greater Mekong Subregion (GMS), this body does not have a regulatory function that could constrain any member state.¹⁸

China's resource diplomacy in the region is another area of concern. Specifically, the PRC is also known to pursue oil and hydrocarbon exploration in Cambodia¹⁹ and is also reportedly engaged in timber trade that is often in excess of legal limits in Cambodia, Myanmar, and Indonesia.²⁰ China's development assistance to some ASEAN countries are also linked to its resource diplomacy. Some observers have expressed apprehension that Beijing's unconditional and non-transparent aid program negates international efforts in promoting good governance, control of corruption, and even environmental protection.²¹ In 2007, a senior American diplomat criticized China for being a source of corruption in Cambodia, Laos, and Myanmar as it reportedly provided large amounts of money to build infrastructure that are aimed at encouraging Chinese trade and businesses in the region.²²

Good governance in business practices is another area where much concern has been raised by some countries in the region, especially regarding the safety of China's trade products. The recent melamine contamination in Chinese milk and related products widely distributed within China and in Southeast Asia illustrates the fact that there is still much to be desired in the PRC's quality control and adherence to international standards in food safety. This issue no doubt has severely affected the

¹⁸ Vaughn and Morrison, *China-Southeast Asia Relations: Trends, Issues, and Implications for the United States*, p. 30. The GMS was formed in 1992 by the Asian Development Bank and includes Burma, China, Laos, Cambodia, Thailand and Vietnam. The MRC was formed in 1995 but does not include China and Burma.

¹⁹ David Fullbrook, "China's Growing Influence in Cambodia," The Asia Times Online, October 6, 2006, http://www.atimes.com/atimes/Southeast_Asia/HJ06Ae01.html (accessed August 18, 2008).

²⁰ Peter S. Goodman and Peter Finn, "Corruption Stains Timber Trade," Washington Post, April 1, 2007, p. A01, <http://www.washingtonpost.com/wp-dyn/content/article/2007/03/31/AR2007033101287.html> (accessed on August 18, 2008).

²¹ Thomas Lum, Wayne M. Morrison, and Bruce Vaughn, *China's Soft Power in Southeast Asia*, CRS Report for Congress, January 4, 2008, p. 5.

²² "U.S. Diplomat says China's Influence in Southeast Asia is Unproductive," The Associated Press, 27 July 2007, from KI-Media, <http://ki-media.blogspot.com/2007/07/us-diplomat-china-is-source-of.html> (accessed August 18, 2008).

confidence of many Southeast Asian countries on Chinese food products and could impact their trade relations with China. To be fair, the swift action of the Chinese government in dealing with this issue has for now contained to some extent the food safety concerns. Even so, many in the region expect the Chinese government to pursue with more vigilance, enhanced regulation, and greater transparency and accountability of business firms that produce food products for export. Some officials in the United Nations have criticized China's disjointed food-safety system, which delayed its official response to the melamine crisis.²³

Overall, China's policy towards ASEAN ought to be based on mutual and genuine concern for the development of the region and, more importantly, its people. States have a moral responsibility to protect their people from all threats, including those that affect human security. In the end, the security of states depends on ensuring the human security of their people. China must also have a human face in its relations with countries in the region. Thus, it must not only rise as an economic and political power, but also as a moral power able to exercise its role as a responsible stakeholder in the community of nations.

Philippine Public's Attitudes and Responses to China's Rise

In general, Filipinos have a positive attitude towards China's rise and, together with Japan and the United States, expect it to behave responsibly as a major power. This is evident in the results of the survey conducted by the Chicago Council on Global Affairs' World Public Opinion in 2007. Specifically, the survey reported the following with regard to the perception of the Philippine public on the rise of China, as well as towards Japan and the United States:²⁴

- 1) 57% say they trust China to act responsibly in the world. *That's fewer than trust Japan (67%) and far fewer than trust the US (85%)* (italics added)
- 2) *Majorities are confident that China, Japan and the United States will act responsibly*

²³ Gordon Fairclough, "U.N. Criticizes China on Food Safety," October 23, 2008, *The Wall Street Journal*, <http://online.wsj.com/article/SB122470185058359197-search.html?KEYWORDS=China&COLLECTION=wsjie/6month> (accessed October 29, 2008).

²⁴ Chicago Council on Global Affairs, *World Public Opinion 2007: Globalization and Trade, Climate Change, Genocide and Darfur, Future of the United Nations, US Leadership, Rise of China* (Philippines: Country Highlights), p. 79.

in the world (italics added)

- 3) Filipinos—unlike most other publics—do not believe that China’s economy will catch up with the US economy.
- 4) Only 38% of Filipinos believe that China will catch up with the US economically, while a plurality (42%) believes that the US economy will always be larger than China’s.
- 5) Most Filipinos say that it would be equally positive and negative (42%) or mostly positive (26%) if China [was] to catch up with the United States. Just 17% say it would be mostly negative.

It is clear from the above that Filipinos still have a very strong affinity for the United States compared to China and Japan, owing perhaps to the strong cultural ties between the two countries. However, it is also significant to note that a good majority of Filipinos trusts China to act responsibly as a major power.

Notwithstanding the dramatic improvement in bilateral relations between the two countries, this has been overshadowed since 2007 by a number of political controversies in the Philippines involving Chinese investments. This could very well affect the general public’s otherwise positive attitude towards China. Much of this springs from allegations of corruption involving Philippine government officials and Chinese companies, such as those related to the ZTE national broadband and North Rail rehabilitation projects. In particular, the negative publicity generated by the ZTE controversy forced the government to cancel the deal even as it also contributed to the further erosion of President Arroyo’s already quite dismal popularity rating. Early in October 2008, opposition groups led by the son of former House Speaker Jose De Venecia filed another impeachment complaint (the fourth since 2005) against President Arroyo partly in connection with the aborted ZTE deal. The elder De Venecia – erstwhile strong ally of President Arroyo – was ousted as House Speaker early in 2008 following his son being exposed in an alleged bribery scandal in the ZTE deal. His son’s company was a losing bidder in the national broadband project.

Meanwhile, the North Rail rehabilitation project, funded by the Import-Export Bank

of China worth 500 million US dollars, which was reportedly engineered by the elder De Venecia while he was still House speaker, was allegedly overpriced, was not submitted for public bidding, and did not comply with government rules.²⁵ These cases no doubt illustrate that China's foreign direct investments and financial assistance have become a major source of corruption in the Philippines. Unlike investments and assistance from more developed countries and multilateral institutions that conform to accountability measures, those from China come with no preconditions, with low interest rates, and long repayment periods. Together with Chinese attitudes on financial accountability, they have become a potent mix for corrupt practices in government, which is not only true in the Philippines but also in other developing countries in Southeast Asia.²⁶

China's rise as a regional and potentially even a global power is basically viewed by foreign policy elites in the Philippines as inevitable in the long run. To the extent that such a development would contribute to regional peace and stability is very much desired by many Filipinos. Therefore, it is important for the Philippines to continue to engage China in all spheres of relations and through various regional and multilateral avenues, as well as from the usual bilateral framework.

At the regional level, the Philippines may be expected to continue supporting the ASEAN Plus Three (APT) and the East Asia Summit (EAS) as the main vehicles for continuing engagement with China, as well as in the building of an East Asian Community. Through the APT, the EAC and EAS, as well as the ASEAN Regional Forum (ARF), the Philippines expects China and Japan to continue building trust and confidence towards each other, even as they try to manage their bilateral relations. Along with other ASEAN states, the Philippines does not feel comfortable with Sino-Japanese rivalry in the region, which springs occasionally from extreme feelings of nationalism on both sides. Even so, it expects both powers to be responsible stakeholders in dealing with many unresolved issues, including territorial disputes and problems related to history. Regional frameworks for cooperation, such as the

²⁵ "North Rail Project Faltering Due to Non-Compliance with Rules – Pimentel," Press Release, July 14, 2008, Senate of the Philippines, 14th Congress, http://www.senate.gov.ph/press_release/2008/0714_pimentel1.asp (accessed October 27, 2008).

²⁶ See Aries Rufo, "Chinese Money Meets Filipino Politics," Asia Sentinel Consulting, October 11, 2007, http://www.asiasentinel.com/index.php?Itemid=31&id=758&option=com_content&task=view (accessed October 27, 2008).

APT, EAC and EAS, should not be used by any power in the region either to isolate or exclude any external actor like the United States, or to hedge against any regional power.

While the Philippines would like to underscore the importance of the above regional multilateral frameworks, it cannot be denied that they nonetheless remain limited in addressing the still unresolved territorial disputes between China and its neighbors including the Philippines and Japan. Would the rise of China as an economic and military power in the region mean that it would continue to be assertive of its sovereignty over these disputed territories? Or would it become more flexible and likely to employ its soft power in dealing with such issues, and comply with international laws in settling territorial disputes? On the other hand, would the Philippines and Japan hedge against China and depend on their bilateral security alliance with the United States, if push comes to shove, so to speak? These are questions that remain up in the air for now because one still uncertain about how China would turn out to be: as an assertive and revisionist power that is narrowly concerned about its national security interests; or one that is a responsible stakeholder that abides by international norms, with genuine interests in human security concerns, and a credible moral leader that uses its soft power to promote good governance and rule of law.

Summary and Conclusion

The rise of China has been the subject of much speculation among scholars and policymakers in the region. There are optimists and pessimists who focus on the benefits and costs of China's development, respectively. There are also cautious optimists who recognize both the positive and negative effects of China's rise as a regional power but remain uncertain about prospects for stable peace in this part of the world. All these speculations, however, are based on certain assumptions about what China's strategic and practical interests are in the near- and long-term. On one hand, it could be argued that China's rise may be viewed as a zero-sum game, especially for the United States, if one assumes that Chinese leaders are consciously and deliberately building their country's economic and military capabilities to "take over the world," so to speak, at the expense of others' interests. On the other hand, an "expanding sum" perspective is based on a benign assumption that China's interests converge with those of other states – big or small – and its potential for aggressive

behavior could somehow be constrained by its increasing interdependence with the rest of the world as well as the balancing or hedging strategies of other states with which it interacts.

For the Philippines and other ASEAN states, the rise of China as a responsible stakeholder should be encouraged. There is reason to believe that, in the long run, the continued economic development of China would inevitably create more political spaces for its citizens to become more active participants in decision-making processes. It is not hard to imagine the rise of a democratic China that may not necessarily be following the Western liberal model of democracy. Ultimately, the more critical factor that should accompany the rise of China is its firm commitment to good governance principles within its borders, which includes the rule of law. This has become even more important in the face of recent international concerns about the quality and safety of Chinese products, as well as business practices of Chinese companies and foreign direct investments in the region that have been mired in allegations of corruption.

APPENDIX: BILATERAL AGREEMENTS BETWEEN THE PHILIPPINES AND CHINA, 1975-2007²⁷

Political

- Joint Communiqué of the Government of the Philippines and the Government of the People’s Republic of China. Signed in Beijing on June 9, 1975.
- Joint Statement between the Government of the Republic of the Philippines and the Government of the People’s Republic of China on the Framework of Bilateral Cooperation in the Twenty-First Century. Signed in Beijing on May 16, 2000.
- Memorandum of Understanding between the Philippine Council of Young Political Leaders (PCYPL) Foundation, Inc. and Chinese Association for International Understanding (CAFIU). Signed in Beijing on July 5, 2005.

Defense

- Agreement Between the Department of National Defense of the Republic of the Philippines and the Ministry of National Defense of the People’s Republic of China on the Establishment of the Offices of the Defense and Armed Forces Attachés. Signed in Beijing on July 29, 1996.
- Agreement between the Government of the Republic of the Philippines and the Government of the People’s Republic of China on the Utilization of the Military Engineering Equipment Assistance Loan Provided by China to the Philippines. Signed in Beijing on July 29, 1996.
- Memorandum of Understanding on Defense Cooperation between the Department of National Defense of the Republic of the Philippines and the Ministry of National Defense of the People’s Republic of China. Signed in Beijing on November 8, 2004.
- Agreement between the Department of National Defense of the Republic of the Philippines and the Ministry of National Defense of the People’s Republic of China on China’s Provision of Military Aid Gratis to the Philippines. Signed in Beijing on November 8, 2004.

²⁷ From “Philippines-China Relations, List of Philippines-China Bilateral Agreements, 1975-2007,” <http://www.philembassy-china.org/relations/agreements.html>. Accessed on November 1, 2007.

- Agreement between the Department of National Defense of the Republic of the Philippines and the Ministry of National Defense of the People's Republic of China on China's Provision of Military Aid Gratis to the Philippines. Signed in Beijing on October 10, 2006.

Transnational Crimes

- Memorandum of Understanding between the Government of the Republic of the Philippines and the Government of the People's Republic of China on Cooperation against Illicit Traffic and Abuse of Narcotic Drugs, Psychotropic Substances and Precursor Chemicals. Signed in Beijing in October 2001.
- Memorandum of Understanding between the Government of the Republic of the Philippines and the Government of the People's Republic of China on Cooperation in Combating Transnational Crime. Signed in Beijing in October 2001.

Judicial

- Agreement on Cooperation Between the National Prosecution Service of the Department of Justice of the Republic of the Philippines and the Supreme People's Procuratorate of the People's Republic of China. Signed in Beijing in October 2000.
- Treaty on Extradition between the Republic of the Philippines and the People's Republic of China. Signed on October 30, 2001.

Energy Cooperation

- Letter of Intent between the Philippine National Oil CO. Exploration Corp. and the China National Offshore Oil Corp. (CNOOC). November 10, 2003.
- An Agreement for Joint Marine Seismic Undertaking on Certain Areas in the South China Sea By and Between Philippine National Oil Company and China National Offshore Oil Corporation. Signed in Beijing on September 1, 2004.
- An Agreement for Joint Marine Seismic Survey in certain areas in the South China Sea by the Philippine National Oil Company (PNOC), the China National Offshore Oil Company (CNOOC), and the Vietnam Oil and Gas Corporation (PETROVIETNAM). Signed on March 14, 2005.

Trade/ Investments/ Finance

- Trade Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Beijing on June 9, 1975.
- Agreement on Long-Term Trade between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Beijing on July 8, 1979.
- Agreement between the Republic of the Philippines and People's Republic of China Concerning the Encouragement and Reciprocal Protection of Investments. Signed in Manila, July 20, 1992.
- Agreement Between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income. Signed in Beijing on November 18, 1999.
- Memorandum of Understanding between Bangko Sentral ng Pilipinas and the People's Bank of China on the establishment of Banking Institutions in each other's territories. Signed on May 17, 2000.
- Cooperation Agreement between the Philippine Chamber of Commerce and Industry (PCCI) and China Council for the Promotion of International Trade (CCPIT). Signed in October 2001.
- Bilateral Swap Agreement between Bangko Sentral ng Pilipinas and the People's Bank of China. Signed in Manila on August 30, 2003.
- Memorandum of Understanding on Mining Cooperation between the Department of Trade and Industry (DTI) and China's Ministry of Commerce (MOFCOM). Signed in January 18, 2005.
- Memorandum of Understanding between the Government of the Philippines and the Government of the People's Republic of China on the Promotion of Trade and Investment Cooperation. Signed in Manila on April 27, 2005.
- Agreement on Economic and Technical Cooperation between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Manila on April 27, 2005.
- Memorandum of Understanding between the Government of the Republic of the Philippines and the Government of the People's Republic of China on the Early Harvest Program under the Framework Agreement on Comprehensive Economic Cooperation between the Association of South East Asian Nations

and the People's Republic of China. Signed in Manila on April 27, 2005.

- Framework Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China on Provision of Concessional Loan by China to the Philippines. Signed in Manila on April 27, 2005.
- Framework Agreement on Expanding and Deepening Bilateral Economic and Trade Cooperation between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Manila on January 15, 2007.
- Memorandum of Understanding between the National Economic and Development Authority and the Department of Trade and Industry of the Republic of the Philippines and the Ministry of Commerce of the People's Republic of China on Establishing the Economic Working Group. Signed in Manila on January 15, 2007.
- Memorandum of Understanding between China Export & Credit Insurance Corporation and Philippine Government Agencies. Signed in Manila on January 15, 2007.
- Agreement on Economic and Technical Cooperation between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Manila on January 15, 2007.
- Framework Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China on Provision of Concessional Loan by China to the Philippines. Signed in Manila on January 15, 2007.
- Memorandum of Understanding between the Department of Trade and Industry of the Republic of the Philippines and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China on Cooperation on Industrial Products Safety and TBT Measures. Signed in Manila on January 15, 2007.
- Memorandum of Understanding regarding the Utilization of US\$500 million Preferential Buyer's Credit Between the Department of Finance of the Republic of the Philippines and the Export-Import Bank of China. Signed in Manila on January 15, 2007.

Agriculture

- Agreement on the Cooperation in the Field of Agriculture and other Related Areas Between the Government of the Republic of the Philippines and the Government of the People’s Republic of China. Signed in Beijing, November 18, 1978.
- Memorandum of Understanding on Scientific and Technical Cooperation in Agriculture. Signed in Beijing on April 24, 1990.
- Memorandum of Understanding on Cooperation in Hybrid Rice Technology. Signed on July 13, 1999.
- Agreement on Cooperation in Agriculture and Related Fields. Signed on September 13, 1999.
- Understanding on the Cooperation in the Fields of Agriculture, Irrigation and Other Related Areas between the Government of the Republic of the Philippines and the Government of the People’s Republic of China. Signed on May 16, 2000.
- Agreement between the Department of Finance and the China National Construction and Agricultural Machinery Import and Export Corporation on a US\$100 million credit facility to finance agricultural development projects in the Philippines. Signed on December 20, 2000.
- Memorandum of Understanding between the Department of Agriculture of the Republic of the Philippines and the Ministry of Agriculture of the People’s Republic of China on Fisheries Cooperation. Signed in Beijing on September 1, 2004.
- Memorandum of Understanding on the Special Treatment for Rice between the Governments of the People’s Republic of China and the Republic of the Philippines. Signed in Manila on April 27, 2005.
- Memorandum of Understanding on Expanding and Deepening Agriculture and Fisheries Cooperation. Signed in Manila on January 15, 2007.
- Memorandum of Understanding between the Department of Agriculture of the Republic of the Philippines and the General Administration of Quality Supervision, Inspection, and Quarantine of the People’s Republic of China in the field of Sanitary and Phytosanitary Measures. Signed in Manila on January 15, 2007.
- Agreement on the Development of 1 million Hectares of Land for Hybrid Corn,

Hybrid Rice and Hybrid Sorghum Farming. Signed in Manila on January 15, 2007.

- Agreement on the Leasing of 40,000 Hectares of Agri-Business Lands for Sugarcane and Cassava Plantation. Signed in Manila on January 15, 2007.
- Agreement on the Provision of a 5,000-Square Meter Space for Philippine Tropical Fruits in the Jiangnan Fruit and Vegetable Wholesale Market. Signed in Manila on January 15, 2007.
- Agreement for the Establishment of a 150,000 Liter Per Day-Capacity Bio-Ethanol Plant in Palawan. Signed in Manila on January 15, 2007.
- Joint Venture Agreement for the Manufacture of Bio-Ethanol (BMSB). Signed in Manila on January 15, 2007.
- Joint Venture Agreement for the Manufacture of Bio-Ethanol (Negros Southern). Signed in Manila on January 15, 2007.
- Joint Venture Agreement for the Establishment of a 150,000 Liter per Day-Capacity Bio-Ethanol Plant. Signed in Manila on January 15, 2007.
- Memorandum of Agreement on the Provision of Small Mobile Ice Plant and Transport Facilities to Municipal Fishery Cooperatives and Associations. Signed in Manila on January 16, 2007.
- Memorandum of Agreement on the Establishment of a 35-Hectare Demonstration Farm for Sweet Corn. Signed in Manila on January 16, 2007.
- Memorandum of Agreement on the Construction of Ship Yard, Establishment of a Cold Storage Facility and Upgrading/Rehabilitation of Certain Facilities at the Navotas Fish Port Complex (NFPC). Signed in Manila on January 16, 2007.
- Agreement on the Development of Candaba Swamp Resource Project as a Source of Water for Irrigation. Signed in Manila on January 16, 2007.
- Memorandum of Agreement on Cooperation By and Between the Bureau of Fisheries and Aquatic Resources (BFAR) and Guandong Ocean Fisheries Administration (GDOFA). Signed in Manila on January 16, 2007.
- Memorandum of Agreement on the Breeding and Culture of Grouper and Other High Value Species. Signed in Manila on January 16, 2007.
- Joint Venture Agreement on Fisheries. Signed in Manila on January 16, 2007.
- Agreement on Breeding and Culture of Abalone, Sea Cucumbers, Sea Urchins and Scallops. Signed in Manila on January 16, 2007.

Consular

- Visa Agreement allowing Filipino diplomatic and consular personnel to receive multiple-entry entry visas from the Chinese Government for a maximum validity period of five years. Signed on July 3, 2002 and entered into force on 19 December 2002.
- Agreement Between the Government of the Republic of the Philippines and the Government of the People's Republic of China on Mutual Visa Exemption for Holders of Diplomatic and Official (Service) Passports. Signed in Beijing on September 1, 2004.

Air Services

- Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China Relating to Civil Air Transport. Signed in Beijing on July 8, 1979 and took effect upon its signing.
- Memorandum of Understanding on air services. Signed in Beijing on March 2, 2004.

Infrastructure

- Memorandum of Understanding Between the Philippine National Railways and China National Technical Import Export Corporation and China National Machinery and Import & Export Corp. Signed in Manila on November 15, 2002.
- Memorandum of Understanding Regarding the Utilization of the US\$400 million Preferential Buyer's Credit from China to the Philippines between the Export-Import Bank of China and the Department of Finance of the Philippines. Signed in Manila on August 30, 2003.
- Supplemental Memorandum of Understanding between North Luzon Railways Corporation and China National Machinery and Equipment Corporation (Group). Signed in Beijing on September 1, 2004.
- Memorandum of Understanding between the Department of Trade and Industry of the Republic of the Philippines and the Ministry of Commerce of the People's Republic of China on Infrastructure Cooperation. Signed in Manila on April 27,

2005.

- Memorandum of Understanding Regarding the Utilization of US\$500 Million Preferential Buyer's Credit from the Government of the People's Republic of China to the Government of the Republic of the Philippines between the Export-Import Bank of China and the Department of Finance of the Republic of the Philippines. Signed in Manila on April 27, 2005.
- Loan Agreement on the Provision of US\$500 million Preferential Buyer's Credit Loan for the Northrail Project Phase 1, Section 2. Signed in Manila on January 15, 2007.
- Concessional Loan Agreement on Non-Intrusive Container Inspection System Project Phase 2. Signed in Manila on January 15, 2007.
- Contract Agreement between North Luzon Railways Corporation and China National Machinery Industry Corporation for the Northrail Project Phase 1, Section 2. Signed in Manila on April 15, 2007. (Originally signed in Beijing on November 15, 2006.)
- Engineering, Procurement and Construction Contract for the Rehabilitation and Upgrading of the Philippine Mainline South Railway Project Phase 1, Section 1. Signed in Manila on January 15, 2007. (Originally signed in Manila on December 5, 2006.)

Tourism

- Memorandum of Understanding on Tourism Cooperation between the Department of Tourism of the Republic of the Philippines and the National Tourism Administration of the People's Republic of China. Signed in Manila on April 21, 1989.
- Agreement on Tourism Cooperation between the Republic of the Philippines and the People's Republic of China. Signed in Beijing on May 10, 1990.
- Memorandum of Understanding concerning Tourism Cooperation. Signed in Beijing on September 11, 2002.
- Implementation Program of the Memorandum on Tourism Cooperation between the Department of Tourism and the China National Tourism Administration. Signed in Beijing on September 1, 2004.

Scientific and Technical

- Agreement on Scientific and Technical Cooperation between the Republic of the Philippines and the People’s Republic of China. Signed in Manila, March 14, 1978.

Maritime

- Memorandum of Understanding between the Department of Transportation and Communications of the Republic of the Philippines and the Ministry of Communications of the People’s Republic of China on Maritime Cooperation. Signed in Manila on April 27, 2005.

Cultural

- Cultural Agreement between the Government of the Republic of the Philippines and the Government of the People’s Republic of China. Signed in Beijing on July 8, 1979 and took effect upon its signing.
- Agreement on the Protection of Cultural Heritage. Signed in Manila on January 15, 2007.
- Agreement on the Prevention of Theft, Clandestine Excavation, Illicit Import and Export of Cultural Property between the Republic of the Philippines and the Government of the People’s Republic of China. Signed in Manila on January 15, 2007.

Sports

- Memorandum of Understanding on Sports Cooperation. Signed in October 2001.
- Supplemental Memorandum of Understanding between the Philippine Sports Commission and the General Administration of Sports of the People’s Republic of China. Signed on April 8, 2005.

Youth

- Agreement between the National Youth Commission of the Republic of the Philippines and the All-China Youth Federation of the People's Republic of China on Youth Affairs Cooperation. Signed in Manila on April 27, 2005.
- Memorandum of Understanding on Further Development of Sino-Filipino Youth Exchange between the All-China Youth Federation and the National Youth Commission of the Philippines. Signed in Beijing on July 13, 2005.

Communications

- Postal Parcels Agreement between the Bureau of Posts of the Republic of the Philippines and the Directorate General of Posts of the Ministry of Posts and Telecommunications of the People's Republic of China. Signed in Beijing on November 18, 1978.

Media and Information

- Letter of Intent on Friendly Exchanges and Cooperation between the Office of the Press Secretary of the Republic of the Philippines and the State Council Information Office of the People's Republic of China. Signed in Beijing on September 3, 2004.